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

AUDIT YEAR 2017-18

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
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
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
MD	Managing Director
MFDAC	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
NAVTTC	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

TVO	Trust for Voluntary Organization
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(2) 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 2016-17. 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 2017-18 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: (Javaid Jehangir)

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. The main products of this office are the Certification Audit Reports of Federal Government, Foreign Aided Projects Reports, Performance Audit Reports, Special Audit Reports and Compliance with Authority Audit Report. 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 the transactions relating to the Federal Consolidated Fund and Public Account of the Federal Government. The DGA (FG) has human resource of 136 officers and staff with 33,456 person days. The annual budget allocated to Directorate General for the year 2017-18 amounted to Rs. 192 million.

a. Audit Objective

The audit was conducted to review:

i. The financial systems and transactions, including an evaluation of compliance with applicable statutes and regulations.

ii. 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.

iii. That rules and procedures were properly implemented.

iv. The assessment, collection and allocation of revenues were done in accordance with the law.

b. Scope of Audit

The scope of audit was to cover all Federal Government entities where operations are material in the context of the Financial Statements of the Federation.

The audit was primarily conducted for the financial year 2016-17, 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 2016-17 was Rs. 18,867,029 million. The auditable expenditure under the jurisdiction of Directorate General Audit (Federal Government) was Rs. 1,301,251 million covering 60 PAOs and 2,796 formations. DGA (FG) audited an expenditure of Rs. 354,024 million, which in terms of percentage was 27% of the auditable expenditure. DGA (FG) also certified accounts of 26 Foreign Aided Projects (FAP), 4 accounts of the Federal Government and 4 Special Audits.

c. Audit Methodology

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 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. Payments were validated by proper supporting documents and approval of competent authority. Expenditure was incurred in accordance with the approved budget.

d. Audit Recovery

An amount of Rs. 69,394.87 million was recovered at the instance of the audit and deposited into the Federal Consolidated Fund.

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 Units 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 2016-17, it was noticed that the internal audit Units were non-existent. Considerable instances of internal control failures were also noted, which resulted in waste or theft of Government money. Audit has identified certain issues where Government suffered loss due to weak internal controls and non-functioning of internal audit units.

f. The key audit findings of the report

i. There was 1 case of embezzlement of public money and fictitious payments amounting to Rs. 24.102 million[1].

ii. There were 82 cases of irregular expenditure/payments and violation of rules amounting to Rs. 24,752.603 million[2].

iii. There were 65 cases of recovery amounting to Rs. 9,120.688 million[3].

iv. There were 3 instances of irregularity pertaining to non-production of record amounting to Rs. 3,183.863 million[4].

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[1] Para No. 16.4.52

[2] Para No. 2.4.1, 3.4.1, 3.4.2, 4.4.1, 4.4.2, 4.4.4, 4.4.7, 4.4.8, 7.4.1, 9.4.1, 10.4.3, 10.4.4, 11.4.1, 12.4.2, 12.4.4, 12.4.5, 12.4.6, 12.4.8, 13.4.1, 14.4.5, 14.4.6, 14.4.8, 14.4.9, 15.4.8, 16.4., 16.4.3, 16.4.4, 16.4.10, 6.4.11, 16.4.12, 16.4.31, 16.4.32, 16.4.36, 16.4.45, 16.4.46, 16.4.47, 16.4.48, 16.4.49, 16.4.60, 16.4.63, 16.4.65, 16.4.70, 17.4.2, 18.4.2, 18.4.4, 18.4.5, 18.4.7, 19.4.3, 19.4.5, 19.4.6, 19.4.8, 19.4.9, 19.4.11, 20.4.3, 20.4.4, 20.4.6, 20.4.17, 20.4.18, 20.4.21, 20.4.22, 20.4.24, 20.4.29, 20.4.33, 20.4.35, 20.4.36, 20.4.37, 20.4.38, 20.4.41, 22.4.2, 22.4.3, 22.4.9, 22.4.11, 23.4.1, 23.4.3, 24.4.1, 25.4.2, 25.4.3, 25.4.4, 27.4.1, 27.4.2, 28.4.2

[3] Para No. 6.4.1, 6.4.3, 6.4.4, 6.4.5, 8.4.1, 8.4.3, 8.4.4, 10.4.2, 12.4.7, 14.4.3, 14.4.4, 14.4.7, 15.4.8, 15.4.9, 16.4.7, 16.4.8, 16.4.9, 16.4.10, 16.4.16, 16.4.18, 16.4.19, 16.4.20, 16.4.21, 16.4.22, 16.4.31, 16.4.32, 16.4.35, 16.4.37, 16.4.52, 16.4.55, 16.4.56, 16.4.57, 16.4.58, 16.4.65, 16.4.69, 16.4.70, 16.4.71, 16.4.72, 17.4.1, 18.4.6, 19.4.2, 19.4.4, 19.4.7, 20.4.7, 20.4.9, 20.4.11, 20.4.12, 20.4.13, 20.4.15, 20.4.20, 20.4.25, 20.4.28, 20.4.44, 20.4.45, 22.4.6, 22.4.7, 22.4.8, 22.4.9, 22.4.11, 23.4.2, 25.4.1, 25.4.5, 26.4.1, 26.4.2, 26.4.3

[4] Para No. 15.4.1, 15.4.2, 29.4.1

v. There were 39 cases of weak internal controls amounting to Rs. 5,775,051.527 million[5].

vi. There were 26 cases pertaining to weak financial management amounting to Rs. 5,770,097.852 million and 22 cases related to unsound asset management amounting to Rs. 1,340.120 million.

vii. Audit paras for the Audit Year 2017-18 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 cases of embezzlement of public money and fictitious payments may be sent to the investigation agencies.

ii. All payments may be made in accordance with the applicable rules and regulations.

iii. Government receipts and unspent balances may be deposited immediately into the Government Treasury.

iv. All auditable record may be produced when demanded.

v. Internal control system may be strengthened to mitigate the risk.

vi. All assets may be recorded in the stock register and physical verification should be carried out annually.

[5] Para No. 1.1.1, 1.1.2, 1.1.3, 1.1.4, 1.1.5, 4.4.3, 4.4.5, 5.4.1, 6.4.2, 8.4.2, 10.4.1, 12.4.3, 12.4.7, 14.4.1, 14.4.2, 14.4.3, 15.4.6, 15.4.7, 16.4.5, 16.4.6, 16.4.9, 16.4.14, 16.4.15, 16.4.23, 16.4.35, 16.4.60, 16.4.61, 16.4.62, 16.4.64, 16.4.71, 16.4.74, 16.4.75, 18.4.1, 19.4.1, 20.4.5 , 20.4.8 , 20.4.10 , 20.4.14 , 20.4.16 , 20.4.19 , 20.4.20 , 20.4.39 , 20.4.40 , , 20.4.42 , 22.4.1, 2.4.4, 22.4.5

SUMMARY TABLES & CHARTS

SUMMARY TABLES & CHARTS

I. Audit Work Statistics

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

Sr. No.	Description	No.	Amount
1.	Total Entities (Ministries / PAOs) in Audit Jurisdiction	60	1,301,251
2.	Total formations in audit jurisdiction	2,796	
3.	PAO's Planned	52	332,093
4.	Formations Planned	283	
5.	Total Entities (Ministries / PAOs) Audited	44	354,024
6.	Total formations Audited	196	
7.	Audit & Inspection Reports	196	
8.	Special Audit Reports	4	6,079
9.	Performance Audit Reports	2	18,224
10.	FAP Reports	26	23,337
11.	Certification Audit Reports of FG and SAEs	4	18,867,029

** 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	1,340.120
2.	Weak financial management	5,770,097.852
3.	Weak internal controls relating to financial management	30,811.848
4.	Others	10,218.424
	`Total	**5,812,468.244**

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	28,937	16,576	16,299	1,239,439	1,301,251	1,737,522
2.	Monetary Value of Audit Observations	1,242	3,304	6,353	5,801,568	5,812,468	3,120,803
3.	Recoveries pointed out at the instance of audit	19.767	52.257	5,460.705	3,587.959	9,120.688	14,041
4.	Recoveries established at the instance of audit	19.767	52.257	5,460.705	3,587.959	9,120.688	14,041
5.	Recoveries realized at the instance of audit	-	-	67,000	2,394.87	69,394.87	660.539

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.	24,752.603
2.	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	24.105
3.	Weaknesses of internal control systems.	5,775,051.527
4.	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public monies.	9,120.688
5.	Non-Production of record.	3,183.863
6.	Others, including cases of accidents, negligence etc.	335.458

V. Cost-Benefit

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

Sr. No.	Description	2017-18	2016-17
1.	Outlays Audited	1,301,251	1,737,522.337
2.	Expenditure on Audit	192	194.165
3.	Recoveries made at the instance of audit	69,394.87	660.539
	Cost-Benefit Ratio	**361.43**	**3.40**

CHAPTER 1

1. PUBLIC FINANCIAL MANAGEMENT ISSUES

1.1 ACCOUNTANT GENERAL PAKISTAN REVENUES

1.1.1 Supplementary Grants remained not printed –Rs. 3,890,171 million

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

It was observed that Supplementary Grants of Rs. 3,890,171 million remained not printed which is 92% of the total Supplementary Grants. Details are as under:

(Rupees)

S. No.	Remarks	Amount
1.	Total Supplementary Grants as per Manuscript of Appropriation Accounts for 2016-17	4,200,621,846,000
2.	Supplementary Grants printed in Supplementary Schedule of Authorized Expenditure	310,451,112,000
3.	Supplementary Grants not printed in Supplementary Schedule of Authorized Expenditure	**3,890,170,734,000**

Implication:

Audit is of the view that it was the responsibility of Ministry of Finance to make necessary arrangements and take appropriate measures for placing all Supplementary Grants before the National Assembly for authentication/approval but it was not done. Thus, a large amount of Supplementary Grants remained unpresented/not tabled before the National Assembly for approval and authentication.

Management Response:

It was replied by Ministry of Finance that all Ministries/Divisions 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 that all Supplementary Grants may be presented to the National Assembly for true and fair picture of the financial statements of the Federation.

1.1.2 Irregular excess expenditure - Rs. 1,736,743.394 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. In order 'to maintain a proper control, he should arrange to be kept informed, not only of what has actually been spent from an appropriation but also what commitments and liabilities have been and will be incurred against it. He must be in a position to assume before Government and the Public Accounts Committee, if necessary, complete responsibility for departmental expenditure and to explain or justify any instance of excess or financial irregularity That may be brought to notice as a result of audit scrutiny or otherwise.

It was observed the Ministries/Divisions incurred expenditure under the following object-heads in excess of Final Grants and without obtaining Supplementary Grants. AGPR was not authorized to allow expenditure over and above the Final Grants in the absence of Supplementary Grants. Details are as under:

(Rs. in million)

Object Head	Description	Current	Development	Charged
A01	Employee related expenses	11,317.231	339.383	24.820
A03	Operating expenses	12.926	3,118.553	3,151.422
A04	Employees retirement benefits	18,804.398	0	0
A05	Grants Subsidies and write off loans	419.968	0.002	0
A06	Transfer Payments	0.987	0.006	0
A07	Interest Payment	0	0	17,773.367
A08	Loans and advances	0	108,807.088	0
A09	Physical Assets	267.622	0	0
A10	Principal Repayments of Loans	0	0	1,572,682.365
A12	Civil Works	0	14.282	0
A13	Repair & Maintenance	8.978	0	0
Total	**Sub-totals**	**30,832.11**	**112,279.314**	**1,593,631.974**
			G. Total	**1,736,743.394**

Implication:

Audit is of the view that controls were not exercised to check incurring of excess expenditure over and above Final Grants.

Management Reply:

Budget check is not applied on the Pay and Allowances of the employees. Payments were made by SBP, Karachi on account of locking of exchange rate but Supplementary Grant was not obtained. Excess in Development Expenditure of FATA occurred due to one line budget. Despite budget check, SAP system allowed excess payments. Excess in pension occurred due to less budget provision. Agency Accounts Offices made payments through off cycle procedure for which budget check is not applied. Payments were also made directly by donors without involvement of AGPR. Excess payments were also reported by MAG through Exchange Account.

Audit Comments:

Audit recommends that Accounting Office may take appropriate measures to apply due checks on budget to avoid excess expenditure.

1.1.3 Non-surrendering of savings resulting in lapse of funds - Rs. 109,526.217 million

Para 95 of GFR Vol-I states that all anticipated savings should be surrendered to Government immediately they are 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 30th June of each year.

It was observed that there were savings of Rs. 109,526.217 million under Current and Development Grants of different Ministries/Divisions. The PAOs were required to surrender these savings in time to avoid lapse of funds but it was not done. A summary is given below:

(Rupees)

S. No.	Type of budget	Total Grants	No. of Grants where savings noted	Final Grant	Actual Expenditure	Amount (lapsed)
1.	Current	105	74	241,817,415,165	231,045,879,972	10,771,535,193
2.	Development	42	29	238,505,020,165	139,750,338,340	98,754,681,825
	Total	**147**	**103**	**480,322,435,330**	**370,796,218,312**	**109,526,217,018**

Implication:

Audit is of the view that;

i. Non-surrendering of savings resulted in lapse of funds

ii. These funds were not utilized by the Ministries/Divisions themselves and could have been utilized by other Ministries/Divisions.

iii. This substantial lapse indicated that internal controls were not exercised to watch the flow of expenditure in various Ministries/Divisions.

Management Response:

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

Audit comments:

Audit recommends that CGA may take up the issue with Finance Division for timely surrendering of savings by the relevant Ministries/Division as required under the rules.

1.1.4 Non-adjustment of advance payments by Pakistan Bureau of Statistics - Rs. 16,548.822 million

Para 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.

During Certification Audit it was observed that the advance payments were drawn by Pakistan Bureau of Statistics (PBS), Islamabad under the following object-heads during the financial year but no adjustments were provided by PBS to AGPR, Islamabad till November, 2017:

(Rupees)

S. No	Description	Object-head	Amount
1.	Hiring of vehicles	A03904	5,632,761,500
2.	Payments to Government Departments for services rendered	A03915	6,000,000,000
3.	Payments to others for services rendered	A03919	4,916,060,750
		Total	**16,548,822,250**

Implication:

Audit is of the view that non-adjustment of advance payments was violation of financial rules.

Management Reply:

The management did not reply.

Audit Comments:

Audit recommends to obtain the adjustment accounts from the concerned at the earliest with the direction to deposit unspent balances in Federal Consolidated Fund immediately.

1.1.5 Unjustified demand of Supplementary Grants creating undue pressure on the National Exchequer – Rs. 11,284.961 million

Para 71 of GFR Vol-I states that in framing the budget estimates, the estimating authorities should exercise the utmost foresight. All items of receipt and expenditure that can be foreseen should be provided for and care should be taken in consultation with the Accountant General, where necessary, to see that the provision is included under proper heads. Needless to say, although the estimating authorities are asked to provide for all foreseeable items, Finance Division will exercise its right to excise or reduce the provision for any item which it thinks unjustifiable. An exhortation to show foresight is not an invitation to provide for additional items of expenditure without adequate justification. While provision should be made for all items of expenditure that can be foreseen, it is essential that the amount of the provision should be restricted to the absolute minimum requirement.

Para 98(1)(iv) of GFR Vol-I states that if such savings are not available, it should be seen whether special economies can be effected under other sub-heads. If funds cannot be provided by either of these methods, it will have to be considered whether the excess should be met by postponement of expenditure or whether an application for a supplementary grant should be made. In either case, application will have to be made to the Ministry of Finance through the Administrative Department concerned and the course recommended by the latter stated. Normally, an application for a supplementary grant will not be entertained by Government unless the anticipated excess is due to a cause beyond the control of the authority concerned and funds cannot be found by any legitimate postponement of expenditure for which provision already exists. All application for supplementary grants should be accompanied by a full explanation of the reason for the excess and of the impossibility of providing funds to meet it.

During Certification Audit it was observed that;

i. Unutilized funds were more than the Supplementary Grants under the following Current and Development Grants.

(Rupees)

S. No.	Type of Grants	No. of Grants	Supplementary Grants	Budget not Utilized (Surrendered + Savings)
1.	Current Grants	15	5,041,955,000	16,590,826,328
2.	Development Grants	06	6,243,006,000	20,165,363,770
	Total	**21**	**11,284,961,000**	**36,756,190,098**

ii. In 08 cases, 100% of Supplementary Grants were allowed to lapse. This indicated that the Ministries/Divisions failed to utilize Supplementary Grants.

iii. In 13 cases, the analysis revealed that the amount of Supplementary Grants ranged from 2% to 94 % of unutilized budget. The Ministries/Divisions did not analyze the availability of savings within their Grants prior to demanding Supplementary Grants.

Implication:

Audit is of the view that;

i. There existed no proper controls/checks in the Ministries/Division to assess savings under different object-heads prior to demanding Supplementary Grants and subsequent utilization.

ii. No appropriate system existed in the Ministry of Finance to avoid unnecessary demand of Supplementary Grants by the Ministries/ Divisions.

Management Reply:

The management did not reply.

Audit Comments:

Audit recommends that Ministry of Finance may hold an inquiry against the Ministries/ Divisions whose Supplementary Grants were lapsed. An effective system may also be designed to assess genuine reasons for the Supplementary Grants and to monitor its timely utilization.

CHAPTER 2

2. AVIATION DIVISION

2.1 Introduction

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

i. Aircraft and air navigation; administration of the Civil Aviation Ordinance, 1960

ii. Development of civil aviation in Pakistan

iii. Provision of aerodromes

iv. Airports Development Agency

v. Regulation, organization and safety of air traffic and of aerodromes and administration of Airports Security Force

vi. Pakistan International Airlines Corporation

vii. Air Service agreements with other countries; liaison with International Civil Aviation Organization and other international agencies concerned with aviation

viii. Federal Meteorological Organizations and Meteorological observations; World Meteorological Organizations

LIST OF ATTACHED DEPARTMENTS

i. Pakistan Meteorological Department

ii. Airports Security Force

2.2 Comments on Budget & Accounts (Variance Analysis)

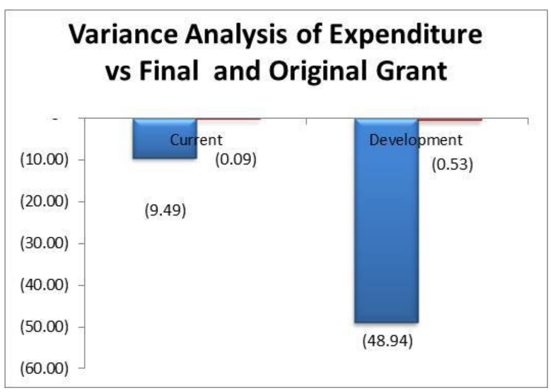
Original budget allocated to Aviation Division for the financial year 2016-17 was Rs 5,132.595 million including Supplementary Grant of Rs. 351.245 million, out of which the Division incurred an expenditure of Rs. 2,303,684 million resulting in a saving of Rs. 2,477.666 million which is 48% of the Final Budget.

(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
18	Current	86,135,000	6,000	86,141,000	77,963,513	(8,171,487)	(9.49)
110	Development	4,695,215,000	351,239,000	5,046,454,000	2,225,720,139	(2,469,494,861)	(48.94)
	Total	**4,781,350,000**	**351,245,000**	**5,132,595,000**	**2,303,683,652**	**(2,477,666,348)**	**(48.27)**

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 savings in current expenditure was 0.09%, which, after accounting for Supplementary Grants increased to 9.49%. In development expenditure, savings against original budget was 0.53% which increased to 48.94% when Supplementary Grants were taken into account.



2.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No of audit paras	No of Actionable Points	Compliance	Non Compliance	% of Compliance
Aviation Division	1997-98	7	7	7	0	100%
	2000-01	26	26	25	1	96%
	2005-06	1	1	1	0	100%
Total		**34**	**34**	**33**	**1**	**97%**

2.4 AUDIT PARAS

Irregularity & Non Compliance

2.4.1 Doubtful expenditure on purchase of weapons – Rs. 243.135 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 management of Airport Security Force, Karachi purchased weapons amounting to Rs. 243.135 million during 2016-17. Details are as under:

(Rupees in million)

S. No.	Item	Quantity	Supplier	Invoice and Date	Amount
1.	Pistols 9mm CZ of Czech Republic	365	M/s Paragon Multi Services, Rawalpindi	25 08.06.17	62.049
2.	SMGs 7.62 X 39mm (USA)	160	M/s Pak Japan Trading Co.	Nil 26.05.17	40.000
3.	SMG 7.62 X 39 mm (China)	1,175	M/s Zafar-Azfar & Co.	11 22.05.17	49.115
4.	SMGs Colt 5.56 x 45 mm (USA)	150	M/s Pak Japan Trading Co.	Nil 26.05.17	44.818
5.	SMGs 7.62 x 39 mm with Folding Butt	1,030	M/s Paragon Multi Services, Rawalpindi	Nil 02.06.17	47.153
				Total	**243.135**

Audit observed that neither quality and quantity certificates were obtained nor were the weapons taken on stock.

Audit is of the view that in absence of quality and quantity certificates and stock entries the quality and quantity of the weapons could not be ascertained.

Audit recommends that responsibility may be fixed for this irregularity.

CHAPTER 3

3. CABINET DIVISION

3.1 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.

3.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Cabinet Division for the financial year

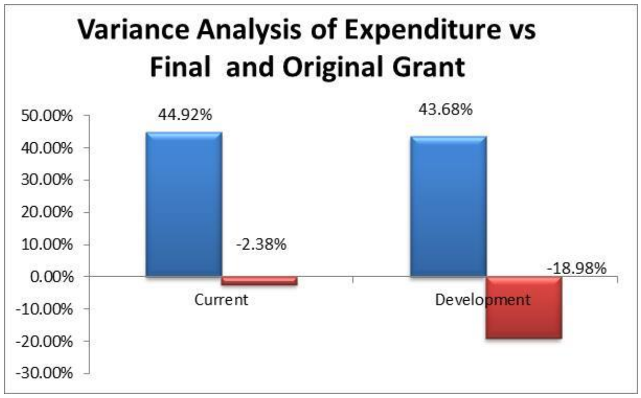
2016-17 was Rs. 71,583.074 million including Supplementary Grant of Rs. 29,175.478 million out of which the Division utilized Rs. 61,087.009 million resulting in savings of Rs. 10,496.065 million which was mainly in development expenditure. Grant-wise detail of current and development expenditure is as under:

(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)	% age Excess/ (Saving)
1	Current	173,918,000	47,373,000	221,291,000	218,425,282	(2,865,718)	(1.29)	25.59
2	Current	5,641,838,000	3,241,815,000	8,883,653,000	8,824,243,827	(59,409,173)	(0.67)	56.41
3	Current	245,328,000	2,088,315,000	2,333,643,000	2,268,135,210	(65,507,790)	(2.81)	824.53
4	Current	5,393,667,000	543,460,000	5,937,127,000	5,713,269,551	(223,857,449)	(3.77)	5.93
12	Current	45,074,000	1,000	45,075,000	30,900,741	(14,174,259)	(31.45)	(31.44)
13	Current	881,594,000	154,506,000	1,036,100,000	981,684,631	(54,415,369)	(5.25)	11.35
15	Current	64,904,000	2,000	64,906,000	46,038,013	(18,867,987)	(29.07)	(29.07)
17	Current	91,889,000	5,000	91,894,000	87,361,568	(4,532,432)	(4.93)	(4.93)
	Subtotal	**12,538,212,000**	**6,075,477,000**	**18,613,689,000**	**18,170,058,823**	**(443,630,177)**	**(2.38)**	44.92
106	Development	27,369,384,000	23,100,001,000	50,469,385,000	40,916,950,198	(9,552,434,802)	(18.93)	49.50
109	Development	2,500,000,000	-	2,500,000,000	2,000,000,000	(500,000,000)		
	Subtotal	**29,869,384,000**	**23,100,001,000**	**52,969,385,000**	**42,916,950,198**	**(10,052,434,802)**	**(18.98)**	43.68
	Total	**42,407,596,000**	**29,175,478,000**	**71,583,074,000**	**61,087,009,021**	**(10,496,064,979)**	**(14.66)**	44.05

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 savings in current expenditure was 44.92%, which, after accounting for Supplementary Grants changed to saving of 2.38%. In development expenditure, excess against original budget was 43.68% which changed to savings of 18.98% when Supplementary Grants were taken into account.



3.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No of audit paras	No of Actionable Points	Compliance	Non Compliance	% 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
	2003-04	9	9	4	5	44
	2005-06	6	6	5	1	83
	2006-07	1	1	1	0	100
	2007-08	9	9	6	3	67
	2008-09	5	5	3	2	60
Total		**136**	**136**	**88**	**48**	**64**
Cabinet Division (devolved M/o Education)	1998-99	2	2	2	0	100
Total		**2**	**2**	**2**	**0**	**100**
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
	1998-99	2	2	1	1	50
	2001-02	1	1	0	1	0
	2005-06	1	1	0	1	0
	2008-09	2	2	0	2	0
Total		**45**	**45**	**11**	**34**	**24**
Cabinet (devolved	2008-09	2	2	0	2	0

M/o Livestock)						
Total		**2**	**2**	**0**	**2**	**0**
Cabinet Division (devolved M/o Youth Affairs)	1992-93	2	2	1	1	50
	2006-07	1	1	1	0	100
Total		**3**	**3**	**2**	**1**	**67**
Cabinet Division (printed under UGC, FDE and FG Universities)	1998-99	28	28	0	28	0
Total		**28**	**28**	**0**	**28**	**0**

3.4 AUDIT PARAS

Irregularity & Non Compliance

3.4.1 Irregular expenditure on civil works - Rs. 133.638 million

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

The management of the National College of Arts (NCA), Rawalpindi Campus, Rawalpindi incurred expenditure of Rs. 133.638 million out of development budget of NCA on construction of new academic block during 2015-17.

Audit observed that the work was executed without approved departmental regulations by National College of Arts, Rawalpindi.

Audit is of the view that execution of civil works without framing of departmental regulations was irregular.

The management replied that National College of Arts was a Federal Autonomous/Self-governing body working under Cabinet Division regulated under the National College of Arts Ordinance, 1985. As per Section 13(1)(v) of

National College of Arts Ordinance, 1985 any civil/construction related work, the Technical and Building Committee was the competent forum to prepare detailed estimates of civil works, to give technical sanctions, to cater/exercise such other instructions/guidelines suggested in CPWD Code and to make their own regulations.

The reply was not accepted because the Building Committee was not competent to execute civil works without framing departmental regulations.

The PAO was informed on 08.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

3.4.2 Irregular hiring of hostel building for boys hostel without competition - Rs. 2.220 million

Rule 12(2) of the Public Procurement Rules, 2004 states that all procurement opportunities over Two Million Rupees should be advertised on the authority website as well as in other print media or newspapers having wide circulation. The advertisement in the newspaper shall principally appear in at least two national dailies, one in English and the other in Urdu.

The management of National College of Arts, Rawalpindi Campus paid an amount of Rs. 2.220 million to Mr. Mushtaq Hussain on hiring of office building for boys hostel @ Rs. 185,000 per month from 11.07.2014 to 10.07.2015.

Audit observed that hostel building was hired without competition in violation of Public Procurement Rules, 2004.

Audit is of the view that hiring of hostel building without competition was irregular which deprived the government of the benefit of competitive rates.

The management replied that National College of Arts, being a unique institution of its own kind in the field of performing arts and for having a comparatively liberal community of students has been a victim of criticism and target of religious extremists and terrorists for last one and half decade or more.

The authorities of National College of Arts kept receiving high alerts and threats by internal security agencies. The period in which tendering process was not observed somehow belonged to the period of instable security situations of the country. It was a serious threatening situation that forced the authorities to adopt ultimate and intelligent security measures. Tenders were not floated as a matter of protection measures and larger public interest.

The reply was not accepted because it was mandatory for all procuring agencies to advertise all procurement requirements exceeding prescribed financial limit. The hiring of boys hostel building was not a matter of national security.

The PAO was informed on 08.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for hiring of Hostel Building without competition.

CHAPTER 4

4. CAPITAL ADMINISTRATION AND DEVELOPMENT DIVISION

4.1 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

4.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Capital Administration and Development Division (CADD) for the financial year 2016-17 was Rs. 24,337.509 million including Supplementary Grant of Rs. 3,477.344 million out of which the Division utilized Rs. 19,876.416 million. Grant-wise detail of current and development expenditure is as under:

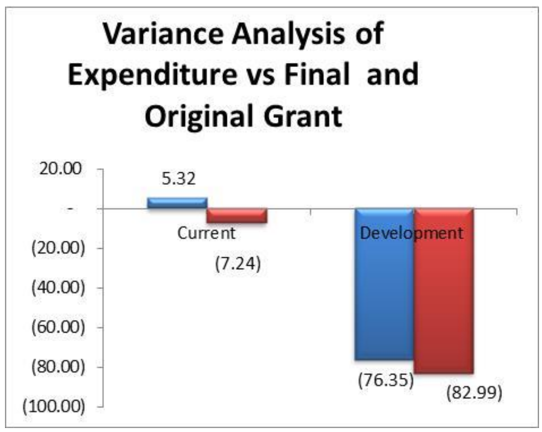
(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
8	Current	18,297,928,000	2,477,331,000	20,775,259,000	19,270,507,092	(1,504,751,908)	(7.24)
108	Development	2,562,237,000	1,000,013,000	3,562,250,000	605,909,087	(2,956,340,913)	(82.99)
	Total	**20,860,165,000**	**3,477,344,000**	**24,337,509,000**	**19,876,416,179**	**(4,461,092,821)**	**(18.33)**

Audit noted that there was an overall savings of Rs. 4,461.093 million, which was due to savings of Rs. 2,956.341 million in Development Grant No. 108.

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 5.32%. In development expenditure, saving against original budget was 76.35% which increased to 82.99% after Supplementary Grants were taken into account.



4.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No of audit paras	No of Actionable Points	Full Compliance	Not Complied	% of Compliance
Capital Administration and Development Division (Printed Under Ministry of Education Devolved)	1988-89	4	4	4	0	100
	1989-90	8	8	3	5	38
	1990-91	6	6	6	0	100
	1991-92	11	11	6	5	55
	1992-93	22	22	22	0	100
	1993-94	17	17	11	6	65
	1994-95	7	7	6	1	86
	1995-96	6	6	5	1	83
	1996-97	2	2	0	2	0
	1998-99	38	38	14	24	37
	2000-01	4	4	0	4	0
	2005-06	7	7	0	7	0
	2006-07	2	2	1	1	50
	2007-08	1	1	0	1	0
	Total	**134**	**134**	**78**	**57**	**58**

Devolved M/o Social Welfare and Special Education	1992-93	9	9	9	0	100
	1994-95	3	3	1	2	33%
	2001-02	2	2	1	1	50%
	2003-04	15	15	0	15	0%
	2005-06	5	5	3	2	60%
	2006-07	1	1	0	1	0%
	Total	**35**	**35**	**14**	**21**	40%
Capital Administration and Development Division (Devolved M/o Health)	1988-89	2	2	0	2	0%
	1989-90	7	7	6	1	86%
	1990-91	5	5	5	0	100%
	1991-92	15	15	0	15	0%
	1992-93	15	15	9	6	60%
	1993-94	13	13	0	13	0%
	1994-95	7	7	7	0	100%
	1995-96	1	1	0	1	0%
	1996-97	3	3	0	3	0%
	1997-98	1	1	1	0	100%
	1998-99	65	65	20	45	31%
	2000-01	2	2	0	2	0%
	2003-04	11	11	1	10	9%
	2005-06	3	3	0	3	0%
	2006-07	2	2	0	2	0%
	2007-08	4	4	0	4	0%
	2008-09	5	5	0	5	0%
	Total	**161**	**161**	**49**	**112**	**30%**
Devolved M/o Tourism	1992-93	1	1	1	0	100%
	1997-98	7	7	0	7	0%
	2001-02	3	3	1	2	33%
	2005-06	1	1	0	1	
	2006-07	1	1	1	0	100%
	2007-08	3	3	1	2	33%
	Total	**16**	**16**	**4**	**12**	**25%**

4.4 AUDIT PARAS

Irregularity & Non Compliance

4.4.1 Loss due to procurement of medicines on higher rates - Rs. 139.877 million

Para 10(i) of GFR Volume-I states that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Para 23 of GFR Volume-I states that every Government officer should realize fully and clearly that he 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.

The management of Federal Government Services Hospital, Islamabad purchased 788 different medicines and injections for Rs. 830.777 million during 2015-17.

Audit observed as under:

i. During 2015-16, 172 medicines were purchased on higher rates by ignoring the lowest rate without any cogent reason which resulted in a loss of Rs. 127.189 million.

ii. During 2016-17, 254 medicines were purchased where the lowest bid was ignored. Out of 254 medicines, audit selected 63 medicines and calculated a loss of Rs. 12.688 million due to ignoring the lowest rate.

Audit is of the view that management did not follow the provisions of Procurement Rules which resulted in loss to Government.

Despite repeated requests the management did not reply.

The PAO was informed on 23.11.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the loss.

4.4.2 Unauthorized expenditure on repair and maintenance of office building - Rs. 50.095 million

Serial No. 9(46) of Annex-I of Finance Division O.M. No. F.3(2)Exp-III/2006 dated 13.09.2006 provides that only the Ministries/Divisions have been empowered to incur expenditure up to Rs. 500,000 on works of non-residential buildings and no power has been delegated to the heads of departments for this purpose.

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

The management of Federal Government Services Hospital, Islamabad incurred an expenditure of Rs. 50.095 million on repair and maintenance of Polyclinic building during 2015-17.

Audit observed that the management was not delegated financial powers to incur expenditure on the repair and maintenance of hospital building and the management carried out the repair and maintenance work without making departmental regulations.

Audit is of the view that in the absence of approved departmental regulations, the expenditure on the repair and maintenance of office/hospital building was unauthorized.

Despite repeated requests the management did not reply.

The PAO was informed on 23.11.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

4.4.3 Loss due to delay in execution of extension of Federal Government Polyclinic Project - Rs. 47.425

Para 7.1 of Manual of Development 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 Prime Minister Secretariat vide No. 2686/PSPM/2010 dated 11.08.2010 conveyed the approval of Prime Minister for allotment of additional land for extension of Federal Government Polyclinic Islamabad.

Audit observed that funds of Rs. 12.00 million were allocated for feasibility study during 2010-11, despite lapse of seven years, the management could not finalize the PC-II of the project..

Audit is of the view that delay in execution of the project not only deprived the public of medical facilities for which the extension of the hospital was visualized but also made the project less effective. The cost of feasibility study which was initially estimated Rs. 12.00 has now been increased to Rs. 59.425 million and further delay would also increase the cost of the PC-I manifold.

Despite repeated requests the management did not reply.

The PAO was informed on 23.11.2017 but DAC was not convened till the finalization of the report.

Audit recommends that the feasibility study may be completed immediately to avoid future escalation of project cost.

4.4.4 Unjustified expenditure on hiring of security agency - Rs. 20.105 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 Federal Government Polyclinic, Islamabad hired the services of M/s Aqsa Security Guards and paid Rs. 5.877 million during 2015-16 and M/s Safety and Security Services (Pvt) Ltd. Rs. 14.228 million during 2016-17 out of object-head-A03410-Security from ID-6097. The following manpower was deployed by the security agencies:

S. No.	Manpower	Number
1.	Armed Guards	38
2.	Un-armed Guards	04
3.	Supervisor	02
4.	Lady Searcher	06

Audit observed as under:

i. The security personnel deployed were neither the ex-army person nor were trained in the field of hospital security services as is evident form FGSH Security Officer report dated 09.08.2017 in which serious reservations about the security training and knowledge of the security personnel deployed by the agency were expressed.

ii. The performance of security agency never remained satisfactory during their contract period as reported by Security Supervisor, Malik Ajab Khan dated 15.03.2017 and vide letter No. FGPC.1/5174/2016 dated 18.01.2017 to the management of the Security Agency.

iii. There were 39 sanctioned posts of Chowkidars against which 35 posts were filled and deployed on security duties.

iv. Payment was made on basis of sixty personnel, whereas according to deployment detail provided by the management fifty-seven guards were deployed.

Audit is of the view that in the presence of 35 Chowkidars, the expenditure on hiring of untrained security guards was extra financial burden on government exchequer for making inferior securing arrangements.

Despite repeated requests the management did not reply.

The PAO was informed on 23.11.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for vulnerable hospital security and putting extra financial burden on exchequer.

4.4.5 Opening of dispensaries in absence of approved policy - Rs. 10.574 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 Federal Government Services Hospital (FGSH) Islamabad has established thirty-three dispensaries in various sectors and Ministries/Divisions and Departments.

Audit observed as under:

i. The management did not formulate any policy prescribing the detailed procedures and criteria for establishment of dispensaries.

ii. Sixteen dispensaries were established without creating posts.

iii. Medicines costing Rs. 10.574 million were issued to these dispensaries during 2016-17.

iv. The employees appointed against regular posts of main hospital were posted in these dispensaries.

Audit is of the view that establishment of dispensaries in absence of approved policy was unauthorized.

Despite repeated requests the management did not reply.

The PAO was informed on 23.11.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for opening unauthorized dispensaries without any approved policy.

4.4.6 Loss due to procurement of Nitrous Oxide gas cylinders on very high rate - Rs. 4.049 million

Para 10(i) 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.

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.

The management of Federal Government Polyclinic (FGPC), Islamabad purchased Nitrous Oxide gas cylinders @ Rs. 22,000 per cylinder of 30 Kg at a cost of Rs. 6.600 million from M/s Business Developers during 2013-16. Details are as under:

(Rs. in million)

S. No.	Year	Cylinders quantity	Cost per cylinder @ Rs. 22,000	Cost per cylinder @ Rs. 8,500 (2012-13 & 2016-17)	Loss
1.	2013-14	93	2.046	0.791	1.255
2.	2014-15	80	1.760	0.680	1.080
3.	2015-16	127	2.794	1.080	1.714
	Total	**300**	**6.600**	**2.551**	**4.049**

Audit observed that due to purchase of gas cylinders @ Rs. 22,000 per cylinders as compared to purchases made during 2012-13 and 2016-17 @ Rs. 8,500 the government exchequer was put to a loss of Rs. 4.049 million.

Audit is of the view that cost of Nitrous Oxide gas paid for each cylinder was on very high side as compared to past procurement and thus undue favor was extended to the firm.

Despite repeated requests the management did not reply.

The PAO was informed on 23.11.2017 but DAC was not convened till the finalization of the report.

Audit recommends that inquiry may be held to fix the responsibility.

4.4.7 Irregular and unauthorized posting of FGPC employees in controlling Ministry - Rs. 1.882 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 Federal Government Services Hospital (FGSH), Islamabad requisitioned the services of 10 officers/officials from various Ministries/Divisions on deputation basis.

Audit observed that:

i. Five officers/officials appointed on deputation basis were further posted in Ministry of Capital Administration and Development Division (CADD) and were drawing their pay and allowances from FGPC budget which includes, payment of health allowance, health risk allowance and deputation allowance.

ii. Three officials out of five posted in CADD originally belong to CADD and deputation was made just to pay undue favor of Rs. 1.882 million in shape of payment of health allowance, health risk allowance and deputation allowance.

Audit is of the view that posting of employees of FGPC in Controlling Ministry was irregular and were paid undue allowances.

Despite repeated requests the management did not reply.

The PAO was informed on 23.11.2017 but DAC was not convened till the finalization of the report.

Audit recommends that staff irregularly posted in controlling Ministry may be withdrawn besides fixing the responsibility.

CHAPTER 5

5. CLIMATE CHANGE DIVISION

5.1 Introduction

Climate Change Division is the focal point for National Policy, Legislation, Plans, Strategies and programs with regard to Disaster Management and Climate Change, including Environmental Protection and preservation. The Division also deals with other countries, international Agencies and Forums for coordination, and monitoring & implementation of Environmental Agreements.

Wings/Attached Departments of Climate Change Division are:

i. National Disaster Management Authority

ii. Pakistan Environmental Protection Agency

iii. Pakistan Environmental Planning & Architectural Consultants Ltd.

iv. Pakistan Environmental Protection Council

v. Zoological Survey Department

5.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Ministry for the financial year 2016-17 was Rs. 2,328.148 million out of which the Ministry utilized Rs. 1,750.857 million. Grant-wise detail of current and development expenditure is as under:

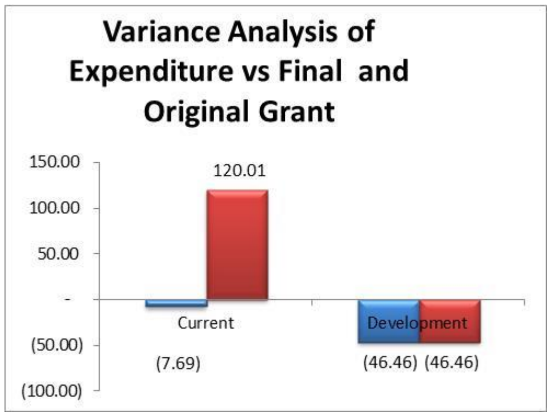
(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
18	Current	545,901,000	755,245,000	1,301,146,000	1,201,044,774	(100,101,226)	(7.69)
110	Development	1,027,000,000	2,000	1,027,002,000	549,811,731	(477,190,269)	(46.46)
	Total	**1,572,901,000**	**755,247,000**	**2,328,148,000**	**1,750,856,505**	**(577,291,495)**	**(24.80)**

Audit noted that there savings of Rs. 577.291 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. 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 were savings of 7.69% in current expenditure which changed to excess of 120.01% when supplementary grants were taken. In development expenditure, there were savings of 46.46% which remained same due to non-existence of supplementary grant.



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
M/o Climate Change(Devolved M/o Environment)	2005-06	1	1	0	1	0%
	2006-07	2	2	2	0	100%
	2008-09	1	1	0	1	0%
Total		**4**	**4**	**2**	**2**	50%

5.4 AUDIT PARAS

Irregularity & Non Compliance

5.4.1 Unauthorized posting of Zoological Survey of Pakistan employees in main Ministry – Rs. 5.329 million

Under F.R 17 "A Government servant draws the pay and allowances of a post from the date he assumes the charge of that post and ceases to draw them as soon as he relinquishes charge of that post".

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.

The management of Zoological Survey of Pakistan (ZSP) paid an amount of Rs. 5.329 million as salary to the ZSP staff working in the main Ministry during 2014-17. Details are as under:

S No.	Name & Designation	Place of Posting	Date of posting
1	Mrs. Parveen Ejaz, Biochemist (BS-16)	Main Ministry	February, 2014
2	Mr. Javed Rasool, Insect Setter	Secretary Office	January, 2012
3	Mr. Asad Majeed, Lab Attendant	DS Office	March, 2012
4	Mr. Kashif Gul, Daftari	JS Office	September, 2016
5	Mr. Muhammad Sabtain, Lab Attendant	DS Office	December, 2013
6	Ms. Amna Bibi, Naib Qasid	Secretary Office	July, 2017
7	Mr. Abid Ali, Naib Qasid	DS Office	September, 2017
8	Mr. Yasir Mehmood, Naib Qasid	Secretary Office	July, 2017

Audit observed that despite posting at Ministry, the employees were paid pay and allowances from the budget of ZSP.

Audit is of the view that payment of pay and allowances of the staff not working on the strength of the ZSP was irregular and unauthorized.

Despite repeated requests the management did not reply.

The PAO was informed on 07.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that inquiry may be held to fix the responsibility.

5.4.2 Non-establishment of Zoo-cum-Botanical Garden

Capital Development Authority (CDA) handed over physical possession of the land measuring 583 acres in Banni Gala Hills to Zoological Survey of Pakistan vide letter No. CDA/PLW-RP-1(282)/85/145 dated 17.01.1989 for establishment of Zoo-Cum-Botanical Garden.

Audit observed as under:

i. Despite a lapse of 28 years Zoological Survey of Pakistan did not develop the Zoo-cum-Botanical Garden.

ii. At present six court cases pertaining to encroachment of land in possession of Zoological Survey of Pakistan were pending since 2005.

iii. A piece of land of Zoo-cum-Botanical Garden was earmarked to Pakistan Tobacco Company on 12.08.2015 for plantation of 600,000 saplings and in 2010, an area of 12 acres of land was handed over to WWF-Pakistan for establishment of Biodiversity Information Centre but no progress was shown to Audit.

Audit is of the view that the broader objectives of the organization were neglected.

Despite repeated requests the management did not reply.

The PAO was informed on 07.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that inquiry may be held to fix the responsibility.

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
- Pakistan Institute of Fashion and Design
- 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 2016-17 was Rs. 8,489.319 million out of which the Ministry utilized Rs. 7,607.589 million. Grant-wise detail of current and development expenditure is as under:

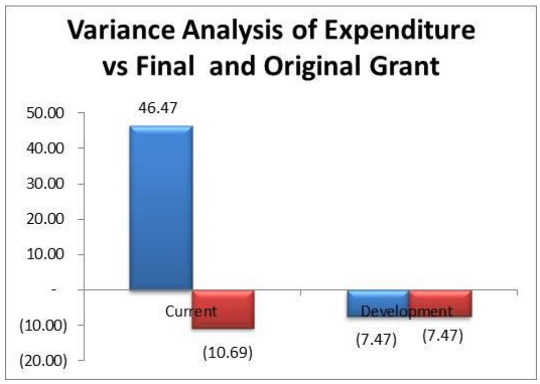
(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
19	Current	4,690,399,000	3,002,060,000	7,692,459,000	6,870,235,417	(822,223,583)	(10.69)
111	Development	796,857,000	3,000	796,860,000	737,353,118	(59,506,882)	(7.47)
	Total	**5,487,256,000**	**3,002,063,000**	**8,489,319,000**	**7,607,588,535**	**(881,730,465)**	**(10.39)**

Audit noted that there was an overall saving of Rs. 881.730 million, which was due to savings in 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, there was excess of 46.47% in current expenditure which changed to savings when Supplementary Grant was taken while in the Development Expenditure the saving was 7.47%.



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
	1998-99	2	2	0	2	0
	2001-02	12	12	3	9	25
	2003-04	8	8	3	5	38
	2005-06	30	30	11	19	37
	2006-07	1	1	1	0	100
	2007-08	4	4	2	2	50
	2008-09	8	8	0	8	0
	Total	**165**	**165**	**86**	**79**	**52%**

6.4 AUDIT PARAS

Irregularity & Non Compliance

6.4.1 Irregular retention of unspent funds and investment - Rs. 173.2 million

Para 209 of GFR Volume-I states that unless it is otherwise ordered by Government, every grant will be spent upon the object within a reasonable time, if no time limit has been fixed by the sanctioning authority.

Section 17(2)(b) of Pakistan Institute of Fashion and Design (PIFD) Act, 2011 provides that the senate shall have the powers to hold control and lay down policy for the administration of the property, fund and investment of the institute, including the approval of the sale and purchase or acquisition of immovable property.

Ministry of Commerce released an amount of Rs. 457.423 million to PIFD for establishment of six colleges called (Constituent Colleges) in Punjab, Sindh, Khyber-Pakhtunkhwa, Islamabad and Balochistan.

Audit observed that PIFD retained unspent balance of Rs. 173.2 million in NBP TDRs of the total grant, i.e. Rs. 457.423 million.

Audit is of the view that investment of unspent balance of the grant provided for the specific purpose was irregular and unauthorized.

The management replied that the students of Constituent Colleges were allowed to migrate to PIFD Lahore Campus for continuation of their education (who were studying in PIFD's hostels) and funds issued for Constituent Colleges were being spent on their education. So, this unspent balance of released grant would be utilized for the students of Constituent Colleges.

The reply was not accepted because the decision of Senate to invest the unspent balance was not in line with the objectives. The funds were released by the Ministry of Commerce for the specific purpose of running the colleges. Since the colleges were closed the unutilized funds should have been surrendered back to the Government as those funds did not form part of the PIFD funds.

Audit recommends that amount of unspent balance may be deposited into the Government treasury after proper investigation.

6.4.2 Irregular/unauthorized deposits of working balance - Rs. 330 million

Finance Division O.M. No. F.4(1)2002-BR-II dated 02.07.2003 provides guidelines for depositing working balances as well investment of surplus funds of the public sector enterprises and local / autonomous bodies that in case where total working balance of an enterprise exceeds Rs. 10 million, not more than 50% of such balance shall be kept with one bank and the working balance limit of each organization should be determined with the approval of the administrative ministry in consultation with Finance Division.

Pakistan Institute of Fashion Design (PIFD) invested Rs. 330 million as Term Deposit Receipts (TDRs) in National Bank of Pakistan, Tech Society, Lahore.

Audit observed as under:

i. 100 % surplus balance of Rs. 330 million was kept in NBP Tech Society Lahore against the instructions of Finance Division.

ii. The working balance limit was not determined with the approval of Administrative Ministry in consultation with Finance Division.

Audit is of the view that investment of Rs. 330 million in a bank and non-determination of working balance was irregular and unauthorized.

The Department replied that PIFD made investment in NBP in the light of O.M. No. 6(8)2009-EDF dated 02.01.2015 which requires opening of bank accounts in National Bank of Pakistan only.

The reply was not accepted because the audit observation was not on opening of bank account rather it was on investment of funds.

Audit recommends that the responsibility be fixed for the irregular investment.

6.4.3 Irregular expenditure on advertisement charges - Rs. 7.233 million

Para 12(2) of PPRA states that all procurement (goods and services) opportunities over two million rupees should be advertised on the Authority's websites as well as in other print media or newspaper having vide circulation. The advertisement in the newspaper shall principally appear in at least two national dallies one in English and other in Urdu.

Rule 3(1) of Punjab Sales Tax Act on Service, 2012 states that the rules shall not apply on services relating to telecommunication, banking, courier and insurance and the services, except advertisement services, provided by the Companies being the active taxpayers.

Rule 5(1) of the Act further states that a withholding agent other than recipient of advertisement services, shall withhold the whole amount of sales tax, shown in the tax invoice issued by the registered person/service provider.

The management of Pakistan Institute of Fashion and Design (PIFD) paid an amount of Rs. 7.233 million to M/s Message Communication as advertisement charges during 2015-16.

Audit observed as under:

i. The advertising agency i.e. M/s Message Communication was appointed without open competition.

ii. Provincial Sales Tax on services @ 16% amounting to Rs. 0.998 million was also not deducted while making payment.

Audit is of the view that appointment of the advertising agency without open competition was irregular and non-deduction of Sales Tax on Advertisement Services deprived the public exchequer of its due revenue.

The department replied that advertisements were made by M/s Message Communication through print media (newspapers, newsprint & journals). Advertisements made through print media (newspapers, newsprint & journals) were exempt from sales tax under Sixth Schedule (Sr. 32) of the Sales Tax Act, 1990.

The reply of the department was not accepted because selection of the advertising firm was made without open competition. Further Provincial Sales Tax on Services @ 16% was not deducted.

Audit recommends that responsibility may be fixed for the irregularity besides recovery of Sales Tax on Services.

6.4.4 Non-recovery from absconder - Rs. 3.009 million

Clause 7 of the Deed of agreement signed between Pakistan Institute of Fashion and Design (PIFD), Lahore and Ch. Ahsan Shafique, Assistant Professor dated 23.04.2014 for undertaking a course of studies under study Grant Programme PIFD states that in case the teacher fails to qualify the course for which he was awarded study grant, the PIFD reverses the right to recover entire expenditure inclusive of travel cost from the Teacher/Guarantor.

The management of PIFD, Lahore paid Rs. 3.009 million to Ch. Ahsan Shafique, Assistant Professor (Textile Design Department) as salary and travelling cost for 2 years scholarship with full pay leave for Masters Program of Textile Management at Konstfack University, Sweden.

Audit observed that the officer discontinued his degree programme and joined services as faculty Member at University of Boars Sweden in violation of the terms of contract.

Audit is of the view that the department was put to a loss of Rs. 3.009 million due to failure of the management to recover the public money as per agreement.

The department replied that a legal notice to pay the amount was served on 28.04.2017 to the teacher and his guarantor.

Audit recommends that the amount paid may be recovered.

6.4.5 Irregular retention of Government receipt outside the public exchequer and Non establishment of Trade Organization Fund - Rs 35.692 million

Section 27(1) of Trade Organization Act, 2013 states that there shall be established a fund to be known as the Trade Organization Fund which shall consist of:

a) Grants made by the Federal Government and the Provincial Governments;

b) Fees and penalties collected by the Regulator; and

c) Contributions from local and foreign donor or agencies.

Section 27(2) of Trade Organization Act, 2013 states that the Federal Government shall make rules and regulations for utilizing and incurring expenditure from the Fund.

Section 27(3) of Trade Organization Act, 2013 states that for the purpose of maintaining the Fund, the Federal Government may open and maintain accounts at such scheduled banks at it may from time to time determine.

Directorate General Trade Organization (DGTO), Islamabad was maintaining Current Account No. 0010003388350020 with the Allied Bank Limited I-8 Markaz Branch, Islamabad to deposit license fee realized from various Chambers of Commerce and other Associations and an amount of Rs. 35.692 million was available on 30.06.2017 in this account.

Audit observed as under:

i. DGTO did not establish Trade Organization Fund in violation of Section 27(1) of Trade Organization Act, 2013.

ii. License fee realized from various Chamber of Commerce and other Associations was retained in a commercial bank account without the approval of the Federal Government.

Audit is of the view that retention of license fee without establishment of Fund and without the approval of the Finance Division was irregular.

The management did not reply.

The PAO was informed on 06.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

CHAPTER 7

7. CONTROLLER GENERAL OF ACCOUNTS

7.1 Introduction

The office is the premier accounting office of the Government of Pakistan and has been entrusted the task of producing timely and accurate financial statements of the Federation. The office achieves this task through dedicated human resource, massive investment infrastructure and strict quality control checks by the senior officers.

The main functions of the Controller General of Accounts as envisaged in Controller General of Accounts (Appointment, Functions and Powers) Ordinance, 2001 are:

i. To prepare and maintain the accounts of the Federation and Provinces and District Governments.
ii. To authorize payments and withdrawals from the Consolidated Fund and Public Accounts of the Federal and Provincial governments.
iii. Formulating the principles governing the internal financial control for government departments.
iv. Rendering advice on accounting procedure for new schemes, programs or activities undertaken by the Government concerned.
v. Providing the information required by the Federal, Provincial or District Governments (in so far as accounts compiled permit).
vi. Developing and maintaining an efficient system of pension, provident funds and other recruitment benefits.

7.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Controller General of Accounts (CGA) for the financial year 2016-17 was Rs. 5,666.270 million including Supplementary Grant of Rs. 422.111 million out of which the CGA utilized Rs. 5,667.319

million.

7.3 Brief comments on the status of compliance with PAC Directives

There is no PAC directive.

7.4 AUDIT PARAS

Irregularity & Non Compliance

7.4.1 Payment of honorarium through Drawing and Disbursing Officers – Rs. 358.797 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".

Rule 205 of Federal Treasury Rules (FTR) states that a Government officer entrusted with the payment of money shall obtain for every payment he makes, including repayment of sums previously lodged with the Government, a voucher setting forth full and clear particulars of the claim and all information necessary for its proper classification and identification in the accounts. 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.

The Accountant General of Pakistan Revenues (AGPR), Islamabad during 2010-12 made payment of Rs. 358.797 million as honorarium to various Ministries/Divisions/Departments.

Audit observed that the payments in most of the cases were allowed through Drawing and Disbursing Officers (DDO) instead of making payment to the beneficiaries through crossed cheque or through payroll. Few instances relating to months of June, 2011 and 2012 are as under:

(Rupees)

S. No.	Formation	Cheque No.	Date	Amount
1.	Finance Division	3459152	25.06.2011	71,509,670
2.		3444148	22.06.2011	22,242,157
3.	Federal Board of Revenues	3438789	29.06.2011	10,191,559
4.	AGPR, Islamabad	3443785	28.11.2011	6,352,990

5.		3322300	25.06.2011	7,008510
6.	Law and Justice Division	3443945	28.06.2011	2,430,250
7.	Planning Division	3444268	30.06.2011	1,000,000
8.	Federal Board of Revenues	3438678	29.06.2011	1,162,900
9.	Ministry of Science and Technology	3321871	24.06.2011	1,098,700
10.	Ministry of Interior	3424309	30.06.2011	2,576,000
11.	Finance Division (Military)	3422221	18.06.2011	7,533,495
12.	Anti Narcotics Force, Rawalpindi	3434546	23.06.2011	1,700,000
13.		3254787	20.06.2011	2,196,290
14.	Cabinet Division	3431702	17.06.2011	3,207,173
15.	Ministry of Defence	3315329	08.06.2011	1,115,240
16.	Finance Division	3902117	26.06.2012	118,865,291
17.	Planning Division	3846573	29.06.2012	49,701,400
18.	Federal Public Service Commission	3846856	29.06.2012	4,092,017
19.		3903088	29.06.2012	3,907,470
20.	AGPR, Islamabad	3858026	28.06.2012	3,627,710
21.	Ministry of Information & Broadcasting	3868474	28.06.2012	2,999,000
22.	Ministry of Science and Technology	3857730	27.06.2012	1,611,803
23.		3857815	27.06.2012	3,278,640
24.	Planning Division	3846557	29.06.2012	1,000,000
25.	Finance Division (Military)	3874612	27.06.2012	12,235,065
26.	Press Information Department	3868475	28.06.2012	5,284,100
27.	Economic Affairs Division	3858673	29.06.2012	2,124,204
28.	Planning Division	3846599	29.06.2012	1,100,000
29.		3846574	29.06.2012	2,000,000
30.	Federal Board of Revenues	3858930	28.06.2012	6,999,023
31.	Ministry of Interior	3833142	01.06.2012	2,553,649
			Total	**358,797,309**

Audit also observed that the list of officers/officials at Serial No. 1 and 16 was not attached with the claims.

Audit is of the view that the payment of honorarium through DDO was irregular and unauthorized and it may lead to misappropriation of amount withdrawn.

DAC meeting was held on 16.12.2016. It was appraised to the DAC that in most of the cases pointed out by the Audit, payments on account of honorarium were made through the respective DDOs in the last working days of the relevant financial year. In few cases, bills were presented at counter of the AGPR on 30th June, Due to the amendment in FTR 162, the validity of cheques expires on 30th June. Before the said amendment, the validity of cheque was for three months after the month of issuance. Because of this change in the rules, the cheque lapses on the end of financial year due to which, in order to ensure the disbursements for the claims presented in the last working days of the financial year, AGPR had to make the payment to DDOs instead of direct to beneficiaries. The DAC directed to take up the matter with Finance Division. The management of AGPR, Islamabad informed the DAC that despite serious efforts, the vouchers of two claims pointed out by the Audit were not traceable from the record. It was also apprised that matter had already been taken up with the Finance Division vide AGPR letter No. IA/Audit Inspection/AGPR/14-15/Vol-II/44 dated 05.08.2016 for the production of record desired by the Audit as the claims pertain to Finance Division. DAC pended the para till the next DAC meeting.

Audit recommends that the matter may be investigated for making payment of honorarium through DDO instead of making payment to the beneficiaries directly through cheque.

CHAPTER 8

8. COMMUNICATIONS DIVISION

8.1 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

8.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Communications Division for the financial year 2016-17 was Rs. 24,677.463 million including Supplementary Grant of Rs. 86.475 million out of which the Division utilized Rs. 27,431.411 million. Grant-wise detail of current and development expenditure is as under:

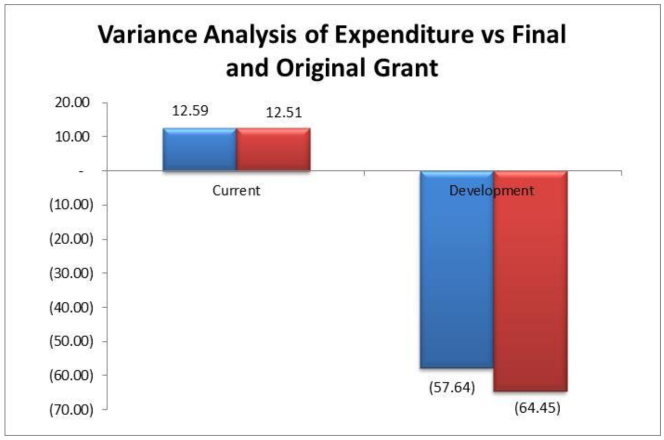
(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
20	Current	5,250,889,000	1,000	5,250,890,000	4,795,442,130	(455,447,870)	(8.67)
21	Current	2,577,511,000	6,701,000	2,584,212,000	1,948,441,424	(635,770,576)	(24.60)
22	Current	16,397,841,000	10,000,000	16,407,841,000	20,533,036,960	4,125,195,960	
	Subtotal	**24,226,241,000**	**16,702,000**	**24,242,943,000**	**27,276,920,514**	**3,033,977,514**	**12.51**
112	Development	364,747,000	69,773,000	434,520,000	154,491,350	(280,028,650)	(64.45)
	Total	**24,590,988,000**	**86,475,000**	**24,677,463,000**	**27,431,411,864**	**2,753,948,864**	**11.16**

There was an overall excess expenditure of Rs. 2,753.948 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 12.59%, which, after accounting for Supplementary Grants changed to 12.51%. In development expenditure, the saving against original budget was 57.64% which increased to 64.45% when Supplementary Grants were taken into account.



8.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Full Compliance	Not Complied	% of Compliance
Communication	1997-98	7	7	4	3	57
	2000-01	31	31	30	1	97
	2003-04	15	15	9	6	60
	2005-06	3	3	1	2	33
	2006-07	1	1	0	1	0
	2007-08	2	2	0	2	0
Total		**59**	**59**	**44**	**15**	**75**

8.4 AUDIT PARAS

Irregularity & Non Compliance

8.4.1 Irregular payment of special allowance - Rs. 12 million

Finance Division O.M No.F.10(2)R-3/2012, dated 6.3.2013 provides for grant of a 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.

The management of National Transport Research Center (NTRC), Islamabad paid Rs. 11.968 million as Special Allowance during 2014-17.

Audit observed that NTRC was neither a Ministry nor a Division.

Audit is of the view that payment of Special Allowance to the employees of NTRC was in violation of the instructions of the Finance Division.

The management replied that Cabinet Division vide letter dated 16.06.2011 declared the NTRC as part and parcel of Ministry of Communication.

The reply was not accepted because Special Allowance was only allowed to the employees working in Ministries/Divisions only.

Despite repeated requests the management did not reply.

The PAO was informed on 01.11.2017 and 07.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that the irregular practice should be stopped forthwith besides recovery of already paid amount.

8.4.2 Unjustified expenditure out of technical assistance for transport policy support - Rs. 4.016 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 management of National Transport Research Centre (NTRC), Islamabad executed a project titled "Technical Assistance for Transport Policy Support" with a total cost of Rs. 21.550 million and Rs. 4.016 million was incurred during 2005-2012.

Audit observed that National Transport Policy has not been approved so far. The last draft (8^{th}) was submitted by the management of NTRC to the government during July, 2009.

Audit is of the view that despite availability of resources and lapse of considerable time, non-finalization of Transport Policy was failure on the part of the management.

Audit is also of the view that the objectives for which the project was launched could not be achieved and consequently the government suffered loss.

Despite repeated requests the management did not reply.

The PAO was informed on 01.11.2017 and 07.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that the Transport Policy may be finalized at the earliest.

8.4.3 Non recovery of 1/3rd government share of fee from NTRC experts against consultancy study - Rs. 3.720 million

Supplementary Rule 12 states that unless the Governor-General by special order otherwise directs, one-third of any fee in excess of Rs. 5,000 or, if a recurring fees of Rs. 5,000 in a year paid to a Government servant for services rendered in Pakistan shall be credited in general revenues.

In accordance with decision of the Honorable Lahore High Court (Rawalpindi Bench) dated 31.01.2007 in writ petition No. 1979/1997 and 2104/2000, every expert had to deposit government share in the treasury.

An amount of the Rs. 3.720 million was outstanding against eighteen officers as evident from National Transport Research Centre (NTRC), Islamabad letter No. 1(2)/2012 dated 29.01.2013.

Audit observed that the concerned officers of National Transport Research Centre Islamabad did not deposit the government share into government treasury despite lapse of four years.

Audit is of the view that non deposit of government share in treasury resulted in loss to the government.

Despite repeated requests the management did not reply.

The PAO was informed on 01.11.2017 and 07.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that the amount outstanding against the officers may be recovered at the earliest and deposited into government account under intimation to audit.

8.4.4 Unauthorized maintenance of bank account and retention from consultancy - Rs. 1.972 million

Rule 7 of General Financial Rules Vol-I(GFR) 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 National Transport Research Centre (NTRC) was maintaining a Bank Account No. 0107000240 titled NTRC "Consultants Highway Safety Study" at Industrial Development Bank Limited Islamabad.

Audit observed as under:

i. The account was opened without the approval of Finance Division as no approval was provided.

ii. The management did not provide the cash book and vouchers to ascertain the validity of transactions made out of said account.

Audit is of the view that the bank account was opened without the approval of the Finance Division. Moreover, the management did not provide the cash book and relevant record regarding receipt and expenditure made out of said account. Therefore, opening of bank account and retention of funds was unauthorized.

Despite repeated requests the management did not reply.

The PAO was informed on 01.11.2017 and 07.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that account opened without the approval of the Finance Division may be closed at the earliest and the retained amount may be deposited into government treasury.

CHAPTER 9

9. DEFENCE DIVISION

9.1 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 Force 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.

9.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Defence Division for the financial year 2016-17 was Rs. 11,546.475 million including Supplementary Grant of Rs. 8,216.644 million against which the Division utilized Rs. 2,422.076 million. Grant-wise detail of current and development expenditure is as under:

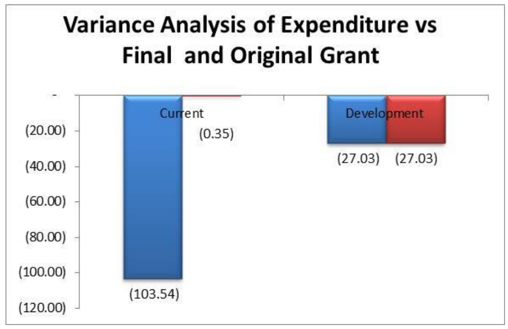
(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
23	Cuerrenrt	1,431,000,000	446,644,000	1,877,644,000	1,877,899,006	255,006	0.01
24	Cuerrenrt	1,111,000,000	-	1,111,000,000	1,067,011,950	(43,988,050)	(3.96)
25	Cuerrenrt	4,874,000,000	354,000,000	5,228,000,000	5,243,381,326	15,381,326	0.29
	Subtotal	**800,644,000**	**8,216,644,000**	**8,188,292,282**	**(28,351,718)**	**(28,606,724)**	(0.35)
111	Development	2,458,183,000	-	2,458,183,000	1,550,427,604	(907,755,396)	(36.93)
112	Development	900,000,000	-	900,000,000	900,000,000	-	-
	Subtotal	**3,358,183,000**	**-**	**3,358,183,000**	**2,450,427,604**	**(907,755,396)**	**(27.03)**
	Total	**4,158,827,000**	**8,216,644,000**	**11,546,475,282**	**2,422,075,886**	**(936,362,120)**	**(8.11)**

Audit noted that there was an overall savings of Rs. 936.362 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, savings in current expenditure were 103.54%, 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.



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
Defence	1996-97	1	1	0	1	0
	1997-98	30	30	17	13	57
	2000-01	34	34	29	5	85
	2005-06	6	6	2	4	33
Total		**71**	**71**	**48**	**23**	**68**

9.4 AUDIT PARAS

Irregularity & Non Compliance

9.4.1 Irregular payment to supplier - Rs. 9.649 million

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.

Clause 9.3.1 of the contract agreement dated 14.01.2015 signed between Ministry of Defence and M/s Zeta Private Ltd states that delivery of equipment installation and commissioning shall be completed within three month after the issuance of purchase order.

Ministry of Defence issued supply order to M/s Zeta private Ltd on 15.01.2015 for the supply, installation and commissioning of equipment for Rs. 9.649 million.

Audit observed as under:

i. Before installation, testing and commissioning of security and surveillance system full payment, i.e. Rs. 9.649 million, was made to M/s Zeta Technologies in June, 2015 to avoid the lapse of funds.

ii. A crossed cheque No. CA007329679 dated 19.11.2015 amounting to Rs. 5.307 million was obtained from the contractor in the name of Project Director to secure the advance payment.

iii. Liquidation damages amounting to Rs. 0.965 million was not recovered from the contractor till June, 2017 in violation of para 20 of the contract agreement.

Audit is of the view that undue favor was extended to the contractor at the cost of public exchequer.

The DAC meeting held on 16.01.2018 directed that inquiry may be initiated.

Audit recommends that responsibility may be fixed for the irregularity.

CHAPTER 10

10. ECONOMIC AFFAIRS DIVISION

10.1 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

10.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Economic Affairs Division for the financial year 2016-17 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)

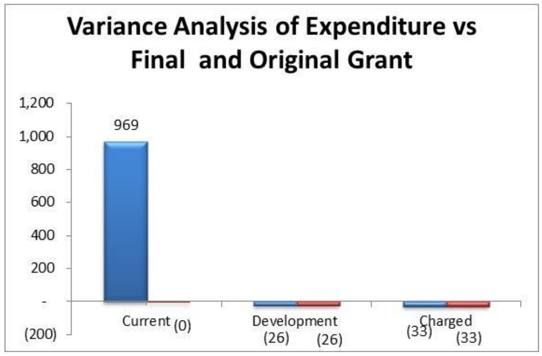
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
38	Current	507,000,000	4,913,716,000	5,420,716,000	5,418,682,352	(2,033,648)	(0)
	sub-total	507,000,000	4,913,716,000	5,420,716,000	5,418,682,352	(2,033,648)	(0)
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)
	Subtotal	209,557,896,000	1,353,282,000	210,911,178,000	155,835,847,989	(55,075,330,011)	(26)
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)
	Subtotal	517,016,578,000	1,865,970,000	407,663,356,000	335,307,309,600	(72,356,046,400)	(33)
	Total	727,081,474,000	22,726,414,000	1,365,163,170,000	1,100,264,487,996	(264,898,682,004)	(19)

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 to savings. There were savings of 26% in development expenditure and 33% in charged expenditure.



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
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
Total		**23**	**23**	**9**	**14**	**39**

10.4 AUDIT PARAS

Irregularity & Non Compliance

10.4.1 Irregular Investment in TDRs - Rs. 743.500 million

The Government of Pakistan vide SRO 171(1)/90 dated 15.02.1990, in exercise of the powers conferred by sub-section (1) of section 5 of the Charitable Endowment Act, 1890 settled the Scheme for the Administration of Trust for Voluntary Organization (TVO). As per caption 6(2)(i) of the above scheme, the Board shall have powers and discretion to utilize, apply and invest the corpus of the Trust and its income in such manner as it may consider proper. The board may:

i. Purchase, sell, endorse, transfer, negotiate or otherwise deal in securities of the Government of Pakistan and other securities of any description.

ii. Enter into contracts, engagements and arrangements and execute necessary documents

The management of TVO invested an amount of Rs. 743.500 million in Term Deposit Receipts (TDRs) in different commercial banks.

Audit observed as under:

i. Investment was made without the approval of the Board.

ii. Since July 2013, the investment in TDRs was made with the approval of Chief Executive Officer of TVO.

Audit is of the view that the Chief Executive Officer has no legal authority/delegated power to invest the amount in TDR as the authority rest with the Board.

The management replied that the matter needs thorough investigation and the outcomes of the investigation will be shared with Audit.

The PAO was informed on 15.08.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends fixation of responsibility for unauthorized investment in TDRs.

10.4.2 Non-claiming of Income Tax credit deducted by commercial banks on investments - Rs. 40.549 million

Section 100C (1) of the Income tax Ordinance, 2001 states that the income of Non-profit organizations, trusts or welfare institutions, as mentioned in sub-section (2) shall be allowed a tax credit equal to one hundred per cent of the tax payable, including minimum tax and final taxes payable under any of the provisions of this Ordinance, subject to the following conditions, namely:-

a) return has been filed;

b) tax required to be deducted or collected has been deducted or collected and paid; and

c) withholding tax statements for the immediately preceding tax year have been filed.

As per Section 100C(2) of the Income tax ordinance 2001, Persons and incomes eligible for tax credit under this section include any income of a trust or welfare institution or non-profit organization from donations, voluntary contributions, subscriptions, house property, investments in the securities of the Federal Government and so much of the income chargeable under the head "income from business" as is expended in Pakistan for the purposes of carrying out welfare activities.

The management of Trust for Voluntary Organization (TVO) invested Rs. 743.500 million in shape of Term Deposit Receipts (TDRs) with commercial banks.

Audit observed as under:

i. The commercial banks deducted withholding Income Tax amounting to Rs. 39.391 million on profit credited to the TVO accounts.

ii. An amount of Rs. 1.158 million was also deducted as Advance Tax which was written off in subsequent audited financial statements.

Audit is of the view that the management failed to get refund of Rs. 40.549 million being a not for profit organization.

The management did not reply.

The PAO was informed on 15.08.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that a case for refund of tax may be initiated as per rules under intimation to Audit.

10.4.3 *Irregular Appointment of CEOs without open competition - Rs. 11.413 million*

Government of Pakistan vide SRO 171(1)/90 dated 15.02.1990, in exercise of the powers conferred by sub-section (1) of section 5 of the Charitable Endowment Act, 1890 settled the Scheme for the Administration of Trust for Voluntary Organization (TVO). As per caption 6(5) of the above scheme, the Board shall have powers to create, posts, appoint, remove or suspend such officers and agents, managers, secretaries, clerks and servants for permanent, temporary or special services to work for remuneration or gratuitously as the Board may from to time to time think fit and may determine their powers and duties in its discretion.

According to caption 5(6) of the scheme, the Board shall at all times conform to, and abide by rules framed under section 13 of the Charitable Endowment Act, 1890.

Section 13 of the Charitable Endowment Act, 1890 states that the Appropriate Government may make rules consistent with this Act for generally carrying into effect the purposes of this act.

Audit observed that the TVO management appointed Mr. Fayyaz Baqir and Mr. Ahsanullah Mir as Chief Executive Officers and paid salary and allowances as per following details:

S. No.	Name of the CEO	Tenure of service	Salary Paid (Rs.)	Retirement benefits (Rs.)	Total (Rs.)
1	Mr. Fayyaz Baqir	15.04.2012 to 07.06.2012	547,500	0	547,500
2	Mr. Ahsanullah Mir	19.11.2012 to 04.05.2016	9,252,579	1,612,412	10,864,991
		Total	**9,800,079**	**1,612,412**	**11,412,491**

Audit observed that the officers were hired without open competition.

Audit is of the view that the appointment process in TVO was not transparent and merit was not being observed during recruitment process as the vacancies were not filled by open competition.

The management did not reply.

The PAO was informed on 15.08.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

10.4.4 Irregular hiring of staff - Rs. 2.716 million

Caption 6(5) of the Scheme for the Administration of Trust for Voluntary Organization (TVO) notified vide SRO 171(1)/90 dated 15.02.1990 states that the Board shall have powers to create, posts, appoint, remove or suspend such officers and agents, managers, secretaries, clerks and servants for permanent, temporary or special services to work for remuneration or gratuitously as the Board may from to time to time think fit and may determine their powers and duties in its discretion.

The management of TVO hired temporary and permanent staff during 2011-16 and paid Rs. 2.716 million as salaries when Board was defunct.

Audit observed that the employees were hired without the approval of the Board.

Audit is of the view that appointments without the approval of the Board were irregular and unauthorized.

The management replied that the services were hired on daily wages/part time basis as and when required with the approval of CEO.

The reply was not accepted because as per rules, CEO was not competent for such appointments.

The PAO was informed on 15.08.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends fixing of responsibility for hiring of staff without the approval of the Board.

10.4.5 Non constitution of Board of Directors and non-carrying out welfare activities

Section 4 of SRO 171(1)/90 dated 15.02.1990 states that the Trust shall be administered by the Board of Directors appointed by the Federal Government.

The management of TVO informed EAD vide letter No. Admn/2745 dated 22.10.2013 that tenure of 9 TVO Private Sector Board of Directors had expired on 31.08.2013.

Audit observed that Board members were not appointed by the Federal Government despite lapse of four years.

Audit is of the view that due to non-appointment of Board of Directors, the organization remained dysfunctional and no project was undertaken by the organization.

The management replied that Federal Government was requested time and again to appoint Board of Directors.

The PAO was informed on 15.08.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that the Directors of the Board may be appointed for smooth functioning of the organization.

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 2016-17 was Rs. 5,159.563 million including Supplementary Grant of Rs.

387.591 million out of which the Division utilized Rs. 5,073.697 million. Grant-wise detail of current expenditure is as under:

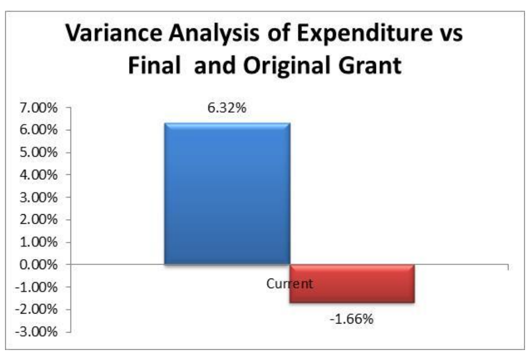
(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
9	Current	2,318,693,000	299,197,000	2,617,890,000	2,546,532,208	(71,357,792)	(2.73)
10	Current	550,779,000	27,020,000	577,799,000	578,312,128	513,128	0.09
11	Current	1,902,500,000	61,374,000	1,963,874,000	1,948,853,449	(15,020,551)	(0.76)
	Total	**4,771,972,000**	**387,591,000**	**5,159,563,000**	**5,073,697,785**	**(85,865,215)**	**(1.66)**

Audit noted that there was an overall saving of Rs. 85.865 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, excess in current expenditure was 6.32%, which, after accounting for Supplementary Grants changed to savings of 1.66%.



11.3 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
	1998-99	81	81	44	37	54

	2000-01	14	14	0	14	0
	2003-04	3	3	1	2	33
	2005-06	2	2	0	2	0
	2008-09	2	2	0	2	0
	Total	**111**	**111**	**50**	**61**	**45**

11.4 AUDIT PARAS

Irregularity & Non Compliance

11.4.1 Irregular expenditure on civil works - Rs. 4.000 million

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

Para 58 of the Central Public Works Departmental Code, it is a fundamental rule that no work shall be commenced or liability incurred in connection with it until administrative approval has been obtained, a properly detailed design and estimate have been sanctioned, expenditure sanction has been accorded and allotment of funds made. If in any case, whether on grounds of urgency or otherwise, an executive officer is required by superior authority to carry out a work or incur a liability which involves an infringement of these fundamental rules, the orders of such authority should be conveyed in writing.

Rule 13(1) of the Public Procurement Rules, 2004 states that under no circumstances the response time shall be less than fifteen days for national competitive bidding and thirty days for international competitive bidding from the date of publication of advertisement or notice.

The management of Secretariat Training Institute awarded the work for renovation, repair and maintenance expansion and re-modeling of classrooms, common sitting area and washrooms to M/s Five Star Enterprises, Islamabad vide tender dated 01.05.2014 and an amount of Rs. 3.999 million was paid during 2013-14.

Audit observed as under:

i. The work was awarded in violation of Rule 13(1) of the Public Procurement Rules, 2004.

ii. The expenditure was carried out without framing departmental regulations for carrying out Civil Works.

iii. The detailed estimate, technical sanction and administrative approval was not obtained before floating the tender for civil works.

iv. No measurement books were maintained to ascertain that the payments were made after due inspection by the concerned engineering staff. The measurement mentioned by the contractor was relied upon while making payments.

Audit is of the view that expenditure on civil works without detailed estimates, technical sanctions of estimates and administrative approval was irregular and unauthorized.

The management replied that administrative approval of Finance Division was obtained as conveyed by Establishment Division vide U.O. No. 3/2/2008-T-I, dated 05-06-2014. Pak PWD refused to provide support vide letter No. DG-169/W-II, dated 06-06-2014. Maximum efforts were ensured for quality work at minimum cost as per human common sense. All jobs had been properly measured and payment made to concerned vendor on completion of quality work. The job carried out was occasional in nature and essential to be completed within shortest possible time in order to accommodate large batch of trainee officers. Regulations would have been framed if organization carried out civil work as a normal feature.

The reply was not accepted because the work was executed without fulfilling codal formalities.

Audit recommends that matter may be investigated and responsibility may fixed for carrying out works in violation of rules.

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 2016-17 was Rs. 55,132.398 million including Supplementary Grant of Rs. 12,823.250 million against which the FATA Secretariat utilized Rs. 57,895.731 million. Grant-wise detail of current and development expenditure is as under:

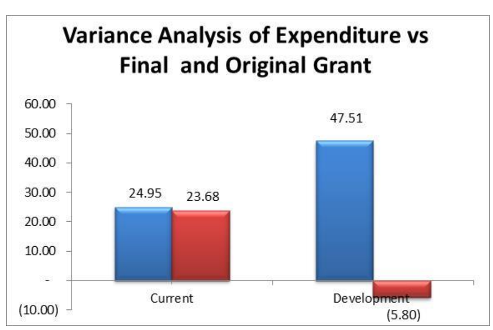
(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
99	Current	20,009,148,000	205,000,000	20,214,148,000	25,001,605,283	4,787,457,283	24
135	Development	22,300,000,000	12,618,250,000	34,918,250,000	32,894,126,033	(2,024,123,967)	(6)
	Total	**42,309,148,000**	**12,823,250,000**	**55,132,398,000**	**57,895,731,316**	**2,763,333,316**	**5**

Audit noted that there was excess expenditure of Rs. 4,787.457 million in current expenditure and savings of Rs. 2,024.123 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 24.95%. In development expenditure, excess in original budget was 47.51% which changed to savings of 5.80% 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
	1998-99	1	1	1	0	100
	1999-00	2	2	0	2	0
	2000-01	24	24	0	24	0
	2005-06	12	12	3	9	25
	2006-07	8	8	0	8	0
	2007-08	5	5	1	4	20
	Total	**104**	**104**	**40**	**64**	**38**

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 refused to provide access to auditable record.

Audit is of the view that the stance taken by the management is in violation of the orders of the Honourable 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 contempt of the Order of the Honourable Supreme Court of Pakistan dated 08.07.2013, besides provision of auditable record.

Irregularity and Non-compliance

12.4.2 Irregular expenditure in absence of technical sanction - Rs. 2,839.569 million

According to Para-56 of CPWD Code "Work on scheme may not be started unless it is Technically Sanctioned by the competent authority".

The Executive Engineers, Highway Divisions Khyber, Bajur and South Waziristan Agency and Public Health Engineering, Kohat Division under Works and Services Department, FATA incurred an expenditure of Rs. 2,839.569 million on execution of 34 different developmental schemes during 2014-17.

Audit observed that the expenditure was incurred without obtaining Technical Sanctions from the competent authority.

Audit is of the view that expenditure was incurred in violation of rules.

The management replied that Technical Sanctions of Estimates were under process and would be shown to Audit as and when accorded.

The PAO was informed on 23.11.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

12.4.3 Non-vesting of land in the name of Authority - Rs. 404.995 million

Regulation 25 of FATA Development Authority (FDA) Regulations, 2006 states that immediately on the making of the award under section 21, the land shall vest in the Authority free from all encumbrances and thereupon the Political Agent may, after giving reasonable notice to the occupier, enter upon and take possession to the same.

Section 16 of the Land Acquisition Act states that when land collector has made an award under section 11, he may, (subject to the provision of section 31), take possession of land which shall there upon (vest absolutely in the) (Government)) free from encumbrances.

The management of FDA paid Rs. 404.995 million to Political Agents for onward payment as land acquisition charges for various ADP Schemes during 2015-17.

Audit observed that despite payment of Rs. 404.995 million, the land was not transferred in the name of FDA.

Audit is of the view that non-transfer of land, purchased under various schemes, in the name of FDA was violation of Regulation 25 of the FDA Regulations.

The management replied that the administration had been requested for proper transfer of land in the name of FATA DA.

The PAO was informed on 24.11.2017 but DAC was not convened till the finalization of the report.

Audit recommends that ownership of the land should be transferred in the name of FDA.

12.4.4 Irregular advance payment to Frontier Works Organization - Rs. 187.502 million

Para 56 of the CPWD code provides that it is the fundamental rule that no work shall be commenced or liability incurred until Administrative Approval has been accorded, a properly detailed design and estimates have been sanctioned.

Para 89(a) of the CPWD Code also states that where works are to be given out on contract, tender must be invited in the most open and public manner, after the estimates have been technically sanctioned.

Para 89(c) of the CPWD Code provides that the agreement with the contractors must be in writing and should be definitely expressed, stating the quantity and quality of the work to be done, the specifications to be complied with, the time within which the work is to be completed and the conditions to be observed.

The management of the Highway Division, South Waziristan Agency paid an amount of Rs. 187.502 million to Frontier Works Organization (FWO) for execution of work under ADP-397/140234 scheme during 2014-15. Details are as under:

(Rupees)

S#	Cheque No	Date	Amount
01	A-124717/A01248	06.05.2015	50,000,000
02	A/124729/A01248	28.05.2015	137,502,000
		Total	**187,502,000**

Audit observed as under:

i. The work was awarded without open competition.
ii. No contract agreement was executed with the FWO
iii. Technical Sanction was not obtained from the competent authority.
iv. Payment was made in advance before execution of work.
v. Adjustment vouchers and status of work were not available.

Audit is of the view that the advance payment made to the FWO without Technical Sanction and without open competition was irregular and unjustified.

The management replied that the amount was paid in advance to FWO on the directions of Additional Chief Secretary, FATA. The utilization accounts and the works completed against the advanced amount when supplied would be produced to Audit.

The reply was not accepted because Additional Chief Secretary, FATA was not competent to award the work without open competition.

The PAO was informed on 24.11.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

12.4.5 Doubtful payment of compensation - Rs. 64.410 million

Rule 205 of FTR states that a government officer entrusted with the payment of money shall obtain for every payment he makes, 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 an acknowledgement of the payment signed by the person, by whom the claim is put forward. The acknowledgement shall be taken at the time of payment.

The Political Administration of Orakzai Agency paid an amount of Rs. 58.650 million for payment of death compensation to 25 victims and Rs. 5.760 million to 24 affectees for compensation of house damages affected due to terrorism during 2015-17.

Audit observed that supporting vouchers were not available on the record.

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

The management stated that the missing record of death compensation would be produced to Audit. Further, acknowledgment for house compensation could not be obtained due to heavy crowd.

The PAO was informed on 23.08.2017 but DAC was not convened till the finalization of the report.

Audit recommends that inquiry may be held to fix the responsibility.

12.4.6 Irregular expenditure out of contractors' securities - Rs. 40.000 million

Rule 389 to 395 of Central Public Works Accounts Code describes the details of security deposits. Rule 395 CPW Accounts Code states that without the special orders of competent authority, no security deposit be re-paid or transferred to the depositor, or otherwise disposed of, except in accordance with the terms of his agreement or bond.

The management of FATA Development Authority (FDA) paid an amount of Rs. 40.000 million to a contractor M/s Shah Baba Construction Company, for construction of Chao Tangi Small Dam, South Waziristan Agency on 01.07.2016 vide cheques No. 1714098 and 1714099 dated 01.07.2016.

Audit observed that the amount was paid out of security deposit account.

Audit is of the view that the payment of running bill out of security deposit account was in violation of rules.

The management replied that fund for Chao Tangi Dam was not released by the government, therefore, running bill was paid out of securities deposits of contractors.

The PAO was informed on 24.11.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity besides discontinuation of the practice in future.

12.4.7 Non-recovery of advances - Rs. 32.858 million

Para-228 of CPWA Code states that advances to contactors are as a rule prohibited and every endeavor should be made to maintain a system under which no payments are made except for work actually done except the cases in which contractor whose contract if for finished work require an advance on the security of material brought at site. Divisional officer may, in such cases, sanctioned advance up to an amount not exceeding 75% of the value of the material.

GFR-23 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 Works and Services Division FR Tank and FR D.I. Khan paid Rs. 56.475 million to 45 contractors in November, 2011.

Audit observed as under:

i. The works were awarded to the nominated contractors instead of open competition.

ii. The advances were paid without any security.

iii. Against advances, work was executed only for Rs. 23.617 million leaving a balance of Rs. 32.858 million.

Audit is of the view that undue favour was extended to the contractor at the cost of public exchequer.

The management did not reply.

The PAO was informed on 24.11.2017 but DAC was not convened till the finalization of the report.

Audit recommends that inquiry may be held to fix responsibility besides recovery of balance amount lying with contractors.

12.4.8 Irregular purchase of physical assets - Rs. 10.514 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 4 of Public Procurement Rules, 2004 states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Para 11 of GFR Volume-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 management of Agency Surgeon, Orakzai incurred expenditure of Rs. 10.514 million on purchase of equipment/instruments and furniture and fixture during 2015-16.

Audit observed that procurements were made without open competition.

Audit is of the view that the procurement without open competition was irregular.

The management did not reply.

The PAO was informed on 19.07.2017 but DAC was not convened till the finalization of the report.

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

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 2016-17 was Rs. 6,215.003 million including Supplementary Grant of Rs. 2,779.196 million out of which the Division utilized Rs. 5,521.602 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	1,214,746,000	620,021,000	1,834,767,000	1,711,156,333	(123,610,667)	(6.74)
115	Development	2,221,061,000	2,159,175,000	4,380,236,000	3,810,446,490	(569,789,510)	(13.01)
	Total	**3,435,807,000**	**2,779,196,000**	**6,215,003,000**	**5,521,602,823**	**(693,400,177)**	**(11.16)**

Audit noted that there were overall savings of Rs. 693.400 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
Education, Training and standards in Higher Education (Printed under M/o Education)	1993-94	1	1	0	1	0
	1994-95	1	1	0	1	0
	1996-97	1	1	0	1	0
	1998-99	1	1	0	1	0
	2000-01	7	7	0	7	0
	2003-04	8	8	8	0	100
	2005-06	2	2	1	1	50
	2006-07	1	1	0	1	0
	2007-08	5	5	1	4	20
	Total	**27**	**27**	**10**	**17**	**37**

13.4 AUDIT PARAS

Irregularity & Non Compliance

13.4.1 Mis-procurement of training services, vehicles and office equipment - Rs. 4.397 million

Rule of 12(1) of Public Procurement Rules, 2004 states that procurement 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's 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 Commission for Human Development (NCHD), Gilgit incurred expenditure on the hiring of services for training, vehicles and procurement of office equipment. Details are as under:

S. No.	Particular	Expenditure (Rs)
1	Hiring of services for training of teachers	1,056,549
2	Purchase of office equipment	2,748,484
3	Hiring of vehicles	592,058
	Total Rs.	4,397,091

Audit observed that the procurements were made in violation of Public Procurement Rules, 2004.

Audit is of the view that government was deprived of the benefit of competitive rates.

The management replied that procurements made were below the maximum limit authorized to autonomous bodies.

The reply is not accepted because the procurements were made beyond the authorized limit.

Audit recommends that responsibility may be fixed for the irregularity.

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 2016-17 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:

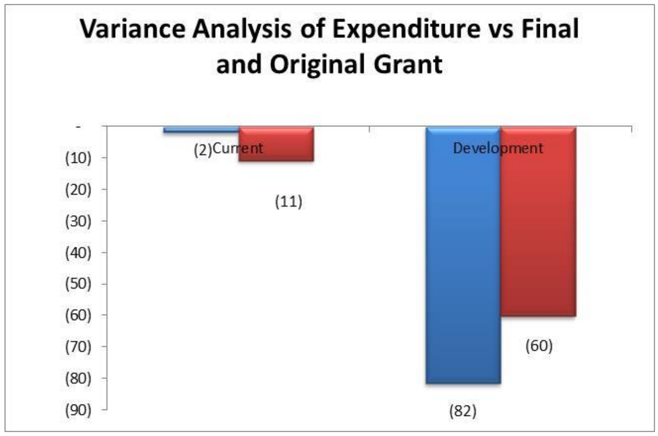
(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
29	Current	1,569,969,000	48,012,000	1,617,981,000	1,591,039,518	(26,941,482)	(2)
30	Current	5,244,159,000	422,111,000	5,666,270,000	5,667,319,352	1,049,352	0
31	Current	536,142,000	-	536,142,000	510,848,270	(25,293,730)	(5)
32	Current	2,712,996,000	51,000	2,713,047,000	2,610,135,878	(102,911,122)	(4)
33	Current	17,874,473,000	1,015,011,000	18,889,484,000	18,751,926,367	(137,557,633)	(1)
34	Current	245,000,000,000	41,550,600,000	286,550,600,000	303,726,033,165	17,175,433,165	6
35	Current	93,800,004,000	163,307,000	93,963,311,000	78,962,284,000	(15,001,027,000)	(16)
36	Current	469,995,000,000	12,254,001,000	482,249,001,000	393,895,110,731	(88,353,890,269)	(18)
38	Current	1,163,617,000	14,497,092,000	15,660,709,000	15,249,170,333	(411,538,667)	(3)
40	Current	334,604,000	39,000	334,643,000	354,806,160	20,163,160	6
41	Current	3,693,402,000	715,684,000	4,409,086,000	4,324,097,613	(84,988,387)	(2)
42	Current	6,923,707,000	601,788,000	7,525,495,000	7,504,997,727	(20,497,273)	(0)
43	Current	11,179,189,000	420,716,000	11,599,905,000	11,593,907,662	(5,997,338)	(0)
44	Current	2,208,536,000	18,500,047,000	20,708,583,000	19,086,204,577	(1,622,378,423)	(8)
104	Current	18,484,000,000	439,775,000	18,923,775,000	2,463,551,597	(16,460,223,403)	(87)
105	Current	27,055,000,000	329,673,000	27,384,673,000	25,951,457,897	(1,433,215,103)	(5)
	Subtotal - Current	**907,774,798,000**	**90,957,907,000**	**998,732,705,000**	**892,242,890,847**	**(106,489,814,153)**	(11)
116	Development	167,355,487,000	570,440,000	167,925,927,000	15,031,441,939	(152,894,485,061)	(91)
117	Development	25,673,305,000	2,107,326,000	27,780,631,000	7,772,144,079	(20,008,486,921)	(72)
118	Development	155,000,000,000	658,689,000	155,658,689,000	115,726,592,657	(39,932,096,343)	(26)
119	Development	52,461,000	-	52,461,000	1,401,600	(51,059,400)	(97)
119-A	Development	-	2,239,824,000	2,239,824,000	2,239,824,215	215	0
120	Development	687,304,000	4,000	687,308,000	369,825,519	(317,482,481)	(46)
121	Development	200,000,000	-	200,000,000	54,486,914	(145,513,086)	
139	Development	261,038,000	-	261,038,000	99,957,649	(161,080,351)	
140	Development	218,285,770,000	2,825,628,000	221,111,398,000	213,307,604,000	(7,803,794,000)	
141	Development	195,825,900,000	-	195,825,900,000	269,338,380,116	73,512,480,116	
	Subtotal - Development	**763,341,265,000**	**5,576,283,000**	**354,344,840,000**	**141,141,230,009**	**(213,203,609,991)**	**(60)**
	Total	**1,671,116,063,000**	**96,534,190,000**	**1,353,077,545,000**	**1,033,384,120,856**	**(319,693,424,144)**	**(24)**

Audit noted that there was an overall savings of 24% amounting to Rs. 319,693.424 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 2%, which, after accounting for Supplementary Grants changed to saving of 11%. In development expenditure, savings against original budget were 82% which reduced to 60% 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
Total		**85**	**85**	**52**	**33**	61

14.4 AUDIT PARAS

Irregularity & Non Compliance

14.4.1 Irregular cash withdrawal of honorarium - Rs. 251.159 million

Rule 157 of Federal Treasury Rules provides that all third party payments shall be made through cheques drawn in the name of the recipients. 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 Finance Division withdrew an amount of Rs. 251.159 million in the name of DDO during the year 2016-17 for the payment of honorarium to the employees drawing their salaries either from Finance Division or Budget of other different Ministry/Division/department.

Audit observed that the entire amount was drawn in cash in violation of Federal Treasury Rules.

Audit is of the view that withdrawal of honorarium in cash is a serious violation of Government rules/instructions.

The management replied that according to the schedule of AGPR, Islamabad the last date for submission of claim was 16.06.2017. The sanction of honorarium was issued on 19.06.2017, therefore, payment of honorarium with salaries was not possible.

The reply was not acceptable because payment in cash was a violation of rules. Finance Division being Finance Manager of the Federation did not follow

The PAO was informed on 26.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

14.4.2 Irregular payment to Legal Consultant - Rs. 43.914 million

Law, Justice and Human Rights Division vide its letter F.No. 20 (1)87-LA dated 13.01.2010 clarified in its earlier instructions issued vide letter No. F.20(1) 87-LA dated 22.11.2004 that no Legal Advisor, Advocate or Consultant shall be appointed or engaged by any department, in future, without prior approval of the Ministry of Law, Justice and Human Rights.

Finance Division hired the services of Mr. Muneeb Zia as Legal Consultant for a period of three years w.e.f. 04.04.2009 on a monthly pay package of Rs. 320,000. An amount of Rs. 43.914 million was paid to Legal Consultant for the period from 04.04.2009 to 03.04.17.

Audit observed that the appointment was made without prior approval of the Ministry of Law, Justice and Human Rights.

Audit is of the view that the expenditure incurred without observing government instructions/rules was irregular and unauthorized.

The management replied that prior to the appointment of Legal Consultant, he was performing his duties in Finance Division as Legal Expert in ERU Wing in (MP.II Scale) on contract basis for a period of 2 years, which expired on 03.04.2009. The performance of Legal Expert was outstanding. In order to continue to avail legal technical input on economic and financial issues confronted by the Finance Division, the consultancy services of Mr. Muneeb Zia were unavoidable. The highest competent authority, i.e. the Prime Minister of Pakistan, in capacity of Chief Executive of the country, granted approval to retain the services of Mr. Muneeb Zia as Legal Consultant on mutually agreed terms and conditions. Hence, no special favour involved in this case. It is further added that Mr. Muneeb Zia was hired as a Legal Consultant not as a Lawyer hence approval of Law and Justice Division was not required.

The reply is not acceptable as Legal Consultant was appointed without the approval of Law, Justice and Human Rights Division.

The PAO was informed on 26.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that reasons for non-observance of government instructions may be made known to audit besides fixing of responsibility.

14.4.3 Irregular payment of honorarium to officers of BPS 21 and above - Rs. 10.166 million

The Economic Coordination Committee (ECC) of the Cabinet in its meeting held on 01.07.1996 considered the Summary dated 25.06.1996 on ‘Grant of Honorarium to Government Servants’ submitted by the Finance Division and decided that the budget honorarium should be allowed to the officers of Finance Division, including Central Board of Revenue, and Planning and Development Division only up to level of Joint Secretaries and equivalent in accordance with the proposal contained in paragraph 6 thereof.

Para 6 of the Summary for the ECC dated 25.06.1996 submitted by Finance Division proposed that honorarium may be allowed to the officers up to the level of Joint Secretaries and equivalent exceeding one month's pay in accordance with the practice followed in Finance Division/Central Board of Revenue and employees of other Divisions/Departments for the financial year 1995-96 onwards, subject to clearance from the Honorarium Committee constituted in the Finance Division.

The management of Finance Division paid an amount of Rs.251.159 million as honorarium vide cheque No.6470587 dated 20.06.2017. Out of total amount, honorarium amounting to Rs. 10.166 million was paid to the officers in BPS-21 and BPS-22. The honorarium was not approved by the ECC. Details are as under:

(Rupees)

S. No.	Name	Designation	No. of Pays	Amount
1.	Mr. M. Tariq Bajwa	Finance Secretary	6	956,178
2.	Mr. Shahid Mahmood	Special Secretary Finance	6	574,248
3.	Mr. Tariq Mahmood Pasha	Secretary (EAD)	6	897,660
4.	Mr. Ghazanfar Abbas Jilani	Addl. Finance Secretary	6	799,080
5.	Mr. Noor Ahmad	Addl. Finance Secretary	6	749,280
6.	Mr. Naveed Alauddin	Addl. Finance Secretary	6	649,680
7.	Syed Ejaz Ali Shah Wasti	Economic Advisor	6	793,080
8.	Abdul Akbar Sharifzada	Sr. Joint Secretary	6	749,280
9.	Mr. Amer Mahmood Hussain	Sr. Joint Secretary	6	624,780
10.	Syed Anwar-ul-Hasan Bokhari	Sr. Joint Secretary	6	749,280
11.	Dr. Waqar Masood Khan	Finance Secretary (R)	3	610,107
12.	Dr. Shujat Ali	Special Secretary Finance	3	445,296
13.	Mr. Haque Nawaz	Addl. Finance Secretary	3	445,296
14.	Mr. Arshad Ahmad	Sr. Joint Secretary	3	420,075
15.	Hafiz Muhammad Tahir	AGPR	3	365,640
16.	Mr. Aamar Ashraf Khawaja	AS-1	3	337,290
			Total	**10,166,250**

Audit is of the view that payment of honorarium to the officers of BPS-21 and 22 was a violation of the decision of the Economic Coordination Committee dated 01.07.1996.

The management did not reply.

The PAO was informed on 26.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends to make recovery of unauthorized payment and Ministry of Finance may ensure implementation of its Financial Rules.

14.4.4 Unauthorized cash payment to employees for meals - Rs. 1.954 million

Serial No. 9(38) of Annex-I of Finance Division O.M. No. F.3(2)Exp-III/2006 dated 13.09.2006 amended from time to time states that Secretaries of Ministries/ Divisions are empowered to sanction light refreshment not exceeding Rs. 50 per head at meeting convened for official business. For receptions, lunches and dinners up to Rs. 100,000 in each case subject to the condition that per head expenditure should not in any case exceed Rs. 2500. For serving lunch boxes not exceeding Rs.300 per head in meeting which are prolonged beyond office hour.

Rule 28(2) of FTR Volume-I states that a Government Officer supplied with funds for expenditure shall be responsible for such funds until an account of them has been rendered to the satisfaction of the Accountant General and of the Audit Officer concerned. He shall also be responsible for seeing that payments are made to persons entitled to receive them.

The management of Finance Division withdrew Rs. 1.954 million in the name of DDO from head Entertainment and Gifts during 2016-17.

Audit observed that the funds withdrawn were distributed amongst the employees of BS-1 to BS-20 working in the Federal Minister's Office in lieu of meal @ Rs. 150 per day for BS 1 to 16 and Rs. 300 for BS 17 and above.

Audit is of the view that payment to the staff of the Federal Minister's Office in lieu of meal was unauthorized.

The management replied that on complaint received from Finance Minister's Office about poor quality of meal and late sitting in office the employees were allowed to order dinner/lunch boxes as per their convenience and payments were made from the relevant head to the employees after verifying attendance and with the approval of Finance Secretary/PAO and the Finance Minister.

The reply was not accepted because payments were made in violation of rules.

The PAO was informed on 26.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that the irregular practice may be discontinued forthwith besides recovery.

14.4.5 Irregular selection of firm for ISO Certification - Rs. 1.325 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 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 Finance Division hired the services of M/s Lloyd, Karachi for renewal of International Organization for Standardization (ISO) Certification of Ministry of Finance and made an agreement on 28.07.2016 for the period of three years. As per agreement, Finance Division will pay Rs. 1.325 million (Rs. 500,000 Certification Renewal Assessment Fee + Five Surveillance Audit visit fee @ Rs.165,000 for each visit to the firm.

Audit observed that firm was selected without open competition in violation of PPRA, 2004.

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

The management replied Pakistan Institute of Quality Control (PIQC), Lahore recommended M/s Lloyd's Register LRQA Karachi in March, 2007 which was still in practice on renewal basis after every three years.

The PAO was informed on 26.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

14.4.6 Irregular appointments /re-employment on contract - Rs. 1.140 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.

Ministry of Finance hired the services of two retired Deputy Secretaries on contract basis under Project titled "Institutional Strengthening of Finance Division" and paid Rs. 1.140 million as salaries during 2016-17. Details are as under:

(Rupees)

S. No.	Name	Appointed position	Period	Monthly Salary	Total Salary
1.	Mr. Muhammad Ayub	Jr. Consultant Parliamentary Affairs	01.07.16 to 31.12.16	70,000	420,000
2.	Mr. Muhammad Yousaf	Internal Coordination officer	01.07.16 to 30.06.17	60,000	720,000
				Total	**1,140,000**

Audit observed that appointments were made without open competition.

Audit is of the view that appointments without open competition were irregular.

The management replied that it was a temporary arrangement to utilize their services during the crucial time of budget preparation.

The reply was not accepted because appointments were made without open competition.

The PAO was informed on 26.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

14.4.7 Non-recovery of 3% of the fees and charges levied by Regulatory Agencies - Rs. 3,122.044 million

In accordance with provision of Sub Section (2) (f) of Section 20 of the Competition Act, 2010, the Fund shall consist of a percentage of the fees and charges levied by other regulatory agencies in Pakistan as prescribed by the Federal Government in consultation with the Commission and the percentage so prescribed shall not be varied to the disadvantage of the Commission.

Finance Division vide S.R.O. No. (1)/2008 dated 23.08.2008 prescribed a charge of 3% on the fees and charges levied by the following authorities during financial year 2008-09 to meet the charges in connection with the function of the Commission namely:

i. Securities and Exchange Commission of Pakistan
ii. National Electronic Power Regulatory Authority
iii. Oil and Gas Regulatory Authority
iv. Pakistan Telecommunication Authority
v. Pakistan Electronic Media Regulatory Authority

Sub Rule 2 of Rule-5 of Competition Commission (Collection of fee and Charges) Rules,2009 provides that the percentage prescribed by the Federal Government under Sub Rule (1) of Rule 3 shall take effect from the Financial Year 2008-09 and shall not be varied at any stage, to the disadvantage of the Commission.

The management of the Competition Commission of Pakistan was required to receive a charge of 3% on the fees and charges levied from the Regulatory Authorities.

Audit observed that an amount of Rs. 3,122.044 million for the period 2008-15 as 3% of the fees was outstanding against the Regularity Authorities. The detail for the year 2015-16 was not provided to Audit. Details are as under:

S. No.	Name of regulatory Agencies	Amount Due (Rs.)
1	Securities and Exchange Commission of Pakistan	218,399,618
2	National Electronic Power Regulatory Authority	91,796,434
3	Oil and Gas Regulatory Authority	53,196,257
4	Pakistan Telecommunication Authority	2,122,594,488
5	Pakistan Electronic Media Regulatory Authority	636,057,106
Total		**3,122,043,903**

Audit is of the view that non collection of share i.e. 3% of the fee and charges levied by the Regulatory agencies resulted in loss to the Commission as well as to Government exchequer as CCP receives grant in aid from Government to meet the operational cost of the Commission.

The management replied that the Competition Commission of Pakistan had consistently and persistently followed up payment of 3% with all the regulatory bodies. Opinion was also solicited from the Ministry of Finance and the Ministry of Law, Justice and Human Rights which provides that the regulatory bodies were under an obligation to make the payment. It was correct to suggest that refusal by the regulatory bodies to make the payment to CCP had resulted in loss to the CCP in meeting its operational expenses.

The DAC held on 11.12.2017 directed the management to pursue the case vigorously for early recovery/finalization of the case and get the relevant record verified by Audit.

Audit recommends that amount outstanding against the regulatory authorities should be recovered besides devising a mechanism to ensure timely recovery.

14.4.8 Irregular payment of value of fuel to Chairperson and Members - Rs. 4.363 million

In terms of Finance Division OM No.F.3-(2)R-4/2011 dated 24.12.2012, monetization of transport facility shall be admissible to all future appointments against MP Scales in lieu of present facility of Chauffer Driven Car maintained at Government's/Corporation's expense for official and private use and petrol limit as provided in Finance Division's O.M. No.3(7) R-4/98 dated 18.08.1998

The management of Competition Commission of Pakistan paid Rs. 4.363 million for payment of monetization of fuel against fuel entitlement to the Chairman and Members of the Commission during 2015-16.

Audit observed as under:

i. Fuel monetization allowance was paid against the Commission's vehicles which was unjustified and was paid through salary without any invoice on account of purchase of POL.
ii. Log books and movement registers for the period in which fuel monetization allowance was paid were not maintained.

Audit is of the view that the allocation of vehicles and payment of monetization of fuel to the Chairperson, Members of the Commission appointed on MP Scale and entitled officers of the Commission is irregular and unauthorized.

The management replied that monetized value of the transport was being paid to the Chairman and Members. Previously, the fuel was provided to them through coupons which were purchased from any filling station. It was discarded and in its place, cost of the fuel, in accordance with entitlement of the officers, was paid to them which was named as fuel monetization allowance. Fuel monetization allowance was calculated and paid at prevailing price at that particular time to the Chairperson, Members and other entitled officers. Since the allowance was monetized and, therefore, paid in cash due to which invoices were not required.

The DAC held on 11.12.2017. The management informed that the practice has been discarded. The DAC directed the management to get the record verified from Audit.

Audit recommends that Finance Division instructions regarding perquisites of MP Scales may be followed in letter and spirit.

14.4.9 *Irregular payment of allowances to Chairperson and Members - Rs. 3.784 million*

Section 17(1) of Competition Commission Act, 2010 states that the Chairman and Members of the Commission shall be appointed for a term of three years on such salary, terms and conditions of service as the Federal Government may by rules prescribe.

In exercise of the powers conferred by section 17, read with sub-section (5) of Section 4, of the Competition Ordinance, 2007 (LII of2007), the Federal Government vide S. R. O. 143(1)/2009 dated 09.02.2009 was pleased to make the rules, namely "Competition Commission (Salary, Terms and Conditions of Chairman and Members) Rules, 2009.In term of Sub Rule (3) of Rule 4 of Competition Commission (Salary, Terms and Conditions of Chairman and Members) Rule,2009 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. 8.140 million to the Chairperson and Members of the Commission appointed in MP-I Scales. Detail is as under:-

Sr #	Name & Designation	Mobile Charges	Leave Fare salary	Club Subscription	Security Guards Monetization	Orderly All.
1	Dr Joseph Wilson, Member	46,811	324,000	57,900	288,000	144,000
2	Ikram ul Haque Qureshi, Member	68,134	324,000	38,099	288,000	144,000
3	Mueen Batly, Member	64,064	324,000	68,000	288,000	144,000
4	Shahzad Ansar, Member	29,067	324,000	83,850	40,258	144,000
5	Vadiyya S. Khalil, Chairperson	46,813	324,000	36,929	0	144,000
Total		**254,889**	**1,620,000**	**284,778**	**904,258**	**720,000**
					Grand Total	**3,783,925**

Audit observed that management of Competition Commission of Pakistan paid salary to the Chairperson and Members of the Commission over and above the package approved by the government and Competition Commission (Salary, Terms and Conditions of Chairman and Members) Rules, 2009.

Audit further observed that a para of similar nature was discussed in the DAC meeting held on 06.09.2016 in Finance Division (Audit Report (Civil) for the year 2013-14) and DAC directed the management to stop the payment and effect the recovery of overpayment but payment is still being made.

Audit is of the view that above payments were made over and above the Competition Commission (Salary, Terms and Conditions of Chairman and Members) Rule, 2009 which was irregular.

The management replied that the Commission made Competition Commission (Service) Manual, 2007 under which all the service matters of the employees were dealt. However, it was clarified that Section 43(3) of the Competition Act, 2010 deals with the salary and other terms and conditions of service of the Chairperson and Members of the Competition Appellate Tribunal. The payments of Leave Fare Assistance, Security Guard Services, Mobile Phone Charges, Orderly Allowance and Club Membership Subscription to Chairperson and Members have been made in accordance with the relevant provisions of the Competition Commission (Service) Manual, 2007 which was made under Section 58 of the Competition Act, 2010. These regulations were validated under Section 62 of the Competition Act. As such all the actions taken/ payments made under the above mentioned manual are in accordance with the provisions of Competition Act, 2010. However, in accordance with the directions of the DAC, the provision of all these facilities to the Chairperson and Members has been stopped and steps are being taken to regularize the payments already made.

The DAC held on 11.12.2017 directed the management to pursue the case vigorously for early recovery/finalization of the case and get the relevant record verified by Audit.

Audit recommends that payment of allowances be made in accordance with the entitlement approved by the Government and actual payment made to the Chairperson and Members during their tenures may be worked out and intimated to Audit.

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 Division for the financial year 2016-17 was Rs. 30,769.067 million including Supplementary Grant of Rs. 25,537.172 million out of which the Division utilized Rs. 26,151.204 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)
83	Current	3,711,374,000	25,466,756,000	29,178,130,000	25,670,846,160	(3,507,283,840)	(12.02)	592
131	Development	1,520,521,000	70,416,000	1,590,937,000	480,357,605	(1,110,579,395)	(69.81)	(68)
	Total	**5,231,895,000**	**25,537,172,000**	**30,769,067,000**	**26,151,203,765**	**(4,617,863,235)**	(15.01)	400

Audit noted that there were savings of Rs. 4,617.863 million, which was mainly due to savings of Rs. 3,507.284 million in current 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
National Food Security and Research (Devolved M/o Food and Agriculture)	1987-88	17	17	15	2	88
	1988-89	11	11	7	4	64
	1989-90	9	9	5	4	56
	1990-91	6	6	4	2	67
	1991-92	19	19	2	17	11
	1992-93	22	22	6	16	27
	1993-94	31	31	4	27	13
	1994-95	6	6	0	6	0
	1995-96	14	14	0	14	0

	1996-97	90	90	12	78	13
	1997-98	7	7	3	4	43
	1998-99	38	38	0	38	0
	1999-00	64	64	5	59	8
	2000-01	45	45	2	43	4
	2001-02	20	20	6	14	30
	2003-04	28	28	8	20	29
	2005-06	9	9	5	4	56
	2006-07	3	3	2	1	67
	2007-08	5	5	4	1	80
	2008-09	2	2	0	2	0
Total		**446**	**446**	**90**	**356**	**20**

15.4 AUDIT PARAS

Non Production of Record

15.4.1 Non-production of record of Promotion of Olive Cultivation Projects - Rs. 2,444.545 million

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.

Pakistan Agricultural Research Council (PARC) was executing Italian assisted MOU project titled “Promotion of Olive Cultivation” for economic development and poverty alleviation with financial assistance of Pak-Italian Debt Swap Agreement (PIDSA) in 2012. Another project titled Promotion of Olive Cultivation on Commercial Scale in Pakistan was started at a cost of Rs. 2,444.545 million.

The management of PARC was requested vide requisition No. 1 dated 24.03.2017, requisition No. 2 dated 28.03.2017, requisition No. 3 dated 29.03.2017 and requisition No. 4 dated 29.03.2017 followed by a reminder dated 03.04.2017 to provide the following record:

i. Record relating to Promotion of Olive Cultivation on Commercial Scale in Pakistan and Promotion of Olive Cultivation for Economic Development and Poverty Alleviations - PIDSA Project.
ii. PC-I of the projects.
iii. Cash books of these projects.
iv. Original Vouchers of these projects.
v. Financial statements.
vi. Bank Statements along with bank reconciliation statements.
vii. List of DDOs along with incumbency period.
viii. List of Cheque signatories.
ix. Inquiry reports of these projects.
x. Detail of project staff.
xi. Job descriptions of officers of these projects.
xii. Any other auditable record.

Despite repeated requests the management of PARC did not provide the record relating to Promotion of Olive Cultivation Projects.

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

The management replied that the project was inactive and under the inquiry of FIA and all the record was sealed till the finalization of FIA investigation.

The PAO was informed on 02.10.2017 and 27.10.2017 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 Honorable Supreme Court of Pakistan dated 08.07.2013, besides provision of auditable record along with inquiry report of FIA.

15.4.2 Non-production of record of Agricultural Linkages Program (ALP) - Rs. 370.274 million

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.

Pakistan Agricultural Research Council (PARC) Board in its 25^{th} meeting held on 25.11.2015 approved revised budget of Rs. 158.910 million for the financial year 2014-15 and budget estimates of Rs. 211.364 million for the financial year 2015-16 for PARC Agricultural Linkage Programme (ALP).

The management of PARC was requested vide requisition No. 3 dated 29.03.2017 and requisition No. 5 dated 31.03.2017 followed by a reminder dated 03.04.2017 to provide the following record:

i. Record relating to Endowment Fund for Agricultural Linkage Program.
ii. Detail of interest and investments of Endowment Fund
iii. Details of projects executed out of Endowment Fund
iv. Any other auditable record.

Despite repeated requests the management of PARC did not provide the record relating to Agricultural Linkages Program (ALP).

Audit is of the view that due to non-production of the record, the authenticity of the investments and expenditure therefrom could not be ascertained.

The management replied that there was no regular releases from the Federal Government, rather it was an Agricultural Endowment Research Fund created from the sale of US wheat. However, all the record was available for audit.

The reply was not accepted because neither the record was provided during audit in May, 2017 nor in verification held in November, 2017.

The PAO was informed on 02.10.2017 and 27.10.2017 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 Honorable Supreme Court of Pakistan dated 08.07.2013, besides provision of auditable record.

15.4.3 Non production of the record of PATCO

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 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 PARC management registered a commercial company titled "PARC Agro Tech Company" under section 32 of the Companies Ordinance, 1984.

The management was requested to provide the record relating to income and expenditure of the Company.

Audit observed that despite repeated request no record was provided to Audit.

Audit is of the view that non production of record was not only serious violation of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 but in absence of the record Audit could not ascertained the authenticity of income and expenditure of the company.

The management replied that PATCO was established by the Federal Government on the directives of the Prime Minister of Pakistan communicated through Ministry of Food, Agriculture and Livestock and the formal approvals pertaining to establishment of PATCO were taken from all the relevant forums. Further, PATCO was not financed by loans and grants from consolidated funds of Federal and Provincial Governments or of any districts. PATCO was limited company by shares and was governed under corporate norms and its accounts duly audited by a chartered accountancy firm as per Companies Ordinance, 1984.

The reply was not accepted because 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 Governments. 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 Honorable Supreme Court of Pakistan and attracts Section 14(3) of AGP's Ordinance, 2001.

Audit is also of the view that as the PARC has already acknowledged that PATCO was established by the Federal Government on the directives of the Prime Minister of Pakistan communicated through Ministry of Food, Agriculture and Livestock and the formal approvals pertaining to establishment of PATCO were taken from all the relevant forums so PATCO falls under the audit jurisdiction of the Auditor General of Pakistan.

The PAO was informed on 02.10.2017 and 27.10.2017 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 Honorable Supreme Court of Pakistan dated 08.07.2013, besides provision of auditable record.

Irregularity & Non Compliance

15.4.4 Irregular expenditure on account of pay and allowances in absence of creation of permanent posts and recruitment rules - Rs. 623.830 million

Sub Section 1 of Section 6 of the Pakistan Agriculture Research Council (PARC) Ordinance, 1981 states that the overall control direction and superintendence of the affairs of the Council shall vest in a Board of Governors.

The management of PARC, Islamabad incurred an expenditure of Rs. 623.830 million on pay and allowances during 2015-16.

Audit observed that the pay and allowance were paid without framing recruitment rules and creating the permanent posts of the employees of the Council.

Audit is of the view that the PARC was required to create the permanent posts to run the affairs of the Council in an organized manner besides framing of recruitment rules.

The management replied that HR Book was published in 2013-14 in which 2,674 posts were sanctioned including few post sanctioned by the Federal Government/Chairman, PARC. The sanctioned strength was enhanced to 2821 during 2015-16. As far as recruitment rules were concerned, PARC Executive Committee had approved the criteria for recruitment/selection and promotion in PARC.

The reply was not accepted because the management did not provide the approval of the Board regarding sanction strength of the Council. Recruitment rules have not been framed as indicated in the management response. Further, overall control, direction and superintendence of the affairs of the Council vested with the Board of Governors and not with the Executive Committee.

The PAO was informed on 02.10.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity besides framing of rules.

15.4.5 Irregular execution of foreign added projects in absence of approved rules - Rs. 30.619 million

The functions and responsibilities of the Economic Affairs Division as listed in Schedule II of Rules of Business 1973 is assessment of requirements, programming and negotiations for external economic assistance from foreign governments and organizations.

Section 25(1) of Pakistan Agriculture Research Council (PARC) Ordinance, 1981 states that the Federal Government may, by notification in the official gazette, make rules for carrying out the purposes of this Ordinance.

Section 26(2)(iii) of PARC Ordinance, 1981 states that in particular and without prejudice to the generality of the foregoing provision, such rules may provide for the conditions under which the Council may enter into arrangements with other institutions and individual organizations, whether public, private or autonomous bodies.

Section 18(2) of the Pakistan Agriculture Research Council Ordinance, 1981 the funds of the Council shall consist of:

a) grants made by the Federal Government and the Provincial Governments;

b) grants, donations, endowments, aid and assistance given by other organizations;

c) foreign aid and loans obtained or raised with the approval of the Federal Government; and

d) receipts from other sources.

The management of Pakistan Agriculture Research Council (PARC), Islamabad executed various projects financed by foreign donors through different agreement/MOUs. An expenditure of Rs. 30.830 million was made during 2015-16.

Audit observed that management did not frame rules determining conditions under which the Council may enter into arrangements with other institutions.

Audit is of the view that execution of projects funded by foreign donors in absence of approved rules was violation of the provision of Ordinance.

The management replied that PARC executed various projects financed by foreign donors through different agreement/MOUs under provision of Section 18(2) and Section 23 of the Pakistan Agricultural Research Council Ordinance, 1981. Two projects were executed through foreign aided grants and the other small expenditure under MoU projects were concerned some research studies/pilot projects/publication of Pakistan Scientific Journal were undertaken with the approval of competent authority after budget approval/sanction of expenditure as per prescribed procedure.

The reply was not accepted because MoUs were signed without the approval of the Government.

The PAO was informed on 02.10.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that the rules may be framed and got approved from Government besides fixing the responsibility for non-observance the provisions of Pakistan Agriculture Research Council Ordinance, 1981 regarding execution of projects assisted by other organizations, agencies.

15.4.6 Less deduction of Income Tax on salaries - Rs. 8.937 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.

Federal Board of Revenue vide Serial 2 of Circular No. 6 of 2013 clarified that prior to Finance Act, 2013, income from property was taxed as a separate block of income at prescribed rates. Through Finance Act, 2013, income from property is now taxable as part of total income at normal rates as provided in Division I of Part-I of the First Schedule to the Income Tax Ordinance, 2001.

The management of Pakistan Agricultural Research Council (PARC), Islamabad paid salaries to its 171 officers amounting to Rs. 253.963 million which included Rs. 13.984 million as Self Hiring and Rs. 0.720 million as honorarium and deducted Income Tax of Rs. 9.867 million during 2015-16.

Audit observed that an amount of Rs. 8.937 million on account of Income Tax was less deducted from the salaries of the officers.

Audit is of the view that due to less deduction of Income Tax, the Government was deprived from its due receipts.

The management replied that an amount of Rs. 17.923 million was paid as self-hiring to 65 employees for which an amount of Rs. 871,702 was deducted as tax, however, honorarium was paid at the end of financial year, therefore, tax deduction was not possible on the last day of financial year.

The PAO was informed on 02.10.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that recovery may be made and deposited into government treasury under intimation to audit.

15.4.7 Non-deposit of house rent charges in government treasury - Rs. 5.847 million

Rule 26 (1) of Accommodation Allocation Rules, 2002 states that unless entitled to rent free accommodation, the allottee of an accommodation shall be charged normal rent at the rate of five percent of the emoluments.

The management of Pakistan Agriculture Research Council (PARC), Islamabad allotted residential accommodation to various officers/officials in the residential colony of the PARC. An amount of Rs. 5.847 million was deducted as normal rent at the rate of five percent of the monthly emoluments.

Audit observed that the management retained the amount of rent deducted from the salaries of the allottees instead of depositing the same into Government treasury.

Audit is of the view that non deposit of normal rent into treasury was irregular.

The management replied that an amount of Rs. 2.776 million was deducted on account of 5% recovery of House Rent charged during 2015-16 from the employees who were allotted official accommodation by PARC. The miscellaneous receipts were used for supplementing the budget as authorized by PARC's Ordinance. The receipts and other sources were part of the funds of the Council in accordance with Clause 18 of PARC Ordinance, 1981. Therefore, the PARC was allowed to retain these in PARC system.

The reply was not accepted because 5% House Rent Charges were not part of the receipt of the Council. Further, the repair and maintenance of residential accommodation was made from the regular budget.

The PAO was informed on 02.10.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that amount recovered on account of house rent charges may be deposited into the government account.

15.4.8 Irregular appointment of fifteen LDCs - Rs. 3.356 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.

Establishment Division O.M. No. F.53/1/2008-SP dated 22.10.2014 states that vacancies in each Ministry/Division/Department/Autonomous Body/ Corporation as per the Provincial/Regional quota etc, shall be advertised through widely published National/Provincial/Regional newspaper.

Establishment Division vide O.M. No. F.53/1/2008-SP dated 16.01.2015 devised a mechanism to ensure transparency and merit base recruitment in the Ministries/Divisions/Attached Departments/Autonomous bodies/ Semi-Autonomous Bodies, Corporations, Companies and Authorities.

The management of PARC, Islamabad appointed seventeen LDCs during the month of September and October, 2015. The average monthly salary of one LDC comes to Rs. 24,860 and the expenditure on pay and allowances for the year comes to Rs. 3.356 million.

Audit observed as under:

i. The management appointed 17 officials against two advertised posts.
ii. The result submitted by NTC was in soft form in editable version/format.
iii. The evaluation sheet containing the marks awarded by the members of Departmental Selection Committee as laid down in Establishment Division vide OM No.F.53/1/2008-SP dated 16.01.2015 was not available on record.
iv. The appointments were made on the basis of criteria prescribed by the Chairman, PARC instead of framing recruitment rules.

Audit is of the view that appointment of staff over and above the advertised posts and in absence of original and authentic result of test and interview was not only violation of government instructions but also made the entire recruitment process doubtful. The expenditure on account of pay and allowance is, therefore, irregular.

The management replied that 17 appointments were made against advertisement of only 2 posts because more vacant posts came up and in consideration of the provision of increase/decrease of post in the advertisement. There was shortage of clerical staff in the Council and pressing needs were often communicated by the various departments for provision of officials. Therefore, more candidates were called for interviews in light of merit list provided by NTS.

The reply was not accepted because the appointments were made in excess of the posts advertised. The management did not respond to other audit observations.

The PAO was informed on 02.10.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for making irregular appointments over and above the advertised posts.

15.4.9 Irregular up-gradation of posts

Rule 13(2)(b) of Pakistan Agriculture Research Council Rules,1984 states Chairman is empowered to appoint and promote officers up to Basic Scale of Pay B-19 on the recommendations of the Selection Board or Selection Committee to be constituted by the competent authority.

The management of Pakistan Agricultural Research Council (PARC), Islamabad vide Notification No. F.1.10(P)2010-R&P dated 26.02.2010 upgraded various posts as per details given below:

S. No.	Name of Post	Up-graded
1	Senior Auditor SPS-09	SPS-10
2	Senior Information Officer-SPS-09	SPS-10
3	Senior Protocol Officer-SPS-09	SPS-10
4	Cameraman SPS-08	SPS-09
5	Photographer/SPS-08	SPS-09
6	Manager Cafeteria(NARC-SPS-08	SPS-09
7	Manager Cafeteria(PARC-SPS-08	SPS-09
8	Technical Officer(SPS-8)	SPS-09
9	Manger Hostel(SPS-7)	SPS-08

Audit observed that the posts were upgraded by the Chairman, PARC in violation of the rules.

Audit is of the view that Chairman PARC was not empowered to upgrade the posts. Therefore, the up gradations of posts were unauthorized.

The management replied that criteria for up-gradation of posts was approved and notified with the approval of Chairman, PARC for incumbents who were serving the same scale for more than 10 years but their promotion was stuck up owning to non-availability of vacant slots in next higher grade.

The reply was not accepted because Chairman, PARC was not empowered to upgrade the posts.

The PAO was informed on 02.10.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for irregular up gradation of all posts.

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 2016-17 was Rs. 60,008.000 million including Supplementary Grant of Rs. 2,008.000 million out of which the Commission utilized almost all the budget. 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	58,000,000,000	2,008,000,000	60,008,000,000	60,005,265,999	(2,734,001)	(0)

16.3 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
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
	1998-99	43	43	5	38	12
	1999-00	11	11	9	2	82
	2000-01	26	26	0	26	0
	2003-04	24	24	13	11	54
	2005-06	8	8	3	5	38
	2006-07	15	15	7	8	47
	2007-08	8	8	7	1	88
Total		**167**	**167**	**53**	**114**	**32**

16.4 AUDIT PARAS

Non Production of Record

16.4.1 Non Production of record

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

Section 14(3) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 states that any person or authority hindering the auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

The audit of HEC for the period 2016-17 was undertaken during September-October, 2017. The following information/record was not provided to Audit:

i. Year wise and university wise annual receipts
ii. List of court cases
iii. List of equipment/goods received as donations.
iv. Personal files of the employees on contract in development projects.
v. Record of attestation and equivalence.
vi. Authorized strength of vehicles
vii. List of condemned/off road vehicles.

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.

Despite repeated requests the management did not reply.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for hindering the auditorial functions of Auditor General of Pakistan.

Irregularity & Non Compliance

16.4.2 Irregular transfer of funds from Assignment Account to commercial bank accounts – Rs. 8,732.507 million

FTR-290 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 2(vi) of revised procedure of Assignment Account issued vide letter No.AC-II/1-39/08-Vol-V/632 dated 24.09.2008 states that 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. A certificate to this effect will be recorded on the Schedule of Payment mentioned in Para 2 (i) above. The cheques for payments on account of purchases/supplies will be drawn in the name of contractor / supplier.

The management of Higher Education Commission (HEC), Islamabad was maintaining an Assignment Account No 2159-7 in National Bank of Pakistan, Melody Branch, Islamabad for recurring expenditure of its own and all the other units /centers.

Audit observed as under:

i. Funds amounting to Rs. 8,732.507 million were transferred from the Assignment Account to the commercial bank accounts maintained by the HEC HQ during 2016-17.

ii. Funds were transferred to the bank account without the approval of the Finance Division or any competent forum.

iii. Funds were shown as payment to the third parties in the cash book of the assignment accounts which was misleading.

Details are as under:

Rupees

Sr.#	A/c No	Purpose	Opening Balance	Deposit	Disbursement	Closing Balance
1.	7928-03 HBL H-9	HEC Recurring/salary	278,005,523	701,242,906	931,353,951	47,894,478
2.	1464-01 HBL H-9	Tenure Track salary	106,604,983	44,616,161	22,063,151	129,157,994
3.	4800110-01 HBL Civic Center	Foreign Remittance	62,049,523	70,626,749	32,221,870	100,454,402
4.	6564-52 HBL H-9	Development	0	1,851,217,398	517,362,276	1,333,855,122
5.	550024-01 HBL Aabpara	Inter University Academic Activities	57,320,891	44,500,853	3,106,848	98,714,896
6.	294972-NBP	Local & Foreign Remittance	23,197,948	6,020,303,201	5,956,843,930	86,657,919
		Total	**527,178,868**	**8,732,507,268**	**7,462,952,026**	**1,796,734,811**

Audit is of the view that transfers and retention of funds into the commercial bank accounts and showing it as payment to third parties in cash book was irregular.

The management replied that Rs. 491.00 million was transferred from Assignment Account and Rs. 5,499.00 million from State Bank. The balance amount was refunded from the universities.

The reply was not accepted because the amount deposited in account number 656,452 was Rs. 1,833.675 million which included Rs. 1,423.246 million HEC development grant for project and Rs. 410.406 surrendered from universities. The HEC development grant was received and paid from Assignment Account No. 2167-7.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit also recommends that separate Assignment Accounts for recurring expenditure of each cost center and each development project should be maintained to avoid the irregularity and financial losses besides fixing responsibility for the irregularity.

16.4.3 Un-authorized expenditure from the funds of previous year and mis-statement of expenditure for the year 2015-16 - Rs. 5,481.009 million

As per Finance Act, 2015 the funds allocated for the year 2015-16 to the Ministry/Division /Department/offices were authorized to be utilized up to June, 2016.

GFR-95 states that all anticipated savings should be surrendered to Government immediately they are foreseen but not later than 31st March 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 31st March shall be surrendered to Government immediately they are foreseen but not later than 30th June of each year. No savings should be held in reserve for possible future excesses.

GFR-96 states that 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.

Higher Education Commission (HEC) received development funds amounting to Rs. 5,499.007 million which were parked into State Enterprises Account maintained in the State Bank of Pakistan (SBP) in June, 2016. The funds were transferred into HEC bank account No. 7060-4 maintained in the NBP Civic Center on 17.10.2016 and expenditure amounting to Rs. 5,481.010 million was made from the said account from 27.10.2016 to 30.06.2017 leaving a balance of Rs. 17.997 million.

Audit observed as under:

i. The amount deposited in SBP was shown as expenditure in the government books of accounts of 2015-16 which was actually incurred in 2016-17.

ii. Balance amount of Rs. 17.997 million was also not surrendered.

Audit is of the view that due to deposit of funds into State Bank of Pakistan (SBP) account excess expenditure of Rs. 5,481.010 million was shown recorded in the government books of accounts.

Audit is also of the view that utilization of funds authorized for one year could not be utilized in the next year.

The management replied that the amount was deposited in SBP State Enterprises Account on the instructions of the Finance Division letter dated 01.06.2016.

The reply was not accepted because Finance Division was not empowered to give such instructions.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility for the violation of Finance Act may be fixed, the statement of expenditure for the year 2015-16 and 2016-17 may be revised and unspent balances may be surrendered to Government.

16.4.4 Unauthorized execution of project without approval of the ECNEC- Rs. 2,341.032 million

Section 10(i) Higher Education Commission (HEC) Ordinance, 2002 states that Commission may approve project within the same ceiling as are specified for DDWP.

An advertisement for establishment of Smart Universities Project was published on April 19, 2015 and tender was opened on 23.06.2015 and the work was awarded to M/s Commtel at a cost of Rs. 2,341.033 million.

Audit observed that the project was executed without the approval of the ECNEC.

Audit is of the view that expenditure on project without the approval of ECNEC was unauthorized.

The management replied that referred expenditure of Rs. 2.341 billion was not capital development expenditure rather a long term recurring activity spanning over eight years. Clause 10 of HEC Ordinance, 2002 empowers the Commission to execute such activities.

The reply was not accepted because the approving forum for the project was ECNEC.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

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

16.4.5 Wasteful expenditure due to non-completion of research projects - Rs. 1,555.675 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. 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 approved policy of the HEC on the projects of National Research Program for the university under ID 5914 states that the research grants normally be provided for the period of one to three years.

Higher Education Commission released funds to different universities for execution of research projects under National Program for Research in Universities under ID-5914 Promotion of Research in universities.

Audit observed as under:

i. A large number of research projects were incomplete despite lapse of two to fourteen years after the release of funds, whereas the execution period of the projects was maximum three years.

ii. The management did not lay down any policy for retrieval of funds lying against the such delayed/ignored projects.

iii. There was not any supervisory report stating reasons for delay or failure of the projects

iv. The proposals were not approved by the Commission which was the competent forum to approve expenditure on the functions of the HEC. Details are as under:

(Rupees)

S. No	Project	No. of Projects	Approved cost	Amount Released
01	2003	21	23,564,460	20,712,636
02	2004	19	40,490,180	31,106,893
03	2005	35	63,744,755	52,293,825
04	2006	64	151,427,427	127,471,507
05	2007	56	162,773,977	135,966,158
06	2008	23	66,424,321	58,084,478
07	2009	38	113,704,328	96,332,303
08	2010-11	84	279,001,653	235,252,913
09	2011-12	84	275,400,139	218,045,954
10	2012-13	51	255,401,041	189,872,032
11	2013-14	28	138,755,641	98,902,519
12	2014-15	45	216,930,677	156,744,253
13	2015-16	35	196,062,622	130,889,333
	Total	**583**	**1,983,681,221**	**1,551,674,804**

Audit is of the view that the projects were delayed either due to ill planning or/and lack of supervision.

The management replied that the cases would be taken up with universities authorities for their settlement.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that thorough investigation may be carried out on the expenditure incurred against all such projects. A strict policy for retrieval of funds against such projects may be framed.

16.4.6 Non-recovery of training cost from the scholars – Rs. 955.248 million

As per Minutes of the 17th meeting of National Scholarship Management Committee dated 11.06.2010, after scholar in breach of agreement category, expenses incurred on the scholar plus penalty up to 25% may be recovered from the scholar and guarantor.

The HEC sent 744 scholars abroad under MS Leading to PhD Training Phase-I, 1,848 scholars under MS Leading to PhD Training Phase-II, 792 scholars abroad under USTP during 2003-17 out of which 132 scholars did not return and breached the terms of agreement. Detail of the expenditure incurred on scholars are as under:

S. No.	Currency	Rate	Phase-I	Phase-II	USTP	Total	Rupees
1	Euro	131	1,733,491	2,644,969	590,456	4,969,047	650,945,157
2	US Dollar	110	689,328	264,889	82,961	1,037,288	114,101,680
3	GBP	148	345,738	498,279		844,165	124,936,420
4	Canadian Dollar	87		26,845		26,932	2,343,084
5	Australian Dollar	85	45,608	552,574		598,267	50,852,695
6	Rupees	1	2,570,000	7,619,411	1,880,000	12,069,412	12,069,412
						Total	**955,248,448**

Audit observed no recovery had been made from the 132 scholars so far despite lapse of five years.

Audit is of the view that due to negligence of the management public exchequer was put to loss.

The management replied that one scholar paid back the cost along with penalty.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that amounts may be recovered from the defaulters.

16.4.7 Non-recovery of liquidated damages - Rs. 805.453 million

Clause 12.7.2 of Tender Documents states that first 50,000 laptop computers shall be supplied by the bidder within 90 calendar days of opening of LC and next 50,000 shall be supplied within 180 calendar days of opening of LC, and remaining 100,000 locally assembled laptops shall be supplied within 300 calendar days of opening of LC, or as per agreed upon delivery schedule. In case of difference of opinion, the HEC shall have right to ask for delivery schedule with reasonable time intervals.

Clause 12.7.2 of Tender Documents states that In the event of non-fulfillment of the delivery schedule, Liquidated Damages at the rate of 2% on the quoted/approved value of the undelivered quantity of the order will be levied per month and LC will be counted on daily basis (i.e. 2%/30 days=0.067% per day). The amount of the Liquidated Damages will be automatically deducted from the bills submitted by the selected bidder. If the delivery in not completed after the lapse of consecutive three months from the signing of the contract, the procuring Agency may make alternative arrangement and the cost incurred by the procuring Agency for doing the same will be deducted from the selected bidders.

HEC called open tender for the purchase of 200,000 locally assembled laptops in May, 2015 and tender documents were issued to the bidders by adopting single stage-two envelop system. Only one firm M/s Haier Electrical Appliances Corp, Ltd China was declared as technically qualified with whom the agreement for US$ 98,580,436 was made on 12.08.2015. For this purpose LC amounting to US$ 77,585,960 + US$ 38,792,990 (Total equivalent to Pak Rupees. 10,449,526,216 at the exchange rate of Rs. 106 per US$).

Audit observed as under:

i. The first installments of 50,000 laptop computers were custom cleared up to 12.04.16 in four installments; the second batch of 50,000 units were custom cleared up to 16.08.16 in ten installments and remaining 100,000 units were cleared up to 26.10.16 in eleven installments.

ii. The delivery of laptop computers to the universities/institutions started from 09.05.2016 and 1st tranche of 50,000 units completed on 03.08.2016, 2nd tranche of 50,000 units completed on 21.08.2016, whereas the supply of remaining quantity completed on 3rd May, 2017.

iii. The management did not recover liquidated charges of Rs. 805.453 million for custom cleared units. The amount for which up to the date of custom clearance comes to Rs. 805.453 million whereas the amount is much higher is the penalty is worked out from the date of deliveries.

Audit is of the view that management extended undue favor to the contractor at the cost of public exchequer.

The management replied that the LC was opened on 07.12.15 and 1st tranche was received within 153 days of opening of LC, i.e. 08.05.2016. The 2nd tranche was received from 18.07.16 to 25.12.2016 and remaining delivery of 1,000 completed up to 19.10.2016.

The reply was not accepted because:

i. The management accepted the delay, however, the time mentioned for delay was less than as worked out by audit.

ii. The management made full payment to contractor without imposing penalty.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed and amount may be recovered for the delay up to the dates of the deliveries.

16.4.8 Un-authorized retention of savings - Rs. 585.898 million

GFR-95 states that all anticipated savings should be surrendered to Government immediately they are foreseen but not later than 31st March 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 31^{st} March shall be surrendered to Government immediately they are foreseen but not later than 30^{th} June of each year. No savings should be held in reserve for possible future excesses.

Higher Education Commission (HEC) received unspent balances of Rs. 585.898 million from different universities during 2016-17.

Audit observed that unspent balances were deposited into HEC bank account No. 79016564-52 HBL H-9 instead of depositing into government treasury.

Audit is of the view that government suffered financial loss due to depriving the public exchequer from its due receipts and interest thereon.

The management replied that balance amount had been surrendered to the government.

The reply was not accepted because no documentary evidence was produced in support of reply.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for unauthorized retention of funds.

16.4.9 Irregular payment of four additional salaries to HEC employees during a financial year - Rs. 435.019 million

GFR-23 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 Higher Education Commission (HEC) paid Rs. 435.019 million from bank account No. CD-79-28 HBL H-9 as salaries to the regular, contingent and contract employees during 2016-17.

Audit observed that Rs. 103.628 million were paid as four additional salaries along with regular monthly salaries.

Audit is of the view that payment excess than twelve months salary was unauthorized.

The management replied that honorarium was paid after the approval of competent authority.

The reply was not accepted because there was neither any approved budget nor any expenditure was booked under the head honorarium.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that inquiry may be conducted to fix the responsibility besides recovery of additional amount paid along with such payments of previous years.

16.4.10 Unsupported/Doubtful expenditure - Rs. 299.341 million

GFR-15 states that any officer who is responsible for the preparation and completeness of the accounts will be personally responsible for it correctness/completeness and authenticity.

GFR-23 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.

As per reconciled statement of expenditure under ID-4103-Development expenditure of HEC for the year 2016-17 the total expenditure booked by the AGPR and accepted by the management was Rs. 14,742.783 million. The funds from the AGPR were released for payment through the assignment account No. 2167-7 maintained in the NBP main branch.

Audit observed that as per Cash Book entries of the assignment accounts the total payments during the year was Rs. 14,443.443 million thus there were variation of Rs. 299.341 million (Rs. 14,742.783 million – Rs. 14,443.443 million).

Audit is of the view that the expenditure of Rs. 299.341 million was unreliable and doubtful as no supporting record against the expenditure was available with the management

The management replied that amount in question pertained to the project US Need Based Scholarships.

The reply was not accepted as funds to the US Need Based Scholarships were received from a source other than government. Further the reply was not supported with documentary evidences

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that inquiry may be held for the irregularity.

16.4.11 Excess withdrawal of funds from the government account for PERN - Rs. 222.975 million

GFR 7 states that moneys may not be removed from the Public Account for investment or deposit elsewhere without the consent of the Ministry of Finance.

FTR 290 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.

Higher Education Commission of Pakistan, Islamabad was running Pakistan Education Research Network (PERN) to connect public and private universities and institutes all over the country. During the year 2016-17, HEC collected an amount of Rs. 726.373 million from the universities on account of IT services provided. In addition Rs. 500.00 million were allocated from regular budget during the year 2016-17. The total expenditure on the IT service of PERN was Rs. 1,149.652 million. Thus, there was saving of Rs. 222.975 million. Details are as under:

(Rupees)

S. No	Year	Opening Balance	Receipt from Universities	Grant	Expenditure	Balance
1.	2016-17	355,875,205	726,373,489	500,000,000	1,149,652,211	222,975,867

Audit observed that management withdrew the whole amount from the Government Account and retained the savings in the bank account.

Audit is of the view that despite having unspent balances of receipt on account of PERN, demand of budget from Federal Government was unjustified and unnecessary retention of public money in commercial bank account was irregular and caused loss to the public exchequer.

The management replied that the amount was retained to pay the outstanding bill of the service providers.

During the exit meeting audit requested the management to provide the record relating to outstanding payment for the year 2016-17 which was not provided.

Audit recommends that savings may be deposited into the government account and the responsibility may be fixed for this irregularity.

16.4.12 Irregular advance payment on purchase of broadband wireless device - Rs. 94.400 million

Para 9 of tender documents for purchase of 100,000 Wireless Broadband (3G/4G) services under the project PM Laptop Scheme Phase-II states that no payment can be made in advance to the contractor as mobilization advance. 100% payment of devices will be released after delivery to universities/institute. Invoice shall submit not less than 10,000.

PPRA Rules 23(3) states that any information, that becomes necessary for bidding or for bid evaluation, after the invitation to bid or issue of the bidding documents to the prospective bidders, shall be provided in a timely manner and on equal opportunity basis. Where notification of such change, addition, modification or deletion becomes essential, such notification shall be made in a manner similar to the original advertisement.

The Higher Education Commission (HEC) called open tender in May, 2015 for the purchase of 100,000 Wireless Broadband (3G/4G) services under the project PM Laptop Scheme Phase-II and tender documents (request for proposal) were issued to the interested bidders. The bids were invited under single stage-two envelope system. M/s CM Pak Ltd. Islamabad was technically declared as qualified with whom contract agreement amounting to Rs. 188.800 million for purchase of 100,000 devices was made on 12.11.2015.Audit observed that the condition mentioned in Para 9 of tender documents was changed in the contract agreement as “advance payment 50% of the contract value shall be released on submission of bank guarantee of equal amount. On successful delivery of 50% devices, the remaining 50% payment shall be released subject to re-validity of the bank guarantee”. The supplier was paid Rs. 94.400 million in advance vide cheques No. 058675 & 058676 dated 20.01.2016.

Audit is of the view that advance payment was made in violation of the terms mentioned in tender documents and undue benefit was extended to the contractor by changing the payment clause.

The management replied that quantity of 50,000 had been received on 14.01.2016 and was retained in the warehouse. Further, advance payment was covered under Accounting Policy and Procedure Manual.

The reply was not acceptable because payment could not be made in advance and only be made to the supplier after the delivery of devices at universities. Further, provisions of the tender document were violated in the agreement.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

16.4.13 Unauthorized expenditure on private institutions and universities - Rs. 89.403 million

Section 10(1)(g)HEC Ordinance, 2002 states that the Commission may submit to the Federal government the recurring and development budgets for public sector institutions and allocate funds to public sector institution out of bulk financial provision received from the government and other resources on performance and need basis.

The management of HEC released an amount of Rs. 89.404 million to different private universities for 43 research projects under ID-5914 ‘Promotion of Research in Universities’ during 2014-17.

Audit observed the funds were released in violation of HEC Ordinance, 2002.

Audit is of the view that the release of funds to private universities was irregular.

The management replied that as per policy all faculty member of private universities were eligible for public support as notified by P&D Division of HEC.

The reply was not accepted as no policy in contradiction to HEC governing law could be made or implemented.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed and the amount may be recovered or the irregularity may be got condoned from the competent forum.

16.4.14 Irregular payment to the Pakistan Academy of Science - Rs. 81.00 million

GFR-10 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.

HEC released funds for Rs. 30.00 million, 21.00 million and Rs. 30.00 million to the Pakistan Academy of Science during the year 2014-15, 2015-16 & 2016-17 respectively. The Academy of Science retained Rs. 28.350 million to meet its overhead expenditure and Rs. 360,000 as audit fee and further released Rs. 52.65 million to different scientists to execute the research project.

Audit observed as under:

i. The scheme was not approved by the Commission, which was the competent forum for approving expenditure to meet the functions of HEC.
ii. There was no adjustment accounts/audited accounts of the Academy against the funds released.

Audit is of the view that release of funds to an organization which was not covered in the HEC Act.

The management replied that neither academy received any grant from the Government, nor were its accounts audited by Pakistan Audit Department. The reports on utilization of funds were submitted to HEC.

The reply was not accepted as the management could not justify the release of fund to Pakistan Academy of Science.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that further payment to the academy may be stopped besides obtaining adjustment accounts for the payment made for research project. Moreover, inquiry may also be held to fix the responsibility.

16.4.15 Duplication in expenditure on payment of conveyance allowance to the employees provided pick and drop facility - Rs. 43.565 million

GFR 10(ii) states that the expenditure should not be prima facie more than the occasion demands.

HEC was maintaining a fleet of 57 vehicles, out of which six vehicles were deployed for pick and drop of employees.

Audit observed as under:

i. The HEC was maintaining twenty one 1300/1600cc vehicles against fourteen entitled officers including five MP Scales officers. However, all the 10 regular officers of (BPS-20 & 21) and 05 officers in MP scale, (except one) were drawing Monetization Allowance. Details are as under:

BPS	No. of officers	Rate	Amount Rs.
20	9	65,960	7,123,680
21	1	77,430	9,329,160
MP-I	1	95,910	1,150,920
MP – II	2	77,430	18,658,320
MP – III	1	65,960	791,520
	Total	**382,690**	**37,053,600**

ii. There was only one officer, i.e. Chairman, HEC entitled for 1800cc vehicle, whereas the management is maintaining three 1800cc vehicles.

iii. There were fifteen 800/1000cc vehicles for general duty without any authorization from the vehicle committee of Cabinet Division.
iv. Employees availing pick and drop facilities were drawing full conveyance allowance at an average rate of Rs. 2,856 totaling Rs. 6.512 million.

Audit is of the view that HEC was maintaining excess number of vehicles of 1300/1600/1800cc than its requirement without any authorization from the vehicle committee.

Audit is also of the opinion that employees availing pick and drop facility were not entitled for conveyance allowance.

The management replied that the two 1800cc vehicles were used for protocol duty. HEC being an autonomous body had framed its own staff car rules which were in process of approval. The officers drawing monetization allowance were not entitled/using vehicles and a fixed amount was being recovered from the employees availing pick and drop facility.

The reply was not acceptable as conveyance allowance was not admissible to the employees availing pick and drop facilities. Further, the management could not justify retention of a large number of vehicles.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that conveyance allowance paid to employees availing pick and drop facility may be recovered, excess vehicles be surrendered to government and the operational and general duty vehicles be got authorized from the vehicle committee.

16.4.16 Irregular transfer of funds from Assignment Account - Rs. 10.00 million

Rule 170-B(8) of the FTR states that it shall not be permissible to draw the whole amount authorized or part thereof and to place it in a separate account at the treasury or in a commercial bank.

Clause 2.7 of the Guidelines for the Establishment of a new University or an Institution of Higher Education states that Charter will be granted subject to the jurisdiction either by the parliament/ President of Pakistan or a Provincial Assembly/Governor of a Province, as the case may be.

A project titled "Up-gradation of Federal Government College for Women, F-7/2, Islamabad to Federal Women University" was approved on 19.11.2014 by the Central Development Working Party (CDWP) at a capital cost of Rs.998.436 million. Dr. Mazhar Saeed, Director General (Planning & Development), Higher Education Commission (HEC) was assigned the charge of Project Director vide Notification No. HEC/P&D/WUI/08(2014) dated 20.05.2015.

The management of HEC transferred an amount of Rs. 10.000 million from lapsable Assignment Account No.2167-7 (Development Grant) maintained at National Bank of Pakistan, main Civic Centre vide cheque No.59587 dated 21.04.2016 to the Project Account.

Audit observed that transfer of fund amounting to Rs.10.00 million from lapsable Assignment Account without immediate need for disbursement was irregular because the Act/Charter for the up gradation of college to University was not yet placed in the National Assembly for approval.

Audit is of the view that transfer of funds from lapsable Assignment Account without immediate requirement and approval of the charter of up-gradation from college to University was irregular which resulted in blockage of Government funds.

The management replied that the subject project was approved by the CDWP in its meeting held on 19th November 2014. HEC opened a separate account, keeping in view that the project was to be executed by the Federal Women University Islamabad. HEC prepared the Charter of the University and forwarded to Ministry of Federal Education & Professional Training on 18th August 2015 for necessary action to promulgate the same by the Parliament. The Ministry of FE&PT forwarded the same to CAD Division being the controlling Ministry of F.G Women College F-7/2, Islamabad. HEC was preparing a position paper to report the constraints being faced in executing the subject project. The position paper would be submitted to CDWP for making decision on the matter. In case the CDWP decides to abandon the project, the funds would be surrendered to Federal Government/Treasury.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that an amount of Rs.10.00 million drawn from the lapsable Assignment Account may be deposited into Government Treasury and fix responsibility for unauthorized withdrawal of funds.

16.4.17 Irregular retention of attestation fee - Rs. 5.396 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 Higher Education Commission, Regional Office, Lahore received an amount of Rs. 5.396 million as attestation fee during May, 2014.

Audit observed that the amount was not deposited into the HEC Income Account till April, 2017.

Audit is of the view that due to unauthorized retention of attestation fee HEC fund was deprived of its due receipt.

The management replied that a separate bank account meant for attestation fees had been maintained with HBL. The attestation fee was directly deposited by the applicants in the said bank account and no fee was received by HEC in cash. Furthermore, no expenditure was made from this account. The attestation fee was also transferred to Head Office, Islamabad.

The reply was not accepted because the fee was retained without any lawful authority and there was no proof available that why the funds received in May, 2014 were retained till April, 2017.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that inquiry may be held to fix the responsibility.

16.4.18 Unauthorized payment of Income Tax on profit - Rs. 5.775 million

Section 49(1) of PART VII of Exemptions and Tax Concessions of Income Tax Ordinance, 2001 states the income of the Federal Government shall be exempt from tax under this Ordinance.

The management of HEC received profit of Rs. 38.805 million from different banks during 2016-17.

Audit observed that the banks deducted income tax amounting to Rs. 5.775 million at source from the profit paid.

Audit is of the view that deduction of taxes on income (profit) earned by government entity was unauthorized.

The management replied that letters had been written to banks for refund.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that amount may be retrieved from the banks and deposited into government treasury along with profit.

16.4.19 Over payment on account of medical allowance - Rs. 29.261 million

Section 12 of HEC Ordinance, 2002 states that the Commission may from time to time, appoints such officers, servants, consultants and advisors as it may consider necessary for efficient performance of its functions on such terms and conditions as may be prescribed by the Federal Government.

Section 21 of HEC Ordinance, 2002 of HEC states that the Commission may, with the prior approval of the Controlling Authority, by notification in the official gazette, make rules for carrying out the purpose of this Ordinance.

HEC made payment to its employees as Medical Allowance @ 35% of the pay maximum up to Rs. 10,400 per month. The total expenditure on the payment of Medical Allowance for the year was Rs. 51.202 million.

Audit observed that approval of the Finance Division for payment of Medical Allowance at higher rate was not available.

Audit is of the view that payment at the higher rate resulted into over payment of Rs. 29.261 million for one year.

The management replied that HEC adopted the Medical Attendance Rules, 1975 of University Grant Commission which states that employees of the Commission shall be entitled to the Medical Allowance as determined by Commission from time to time.

The reply was not accepted as HEC had adopted the government employees pay scale and Medical Allowance being part of salary was payable at the rates as admissible to Federal Government employees.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that amount overpaid may be recovered from date of payment at higher rates.

16.4.20 Non-recovery of liquidated damages from supplier - Rs. 18.88 million

Para 5 of the tender document states that (a) the selected bidder shall supply 100,000 dongle devices and distribute them amongst the entitled students as determined by HEC’s defined criteria. (b) The selected bidder will be required to provide 30,000 devices within one month of signing of contract whereas the remaining delivery will be required to complete within (8) eight weeks of signing of contract. (c) For the delivery of devices the selected bidders will be required to directly deliver the desired number of devices to designated universities with proper handing over and taking over with the university.

Para 10 of tender document states that in case of delay in delivery of devices as defined in the scope of work in this RFP the Executive Director, HEC reserves the right to impose a penalty not exceeding 10% of the total amount of the contract at the rate of 1% for each week of delay in handling over segment(s).

Higher Education Commission (HEC) called open tender in May, 2015 for the purchase of 100,000 Wireless Broadband (3G/4G) services under the project PM Laptop Scheme Phase-II. The tender documents (request for proposal) was issued to the interested bidders. The bids were invited under single stage-two envelop system. M/s CM Pak Ltd. Islamabad was technically declared as qualified with whom contract agreement amounting to Rs. 188.800 million for purchase of 100,000 devices was made on 12.11.2015.

The supplier started delivery on 09.05.2016 and completed 50,698 on 18.08.2016. The remaining quantity was delivered up to 08.05.2017.

Audit observed as under:

i. The clauses contained in paras 5 & 10 of tender document were not included in the agreement entered with the supplier.
ii. The liquidated damages amounting to Rs. 18.88 million were not recovered from the supplier as no delivery was made within the stipulated time.

Audit is of the view that undue favor was extended to the supplier at the cost of public exchequer.

The management replied that quantity of 50,000 devices received on 14.01.2016 were retained in the warehouse, which were delivered to the universities from 08.05.2016 to 08.05.2017.

The reply was not accepted as the quantity was not delivered to institutions within the time schedule provided in the tender documents. Further, there was no proof that devices had been received in the warehouse of the HEC.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed and amount may be recovered.

16.4.21 Loss due to non-refund of expenses incurred on Scholarship – Euro 206,062, and Rs. 350,882

According to terms and conditions of the "Overseas Scholarships for MS/ M.Phil Leading to Ph.D in Selected Fields (Phase-II) the scholar shall return to Pakistan immediately after the completion of the approved course for which he/she was sent abroad, and shall serve in Pakistan for a period of five years. In case of breach of terms & Conditions Governing Scholarship award and/or his failure to return or serve in Pakistan for the specified period, the scholar shall bound to pay HEC a penalty by making a refund of total amount of expenditures including travel cost incurred on him/her in Pakistan Rupees and in Foreign or its equivalent in Pakistan Rupees at the official rate of exchange prevalent the date of the breach of the agreement.

The management of HEC incurred an expenditure of Euro 206,062 and Rs. 350,882 on following scholars:

S #	Name of Scholar	Country for which the scholarship awarded	Amount in Euro	Amount in Pak Rupees
1.	Dr. Shaikh Faisal Rashid	Germany	69,353	156,944
2.	Dr. Muhammad Shahid	Sweden	80,928	47,500
3.	Dr. Naeem Anwar	Sweden	55,781	146,438
		Total	**206,062**	**350,882**

Audit observed that above mentioned scholars did not serve in Pakistan in violation of agreed terms and conditions of the deed agreement. Hence all expenditure incurred on their scholarship was required to be refunded to HEC but no compliance to this effect was shown to audit.

Audit is of the view that failure to recover expenses of scholarship from the absconders was lapse on the part of management which resulted in loss of Euro 206,062 and Rs. 350,882 to the HEC.

The management replied that Higher Education Commission was not facing any failure with regard to the recovery of expenses along with penalty and was pursuing the cases of the defaulters as per the approved SOPs. Honorable Supreme Court had given the ruling that HEC can only file a suit for recovery before the Learned Civil Court and scholars name cannot be put on “ECL” which could be another option to hold these scholars in Pakistan to complete their bond period. There was no other medium for the recovery of the said expenses but after sending legal notices HEC had to file the civil suits before the Civil Courts and the same were being followed up by our legal team, aggressively.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends early recovery of public money.

16.4.22 Unauthorized release of funds as audit fee and overhead expenditure - Rs. 182.177 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. 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.

Higher Education Commission (HEC) executed 1,071 research projects in various universities during 2014-17. The funds released by HEC includes Rs. 20,000 as audit cost and 15% cost as overhead expenditure for each project. During 2016-17 Rs. 1,107.718 million were released for execution of 502 projects.

Audit observed as under:

i. Audit cost of Rs. 21.420 million was paid whereas, the accounts of public sector universities were audited regularly by the Pakistan Audit Department.

ii. Overheads of Rs. 160.757 million (15% of Rs. 1,107.718 million) were paid despite the fact that the HEC bear the operational and salaries cost of each public sector university through recurring grant.

iii. Monitoring reports on the utilization of funds of the current and previous years were not produced to Audit.

Audit is of the view that release of funds for audit cost and overhead expenditure was not justified.

The management replied that funds were released for maintenance of accounts and research activities.

The reply was not accepted as payment was made as audit fee. Further, HEC released funds to each public sector universities to meet its overhead and salary expenditure separately.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that practice may be stopped and the duplicate payment already made may be recovered.

16.4.23 Non-framing of Financial Rules

Section 21 of the Higher Education Commission Ordinance, 2002 states that the Commission may, with the prior approval of Controlling Authority, by notification in the official Gazette, make rules for carrying out the purposes of this ordinance.

The management of HEC is required to frame HEC Financial Rules to carry out the purposes of HEC Ordinance.

Audit observed that management of the HEC did not make Financial Rules despite lapse of a period of more than fifteen years.

Audit is of the view that non framing of Financial Rules is violation of the provision of HEC Ordinance, 2002.

The management replied that Draft HEC Financial Rules had already been framed and approved by the Commission. The Financial Rules were sent to Finance Division for vetting and the Division suggested modifications in few clauses of Financial Rules, which were under discussion with Ministry of Finance (Regulation Wing), as and when finalized, the same would be notified in the Official Gazette.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that HEC Financial Rules may be made and notified in the Official Gazette.

16.4.24 Non submission of a report on the state of Higher Education and on its activities

Section-14(5) of the Higher Education Commission Ordinance, 2002 states that the Commission shall also submit to the Controlling Authority after the end of every year a report on the state of higher education and on its activities during that year.

The management of the Higher Education Commission was required to submit to the Controlling Authority i.e. the Prime Minister of Pakistan after the end of every year a report on the state of higher education and its activities during that year.

Audit observed that management of the HEC did not submit the required report for the financial year 2014-15 and 2015-16 to the Prime Minister in violation of Section-14(5) of the Higher Education Commission Ordinance, 2002.

Audit is of the view that non submission of annual reports to the Controlling Authority i.e. Prime Minister was a serious lapse regarding reporting on the state of Higher Education and on its activities.

The management replied that reports for both years 2014-15 and 2015-16 were in process of editing/designing, and would be submitted soon.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for non-preparation of annual reports for the financial year 2014-15 & 2015-16.

16.4.25 Non approval of Service Rules for appointment/promotions of employees

Section 12 of Ordinance No. LIII of 2002 of HEC states that the Commission may from time to time, appointment such officers, servants, consultants and advisors as it may consider necessary for the efficiency performance of its functions on such terms and conditions as may be prescribed by the Federal Government.

Section 21 of Ordinance No. LIII of 2002 of HEC states that the Commission may, with the prior approval of the Controlling Authority, by notification in the official Gazette, make rules for carrying out the purpose of this Ordinance.

Audit observed that management did not frame the Service Rules/Regulations of appointment/promotion of HEC employees.

Audit is of the view that the appointment of the employees in HEC without the approval of their terms and conditions of service from the government (as per Rules of Business of Federal Government) and the Controlling Authority was irregular.

The management replied that HEC had framed its Recruitment Rules and were notified in 2009.

The reply was not accepted as the Service/Recruitment Rules were neither approved from the Federal government nor the Controlling Authority.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that Service/Recruitment Rules may be got approved from the Government and the Controlling Authority.

16.4.26 Irregular extension in services of contract support engineer and subsequent regularization

Section 12 of HEC Ordinance, 2002 of HEC states that the Commission may from time to time, appointment such officers, servants, consultants and advisors as it may consider necessary for the efficient performance of its functions on such terms and conditions as may be prescribed by the Federal Government.

Section 21 of HEC Ordinance, 2002 states that the Commission may, with the prior approval of the Controlling Authority, by notification in the official Gazette, make rules for carrying out the purpose of this Ordinance.

Higher Education Commission (HEC) appointed Mr. Waqas Masood on contract basis for one year on 01.09.09 in the project PERN-2, up-gradation of Core Network and Last Mile Connectivity.

Audit observed as under:

i. The contract period was extended on six monthly basis up to 31.12.2011 till the expiry of the project.

ii. His services were taken on regular post after the expiry of project without advertisement and extended on six monthly basis up to 21.06.17.

iii. He was appointed as Assistant Director Communication BPS-17 on regular basis on 21.06.2017 without advertisement of the post.

Audit also observed that approval of the Prime Minister for creation of post and its terms and conditions were not available on the record.

Audit is of the view that extension in contract period and subsequent appointment on regular post without open competition was irregular.

The management replied that employee was engaged on contract basis in order to perform important activities of PERN and his salary was charged against the regular post.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed, irregularity may be got condoned and post may be filled on merit basis through open competition.

16.4.27 Irregular extension in the contract period

Section 12 of HEC Ordinance, 2002 of HEC states that the Commission may from time to time, appointment such officers, servants, consultants and advisors as it may consider necessary for the efficient performance of its functions on such terms and conditions as may be prescribed by the Federal Government.

Section 21 of HEC Ordinance, 2002 states that the Commission may, with the prior approval of the Controlling Authority, by notification in the official Gazette, make rules for carrying out the purpose of this Ordinance.

The management of HEC appointed the following officers:

S. No.	Name	Designation	Date of Appointment	Monthly Salary (Rs.)
1.	Mr. Yasir Mehmood	Support Engineer	01.09.2009	20,000
2.	Mr. Ali Khan	Support Engineer	08.04.2010	20,000
3.	Syeda Tamknat	Digital Library Operating officer	27.01.2007	30,000

Audit observed as under:

i. The posts were filled without open competition.

ii. After the expiry of the project, the employees were paid salaries from the regular budget without advertising posts and making fresh appointments.

iii. Approval of the Government/Prime Minister for creation of posts and their terms and conditions were not available on the record.

Audit is of the view that extension in the contracts period was irregular.

Audit is also of the opinion that when the posts were regular then these were required to be filled on regular basis through open competition and advertisement.

The management replied that for smooth and efficient running of the activities of projects the services were engaged on the regular side.

The reply was not accepted as the posts were needed to be filled through initial appointments after their conversion on regular side.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed, irregularity may be got condoned and posts may be filled on merit basis through open competition.

16.4.28 Irregular appointment of officers on contingent paid basis

Section 12 of HEC Ordinance, 2002 states that the Commission may from time to time, appoints such officers, servants, consultants and advisors as it may consider necessary for efficient performance of its functions on such terms and conditions as may be prescribed by the Federal Government.

Section 21 of HEC Ordinance, 2002 states that the Commission may, with the prior approval of the Controlling Authority, by notification in the official gazette, make rules for carrying out the purpose of this Ordinance.

Establishment Division O.M. No. 53/1/2013-SP dated 06.02.14 states that ban on recruitment process imposed by the Federal Government on the directives of Prime Minister, shall also be applicable on appointment of contingent paid staff and its further extension.

HEC made appointment on contingent basis during 2011-17. Details are as under:

Sr.#	**Name**	**Post**	**Pay**	**Date of Appointment**	**Procedure followed**
1	Bushra Anayat	AD (Media)	46,794	04.04.17	Post advertised
2	Friha Armughan	Senior project manager	60,000	28.04.16	Post advertised

3	Muhammad Itifaq	AD	44,236	01.07.15	Without advertisement
4	Nusrat jabin Abbasi	Project Manager	45,000	19.04.16	Post advertised
5	Pervaiz Mustafa Khan	Assistant Technologist	36,000	27.05.13	Reemployment after retirement
6	Shahid Khalid	Law Officer	45,535	29.09.13	Without advertisement
7	Syeda Nosheen Fatima	Project manager	45,000	22.11.11	Post advertised
8	Syed Muhammad Adrees Naqvi	DD	66,584	20.03.17	Reemployment after retirement

Audit observed that the employees appointed did not fall under the category of Contingent Paid Staff.

Audit also observed that the approval of the Government for appointment on contingent basis was not obtained.

Audit is of the view that appointments were irregular.

The management replied that Executive Director was competent to make appointment on contingent basis for a period of financial year in the pay scale of the post.

The reply was not accepted as the Federal Government had imposed ban on the contingent appointment.

The PAO was informed on 14.12.2017 and 10.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed and orders of the Government may be followed.

16.4.29 Non-recovery of Income Tax on salary - Rs. 7.929 million

Section 149(1) of the 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.

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, which may be started w.e.f. 01.01.2013.

The Karakoram International University (KIU), Gilgit made payment of salaries to their faculty members but Income Tax amounting to Rs. 7.929 million was not deduced at source.

Audit observed that the income tax was not deducted at source from the salaries of employees of Karakoram International University, for the period from 01.07.2015 to 30.06.2016.Audit is of the view that the income tax was not recovered and the Government was deprived of tax revenue which was recoverable.

The DAC meeting held on 10.11.2017 directed the management to expedite the recovery and get the record verified by Audit.

Audit recommends recovery of the income tax may be made.

16.4.30 Less deduction of Income Tax from suppliers - Rs. 5.567 million

As per Section 153 (1)(b) of the Income Tax Ordinance, 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; 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. The rate of tax to be deducted from a payment referred to in clause (b) of sub-section (1) of section 153 shall be 10% of the gross amount payable, if the person is a filer and 15% if the person is a non-filer if the payee in an individual.

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, which may be started w.e.f. 01.01.2013.

The Karakoram International University (KIU), Gilgit made payment to various contractors/suppliers during 2016-17 but the deduction was not made as per prescribed rates resulting into short deduction of tax amounting to Rs. 5.567 million.

Audit observed that the income tax was not deducted at source from the suppliers at the prescribed rates during the period 01.07.2015 to 30.06.2016.

The DAC meeting held on 10.11.2017 directed the management to expedite the recovery and get the record verified by Audit.

Audit is of the view that non-deduction of income tax at source deprived the government of its due share of receipt.

Audit recommends immediate recovery of the tax amount under intimation to audit.

16.4.31 Irregular procurement of Two Toyota Hilux single cabin pickups and conversion into double cabin - Rs. 5.301 million

Table 7.1 of the PC-I of "Establishment of Engineering Faculty at Gilgit and KIU, Skardu Campus of Karakoram international University, Gilgit" approved vide CDWP meeting held on 04.06.2015 regarding provision of vehicles mentions two (2) pickups (vigo) one (1) each for Skardu and Gilgit Campuses.

The management of Karakorum International University purchased a Toyota Double Cabin 4x4 vehicle vide supply order dated 24.05.2016. In addition, the management also purchased two Toyota Hilux single cabin vehicles for Rs.3.801 million and converted them into double cabin from Razmak

Industries, Jamrud Road, Peshawar with an additional cost of Rs. 1.500 million. Total cost of vehicles comes to Rs. 5.301 million (Rs. 3.801 million + Rs. 1.500 million).

Audit observed that:

i. One Double Cabin vehicle was purchased for Skardu campus was being utilized in Gilgit in violation of provisions of PC-I.

ii. Two vehicles were purchased against provision of one double cabin vehicles in the PC-I.

iii. Cost of conversion of single cabin vehicles Rs. 1.500 million not covered in the PC-I.

iv. Purchase of two vehicles for Rs. 5.301 million against provision of one vehicle for Rs. 3.000 million resulted in excess of the approved cost by Rs. 2.301 million.

Audit is of the view that:

i. Purchase of two Single Cabin vehicles against provision of one double cabin vehicle and their subsequent conversion into double cabin at the cost of Rs.1.5 million was irregular and unauthorized.

ii. Excess cost of Rs. 2.301 million was also not covered in approved cost as per PC-I.

iii. Using of double cabin vehicle at Gilgit campus authorized for Skardu campus is being used at Gilgit campus in violation of provisions of PC-1

The DAC in its meeting held on 10.11.2017 directed the management to conduct an inquiry to fix responsibility for the irregularity and share the report with the Audit.

Audit recommends that the irregularity may be probed and responsibility be fixed under intimation to audit.

16.4.32 Non-transparent expenditure on purchase of library books - Rs. 2.130 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.

HEC vide No. 16.9/HEC/Acad/IS/2015/227 dated 27.02.2015 granted Rs. 2 million for a project titled "Establishment of Library at the Department of Agriculture and Food Technology, KIU" for purchase of books. The required books were purchased from M/s Atlas Book Bank, Lahore through quotations.

The payment for purchase of 123 books was made against bill No. B-638/KIU/2015 dated 28th April, 2015 vide cheque No.7729529 dated 10.07.2015.

Audit observed as under:

i. Three quotations from M/s Altas Books Bank, Lahore dated 3rd November, 2014, M/s Exclusive Law Books, Lahore dated 21st October, 2014 and M/s Pak Asia Books Corporation dated 28th October, 2014 and comparative statement dated 09.03.2015 indicated M/s Altas Books Bank, Lahore as lowest. Moreover, the management obtained the quotations before the date of sanction of amount by HEC and the notice for obtaining quotations was also not available in the record.

ii. No order for constitution of the purchase committee and its approval by the competent authority was provided.

iii. Proper need assessment of the books was not provided to Audit.

iv. Editions of the books were neither mentioned in the quotations nor were mentioned on the bills.

v. Inspection report at the time of the receipts of books was also not available.

vi. As per accession register, most of the books were outdated and editions were more than five to ten years old.

vii. Income tax amounting to Rs.130,000 (Rs. 2.000 million x 6.5%) was not deducted by accepting a certificate of FBR regarding exemption of tax for importers (Section-148 of the Income Tax Ordinance, 2001). However, import bill of entry indicating the import of the books by the supplier was not produced.

Audit is of the view that procurement of books was not transparent.

The DAC in its meeting held on 10.11.2017 directed that a two member committee may be constituted for investigation/verification of procedure followed by KIU for procurement of books and submit report in the light of audit observations to HEC and Audit.

Audit recommends that the decision of the DAC may be implemented.

16.4.33 Non-distribution of HEC need based scholarships – Rs. 6.993 million

Higher Education Commission (HEC) vide letter No. F.P.2-1/HEC/2015-16/1008 dated 01.07.2015 allocated Rs. 9.476 million as Funds for HEC Need based Scholarship Program for the year 2015-16 for tentative 114 Recipients of Karakuram Internal University, Gilgit.

Audit observed as under:

i. HEC provided Rs. 9.476 million under HEC Need Based Scholarship program for awarding 114 need based Scholarships.

ii. KIU management disbursed only Rs. 2.483 million to 27 students during 2015-16.

iii. The remaining amount of Rs. 6.993 million (Rs. 9.476 million – 2.483 million) was kept undisbursed till the end of the financial year.

Audit is of the view that non-distribution of HEC need based scholarship deprived the students of availing the opportunity of the scholarship.

The DAC in its meeting held on 10.11.2017 directed that record may be got verified to Audit.

Audit recommends the amount may be disbursed after observing all codal formalities and the remaining amount may be surrendered to HEC.

16.4.34 Non formulation of Statutes, Regulations and Rules by the University

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 Statutes, Regulations and Rules were not framed in compliance of the University Order, 2008.

Audit is of the view that functioning of the University affairs without approved and notified Statutes, Regulations and Rules was violation of University Order, 2008.

The DAC in its meeting held on 10.11.2017 directed that financial/recruitments rules and regulations may be framed till June, 2018 and shown to Audit.

Audit recommends that the decision of the DAC may be implemented.

16.4.35 Irregular payment of Evening Shift Allowance - Rs 83.803 million

NUML Service Statutes states that unless in any case it is otherwise distinctly provided the whole time of a University employee shall be at the disposal of the University and he may be employed in any manner required by the competent authority without claim or additional remuneration.

The management of National University of Modern Languages (NUML) paid an amount of Rs 83.803 million to regular and contractual employees as Evening Shift Allowance during 2014-15.

Audit observed as under:

i. The employees who were granted Evening Shift Allowance were drawing their pay and allowances regularly.

ii. The rates of payments of Evening Shift Allowance granted to the regular and contractual employees was neither approved nor justified.

Audit is of the view that payment of evening shift allowance was paid in violation of the NUML Service Statutes, thus it was unauthorized.

The management replied that to facilitate students and teachers, some of the administration staff also worked till night because in the evening session a separate setup was not possible in any case. If new employees were hired for the evening shift they would be paid higher salary as compared to the remuneration paid to the University employees for working till evening. University had not provided any other allowance or facility to employees working in evening shift but some remuneration for services rendered.

The reply was not justified as payment of Evening Shift Allowance to the NUML employees was not covered under NUML Service Statutes.

The DAC meeting in its meeting held on 09.11.2017 directed that the case may be referred to the appropriate forum and placed before BOG for approval. However, shift allowance may be proposed in the light of policies implemented in Federal Government Colleges and NUST.

Audit recommends that the decision of the DAC may be implemented.

16.4.36 Irregular expenditure on civil works without framing departmental regulations - Rs. 5.716 million

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

Para 58 of the Central Public Works Departmental Code, it is a fundamental rule that no work shall be commenced or liability incurred in connection with it until administrative approval has been obtained, a properly detailed design and estimate have been sanctioned, expenditure sanction has been accorded and allotment of funds made. If in any case, whether on grounds of urgency or otherwise, an executive officer is required by superior authority to carry out a work or incur a liability which involves an infringement of these fundamental rules, the orders of such authority should be conveyed in writing.

The management of National University of Modern Languages (NUML) incurred an expenditure of Rs. 5.717 million on different civil works during 2015-16.Details are as under:

(Rupees)

S.#	Date of Completion	Details of Works	Name of Contractor	Amount
1	25.09.2015	Installation of Economical Heating System at 2nd & 3rd Floors in IBNE KHALDOON Block	M/S HS Engineers	2,467,020
2	30.12.2015	Construction of work station / Cabin for Faculty Offices in 2nd & 3rd Floors of IBNE KHALDOON Block at Main Campus NUML	M/S Fine Traders	1,307,300
3	15-12-2016	Distempering / Painting & Renovation of hostel at main campus NUML	M/S Mueez Khan & Brothers	1,941,455
			Total	**5,715,775**

Audit observed as under:

i. The detailed estimates, technical sanction and administrative approval was not obtained before floating the tenders for civil works.

ii. The expenditure was carried out without framing departmental regulations for carrying out civil works.

Audit is of the view that expenditure without framing departmental regulations, administrative approval and technical sanction was irregular.

The management replied that the engineering estimates/technical sanctions and administrative approvals were obtained from the competent authority. A proper procedure was adopted for execution of work through tender. The management asserted that the works were executed in the light of PPRA Rules and SOPs of Technical Branch.

The reply was not accepted as no documentary evidence for approval of detailed estimates, technical sanction and administrative approval was produced to audit.

The DAC meeting in its meeting held on 09.11.2017 directed the management to submit revised reply and supporting record may be got verified from Audit. The management was also directed that the rules for carrying out civil works may be made and got approved from appropriate forum.

Audit recommends that record may be produced for verification and rules be framed as directed by the DAC.

16.4.37 Irregular appointments on contract without observing the provision of NUML Ordinance

Section 18 of National University of Modern Languages (NUML) Ordinance 2000 states that the Selection Board shall be responsible for conducting interviews and organizing tests should the need arise for appointments determined to be in its purview by the Board including all academic positions. The Selection Board shall consist of the following:

i. The Rector, who shall be its Chairman;

ii. Two subject experts in the subject concerned drawn from a list approved by the BoG but not serving in the University or its constituent units. In the case of positions of associate professors and professors, the experts must be those to whom the research documents of candidates have been sent for assessment;

iii. The whole time member of the HEC or his nominee;

iv. The Director General;

v. The senior most teacher in the subject for which the interview is being conducted for appointment. In the case of non-academic position, the senior most officer in the area in which appointment is being made;

vi. A nominee of the Ministry of Education not below the rank of BPS 19 officer and

vii. The Registrar, who shall act as Secretary of the Selection Board.

The management of NUML appointed 32 faculty members on academic and 29 officers/officials on administrative posts on contract basis during 2015-16.

Audit observed as under:

i. All the appointments were made by Selection Committees framed by Rector NUML from time to time.

ii. The requirements of inclusion of two subject experts in the subject concerned, member of the HEC and BPS 19 officer of the Ministry and Registrar (Secretary of the selection board) in the Selection Board were ignored.

iii. Eight faculty members were hired both for morning and evening shifts against payment of two lump sum salaries without any post.

Audit is of the view that irregular appointments were made without constituting the selection board as provided in the Ordinance.

The management replied as per Clause 10(3)(f) of Ordinance the Rector was empowered to appoint teachers, officers and member of the staff of the university and such other persons as may be necessary for a period not exceeding two years on contract basis. All these contract appointments were made through selection committee which has constituted by the competent authority. It was also mentioned that all appointments were made as per available posts. As far as appointment of regular employees were concerned, Clause 10(3)(e) mentioned that "appointment of teachers, officers and members of the staff of the university and other person on regular basis in accordance with the policies and procedures approved by the Board so as to ensure the highest intellectual and moral qualities in the person appointed".

The reply was not relevant as the provisions of NUML Ordinance were not observed during the recruitment process as pointed out by Audit.

The DAC in its meeting held on 09.11.2017 directed that rules regarding contract appointment may be framed and revised reply in light of NUML Ordinance may be furnished.

Audit recommends that decision of the DAC may be implemented.

16.4.38 Irregular Appointment of Staff Officer to Rector

The management of National University of Modern Languages (NUML) floated advertisement for the hiring of post of Private Secretary to Rector on 02.07.2011. As per advertisement the criteria for appointment was as under:

"Master degree with three year experience or B.A with five year experience in BPS-16 as Personal Assistant with speed of 120 words per minutes in short hand and 50 words per minute in typing".

The Selection Committee recommended Raja Tariq Mahmood as Private Secretary to Rector NUML on 20.07.2011 out of seven candidates.

Audit observed as under:

i. The officer did not hold the experience and relevant service record which was required as per advertisement.
ii. First contract was granted to the officer on 21.07.2011 for a period of six month only which was extended from time to time by the NUML till 2017.

Audit is of the view that hiring of unsuitable person against the cadre post was irregular and unjustified.

The management replied that the post was properly advertised and appointment was made by the selection committee. The incumbent was selected as Staff Officer (SO) in BPS-18 whereas his rank (Lt. Col.) was equivalent to BPS-19. He was selected due to his vast experience of serving as SO in the Army.

The reply was not convincing as no explanation was offered regarding required experience for the advertised post. Moreover, undue favor was extended to the person who did not possess the required experience.

The DAC meeting in its meeting held on 09.11.2017 directed that inquiry may be conducted and fact finding report may be provided to Audit.

Audit recommends disciplinary action against the responsible for appointment in contravention of prescribed criteria.

16.4.39 Irregular affiliation of Armed Forces Post Graduate Medical Institute (AFPGMI), Rawalpindi with NUML

As per Caption 7.1 of the HEC affiliation criteria, there shall be constituted an affiliation committee by University, comprising:

i. The Chairman; a professor of the university to be nominated by the Vice Chancellor;

ii. Two professors/Associate Professors of university of different disciplines, in which affiliation is being sought by the institution;

iii. An expert to be nominated by the Commission;

iv. An Associate Professor/Assistant Professor of a local Government College of concerned academic discipline

While explaining the University – Institution Relation, HEC has clarified that the University will consider application for affiliation from institutions offering programs similar to those offered by the University.

Audit observed that the University had granted affiliation to Armed Forces Post Graduate Medical Institute (AFPGMI), Rawalpindi since 05.01.2006. The affiliated institution was providing medical education whereas no such education was being imparted by NUML. Audit has also not been provided the constitution of affiliation committee as per guidelines of HEC,

Audit is of the view that affiliation of a medical institute with a non-medical university was unjustified and irregular.

The management replied that the affiliation to AFPGMI was granted on 05.01.2006 for certificate in medical administration and not for any degree program. Moreover, on receipt of HEC letter No. 15(03)/A&A/Acc./HEC-2016/1327 dated 17.11.2016, NUML management has taken action immediately and advised AFPGMI vide our letter no. ML.2-4/10/AF/Acad/739 dated 02.03.2017 to seek affiliation for "Diploma in Medical Administration" from where this course was being offered/run.

The DAC in its meeting held on 09.11.2017 directed the management to get the record regarding HEC affiliation criteria verified by Audit.

Audit recommends that the decisions of the DAC may be implemented and responsibility may be fixed for granting affiliation in contravention of HEC criteria.

16.4.40 Irregular Appointment of Director Administration, NUML

As per advertisement dated 07.03.2015 floated by the management of NUML for the post of Director Administration, the criteria for the post was Master Degree with at least 13 years administrative experience in a university or other educational institution in BPS-17 and above.

The management of National University of Modern Languages (NUML) appointed Director, Administration on contract basis for a period of one year on 24.04.2015.

Audit observed as under:

i. Selection Board recommended Brig (R) M. Zia ul Hassan at a monthly remuneration of Rs. 100,000.

ii. According to CV of Brig (R) M. Zia ul Hassan, the officer obtained Master Degree in 2011 (the photocopies of educational certificates were neither available in the file nor were produced to audit), hence he lacked minimum 13 year experience.

iii. The officer was a retired Army Officer and hence had no experience of working in a University or Educational Institution.

Audit is of the view that the appointment of Director Administration is irregular.

The management replied that proper advertisement was made for the post of Brig (R) Muhammad Zia ul Hassan Sahi as Director Administration, the Selection Board was headed by Rector himself. The proceedings of the Selection Board were forwarded to Chairman BOG who approved the proceedings as nominee of the Chairman Board of Governors ("Chairman Board of Governors" means the Chief of Army Staff or his nominee). The selection was made purely on merit. An Army Officer of the rank of a Brig. indeed, has a vast experience of management of large size military setups at the same time they are invariably appointed on instructional and administrative appointments in various schools of Institutions/Colleges. He had more than 32 years varied experience of administration, management & HR which ideally suits the post.

The DAC in its meeting held on 09.11.2017 directed the management that the post may be re-advertised immediately and appointment may be made as per rules besides fixing responsibility for irregular appointment.

Audit recommends that the decisions of the DAC may be implemented.

16.4.41 Irregular Appointment as Regional Director Faisalabad without prescribed qualification

As per advertisement floated by National University of Modern Language (NUML) dated 19.11.2014, the criteria mentioned for the post was Master Degree with at least 17 year administrative experience preferably few years in a University or other educational institution.

The management of the National University of Modern Languages appointed Brig (R) Muhammad Javed Anwar as Regional Director, NUML Campus Faisalabad on contract basis at a monthly salary of Rs. 120,000 on

05.01.2015. As per job advertisement dated 19.11.2014 the criteria for such appointments was Master Degree with at least 17 year administrative experience preferably few years in a University or other educational institution.

Audit observed that as per CV submitted by Brig (R) Muhammad Javed Anwar, the candidate was holding Bachelor Degree only at the time of appointment.

Audit is of the view that hiring of a Bachelor Degree holder on the post having requirement of master degree was irregular and undue favour was extended to accommodate a candidate who was otherwise not eligible for the post.

The management replied that proper advertisement was made for the post of Regional Director Faisalabad, the Selection Board was headed by Rector himself. The proceedings of the Selection Board were forwarded to Chairman BoG who approved the proceedings as nominee of the Chairman Board of Governors ("Chairman Board of Governors" means the Chief of Army Staff or his nominee). The selection was made purely on merit. It was also highlighted that the appointment of Regional Director was of administrative purpose. An Army Officer of the rank of a Brigadier indeed, had a vast experience of management of large size military setups at the same time they were invariably appointed on instructional and administrative appointments in various schools of Institutions/ Colleges. He was selected due to his vast experience in management and administration which he gained from almost 30 years of service in Army. It was further stated that the officer was also having B.Sc (Hons.) war studies which was equivalent to M.A, therefore, the plea of the audit was not correct.

Audit is of the view that no equivalency certificate of B.Sc (Hons) with Master Degree was shown to audit.

The DAC in its meeting held on 09.11.2017 directed the management that the post may be re-advertised immediately and appointment may be made as per rules besides fixing responsibility for irregular appointment.

Audit recommends that the decisions of the DAC may be implemented.

16.4.42 Non approval of accounting procedures

Sub-Section(e) of Section 5 of Controller General of Accounts (Appointment, Functions and Powers) Ordinance, 2001 states that function of the CGA will be to render advice on accounting procedure for new scheme, programs or activities undertaken by the Government concerned.

National University of Modern Languages (NUML) was established on 29.05.2000 vide Ordinance No. XVIII of 2000.

Audit observed that despite lapse of considerable time, the accounting procedures have not been framed by the National University of Modern Languages (NUML), Islamabad. NUML is obtaining one line budget from Government.

Audit is of the view that in the absence of accounting procedures, chances of lapses and irregularities cannot be ruled out.

The management replied that the accounting procedures were in the process of preparation under the supervision of HEC to prepare uniform rules for all public sector universities/institutions. As soon as the rules were prepared by the HEC the same would be furnished accordingly.

The DAC in its meeting held on 09.11.2017 directed the management that Accounting Procedures may be framed and got approved from CGA and provided to Audit.

Audit recommends that the decisions of the DAC may be implemented.

16.4.43 Irregular promotions of Senior Computer Assistants (BS-16) as Assistant Director (BS-17)

The management of National University of Modern Languages (NUML) promoted five officials (Senior Computer Assistants – BPS 16) with the approval of Selection Board on 27.04.2016 as Assistant Director (BPS-17) without availability of posts in their cadre and posted them in different sections.

Audit observed that the promotion of officials as Assistant Directors without the availability of posts in their respective cadre and their subsequent placement on the posts different from their cadre was irregular.

The management replied that as per NUML Service Statutes, eligibility criteria for the post of Assistant Director is as under:

"Master Degree with at least 5 years administrative experience in a responsible position in a University or Education Department or Bachelor's Degree with at least 10 years' experience in BPS-16 in University or any Education Department". The incumbents were working in the various branches of university and have vast relevant experience of administration, examination etc. The seats were also available for promotion. Qualification of these employees are as under:

S. No.	Name	Qualification
1	Mr. lmran Ahmed	MBA
2	Mr. Tariq Nazeer Chaudhary	MBA IT
3	Mr. Nasir Mahmood	M.Phil (CS)
4	Mr. Ghulam Mohiuddin	M.Phil (HR)
5	Mrs. Rabia Tanveer	MA Urdu

According to clause 13(6)(h), BoG was empowered to approve selection and appointment of all administrative and academic staff of University, recommended by the selection board. The incumbents were working in the University since 2005 and were promoted from BPS-16 to BPS-17 with the approval of selection/promotion board and NUML BoG.

The reply was not accepted as the audit observation relates to promotions without availability of posts in the respective cadres.

The DAC in its meeting held on 09.11.2017 directed the management that clarification regarding promotion on Ex-cadre posts/post meant for direct appointment may be obtained from Establishment Division up to January 2018 and shown to Audit.

Audit recommends that the decision of the DAC may be implemented.

16.4.44 Irregular Appointment as Dean Management Sciences

The criteria for hiring of the post of Dean as per Statutes relating to Scales of Pay, Qualification and Experience, Teaching/Administrative Staff of NUML is as under:

"Ph.D with 25 years teaching/research experience in a recognized university or a post graduate institution or professional or international organization plus 10 research publication in journals of international repute".

The management of National University of Modern Languages (NUML) appointed Brig (R) Dr. Maqsud ul Hassan, as Dean of Management Science on contract basis for the period of one year w.e.f. 01.07.2015.

Audit observed that:

i. Appointment as Dean was made without competition as no advertisement was available on record.
ii. The relevant teaching /research experience was not in accordance with the above mentioned statutes as per CV of the officer available on record.
iii. 10 research publications in journals of international repute were also not provided to audit.

Audit is of the view that appointment without advertisement and relevant experience as Dean was violation of the NUML Service Rules and undue favour was granted to the officer.

The management replied that appointment of Brig (R) Dr. Maqsudul Hassan was made according to the NUML Ordinance, which empower Rector NUML to appoint faculty / staff on contract basis and no violation is made in the process. Brig (R) Dr. Maqsudul Hassan was a highly qualified professor who had rendered valuable academic and administrative contributions in various renowned institutions of the country. He had more than 27 years of experience in different institutions. His services were hired in the best interest of the university.

The reply was not accepted because prescribed experience as given in the statutes was not observed.

The DAC in its meeting held on 09.11.2017 directed the management that the post may be re-advertised immediately and appointment may be made as per rules besides fixing responsibility for irregular appointment.

Audit recommends that the decisions of the DAC may be implemented.

16.4.45 Irregular payment of Medical Allowance over and above prescribed rates - Rs. 112.644 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.112.644 million as Medical Allowance @ 30% and 60% subject to maximum of Rs. 7,000 & Rs. 8,000 to unmarried and married staff, respectively during 2015-16 with the approval of Rector/Chairman BoG. A minimum of Rs. 4,000 and Rs. 5,500 was paid to employees of all categories working in BPS-01 to 16 and BPS-17 and above respectively.

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 to grant Medical Allowance.

Audit is of the view that as the University had adopted the pay scales of the Government, 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.

The management replied that IIU was established under Ordinance, 1985 and was fully autonomous body and allowed to make its own rules and regulations. In terms of section 21(2)(I), the BoG was fully competent to approve the regulations, rules on the recommendation of the appropriate body. The expenditure on medical allowance was met from own sources of the University and not from Grant-in-aid which could be ascertained from payroll.

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 DAC meeting was held on 27.12.2017 and directed that HEC may constitute a committee to address this issue in the universities.

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.

16.4.46 Irregular appointments of part time teachers/visiting faculty - Rs. 46.929 million

Section 23(1) of the International Islamic University (IIU), Ordinance, 1985 states the Academic Council shall be the academic body of the University and shall, subject to the provision of this Ordinance and the Statutes have the power to lay down proper standards of instruction, research and examination and to regulate and promote the academic life of the University.

Section 23(2) of the IIU, Ordinance, 1985 states the Academic Council shall exercise such powers and perform such duties as may be assigned to it by the Board of Governors and those prescribed by the Statutes.

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.

The management of IIU, Islamabad (Main Campus) appointed part time teachers/visiting faculty and incurred expenditure of Rs.46.929 million during the year 2015-16.

Audit observed as under:

i. The appointments of teachers/visiting faculties were made without advertisement.
ii. The criteria/recommendations for appointment of part time teachers/visiting faculty was made by the Academic Council in its 66th meeting held on 17.08.2015.
iii. The criteria/recommendations made by the Academic Council were not approved by the Board of Governors in violation of Section 23(2) of the IIU, Ordinance, 1985.
iv. The management neither framed any rules, nor Statutes to regulate the appointment of visiting/part time teachers under Section 23(2) of the International Islamic University, Ordinance, 1985.

Audit is of the view that the appointments of teachers/visiting faculty in absence of approved policy and statutes were irregular.

The management replied that the appointment of part time teachers were made on the basis of criteria approved by the Academic Council in its 68th meeting. The competent authority decided that visiting teachers would be engaged for one semester. It was also decided that recommendation of the council would be placed before the BoG in order to make proper rules for engagement of visiting teachers.

The DAC meeting was held on 27.12.2017 directed to keep the expenditure at minimum level and avoid such practice in future. DAC also directed to finalize the statutes regarding hiring of visiting faculty.

Audit recommends that statutes may be framed to regulate the appointments of visiting faculty teachers.

16.4.47 Irregular establishment of Special Reserve Fund Account - Rs. 49.845 million

Section 31(1) the International Islamic University, Ordinance, 1985 states that there shall be a University fund to which shall be credited income from any source including transfers from the trust, fees, donations, bequests, endowments, contributions and grants.

The management of International Islamic University (IIU), Islamabad opened a Special Reserve Account bearing No.16670-01 at Habib Bank Limited, IIU Branch Islamabad. An amount of Rs. 49.845 million was available in the said account as on 30.06.2016.

Audit observed that all savings in the annual budget of University and its constituent Institutes/Academies were transferred to this fund.

Audit is of the view that establishment of Special Reserve Fund Account and subsequent transfer of savings in the Fund at the close of financial year was irregular and violation of the provisions of IIU Ordinance.

The management replied that the transferred amount pertained to salaries under Tenure Track System, Prime Minister Refundable Fee of FATA Students and security related arrangements, which were required to be paid in subsequent financial year.

The reply was not accepted because the funds were retained in violation of the rules.

The DAC meeting held on 27.12.2017 directed that Act and Financial Rules regarding policy for opening of bank account and detail of every account may be provided to Audit for verification.

Audit recommends that accounts opened in violation of Section 31(1) the International Islamic University, Ordinance, 1985 may closed besides depositing the amount into the government treasury.

16.4.48 Unauthorized payment of Special Allowance - Rs. 42.861 million

Finance Division vide 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.

The management of International Islamic University (IIU), Islamabad paid Rs. 42.861 million on account of Special Allowance @ 20% of running Basic Pay to all the employees of IIU, Islamabad during 2015-16.

Audit observed that Special Allowance was paid to the employees in violation of the instructions of the Finance Division.

Audit is of the view that payment of Special Allowance was irregular.

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 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 were applicable was discriminatory in nature as such offensive to the constitutionally guaranteed rights of those employees. All the Federal Government employees were, therefore, held entitled to Special Allowance @ 20% w.e.f. from the date the employees working in the Federal Ministries/Divisions had been allowed the same.

The reply was not accepted because no documentary evidence was produced in support of reply.

The DAC meeting was held on 27.12.2017 in which para was pended till the decision of the court.

Audit recommends that responsibility may be fixed for the irregularity.

16.4.49 Un-authorized payment of House Rent Ceiling with salary - Rs. 116.258 million

Rule 8(5) of the Accommodation Allocation Rules, 2002 states that a house or flat shall be hired at the rates assessed by the assessment board or the rental ceiling of the Federal Government Servant (FGS) or the demand of the owner whichever is less. The difference between the rent fixed by the government and the demand of owner shall be paid by the FGS direct to the owner and the government shall not be a party to this transaction. 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 bank for depositing in account of the owner.

The management of Allama Iqbal Open University (AIOU), Islamabad paid an amount of Rs. 116.258 million as House Rent Ceiling to its employees along with salaries during 2015-16.

Audit observed as under:

i. The payment was made to the employees instead of the owners of the houses.
ii. The lease agreements were signed between the owners of the houses and the employees, instead of the owners and the University.

Audit is of the view that the payment of House Rent Ceiling to the employees along with their salaries was irregular and unauthorized.

The management replied that House Rent Ceiling was being paid to University employees as per decision of the Executive Council taken in accordance with Para 11 of the Statutes (General Conditions of Service), AIOU, 1978.

The reply was not accepted as it did not clarify the audit point of view.

The DAC in its meeting held on 13.09.2017 directed that payment of rental ceiling with salary may be discontinued immediately and University may frame its rules.

Audit recommends that responsibility may be fixed for the irregularity besides discontinuing irregular practice forthwith.

16.4.50 Excess payment of M. Phil Allowance – Rs.27.675 million

Allama Iqbal Open University (AIOU), General Conditions of Service, Statues 1978 as amended up to 2004, Rule 2 Definitions (1) (xi) states that "Basic Pay Scale" means the scale of pay enforced by the Federal Government and includes all allowances and other fringe benefits attached therewith, to the extent adopted by the University; read with the provision of Chapter V Statues, Regulations and Rule 24 Statues 1(b).

Finance Division (Regulation Wing) OM F.No.3(6)Imp/2016-336 dated 01.07.2016 states that all those who acquires/possesses the degree of M.Phil recognized by HEC shall be allowed M.Phil Allowance @ 25% of the existing amount of Ph.D Allowance of the existing amount of Ph.D Allowance (i.e. Rs. 2,500 per month) with effect from 01.07.2016.

The Executive Council of AIOU in its 89th meeting held on 08.11.2008 approved the grant of M. Phil Allowance to AIOU Faculty Members at the rate of Rs. 2,500 per month w.e.f. 08.11.2008 which was enhanced to Rs. 5,000 per month in 96th Board Meeting held on 05.09.2014. Details are as under:

(Rupees)

S. No.	Period		No. of Months	Actual Rate per Month	Paid Rate	No of Employees	Amount
	From	To					
1.	08.11.2008	30.11.2014	73	Nil	2,500	90	16,425,000
2.	01.12.2014	30.06.2016	19	Nil	5,000	90	8,550,000
3.	01.01.2016	30.06.2017	12	2,500	5,000	90	2,700,000
						Total	**27,675,000**

Audit observed that Executive Council was not competent to grant and enhance M. Phil Allowance.

Audit is of the view that M. Phil Allowance was granted in violation of Section 19 of AIOU Act, 1974.

The management replied that the Executive Council approved enhancement in M.Phil Allowance in line with other sister organizations/

Federally chartered universities e.g. Quaid-e-Azam University, University of Sargodha and Federal Urdu University.

The reply was not accepted because the allowance was paid without the approval of the Finance Division and the Executive Council was not empowered to grant such allowance on its own.

Audit recommends that responsibility may be fixed for excess payment of M. Phil Allowance and the irregular practice may be discontinued forthwith besides recovery of already paid amount.

16.4.51 Irregular expenditure on purchase of excess quantity of spare parts - Rs. 24.249 million

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

Para 145 of GFR (Volume-I) states that purchases must be made in the most economical manner in accordance with the definite requirements of the public service. Stores should not be purchased in small quantities. Periodical indents should be prepared and as many articles as possible obtained by means of such indents. At the same time, care should be taken not to purchase stores much in advance of actual requirements, if such purchase is likely to prove unprofitable to Government.

The management of Allama Iqbal Open University (AIOU), Islamabad incurred an expenditure of Rs. 24.249 million on purchase of spare parts for the machinery/equipment in Print and Publication Unit.

Audit observed that spare parts valuing Rs. 24.249 million were still lying in the store and were not used till 30.06.2017.

Audit is of the view that expenditure on purchase of excess spare parts which were lying in store resulted in blockage of public funds.

The management replied that an inquiry committee had already been constituted by the competent authority to probe the matter in detail. Executive

Council had also constituted a senior management committee to oversee the affairs of PPU.

Audit recommends that responsibility may be fixed for the irregularity.

16.4.52 Short collection of admission fee/dues due to fake bank stamps - Rs. 24.105 million

Allama Iqbal Open University (AIOU) vide office order No. F.No.1-50/2013-Admin/2472 dated 11.06.2013 constituted a committee to verify admission forms, fee/dues of B.Ed., Post Graduate and Ph.D. programs relating to spring 2012 to spring 2013 semesters in respect of checking fake bank stamps with immediate effect.

The committee so constituted, identified discrepancies in forms and payment of fees against admission forms amounting to Rs. 24.105 million as detailed below:

(Rupees)

Semester	Program	Fee Less/not credited
Autumn-2009 to Autumn-2011	B.Ed./Post Graduate/Ph.D.	23,632,988
2010 & 2011	Matric/FA/BA	471,754
	Total	**24,104,742**

Audit observed that recommendations of the committee have not so far been implemented as no recovery was affected from the concerned official/Section In-charge of the concerned department or person(s) held responsible.

Audit is of the view that failure to recover short deposit of admission fee/dues was a lapse on the part of the management, which deprived the university of its due receipt.

The management replied that the case was sent to NAB for further inquiry.

DAC in its meeting held on 13.09.2017 decided that a letter regarding early decision of the matter may be issued by the Vice Chancellor to the Chairman, NAB.

Audit recommends that the case may be pursued with NAB.

16.4.53 Unauthorized deduction of Commission and FED from AIOU fees/dues by the Habib Bank Ltd. - Rs. 18.729 million

The State Bank of Pakistan vide letter No. BPRD (LCGD-09)/ 8635/ 2007 dated 24.08.2007 instructed all the banks to refrain from levy of any kind of service charges on collection of education fee from the students of educational institutions. State Bank of Pakistan has not prohibited banks from recovering their postal/courier cost(s) from the students on account of collection of their educational fees.

The Habib Bank Ltd. deducted commission and Federal Excise Duty (FED) amounting to Rs. 15.780 million and Rs. 2.949 million, respectively for the period from 30.04.2013 to 16.06.2016 from fees/dues of the Allama Iqbal Open University (AIOU).

Audit observed that commission and FED were charged in violation of the instructions of the State Bank of Pakistan.

Audit is of the view that deduction of commission and FED from AIOU fees/ dues by the Habib Bank Ltd. was irregular and unauthorized.

The management replied that un-authorized deduction of courier charges from student fee by HBL had been taken up with HBL. The decision regarding recovery on account of deduction of Commission and FED from AIOU accounts by HBL would be conveyed as and when finalized.

DAC in its meeting held on 13.09.2017 decided that recovery of commission paid may be affected and shared with Audit within two weeks. Further a letter regarding refund may be issued to FBR.

Audit recommends that efforts regarding recovery of commission and FED may be expedited.

16.4.54 Irregular payment of Medical Allowance, Eid Allowance & rebate on Income Tax to former Vice-Chancellor - Rs. 1.641 million

Finance Division's letter No.F.4(10)R-4/2002-Vol-II dated 25-08-2011 addressed to the Higher Education Commission (HEC) states that the salary package of Vice-Chancellor/Rectors of Federally Chartered Public Sector Universities is as under:-

Basic Salary equivalent to Professor at Tenure Track System

i. Vice-Chancellor Allowance @ 20% of basic pay

ii. Transport and medical facilities as per entitlement of BPS-22

iii. Any other perk and privilege granted by the Chancellor as deemed necessary under peculiar circumstances

FBR letter No. 7(34)WHT-I/2013-11380 dated 22.01.2014 states that 40% rebate is admissible to full time teachers and researchers. A full time teacher means a person employed purely for teaching and a full time researcher means a person purely employed for research job only in a research institution purely performing research activities and not performing any administrative or managerial jobs e.g. Principals, Directors, Vice-Chancellors, Chairmen, Controllers, etc.

The President of Pakistan being Chancellor of the AIOU approved the appointment of Prof. Dr. Nazir Ahmed Sangi as Vice-Chancellor, AIOU vide President Secretariat (Public)'s U.O. No.229/32(17)/Dir(HD)/10 dated 19.03.2010. He was paid medical allowance, eid allowance and rebate on income tax from 2010-14. Details are as under:

(Rupees)

Financial Year	Medical Allowance	Eid Allowance	Rebate on Income Tax
2009-10	33,280	Nil	Nil
2010-11	99,840	42,440	63,468
2011-12	99,840	115,024	344,385
2012-13	99,840	156,000	337,918
2013-14	66,560	39,920	142,589
Total	**399,360**	**353,384**	**888,361**
		G. Total	**1,641,105**

Audit observed as under:

i. The Vice Chancellor was not serving as full time teacher, therefore, rebate on income tax was not admissible on his income.
ii. As the Vice Chancellor was appointed on VC package, therefore, he was also not eligible for payment of medical and eid allowance.

Audit is of the view that excess payment was irregular, which resulted in the loss of Rs. 1.641 million to the university.

The management replied that the case was being sent to Finance Division for clarification.

The reply was not accepted because allowances were paid in excess of approved package.

DAC in its meeting held on 13.09.2017 decided that exact amount may be calculated and letter may be issued to Ex-Vice Chancellor regarding recovery of amount from his salary within one month.

Audit recommends that recovery involved may be affected from the former Vice-Chancellor as directed by the DAC.

16.4.55 Less deduction of Income Tax by giving irregular rebate on Tax - Rs. 2.163 million

FBR letter No.7(34)WHT-I/2013-11380 dated 22-01-2014 states that 40% rebate is admissible to full time teachers and researchers. A full time teacher means a person employed purely for teaching and a full time researcher means a person purely employed for research job only in a research institution purely performing research activities and not performing any administrative or managerial jobs e.g. Principals, Directors, Vice-Chancellors, Chairmen, Controllers, etc.

The management of the AIOU gave 40% rebate on income tax to Deans and Chairmen amounting to Rs. 2.163 million during 2014-16.

Audit observed that the rebate was given in violation of the FBR letter No.7(34)WHT-I/2013-11380 dated 22.01.2014.

Audit is of the view that less deduction of income tax deprived the government of the benefit of its due receipt.

The management replied that the Dean and Chairman were exclusively involved in the teaching and research activities of the department. As per AIOU Statues selection of an academician for the additional administrative assignments was solely based on the seniority and experience in the academic and research performance.

The reply was not accepted as rebate was not admissible to Chairmen, Deans, etc. holding administrative or managerial jobs.

DAC in its meeting held on 13.09.2017 directed that short deduction of Income Tax may be adjusted in the current Income Tax Return or recovery may be made from the concerned officers.

Audit recommends that recovery involved may be affected and further payment be discontinued forthwith.

16.4.56 Irregular payment of Medical Allowance over and above prescribed rates

Finance Division's 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-01 to BPS-15 @ Rs.1,000 per month and from BPS-16 to BPS-22 @ 15% of the existing basic pay in Basic Pay Scale, 2008 w.e.f. 01.07.2010.

The management of Allama Iqbal Open University (AIOU) Islamabad, paid medical allowance @ 50% of the pay subject to minimum of Rs. 5,200 per month and maximum of Rs. 10,400 per month to the married staff and @ 50% of the pay subject to minimum of Rs. 2,600 per month and maximum of Rs. 5,200 per month for un-married staff.

Audit observed that payment was made in excess of the admissible rates.

Audit is of the view that payment of medical allowance in excess of the admissible rate was irregular.

The management replied that the Executive Council, being the supreme Council of the AIOU, approved the Revised Medical Rules for AIOU employees as proposed by the UGC/HEC.

The reply was not accepted as AIOU had adopted Government Pay Scales in toto hence pay & allowances should be paid as per applicable rates.

DAC in its meeting held on 13.09.2017 directed that medical rules may be framed by the University and got approved from appropriate forum up to 31.12.2017.

Audit recommends that responsibility may be fixed for the irregularity.

16.4.57 Unauthorized creation of Pension Fund – Rs. 928.811 million

Clause 4(c) of COMSATS Institute of Information Technology (CIIT) Pension/Retirement benefits Statutes, 2010 states that employee means a regular employee of the Institute appointed in a scale of pay.

The Board of Governors of CIIT in its 18th meeting held on 16.03.2010 approved the Pension/Retirement Benefits Statutes for CITT employees.

The Board of Governors of CIIT in its 18th meeting held on 16.03.2010 approved Staff Grades from SG-1 to SG-IV and officers grades from OG-1 to OG-IV.

The management of CIIT, Islamabad Campus contributed Rs. 928.811 million in pension fund at the rate of 15% of the running pay on monthly basis up to 2015-16.

Audit observed that all employees in Officer Grade (OG) and Staff Grade (SG) were appointed on contract basis, who were not entitled for pension being contractual employees.

Audit is of the view that provision of pension to contractual employees was in violation of Pension/Retirement Benefits Statutes, 2010.

The management stated that the service of the employees were being governed under CIIT Employees Service Statutes, 2009. Clause 22 of the Statutes states that "the service of the Institutes employees shall be confirmed after two years of continuous service, if the post and appointment are substantive and the work and conduct of the employee is found satisfactory".

The reply was not accepted because neither employees were confirmed by the management as per Clause 22 of CIIT Employees Service Statutes, 2009 nor their confirmation letter was produced in support of the reply.

DAC in its meeting held on 09.11.2017 showed dissatisfaction over initiating pension system without declaring status of the CIIT employees and proper financial planning.

Audit recommends that the status of the employees should be determined first then the facility may be provided to the eligible employees in accordance with provisions of the Pension/Retirement benefits Statutes, 2010.

16.4.58 Unauthorized expenditure from the trust funds to meet the income and expenditure gap - Rs. 772.618 million

Section 22(1) of COMSATS Institute of Information Technology (CIIT) Ordinance, 2000, states that the Institute shall have a fund to which shall be credited income from fees, donations, trusts, bequests, endowments, grants, contributions and income from any other source.

Section 22(2) of CIIT Ordinance, 2000, states that capital and recurrent expenditure of the Institute shall be met from the contributions made by any source including foundations, universities and individual and from the income derived from such source.

The management of CIIT incurred an expenditure of Rs. 772.618 million from trust funds during 2015-16. Details are as under:

(Rs. in million)

S. No.	Description	Amount
1	Benevolent Fund	25.00
2	CP Fund	83.00
3	Pension Fund	155.00

4	Endowment Fund	90.00
5	Students Welfare Fund	10.00
6	Taleem Fund	71.00
7	Caution Money /Hostel Security	66.00
8	Security Deposits	32.50
9	Development Fund	240.12
	Total	**772.62**

Audit observed that the deficit financing was met from the following trust funds.

Audit is of the view that expenditure from the trust fund towards departmental expenditure was unauthorized. Deficit financing and meeting of this deficit from trust funds reflects poor financial discipline and continuing the practice of deficit financing may lead to bankruptcy.

The management replied that due to short fall in cash flows deductions/contributions could not be transferred to respective fund accounts, however, efforts were being made to transfer the funds into relevant accounts.

DAC in its meeting held on 09.11.2017 directed that the irregular practice should be stopped forthwith and the amount should be refunded to the respective accounts under intimation to HEC and Audit.

Audit recommends that the decision of the DAC may be implemented.

16.4.59 Irregular appointment on TTS - Rs. 69.937 million

Tenure Track Process as given in 2.1 (d) of Model Tenure Track Process Statutes states that upon receipt of application for appointment on the Tenure Track Scheme for the position of Assistant Professor will be placed directly before the Selection Board after internal review and the Selection Board may make decisions on merit. Standard operating procedure for initial appointment on TTS are, post advertisement by the University, submission of comprehensive application dossier by the applicant, scrutiny by the university, present to Selection Board and Board of Governors.

The management of COMSATS Institute of Information Technology (CIIT), Islamabad appointed thirty seven faculty members on TTS.

Audit observed that the appointments were made without advertisement and approval of the Selection Board and Board of Governors and without endorsement of HEC.

Audit is of the view that appointment without the open competition deprived the benefit of fair competition.

The management replied that all the TTS appointments were made as per the eligibility criteria mentioned in CIIT TTS Statues, 2009.

The reply was not accepted because no documentary evidence was produced in support of the reply.

DAC in its meeting held on 09.11.2017 directed the CIIT management to sort out how these appointments were carried out and the posts which were not filled through Selection Board should be re-appointed by publishing advertisement in press and fulfilling all codal formalities. The DAC also directed that the posts which were filled through Selection Board after fulfilling other codal formalities except advertisement should be placed before the BOG for consideration and decision.

Audit recommends that the decision of the DAC may be implemented.

16.4.60 Irregular appointment of Advisor/Consultant - Rs. 42.904 million

Section 12(2) of COMSATS Institute of Information Technology (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 decisions of the Board and for the execution of the programs of the Institute in accordance with guidelines and policies formulated by the Board.

The management of CIIT appointed 27 Advisors/Consultants at fixed monthly salary and paid an amount of Rs. 26.233 million while Principal Seat engaged 28 consultants and advisors and paid Rs. 16.671 million during the year 2015-16.

Audit observed that CIIT Ordinance, 2000 did not allow the Rector to engage such number of Advisors/Consultants. All these Advisors/Consultants were appointed without advertisement and competition. TORs and deliverables were also not defined. In the absence of TORs and deliverables the performance and need of the consultants could not be assessed.

Audit is of the view that in accordance with the provisions of the Ordinance, the Rector was not allowed to hire the services of the Consultants/Advisor. Therefore, the appointment and expenditure on accounts of pay and allowances was irregular and unauthorized.

The management replied that as per DAC decision, the contracts of most of the advisors/consultants had been terminated as on 30.06.2017.

The reply was not accepted as the management did not provide the list of consultant whose contracts were terminated.

The DAC in its meeting held on 09.11.2017 directed the management of CIIT to discontinue further appointments or extension of advisors/consultants without proper justification and fulfillment of all codal formalities. DAC also directed the management of CIIT to provide updated list of advisors/consultants to Audit and HEC.

Audit recommends that the decision of the DAC may be implemented.

16.4.61 Irregular deposit of Contributory Provident Fund to Tenure Track System employees – Rs. 26.590 million

Serial No 2.10(b) of the Model Tenure Track Process Statutes 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. For this purpose the pay would mean the last pay drawn after each completed year of service. However, medical facility will be provided by the University as per BPS scales.

The management of COMSATS Institute of Information Technology (CIIT), Islamabad paid an amount of Rs. 531.801 million on account of Tenure Track pay during the year 2015-16

Audit observed that the management deposited an amount of Rs 26.590 million (531.801*5%) from the Institute Fund in the CP Fund account of TTS employees. As per TTS Model Statute, TTS employees were not entitled for CPF.

Audit is of the view that deposit of 5% of gross salary of TTS employees from the institute account was irregular and unauthorized benefit to the TTS employees.

The management replied that the TTS faculty is being governed under CIIT Tenure Track System Statutes, 2009, duly approved by the Board of Governors (BOG).

The reply was not accepted because CP Fund contribution was made in violation of Model Tenure Track Statutes, 2008 notified by the HEC.

DAC in its meeting held on 09.11.2017 directed that the irregular practice should be discontinued immediately and amount contributed by the CIIT be returned back to respective CIIT account and the share of TTS employees along-with profit earned on their contribution should be paid back to the contributors.

Audit recommends that the decision of the DAC may be implemented.

16.4.62 Irregular grant of advance increments – Rs. 11.428 million

Serial No 2.10.1 of the Model Tenure Track Process Statutes states that the initial pay of a faculty member appointed to a post shall be determined as a sum of the salary + up to a maximum of 4 advance increments.

The management of COMSATS Institute of Information Technology (CIIT), Islamabad appointed a number of faculty members on Tenure Track Service Model.

Audit observed that 12 Professors, Associate Professors and Assistant Professors were granted more than four advance increments during 2013.

Audit is of the view that grant of more than four advance increments was irregular which resulted in extra financial burden of Rs 11.428 million.

The management replied that Faculty appointments under Tenure Track System, are governed by “CIIT Tenure Track System Statutes-2009”. CIIT Tenure Track System Statutes, 2009, does not impose any limitation on number of advance increments to TTS faculty, at the time of their appointment.

The reply was not accepted because Serial No 2.10.1 of the Model Tenure Track Process Statutes allow up to a maximum of 4 advance increments.

DAC in its meeting held on 09.11.2017 showed displeasure on granting of additional increments in violation of Model Tenure Track approved by Ministry of Finance and circulated by HEC. DAC directed the CIIT management to take necessary action to correct the irregularity and recovery may be affected from the concerned and intimated to HEC within 03 weeks.

Audit recommends that the decision of the DAC may be implemented.

16.4.63 Irregular purchase of vehicle for Chancellor and expenditure thereof – Rs. 2.217 million

Rule 24(4) of the Rules for the Use of Staff Car, 1980 provides it is the responsibility of the concerned Ministry to provide a staff car to the respective Federal Minister/Minister of State.

Section 11 of COMSATS Institute of Information Technology (CIIT), Ordinance, 2000 states that the Minister for Science and Technology shall be the Chancellor of the Institute.

The management of CIIT purchased a vehicle No. GAB 498 (Toyota Corolla Altis, 1800cc) for Rs. 2.217 million during 2015-16.

Audit observed as under:

i. The vehicle was allotted to the Chancellor who was also Minister for Science and Technology.

ii. The Chancellor was not entitled for official vehicle from CIIT Islamabad as the provision of vehicle to the Federal Minister was the responsibility of Cabinet Division.

Audit is of the view that purchase of vehicle for Minister for Science and Technology from the funds of CIIT was irregular.

The management replied that CIIT was an internationally renowned institution and always tried to build soft image of the Pakistan by collaborating with the international universities. Subject vehicle was procured for the protocol duty of the international/national dignitaries and guest of the CIIT. It is further added that the vehicle was specifically been allocated to the Chancellor, however, sometimes, the car was allocated to him for protocol duty.

The reply was not accepted because the vehicle was allotted to the Chancellor in violation of the rules.

DAC in its meeting held on 09.11.2017 directed the CIIT management to stop the irregular practice and directed the vehicle should be retrieved immediately from the Chancellor and placed on the pool of cars of CIIT.

Audit recommends that the decision of the DAC may be implemented.

16.4.64 Irregular appointment without observing provincial/regional quotas

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%, KP 11.5%, Balochistan 3.5% GB and FATA 4% and AJK 2%.

The management of COMSATS Institute of Information Technology (CIIT), Islamabad campus and Principal Seat appointed 149 officers during the year 2015-16

Audit observed that the management filled the vacancies without observing Merit/Provincial/Regional quotas.

Audit is of the view that CIIT being a Federally Chartered University required to observe Merit and Provincial/Regional quotas.

The management replied that CIIT was a degree awarding institute recognized by HEC, and body corporate of Ministry of Science and Technology, Government of Pakistan. It had its own Statutes and Rules, 2009, approved by Board of Governors (BOG). Moreover, followed open merit policy and laid down criteria for making appointments.

DAC in its meeting held on 07.11.2017 directed to follow the standing instruction regarding appointment being a Federally chartered university. CIIT may also get opinion from Establishment Division through Ministry of Science & Technology on the subject matter.

Audit recommends that reserve quotas for all posts should be determined in future.

16.4.65 Irregular purchase of vehicle during the period of ban- Rs. 1.942 million

Para-1 of Finance Division (Expenditure Wing) Office Memorandum No.7(1)Exp-IV/2014 dated 09.09.2014 regarding Austerity Measures for Financial Year 2014-15 states that, there will be a complete ban on purchase of all types of vehicles both for current as well as development expenditure except operational vehicles of law enforcing agencies.

As per Higher Education Commission letter No.1-11/HEC/A&C/2011/106 dated 19.12.2011 the Vice Chancellor shall be entitled for VC Allowance @ 20% of the Basic Salary, Transport/Medical Facility as per entitlement of BS-22.

The management of Shaheed Zulfiqar Ali Bhutto Medical University (SZABMU) purchased vehicle (Hilux Single Cabin 2499cc) from M/s Toyota Islamabad Motors for Rs. 1.942 million for the Vice Chancellor's security during the financial year 2014-15.

Audit observed that vehicle was purchased without obtaining NOC from Finance Division. Audit further observed that Vice Chancellor, as his per pay package, was not authorized to get vehicle for security.

Audit is of the view that purchase of vehicle for security of the Vice Chancellor and without obtaining NOC from Finance Division was irregular.

The management replied that in 2015 there prevailed terror spate throughout the country and head of the institutions were facing security threats. Especially after abduction of many Vice Chancellors of the Universities, HEC called several meetings of the Vice Chancellors and security agencies wherein they had been directed to take effective and strict security measures for protecting the heads of the education institutions. The University took the security measures in line with the directions of the HEC and purchased the vehicle which was dire need for security of the Vice Chancellor SZABMU. Further it was clearly spelled out as Section 13(6)c of the University Act-2013 that Vice Chancellor was empowered to sanction all expenditure provided for in the approved budget of the University. Moreover, Cabinet Secretariat Government of Pakistan was requested to grant permission for purchase of vehicle and in response the Division stated that Cabinet Division did not fix authorization of vehicles for autonomous organizations.

The reply was not accepted as the vehicle was purchased without obtaining NOC from Finance Division and Vice Chancellor was not entitled for such vehicle.

The DAC was held on 10.11.2017 directed the management to obtain the NOC from Cabinet Division within two months.

Audit recommends that decision of DAC may be implemented

16.4.66 Irregular payment of Monetization Allowance to Professors - Rs. 1.858 million

The Cabinet Division vide letter No.6/7/2011-CPC dated 12.12.2011 approved the Compulsory Monetization of Transport Facility for Civil Servants in BS-20 to BS-22 to be implemented from 1st January, 2012.

The Cabinet Division vide letter No. 1/15/2012-CPC dated 11.02.2013 states that, in pursuance of second meeting of the Steering Committee held on 26.12.2012 to implement the Transport Monetization Policy, all Ministries/ Divisions may allow the Semi-Autonomous/Autonomous bodies, corporations etc. under their administrative control to decide with regard to the adoption of the policy or otherwise with the approval of their competent forum/authority i.e. Board of Governors, Principal Accounting Officer etc.

The management of Shaheed Zulfiqar Ali Bhutto Medical University (SZABMU) paid Rs. 1.858 million as Monetization Allowance @ Rs.77,430 per month w.e.f. December, 2015 to two Professors.

Audit observed that the allowance was paid without adopting monetization policy through their respective controlling/administrative Ministry.

Audit is of the view that payment of Monetization Allowance without adopting monetization policy was irregular and unauthorized.

The management replied that in compliance with audit observation payment of monetization allowance had already been stopped. The case for adoption of monetization policy had already been included in the agenda of the meeting of the Syndicate. Recovery in installments had been initiated from the Professors.

The DAC in its meeting held on 10.11.2017 pend the case till the decision of the Court.

Audit recommends that amount paid on account of monetization allowance may be recovered and deposited into Government treasury.

16.4.67 Unauthorized payment of Deanship/Chairmanship Allowance - Rs. 1.782 million

Section 22(a) of the Shaheed Zulfiqar Ali Bhutto Medical University (SZABMU), Islamabad states that, the Senate shall be the highest administrative and executive body of the University and shall, subject the provisions of this Act and the rules, have the powers to consider the draft of rules proposed by the Syndicate and deal with them in the manner specified in sub-section (2) of section 30.

Section 25(o) of the Act states that, the Syndicate shall be the executive body of the University and shall, subject to the provisions of this Act, the rules and the regulations made there under, have the powers to appoint teachers and other officers on the recommendations of the Selection Board for teaching and other posts equivalent to BPS-19 or above and determine their terms and conditions of appointment including fixation of pay, etc.

The management of SZABMU, Islamabad vide Notification No.1-144/2015/COOR/SZABMUI/PIMS-2317 dated 19.06.2015 with the approval of the Syndicate allowed Deanship and Chairmanship Allowance @ Rs. 10,000 and Rs. 8,000 respectively.

Audit observed that Deanship and Chairmanship Allowances were given without the approval of the Senate which was the highest administrative and executive body of the University.

Audit is of the view that payment of Deanship/Chairmanship Allowance without the approval of Senate was unauthorized.

The management replied that the Syndicate of the University was empowered to appoint Dean(s) and Chairperson(s) of the department. The allowance for the Deanship/Chairmanship was recommended by the Academic Council in its 8th meeting dated 25.02.2012 and approved by the Syndicate in its 2nd meeting dated 11.06.2015 in accordance with Rules of Quaid-e-Azam University till finalization of its own rules.

The reply was not accepted because the allowances were given without the approval of the Senate and in absence of approved rules.

The DAC meeting held on 10.11.2017 directed the management that the financial rules may be got approved from the Syndicate and payment of allowance may be discontinued till finalization of the rules.

Audit recommends that the irregular practice may be stopped forthwith beside recovery of already paid amount.

16.4.68 Loss due to non-deduction of Sales Tax - Rs. 1.189 million

Section 3(1) Subject to the provisions of this Ordinance, there shall be charged, levied and paid a tax knows as sales tax at of the value of the taxable services rendered or provided in the Islamabad Capital Territory.

Section 3(2) states that, the tax shall be charged and levied on the services specified in the Schedule to this Ordinance in the same manner and at the same time, as if it were a sales tax leviable under sections 3,3AA, as the case may be, of the Sales Tax Act, 1990.

Sub-section 12 of Section 3(2) states that 16% Sales Tax shall be levied on services provided by technical, scientific and engineering consultants.

Clause 1.7 of the agreement for the establishment of School of Dentistry Shaheed Zulfiqar Ali Bhutto Medical University (SZABMU) with Consultant states that taxes and duties shall be deducted as per rules and regulations formulated by the relevant agencies.

The management of SZABMU awarded contract for consultancy services to M/s Development Consultancy Services (Pvt) Ltd. Islamabad for establishment of School of Dentistry SZABMU, Islamabad in October, 2015 and an amount of Rs. 7.436 million was paid to the Consultant so far.

Audit observed that an amount of Rs.1.189 million on account of Sales Tax @ 16% was already included in the invoices by the firm which was not deducted by the management.

Audit is of the view that non deduction of tax deprived the Government of its due share of revenue and undue favor was extended to the firm.

The management replied that previous as well as current GST applicable as per law would be deducted in two installments from the consultants.

The DAC was held on 10.11.2017 directed the management to get the record verified.

Audit recommends that the amount on account of sales tax may be recovered from the firm and deposited into Government treasury.

16.4.69 Irregular payment of Medical Allowance over and above prescribed rates - Rs. 194.528 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.

The management of Quaid-i-Azam University (QAU), Islamabad paid Medical Allowance @ 30% and 60% for un-married and married staff, respectively and incurred an expenditure of Rs. 91.396 million and Rs. 103.133 million during 2015-16 & 2016-17 respectively.

Audit observed that the management of QAU did not obtain the approval of the Finance Division for the grant of Medical Allowance over and above the prescribed rates.

Audit is of the view that the grant of Medical Allowance in excess of the rates approved by the Finance Division was irregular and resulted in the loss to Government.

The management replied that QAU had no direct access to a medical institution and had to depend on health service providers in the market. Even Government hospitals charged for services to visiting employees of the University. Medical Allowance to faculty and staff was allowed with the approval of the syndicate.

The reply was not satisfactory as Medical Allowance was granted over and above the rates prescribed by the Government as the employees of the University were regulated under BPS scheme.

The PAO was informed on 01.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity besides discontinuation of the irregular practice.

16.4.70 Irregular payment of House Rent Ceiling with pay - Rs. 177.663 million

Rule 8(5) of the Government Allocation Rules, 2002 states that a house or flat shall be hired at the rates assessed by the assessment board or the rental ceiling of the Federal Government Servant (FGS) or the demand of the owner whichever is less. The difference between the rent fixed by the government and the demand of owner shall be paid by the FGS direct to the owner and the government shall not be a party to this transaction.

The management of Quaid-i-Azam University, Islamabad paid Rs. 177.663 million to its employees as House Rent Ceiling during 2015-17.

Audit observed as under:

i. The payment was made to the employees instead of the owners of the houses after fulfilling the all requirement.

ii. The amount was booked under the head of account "A01202 House Rent Allowance", which is a Regular Allowance, instead of booking the expenditure under the head of account "Rent of Residential Building".

iii. The rental ceiling for different stations was not observed.

Audit is of the view that payment of House Rent Ceiling to the employees instead of the owners of the houses was irregular and unauthorized.

The management replied that Syndicate in its meeting held on 24.09.2005 approved to pay rental ceiling to employees with pay. However, in line with Audit Observation, rental ceiling had been delinked from pay and only self-hiring cases would be paid with salary.

The PAO was informed on 01.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity besides discontinuation of the practice.

16.4.71 Unauthorized Investment without approval of the Syndicate - Rs. 160.00 million

Para-3(b) of Finance Division's OM NO. F.4(1)/2002-BR.II dated 02.07.2007 states that the process of selection of bank/(s) should be transparent. Therefore, prior to placing deposits with a bank under this new policy, and in case the total working balances exceed Rs.10 million, the selection of the bank/(s) as well as the terms of deposits will be approved by the concerned Board of Directors/Governing Body on the basis of competitive bids from at least three independent banks.

Section 22(1) of Quaid-e-Azam University, 1973 states that the Syndicate shall be the executive body of the University and shall, subject to the provisions of this Act and the Statutes, exercise general supervision over the affairs and management of the property of the University.

The management of QAU invested Rs. 160.00 million with Dubai Islamic Bank Pakistan Limited, G-9 Branch Islamabad @ 7.35% for three years on 29.12.2015.

Audit observed that the investment was made without the approval of the Syndicate.

Audit is of the view that investments without the approval of Syndicate was unauthorized.

The management replied the Dubai Islamic Bank offered its rate of profit to 7.35% (p.a), since no other bank was willing to offer profit rates higher than them, therefore, the Vice-Chancellor accepted the offer by Dubai Islamic Bank, in the greater interest of the University.

The reply was not accepted because Vice Chancellor was not competent to approve investments.

The PAO was informed on 01.01.2018 but DAC was not convened till the finalization of the report.

Audit recommends that inquiry may be held to fix responsibility.

16.4.72 Unauthorized payment of 20% Special Allowance - Rs. 71.358 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 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. 71.358 million as Special Allowance @ 20% of running Basic Pay to all the employees during 2015-17.

Audit observed Special Allowance was paid to the employees in violation of the instruction of the Finance Division.

Audit is of the view that irregular payment of Special Allowance resulted in extra financial burden on University funds.

The management replied that the Syndicate in its 161st meeting held on 08.07.2013 approved 20% Special Allowance of running basic pay w.e.f. 01.03.2013.

The reply was not accepted because Special Allowance was only admissible to employees working in Ministries/Divisions.

The PAO was informed on 01.01.2018 but DAC was not convened till the finalization of the report.

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

CHAPTER 17

17. HOUSING AND WORKS DIVISION

17.1 Introduction of Division

The Ministry of Housing and Works is responsible for acquisition and development of sites as well as construction and maintenance of Federal Government buildings. It is actively involved in the coordination of civil works, budget, fixation and recovery of rent from Government owned/hired and requisitioned buildings. The activities, like management of Federal Lodges, matters relating to Federal Government lands, licences to various cooperative housing societies in Karachi, except those under the different Divisions. Administration of officers belonging to the Engineering Group, registration to Housing Authorities, including National Construction Limited and Housing Foundation are the responsibilities of this Division.

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

i. Acquisition and development of sites, construction, furnishing and maintenance of Federal Government buildings, except those under the Defence Division.

ii. Coordination of Civil Works Budget;

iii. Execution of Federal Government works.

iv. Provision of Government owned office accommodation and residential accommodation for officers and staff of the Federal Government; acquisition; requisitioning and hiring of residential accommodation and payment of compensation or rent.

v. Fixation and recovery of rent of Government owned, hired and requisitioned buildings.

vi. Management of Federal Lodges.

vii. Land and buildings belonging to the Federation wherever situated, and revenues derived therefrom.

viii. Administration of the Federal Government Lands and Buildings (Recovery of Possession) Ordinance, 1965.

ix. Matters relating to the Federal Government lands licenses to various Cooperative Housing Societies in Karachi, except those under the Defence Division.

x. Officers belonging to the Engineering Group.

xi. Transfer of property, other than agricultural land, registration of deeds and documents.

xii. Matters relating to the National Construction (Domestic) Limited.

xiii. Administrative control of the National Housing Authority.

xiv. National Housing Policy.

17.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Division for the financial year 2016-17 was Rs. 19,543.180 million including Supplementary Grant of Rs. 8,984.527 million out of which the Division utilized Rs. 15,363.446 million. Grant-wise detail of current and development expenditure is as under:

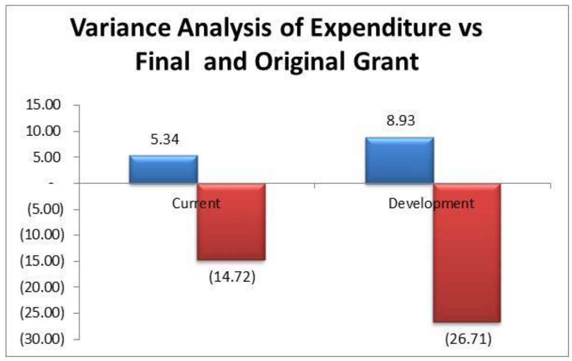
(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/(Savings)	Excess/ (Savings)
48	current	142,478,000	6,551,000	149,029,000	144,960,077	(4,068,923)	(2.73)
49	current	3,400,983,000	275,458,000	3,676,441,000	3,619,582,030	(56,858,970)	(1.55)
50	current	138,103,000	17,000	138,120,000	122,875,629	(15,244,371)	(11.04)
51	current	82,536,000	6,238,000	88,774,000	89,299,298	525,298	0.59
	sub-total	**3,764,100,000**	**288,264,000**	**4,052,364,000**	**3,976,717,034**	**(75,646,966)**	**(14.72)**
143	Development	6,794,553,000	8,696,263,000	15,490,816,000	11,386,729,100	(4,104,086,900)	(26.71)
	Total	**10,558,653,000**	**8,984,527,000**	**19,543,180,000**	**15,363,446,134**	**(4,179,733,866)**	**(51.88)**

Audit noted that there was an overall saving of Rs. 4,179.734 million that was mainly due to saving of Rs. 4,104.087 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 5.34%, which, after accounting for Supplementary Grants changed to saving of 14.72%. In development expenditure, excess against original budget was 8.93% which changed to savings of 26.71% 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	Full Compliance	Not Complied	% of Compliance
Housing & Works	2003-04	10	10	9	1	90
	Total	**10**	**10**	**9**	**1**	**90**

17.4 AUDIT PARAS

Irregularity & Non Compliance

17.4.1 Irregular purchase of bullet proof vehicle for Minister - Rs. 19.767 million

Rule 24(2) of Rules for the Use of Staff Cars, 1980, provides that a Federal Minister is entitled to 1800cc vehicle which will be provided by the Cabinet Division from Central Pool of Cars. Further the rules also provides that cars, jeeps and wagons having engine capacity of more than 2000cc have a life of 8 years or 200,000 kilometers whichever is earlier.

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

Para 3 of the summary for the Prime Minister regarding provision of bullet proof vehicle for the security purpose of Federal Minister of Housing and Works states that Ministry of Housing and Works may be allowed to purchase one new bullet proof vehicle from the authorized dealer and para 7 of Cabinet Division states that considering the imminent threat to life of Federal Minister, this Division has no objection to purchase of one bullet proof vehicle (Toyota Land Cruiser Jeep) for official use of the Federal Minister of Housing and Works.

The management of Ministry of Housing and Works purchased Toyota Land Cruiser (imported), V8, petrol, 4600cc Model 2012 from M/s Realtra (General Order Supplier) on 01.04.2016 and payment of Rs. 19.767 million was made on 05.05.2016

Audit observed as under:

i. The purchase of four years old/used vehicle was contrary to principle of value for money under the Rule 4 of Public Procurement Rules 2004.

ii. The subject vehicle has useful life of only four year under Rule 5(b) of Rules for the Use of Staff Cars, 1980.

iii. The vehicle was purchased from a general order supplier instead of authorized dealer as approved by the Prime Minister.

Audit is of the view that purchase of used vehicle was not only a violation of Prime Minister's directives but also violation of Rules as the vehicle had already completed four years of its useful life.

The management replied that in view of the serious life threats to the Federal Minister, it was decided to purchase a Toyota Land Cruiser (Bulletproof) for the Federal Minister for Housing and Works. The authorized dealer of Toyota

M/s Toyota Capital Motors and the authorized dealer of Mercedes M/s Shah Nawaz were contacted for completion of codal formalities for the subject purchase of Bullet proof vehicle. M/s Toyota Capital Motors informed that they don't import bulletproof land cruiser. They would import a simple land cruiser which could be converted into bullet proof by the department itself. Since there were imminent threats to the life of the Federal Minister of Housing and Works, therefore, it was mandatory to purchase a bulletproof vehicle on most immediate basis. Accordingly, a tender was floated under PPRA Rules 2004. The bill of the vehicle was cleared by AGPR by issuing a cheque in favour of M/s Realtra General Order Supplers, Islamabad. Later on, AGPR observed that ex-post facto approval of the Prime Minister for purchase of a used vehicle instead of new one may be obtained to clear the ambiguity. Accordingly, a summary for ex-post facto approval for purchase of a used instead of new bullet proof vehicle had been moved and submitted to the Prime Minister on 22.08.2016 approval of which was awaited.

The DAC meeting held on 28.12.2017 directed that the summary may be pursued in the Prime Minister Office and outcome if any, may be shared with Audit.

Audit recommends that matter be investigated at appropriate level under intimation to Audit besides fixing of responsibility for the violations.

17.4.2 Unauthorized allocation of two additional vehicles to Minister & expenditure on POL and repair - Rs. 1.968 million

Rule 24(2) of the Rules for Use of Staff Cars, 1980 states that the Prime Minister of Pakistan has been pleased to approve the following revised entitlement of staff cars:

a.	Federal Ministers/Ministers of State /Advisors/Special Assistants to the Prime Minister with status of Minister/Minister of State	1800 cc
b.	Secretaries General/Secretary/Parliamentary Secretaries and Officers equivalent to BPS-22	1300 cc
c.	Additional Secretaries/Senior Joint Secretaries/Officers in BPS-21/20 and equivalent	1000 cc

The management of Ministry of Housing and Works allocated vehicles to the Minister as per the following details:

S. No.	Vehicle No.	Make & Model	Under of officer	Remarks
1.	GX-028	Toyota Corolla (2012)	Federal Minister (H&W)	Protocol Duty
2.	GY-056	Toyota Corolla (2012)	Federal Minister (H&W)	Protocol Duty
3.	GA-483	Toyota Vigo (2015)	Federal Minister (H&W)	Security Duty
4.	GA-900	Land Cruiser (Bulletproof)	Federal Minister (H&W)	Official Duty

Audit observed that two additional vehicles were allocated to Minister. Audit further observed that management incurred an expenditure of Rs. 1.968 million on repair and POL of these two vehicles during 2015-17. Details are as under:

(Rupees)

S#	Vehicle No.	POL Year 2015-16	POL Year 2016-17	Repair Year 2015-16	Repair Year 2016-17	Total
1	GX-028	1,260,747	359,329	87,698	48,398	1,756,172
2	GY-056	-	-	15,881	106,000	211,881
					Total	**1,968,053**

Audit is of the view that allocation of two additional vehicles and expenditure on POL and repair of these vehicles was unauthorized.

The management replied that that Federal Minister for Housing and Works used Bullet proof vehicle for official use whenever he proceed to risky areas and vehicle No. GX-028 Toyota Corolla was used in secure area i.e. Islamabad. The vehicle No.GY-056 was the designated vehicle for Minister of State for Housing and Works for official use. It would be handed over to the Minister of State as and when appointed. In order to overcome the shortage of vehicles, the vehicle No. GY-056 was sparingly used by the Staff of the Minister for official purpose. The POL expenditure was borne by the staff themselves. The vehicle No. GA-483 was used for the security purpose by the police squad deployed with the Minister after the suicide attack on the convoy in 2015.

The reply was not accepted because the vehicles were provided over and above the entitlement.

The DAC meeting held on 28.12.2017 directed to refer the case to Cabinet Division for guidelines and act accordingly.

Audit recommends that expenditure incurred on repair and POL of the additional vehicles may be recovered from the user besides fixing of the responsibility for unauthorized use of vehicles.

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 2016-17 was Rs. 11,365.117 million including Supplementary Grant of Rs. 3,686.480 million out of which the Division utilized Rs. 11,092.445 million. Grant-wise detail of current and development expenditure is as under:

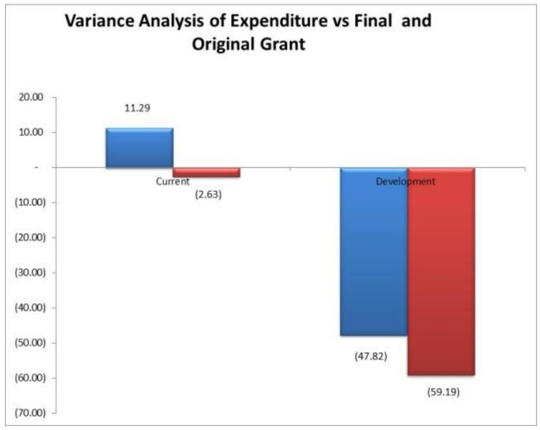
(Rupees)

Grant No	Type of Grant	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)	% age Excess/ (Saving)
56	current	614,952,000	47,419,000	662,371,000	651,536,991	(10,834,009)	(2)	6
57	current	252,509,000	36,088,000	288,597,000	281,006,421	(7,590,579)	(3)	11
58	current	594,939,000	3,274,001,000	3,868,940,000	3,803,155,187	(65,784,813)	(2)	539
59	current	774,360,000	1,000	774,361,000	620,759,797	(153,601,203)	(20)	(20)
60	current	5,427,510,000	324,971,000	5,752,481,000	5,728,490,160	(23,990,840)	(0)	6
	sub-total	**7,664,270,000**	**3,682,480,000**	**11,346,750,000**	**11,084,948,556**	**(261,801,444)**	**(25)**	**45**
123	Development	14,367,000	4,000,000	18,367,000	7,496,217	(10,870,783)	(59)	(48)
	Total	**7,678,637,000**	**3,686,480,000**	**11,365,117,000**	**11,092,444,773**	**(272,672,227)**	**(84)**	**(3)**

Audit noted that there was an overall saving of Rs. 272.672 million, which was due to saving of Rs. 261.801 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 11.29%, which, after accounting for supplementary grant changed to savings of 2.63%. In development expenditure, savings against original budget was 47.82% which increased to 59.19 when 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
Information Broadcasting Division	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	3	3	0	3	0
	1993-94	8	8	2	6	25
	1994-95	2	2	1	1	50
	1995-96	3	3	1	2	33
	1997-98	15	15	0	15	0
	1996-97	16	16	0	16	0
	1999-00	25	25	0	25	0
	2005-06	9	9	1	8	11
	2006-07	3	3	2	1	67
	2008-09	2	2	1	1	50
	Total	**94**	**94**	**14**	**80**	**15**
National Heritage Division	1992-93	1	1	1	0	100
	1997-98	17	17	13	4	76
	1998-99	5	5	5	0	100
	1999-00	16	16	0	16	0
	2001-02	8	8	7	1	88
	2005-06	6	6	5	1	83
	2006-07	2	2	2	0	100
	2007-08	7	7	1	6	14
	2008-09	2	2	1	1	50
	Total	**64**	**64**	**35**	**29**	**55**

18.4 AUDIT PARAS

Irregularity & Non Compliance

18.4.1 Irregular expenditure on advertisement campaign through electronic and print media - Rs. 3,163.471 million

Serial No. 16(6)(i) of Rule 3(3) of Schedule-II of Rules of Business, 1973 states that the Ministry of Information, Broadcasting and National Heritage Division is responsible for policy regarding government advertisement, control of advertisement and placement.

The management of Press Information Department, Islamabad incurred an expenditure of Rs. 3,163.471 million on advertisement campaigns through electronic media during the F.Y 2016-17.

Audit observed as under.

i. The management did not frame any policy or guidelines to achieve value for money and efficiency in the delivery of advertising campaigns.

ii. The management did not frame the objectives of running advertisement campaigns.

iii. There was no criteria to evaluate the effectiveness of campaign outcomes.

iv. The advertising was assigned to the advertising agencies without open tenders.

v. The advertisement services were acquired at exorbitant advertising spot rates.

vi. PID has no mechanism of verifying the transmission time/duration of transmission telecast/transmitted by electronic media.

Audit is of the view that heavy expenditure on advertisement through electronic media without any coherent policy/rates was irregular.

Despite repeated requests the management did not reply.

The PAO was informed on 14.11.2017 and 14.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that the irregular practice of acquiring the funds as special supplementary grants for running media campaigns without open competition, policy and rates may be stopped and the responsibility may be fixed for the irregularity.

18.4.2 Unauthorized payment of honorarium - Rs. 9.736 million

Government decision No. 5 under FR 9(9) clarifies that any work which falls within the orbit of the normal duties of a government servant, cannot, as far as he is concerned, be treated as 'special work'.

Rule 46(b) of Fundamental Rules states that a local Government may grant or permit a Government servant to receive an honorarium from general revenues as remuneration for work performed which is occasional in character and either so laborious or of such special merit as to justify a special reward, except when special reasons, which should be recorded in writing, exist for a departure from this provision, sanction to the grant or acceptance of an honorarium should not be given unless the work has been undertaken with the prior consent of the local Government and its amount has been settled in advance.

The management of Press Information Department (PID) paid honoraria equal to one month basic pay amounting to Rs. 9.736 million on occasion of Eid-ul-Azha, to its employees during 2016-17.

Audit observed that:

i. There was no provision in the rules for the payment of honoraria on the occasion of Eid and the requirements of Fundamental Rules for the payment of honoraria were ignored by the management.

ii. Six employees were paid honorarium equal to four basic salaries.

Audit is of the view that payment of honoraria on the occasion of Eid-ul-Azha was irregular.

Despite repeated requests the management did not reply.

The PAO was informed on 14.11.2017 and 14.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that irregularly disbursed amount may be recovered besides discontinuation of the practice in future.

18.4.3 Unauthorized retention of vehicles

Para-xv of Annexure to the Cabinet Division No.6/7/2011-CPC dated 12.12.2011 states that the Ministries/Divisions/Departments needing operational vehicles shall get their authorization of such vehicles fixed from the Vehicle Committee constituted with a representative each from Cabinet Division, Finance Division and the respective Ministry/Division/Department.

The management of Press Information Department, was maintaining 37 vehicles at its Regional Offices without their declaration as 'operational vehicles' as required under 'Policy for Monetization of Transport Facility'.

Audit observed that the management was utilizing and maintaining the vehicles without authorization of the Cabinet Division.

Audit is of the view that retention and maintenance of vehicles as 'operational vehicles' without fixation of their authorization from Vehicle Committee was unauthorized.

Despite repeated requests the management did not reply.

The PAO was informed on 14.11.2017 and 14.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that Policy of Transport Facility may be followed and authorization may be obtained from the Cabinet Division.

18.4.4 Irregular payments through DDO - Rs. 6.897 million

Rule 157(i) 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".

Rules 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.

The management of Press Information Department (PID), Islamabad incurred expenditure of Rs. 6.897 million on payment of miscellaneous items during 2016-17.

Audit observed that the payments were made in cash through DDO instead of cross cheques.

Audit also observed that the bills were not supported with acknowledgment receipts, proper bills and cash memos.

Audit is of the view that in the absence of the supporting documents the payment was irregular.

Despite repeated requests the management did not reply.

The PAO was informed on 14.11.2017 and 14.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that the practice of making payments through cash should be stopped forthwith and all payments should be made through crossed cheques.

18.4.5 Excess advance payment to PTCL in the month of June, 2014 to avoid lapse of funds - Rs. 3.718 million

Para 10.1 of the contract agreement states that DEMP will make advance payment of 15% of the total amount of the contract against an equivalent amount of bank guarantee.

The Directorate of Electronic Media and Publication (DEMP) and Pakistan Telecommunication Corporation Limited (PTCL) entered into an agreement on 14.05.2014 amounting to Rs. 38.542 million for installation of Hardware, Software and Networking to monitor and track talk shows. The management of DEMP paid an amount of Rs. 9.500 million to PTCL as advance payment on 24.06.2014.

Audit observed that an amount of Rs. 3.719 million was paid in excess of 15% of total contract price in violation of the contract agreement.

Audit is of the view that undue favour was extended to the contractor.

The management replied that agreement between two departments changed from time to time and PTCL had to buy hardware and make other arrangements whenever required. No additional payment was made to PTCL.

The reply was not accepted because advance payment was made in violation of the contract agreement.

The PAO was informed on 12.09.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

18.4.6 Non-recovery of unspent balance from CDA - Rs. 27.464 million

Para 95 of GFR Vol-I states that no savings should be held in reserve for possible future excesses.

Para 96 of GFR Vol-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.

Pakistan National Council of the Arts (PNCA), Islamabad paid Rs. 117.019 million to Capital Development Authority (CDA), Islamabad for construction of PNCA Building, Islamabad during 2015-17. As per adjustment accounts submitted by CDA an amount of Rs. 27.464 million was lying unspent with CDA.

Audit observed that the unspent balance was retained by CDA unauthorizedly for the last 10 years.

Audit is of the view that retention of unspent balance by CDA was irregular.

The management replied that CDA was asked to refund the unspent balance but the same had not been deposited yet.

The PAO was informed on 13.11.2017 and 14.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that unspent balance may be taken back and deposited into government treasury.

18.4.7 Irregular expenditure on appointment of consultants without observing codal formalities - Rs. 7.337 million

Para 4 of Establishment Division O.M. No.6/2/2000-R.3, dated 29-4-2002 states that after concept clearance, the client Ministry/Division/Department/ Organization should widely advertise the consultancy indicating the requirements.

Para 8 of O.M. ibid states that engagement of retired officers as Consultants/Advisers etc. shall require prior permission of the government, invariably i.e. Establishment Division in case of retired civilian officers.

Pakistan National Council of the Arts (PNCA), Islamabad hired services of the following consultants during 2015-17 and paid Rs. 7.337 million. Details are as under:

(Rupees)

S. No.	Name	Designation	Date of hiring	Monthly Salary	Period Mm dd	Total
1.	Mr. Zubair Usmani	Expert HRM	05.10.16	110,000	09-00	990,000
2.	Mr. Aijaz Gul	Film Consultant	31.01.17	110,000	05-00	550,000
3.	Syed Arif Jaffery	Expert Music	05.10.16	100,000	09-00	900,000
4.	Mr. Waqar Hanif	Expert Performing Art	05.10.16	110,000	09-00	990,000
5.	Mr. Zulfiqar Ahmed	Expert Puppetry	05.10.16	100,000	09-00	900,000
6.	Agha Sahir Tanveer	Expert Technical	05.10.16	80,000	09-00	720,000
7.	Mr. Ashraf Kakar	Expert Research	17.11.16	62,500	07-14	466,670
8.	Mr. Irfan Hakeem	Restorer	17.11.16	66,964	07-14	499,998
9.	Mr. Asif Shah	Expert Drama	21.11.16	46,429	07-10	340,479
10.	Ustad Shahid Hamid	Expert on Music consultant, Karachi	30.11.16	70,000	07-00	490,000
11.	Mr. Akbar Ali	Expert on Visual Art Consultant, Karachi	30.11.16	70,000	07-00	490,000
					Total	**7,337,147**

Audit observed as under:

i. All appointments were made without advertisement.

ii. Permission of Establishment Division was not obtained.

iii. Appointments were made on exigency basis for a period of three months but all consultants were allowed further extensions.

Audit is of the view that appointments were made without observing codal formalities and individuals were patronized at the cost of national exchequer, which was irregular.

The management replied that a case for appointment of seasonal professionals on assignment basis was sent to Ministry of Information, Broadcasting & National Heritage. The Ministry had allowed PNCA to appoint seasonal professionals against "Services rendered basis" for which head of the department is delegated with full powers. Therefore, seasonal professionals having experience of more than thirty years in their relevant fields were hired.

The reply was not accepted because appointments could not be made without open competition.

The PAO was informed on 13.11.2017 and 14.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends to fix responsibility for the irregularity.

CHAPTER 19

19. MINISTRY OF INTER PROVINCIAL COORDINATION

19.1 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.

19.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Inter Provincial Coordination Division for the financial year 2016-17 was Rs. 8,666.609 million including Supplementary Grant of Rs. 6,312.684 million out of which the Division utilized Rs. 7,066.615 million. Grant-wise detail of current and development expenditure is as under:

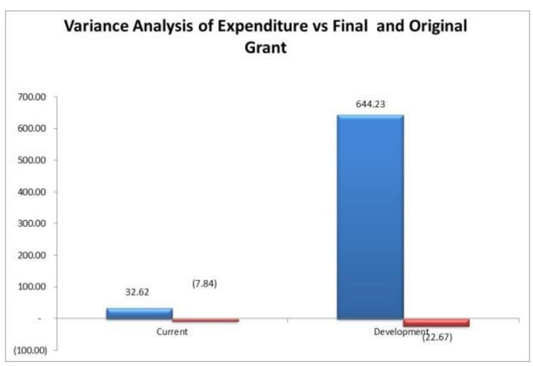
(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
63	Current	1,708,926,000	750,283,000	2,459,209,000	2,266,328,181	(192,880,819)	(8)
126	Development	644,999,000	5,562,401,000	6,207,400,000	4,800,286,685	(1,407,113,315)	(23)
	Total	**2,353,925,000**	**6,312,684,000**	**8,666,609,000**	**7,066,614,866**	**(1,599,994,134)**	**(18)**

Audit noted that there was an overall saving of Rs. 1,599.994 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, savings in current expenditure were 32.62%, which, after accounting for Supplementary Grants changed to saving of 7.84%. In development expenditure, excess against original budget was 644.23% which changed to saving of 22.67% when supplementary grant is taken into account.



19.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Full Compliance	Not Complied	% of Compliance
M/o Inter Provincial Coordination (Devolved M/o Sports)	1988-89	6	6	0	6	0
	1990-91	1	1	0	1	0
	1992-93	10	10	7	3	70
	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
	2003-04	9	9	3	6	33
	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
	Total	**88**	**88**	**23**	**65**	**26**

19.4 AUDIT PARAS

Irregularity & Non Compliance

19.4.1 Non reconciliation of receipts - Rs. 776.635 million

System of Financial Control and Budgeting 2006 states that 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.

The Inter Board Committee of Chairmen (IBCC), Islamabad was receiving attestation fee, equivalence fee at different rates.

The management of IBCC received Rs. 776.635 million and deposited into a private bank account during 2013-17.

Audit observed that the department did not have the supporting record to ascertain the authenticity of the sources of receipts.

Audit is of the view that in absence of proper record and monthly reconciliation with banks the authenticity of the figures could not be ascertained.

The management replied that reconciliation of fee collection could not be completed particularly due to shortage of staff only one employee was performing duty of maintenance of all accounts of IBCC.

The PAO was informed on 20.09.2017 but DAC was not convened till the finalization of the report.

Audit recommends that reconciliation with the banks may be carried out besides fixing the responsibility.

19.4.2 Unauthorized payment of Special Allowance – Rs. 9.270 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.

Supreme Court of Pakistan's judgment in appeal No. PLD 1990 SC 612 states that the organizations established through Resolutions are deemed to be sub-ordinate offices defined in Rule 2(i)(xx) of the Rules of Business, unless their status is changed through legislation to make them an autonomous body corporate.

The management of Inter Board Committee of Chairman (IBCC), Islamabad paid Special Allowance @ 20% of running Basic Pay to its employees.

Audit observed that IBCC, Islamabad was established through a resolution passed in 1972 and then in 1987 and a sub-ordinate office in the light of above mentioned judgment of the Honorable Supreme Court of the Pakistan.

Audit is of the view that payment of Special Allowance was admissible to the employees working in Ministries/Divisions only. Payment of Special Allowance to the employees of IBCC was irregular.

The management replied that in line with the direction of audit, payment of Special Allowance @ 20% of running basic Pay as per Finance Division's O.M. No.F.10(2)R-3/2012 dated 06.03.2013 has been discontinued with immediate effect.

The PAO was informed on 20.09.2017 but DAC was not convened till the finalization of the report.

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

19.4.3 Doubtful expenditure on civil works - Rs. 4.222 million

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

Serial No. 9(46) of Finance Division O.M. No. F.3(2) Exp-III/2006 dated 13.09.2006 states that only Ministries/Divisions were empowered to incur expenditure up to Rs. 0.500 million on works of non-residential buildings and no power had been delegated to the head of department for the said purpose.

The management of Inter Board Committee of Chairmen (IBCC), Islamabad, incurred an expenditure of Rs. 4.222 million on repair and renovation of office building. Details are as under:

S. No.	Cheque & Date	Name	Particulars	Amount (Rs.)
1	5031073 14.10.2014	M/s Zohaib Enterprises	Partitioning	646,800
2	5031082 24.10.2014	M/s Zohaib Enterprises	Partitioning	275,200
3	5031100 30.10.2014	M/s Zohaib Enterprises	Partitioning	300,000
4	7807507 06.11.2014	M/s Zohaib Enterprises	Partitioning	300,000
5	1447274 21.03.2014	Miss Nide Batool	Repair & Main	900,000
6	3523217 02.05.2014	Miss Nide Batool	Repair & Main	700,000
7	3523222 07.05.2014	Miss Nide Batool	Repair & Main	200,000
8	4554513 18.06.2014	Miss Nide Batool	Repair & Main	900,000
			Total	**4,222,000**

Audit observed as under:

i. The management did not frame any regulations as required under Para 192 of GFR.

ii. The management was not empowered to incur expenditure on civil works and repair and maintenance.

iii. No record was available except copies of sanction letters.

Audit is of the view that the expenditure incurred on civil works/repair and maintenance without delegated powers in the absence of approved regulations was irregular and unauthorized.

Audit is also of the view that without the supporting documents, the authenticity of the expenditure could not be ascertained.

The management replied that as per sale agreement, seller failed to perform his duty to complete the work of building (turnkey basis) within the prescribed time. In line with directions/orders of our Ministry of Inter Provincial Coordination regarding completion of work and shifting of IBCC Secretariat from FBISE premises G-8/4 Islamabad to its own building at G-10/4, Islamabad, in urgency IBCC immediately hired the services of contractor offering lowest rates and completed necessary work in IBCC's own building.

The PAO was informed on 20.09.2017 but DAC was not convened till the finalization of the report.

Audit recommends that matter may be investigated at appropriate level to fix the responsibility at the person at fault besides production of record to Audit.

19.4.4 Less deduction of Income Tax from salaries - Rs. 1.175 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.

The management of Inter Board Committee of Chairman (IBCC), Islamabad paid salaries to its employees amounting to Rs. 36.867 million and deducted Income Tax amounting to Rs. 290,400 from their salaries during 2013-17.

Audit observed that an amount of Rs. 1.175 million on account of Income Tax was less deducted from the salaries of these employees.

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

The management replied that IBCC had been deducting fixed partial amount of Income Tax from the salary of taxable employees of IBCC and remaining amount of Income Tax was required to be paid by the employees themselves on the analogy of annual tax return.

The reply was not accepted because it was the responsibility of the employer to deduct the tax at the time of payment from the amount paid under the head "Salary".

The PAO was informed on 20.09.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for non-deduction of Income Tax besides recovery of the Income Tax.

19.4.5 Irregular transfer of funds from Assignment Account - Rs. 88.718 million

Clause 8 of Finance Division (Expenditure Wing), dated 23rd September, 2008, regarding procedure for maintenance of assignment account it shall not be permissible to draw the whole amount authorized or part thereof and to place it in a separate account at the treasury or in a Commercial Bank.

The management of Pakistan Boys Scouts Association transferred funds amounting to Rs. 88.718 million from Assignment Account maintained at National Bank of Pakistan, Main Branch, Islamabad to Grant-in-Aid, NBP, Account No. 1518-4, Islamabad. Detail is as under:

S. No.	Period	Transfer from Head of Account	Transfer to Head of Account	Amount (Rs. in million)
1	2012-13	Assignment Account No.2136-5 , National Bank of Pakistan , Main Branch, Islamabad.	Grant-in-Aid, NBP, Account No. 1518-4	7,166,000
2	2013-14	Assignment Account No.2136-5 , National Bank of Pakistan , Main Branch, Islamabad.	Grant-in-Aid, NBP, Account No. 1518-4	18,500,000
3	2014-15	Assignment Account No.2136-5 ,	Grant-in-Aid,	22,895,000

		National Bank of Pakistan , Main Branch, Islamabad.	NBP, Account No. 1518-4	
4	2015-16	Assignment Account No.2136-5 , National Bank of Pakistan , Main Branch, Islamabad.	Grant-in-Aid, NBP, Account No. 1518-4.	34,000,000
5	2016-17	Assignment Account No.2136-5 , National Bank of Pakistan , Main Branch, Islamabad.	Grant-in-Aid, NBP, Account No. 1518-4.	6,157,444
			Total	**88,718,444**

Audit observed that the funds were transferred in violation of the rules.

Audit is of the view that transfer of funds from Assignment Account to private bank account was irregular.

The management replied that all the transfers were made due to late release of Grant. However the practice had been discontinued and would be avoided in future.

The PAO was informed on 20.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

19.4.6 Irregular investment in different financial institutions – Rs. 68.501 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 bank , working balance limit of each organization should be determined with the approval of administrative Ministry in consultation with Finance Division , competitive bidding process, setting up of in-house professional treasury management functions, formation of Investment Committee, employment of qualified investment management staff, utilization of service of processional fund managers approved by SECP , annual certificate of the Chief Executive of the organization, etc.

The management of Pakistan Boys Scouts Association invested Rs. 68.501 million as per following details:

S. No.	Name of Institution	Amount (Rs. in million)
1	National Bank of Pakistan	30,000,000
2	NIT	38,500,605
	Total	**68,500,605**

Audit observed that investments were made in violation of the instructions of the Finance Division.

Audit is of the view that investment of funds without observing the instructions of the Finance Division was irregular.

The management replied that according to Sec IV Para 10 of Financial Rule of PBSA, the Association has to invest the balance amount in the Government Scheme/Bank with prior approval of Chief Commissioner, PBSA. Hence, codal formalities regarding the investment have been made accordingly.

The reply was not accepted because no documentary evidence was produced in support of the reply.

The PAO was informed on 20.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that investment of funds should be made after fulfilling all codal formalities.

19.4.7 Unauthorized payment of Special Allowance – Rs. 2.848 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.

The management of Pakistan Boys Scouts Association, Islamabad paid Rs. 2.848 million as Special Allowance @ 20% of running Basic Pay to its employees.

Audit observed that Pakistan Boys Scouts Association, Islamabad was neither a Ministry nor a Division.

Audit is of the view that Special Allowance was only admissible to the employees working in Ministries/Divisions. Hence, payment of Special Allowance to the employees of PBSA was irregular.

The management replied that actual amount paid was Rs. 2.848 million. However, the amount was duly approved by the Competent Authority, i.e. Chief Commissioner, PBSA after getting approval from Finance Sub Committee, Executive Committee & National Council of PBSA. As the Employees of Pakistan Boy Scouts Association did not avail government benefits, i.e. Pension/ Gratuity and Medical facilities, hence this allowance was considered as Special Scout Allowance with effect from March, 2013.

The reply was not accepted because Special Allowance was admissible to the officers and staff working in the Federal Ministries/Divisions only.

The PAO was informed on 20.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that the irregular practice should be stopped forthwith besides recovery of already paid amount.

19.4.8 Irregular purchase of sports items without competition - Rs. 2.040 million

Rule 12(1) of the Public Procurement Rules, 2004 states that the procurements over one hundred thousand 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.

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 management of Pakistan Hockey Federation (PHF), Lahore purchased sports items amounting to Rs. 2.040 million from M/s Sabir Sports, Sialkot during 2014-15.

Audit observed as under:

i. Sports items were purchased without open competition.

ii. Items were neither recorded in the stock register nor were their distribution available on record.

Audit is of the view that procurement of sports items without competition deprived the PHF from the benefit of competitive rates.

The management replied that the procurement was made from the firm that quoted the lowest price. However, the items were not taken on stock register and issued directly to the concerned coach. The points raised by Audit were noted for strict compliance in future.

The DAC meeting held on 01.06.2017 directed the PHF to hold an inquiry and examine the case with transparency under intimation to Audit.

Audit recommends that decision of the DAC may be implemented.

19.4.9 Loss due to shortage of hockey sticks - Rs. 7.632 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 Hockey Federation (PHF) incurred an expenditure of Rs. 9.180 million on purchase of 6,120 hockey sticks @ Rs.1,500 per unit from M/s The Boss, Sialkot on 18.04.2014. Out of total 6,120 purchased hockey sticks 5,088 sticks were shown issued by Mr. Habib ur Rehman, Assistant Store keeper during 2014-15.

Audit observed through scrutiny of Dead Stock Register that 5,088 hockey sticks were not supported with the issuance voucher and receipt acknowledgement. On clarification from the Assistant Store Keeper, Audit found that 5,088 hockey sticks were shown issued against fictitious inventory as confirmed by the Assistant Store Keeper that he had neither issued the hockey sticks to anyone nor he signed the issue stock. This resulted shortage of 5,088 hockey sticks which @ Rs. 1,500 comes to Rs. 7.632 million.

Audit is of the view that shortage of store (hockey sticks) was serious lapse on the part of PHF which resulted in the loss of Rs.7.632 million to the PHF.

The management replied that 5,088 hockey were issued with complete record in the stock register and Mr. Habib-ur-Rehman Assistant Store Keeper was out of country when the hockey sticks were issued by the management of PHF. The management physically counted the hockey sticks on 25.03.2016 and countersigned by the Secretary General, PHF.

The reply was not accepted because 5,088 hockey sticks were shown issued with the fake signature of the store keeper and without any record as evident from physical verification of hockey on 25.03.2016.

The DAC meeting held on 01.06.2017 referred the para to PAC.

Audit recommends that inquiry may be initiated to fix the responsibility for the loss.

19.4.10 Non-framing of Accounting Procedures, Rules and Regulations for PHF Fund and approved books of accounts

Article 8.1 of the Constitution of the Pakistan Hockey Federation (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.

The receipt and grant of PHF was Rs. 90.967 million during 2014-15.

Audit observed that despite lapse of 16 years, the PHF had not frame Accounting Policies and Procedures.

Audit is of the view that in the absence of approved accounting policies and procedures efficient financial management could not be ensured and funds were susceptible to misuse.

The management replied that PHF was currently working on approved accounting policies and procedures, rules and regulations for maintenance of PHF's funds.

The reply was not accepted because no documentary evidence was produced in support of the reply.

The DAC meeting was held on 01.06.2017. The management of PHF apprised that the Financial Rules of PHF had been forwarded to the Ministry for examination. However, approval was awaited. The DAC directed the management to expedite the framing and approval of rules.

Audit recommends that the decision of the DAC may be implemented.

19.4.11 Irregular expenditure on construction of office building - Rs. 45.149 million

Paragraph 3.2 of the Guidelines for Project Management issued by the Planning Commission states that Development projects are prepared on the approved format i.e. PC-I Proforma.

Planning and Development Division's letter No.21(2-Gen)/PIA/PC2004 dated 18.12.2004 requires that composition of the Development Working Party, constituted in commercial or non-commercial organizations having Board, would be incomplete without the presence of either representative of the Finance Division and the Planning and Development Division.

The management of Pakistan Veterinary Medical Council (PVMC) incurred an expenditure of Rs. 45.149 million on construction of PVMC Research and Training Centre during 2014-2017.

Audit observed that the composition of the DDWP of PVMC was not according to Planning and Development Division's letter No.21(2-Gen)/PIA/PC2004.

Audit is of the view that expenditure on execution of a project without the approval from the competent forum was irregular.

The management replied that as per direction of the DAC meeting held on 02.02.2017, revised PC-I for the cost of Rs. 273.42 million including expenditure of Rs. 65.303 million incurred up to 2016-17 was approved by the Council in its 42nd meeting.

The reply was not accepted because the project was not approved by the DDWP of PVMC with representation of Finance and Planning Division.

The PAO was informed on 25.01.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity besides approval of the project from the competent forum. Further, expenditure incurred so far may be produced to Audit.

19.4.12 Non framing of administrative and financial regulations

Section 23 of Pakistan Veterinary Medical Council (PVMC) Act, 1996 states that the Council may, with the previous sanction of the Federal Government, make regulations generally to carry out the purposes of this Act.

The management of PVMC did not frame financial and services regulations as required under Section 23 of PVMC Act, 1996.

Audit is of the view that non framing of financial and services regulations was violation of PVMC Act.

The management replied the Administrative and Financial Rules were forwarded to the Ministry of Inter Provincial Coordination for onward vetting from the Establishment and Finance Division

The PAO was informed on 25.01.2017 but DAC was not convened till the finalization of the report.

Audit recommends that the rules may be got approved from the competent forum.

CHAPTER 20

20. INTERIOR DIVISION

20.1 Introduction of Division

The Ministry of Interior plays a significant role to make the Islamic Republic of Pakistan a country where rule of law reigns supreme; where every Pakistani feels secure to lead a life in conformity with his religious beliefs, culture, heritage and customs; where a Pakistani from any group, sect or Province respects the culture, traditions and faith of others, where every foreign visitor feels welcome and secure.

The Ministry of Interior has been assigned the responsibility of maintaining law and order in the country. It also regulates the working of various security forces to provide protection to the common man. It also deals in issuance of national identity cards and passports.

The departments attached with the Ministry of Interior are:

- Central Jail Staff Training Institute
- Civil Armed Forces
- Directorate General Civil Defence
- Federal Investigation Agency
- Immigration & Passports
- Islamabad Capital Territory
- National Police Foundation
- National Response Center for Cyber Crimes

The autonomous bodies of the Ministry of Interior are:

- National Alien Registration Authority
- National Database and Registration Authority
- National Police Academy

- National Counter Terrorism Authority

Following functions were transferred to the Interior Division vide Cabinet Division Notification No. 4-17/2010-Min-1 dated 02.12.2010:

i. Mainstreaming population factor in development planning process in ICT.

ii. Management and distribution of Zakat and Ushr in ICT and the related/ancillary matters, including distribution, setup and monitoring/ auditing thereof.

20.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Interior Division for the financial year 2016-17 was Rs. 121,014.222 million including Supplementary Grant of Rs. 36,705.853 million against which the Division utilized Rs. 119,105.910 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

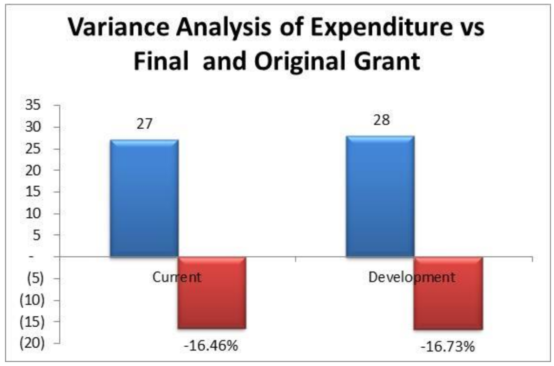
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
64	Current	708,853,000	128,542,000	837,395,000	691,394,758	(146,000,242)	(17)
65	Current	7,118,226,000	931,608,000	8,049,834,000	8,278,585,031	228,751,031	3
66	Current	2,014,507,000	311,230,000	2,325,737,000	2,340,969,248	15,232,248	1
67	Current	43,257,722,000	27,569,374,000	70,827,096,000	70,249,032,035	(578,063,965)	(1)
68	Current	7,947,775,000	33,702,000	7,981,477,000	7,868,313,303	(113,163,697)	(1)
69	Current	1,750,731,000	1,000	1,750,732,000	1,779,256,974	28,524,974	2
70	Current	18,163,583,000	2,715,733,000	20,879,316,000	20,718,910,895	(160,405,105)	(1)
71	Current	3,346,972,000	5,015,663,000	8,362,635,000	7,179,447,886	(1,183,187,114)	(14)
71-A	Current	-	20,000,000	20,000,000	20,000,000	-	-
72	Current	2,326,325,000	203,954,000	2,530,279,000	2,458,192,710	(72,086,290)	(3)
	Subtotal	**84,308,369,000**	**36,705,853,000**	**121,014,222,000**	**119,105,910,130**	**(1,908,311,870)**	**(2)**
127	Development	11,484,459,000	152,142,000	11,636,601,000	8,235,007,153	(3,401,593,847)	(29)
128	Development	218,425,000	156,668,000	375,093,000	299,693,970	(75,399,030)	(20)
	Total	**84,308,369,000**	**36,705,853,000**	**121,014,222,000**	**119,105,910,130**	**(1,908,311,870)**	**(2)**

Audit noted that there was an overall saving of Rs. 1,908.311 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 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.



20.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Compliance	Non Compliance	% 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%
	2003-04	33	33	14	19	42%
	2005-06	21	21	12	9	57%
	2006-07	9	9	1	8	11%
	2007-08	5	5	1	4	20%
	2008-09	11	11	8	3	73%
Total		**309**	**309**	**208**	**101**	**67%**

20.4 AUDIT PARAS

Non-production of Record

20.4.1 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.

Audit observed that despite repeated verbal and written requests, the management of Islamabad Capital Territory Police, Islamabad failed to provide the following record and information:

i. Detailed statement showing funds received from all sources and expenditure incurred therefrom.

ii. Sources of receipt and expenditure of the Welfare Fund.

iii. Cash book(s).

iv. List of bank accounts, name and signatories, unspent balances and Bank Reconciliation Statements.

v. List of vehicles received from foreign sources and their further distribution, authorization in the pool of the Police by the Cabinet Division.

vi. List of police personnel deputed with retired government officers/police officers, date of posting, returned back or still performing duties with them, salaries paid during the period.

vii. Agreements of shops, canteens other property of police and receipts and expenditure record.

viii. Inventory record of Mal Khana of the Islamabad police.

ix. Record relating to Establishment of FM Radio, receipts, expenditure etc.

x. Record relating to Regimental Welfare Fund.

xi. Leave record of officers and officials of Islamabad police.

xii. List of complaints and their status.

xiii. Details of driving licenses issued, receipts received, expenditure incurred, unspent balance and renewal fee record.

xiv. Details of traffic challans, fine imposed, amount deposited into treasury and outstanding.

xv. Copies of Internal Audit Reports, Physical Verification Reports and Inquiries.

xvi. A certificate regarding theft, embezzlement, fraud, etc. during the period under audit.

xvii. Sanctioned police strength per thousand Citizens vis-a-vis the actual strength.

xviii. Status of adequacy / shortages in weaponry with police force.

xix. Crime Records on the basis of the FIRs registered in Islamabad Police

xx. Incidence and rate of cognizable crime in 2015-16 and 2016-17.

Audit is of the view that due to the non-provision of record by Islamabad Capital Territory Police, Islamabad, auditors are unable to provide assurance to the Parliament about the above mentioned activities.

Despite repeated requests the management did not reply.

The PAO was informed on 14.09.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

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

20.4.2 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.

The Registrar, Cooperative Societies Department was requested to provide following information vide requisition Nos. 1, 2, 3, 4 & 5 dated 25.4.2017, 28.4.2017, 02.05.2017, 03.05.2017 respectively followed by a reminder dated 08.5.2017:

i. Detail of registered cooperative societies along with land occupied.
ii. Petrol account of the vehicles for the period under audit
iii. List of societies windup / closed after registration
iv. Detail/record of Annual General Meeting held (last 5 years)
v. Detail along with record of Audit of societies conducted (last 5 years)
vi. Detail of disputes cases of societies
vii. Detail of annual balance sheet as required under section-19 of last three year
viii. Detail of Audit Fee.
ix. Detail of issuance of sanction for investment under section-27

x. Detail of nominee along with notification and period of last five years, under section-33

xi. Detail of Arbitration Fee under section-34

xii. Detail of Fee collected under section-16

xiii. Details of:

a. Land Compensation fund/detail
b. Election Fee collected from societies (last five years)
c. Ban on Registration Notification
d. Societies registered on special directive/orders
e. Audit Reports of Societies last three years
f. Detail of societies whom AGM not convened last five years.
g. Detail of societies whom, whose Election not conducted (last five years)

Further a letter dated 10.5.2017 was also issued to Chief Commissioner, ICT, Islamabad to for provision of record.

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

Audit is of the view that in the absence of auditable record, Audit could not ascertain the authenticity of the working of Registrar Cooperative Societies.

DAC meeting held on 18.10.2017 was informed by the management that matter was sub-judice in Islamabad High Court. The DAC directed the CF&AO, Ministry of Interior to probe into the matter and responsibility may be fixed for non-provision of record to Audit and share the report with Audit.

Audit recommends that responsibility may be fixed for non-production of record under E&D Rules.

Irregularity and Non-compliance

20.4.3 Irregular payment of honorarium - Rs. 2.116 million

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 management of Ministry of Interior paid an amount of Rs. 22.491 million as honorarium during 2016-17.

Audit observed that an amount of Rs. 2.116 million was paid to 191 employees of other departments, i.e. AGPR, CDA, NADRA, Frontier Constabulary/Rangers, Police, etc. who were not entitled to receive honorarium from the budget of the Ministry of Interior.

Audit is of the view that 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 ministry was irregular and unauthorized.

Despite repeated requests the management did not reply.

The PAO was informed on 12.10.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that irregular paid amount may be recovered besides discontinuing the practice.

20.4.4 Unauthorized expenditure on hiring of transport and provision of POL after Sit-in - Rs. 6.323 million

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 every public officer is excepted 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 Deputy Commissioner, Islamabad incurred an expenditure of Rs. 6.323 million on hiring of transport and provision of POL for the vehicles used by 111 Brigade of Pakistan Army from January to March 2015 for sit-in by some political parties as detailed below:

(Rupees)

Invoice No.	**Date**	**Period of Hiring Transport**	**Name of Firm/Supplier**	**Amount**
081	09.02.15	10.01.15 to 08.02.15	M/s Abdul Wahid Tours and Car Rent Service, Islamabad.	2,910,000
089	04.03.15	09.02.15 to 03.03.15	M/s Abdul Wahid Tours and Car Rent Service, Islamabad.	1,826,500
Expenditure incurred on POL for hired vehicles during January and February 2015.				1,586,374
			Total Amount	**6,322,874**

Audit observed that management incurred expenditure on hiring of transport and purchase of POL in connection with sit-in from January to March 2015 but the sit-in had already ended on 17.12.2014.

Audit is of the view that payment in respect of hiring charges of transport and procurement of POL for the vehicles beyond two months of the conclusion of sit-in was unjustified which resulted in a loss of Rs. 6.323 million to the Government.

The management replied that twenty VIGO/Double Cabin vehicles were hired on the verbal direction of Ministry of Interior on daily basis and were handed over to 111 Brigade of Pakistan Army for protection/maintenance of law and order situation during the sit-in. In spite of all efforts, vehicles were not returned after the conclusion the sit-in. These vehicle were however, returned during the first week of March 2015. The payment was therefore, made to the vendor up to March, 2015.

The reply was not accepted because the management failed to return the vehicles to the vendor in time.

The PAO was informed on 07.04.2017 but DAC was not convened till the finalization of the report.

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

20.4.5 Irregular purchase of plant and machinery without open competition – Rs. 2.500 million

Rule 12(2) of the Public Procurement Rules 2004 states that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English the other in Urdu.

The management of the Deputy Commissioner, Islamabad purchased plant & machinery (CCTV Camera, LED, Cabinet, LCD, etc.) from M/s Bostan Security Solutions (Pvt.) Ltd. Islamabad vide Invoice No. BSS-677 dated 05.01.2015 amounting to Rs. 2.500 million.

Audit observed that security equipment were purchased without open competition.

Audit is of the view that procurement without open competition was irregular, which deprived the Government of the benefit of competitive rates.

The management replied that a suicide bomb blast occurred at District Court F-8 Markaz Islamabad on 03.03.2014. After the bomb blast, the Honorable Chief Justice of Supreme Court of Pakistan visited F-8 Markaz Islamabad and directed the office of Deputy Commissioner ICT that CCTV cameras and walk-through gates should be installed at the premises on urgent basis, i.e. within one week. Therefore, walk-through gates and CCTV cameras were purchased on emergency basis without competition.

The reply was not accepted because the supply order for the security equipment was made approximately one year after the incident on 05.01.2015.

The PAO was informed on 07.04.2017 but DAC was not convened till the finalization of the report.

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

20.4.6 Irregular expenditure on procurement of food items - Rs. 812.067 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.

The management of South Waziristan Scouts purchased fresh food items, i.e. vegetables, fruit and meat during 2015-16 and 2016-17 for Rs. 397.256 million and Rs. 414.811 million, respectively.

Audit observed that procurements were made without open competition.

Audit is of the view that due to procurement without open competition, the Government was deprived of the benefit of competitive rates.

Despite repeated requests the management did not reply.

The PAO was informed on 20.11.2017 and 07.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that inquiry may be held to fix the responsibility.

20.4.7 Unauthorized payment of Conveyance Allowance - Rs. 336.147 million

Para 10 (v) of GPR Volume-1 state that the amount of allowance granted to meet expenditure of a particular type should be so regulated that the allowance are not on the whole a source of profit to the recipients.

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

The management of South Waziristan Scouts paid Conveyance Allowance amounting to Rs. 336.148 million during 2014-17.

Audit observed that the South Waziristan Scouts were residing within the vicinity of the duty area and were availing official transportation facility for operational duty.

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

Despite repeated requests the management did not reply.

The PAO was informed on 20.11.2017 and 07.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for unauthorized payment besides discontinuation of this practice in future.

20.4.8 Unauthorized operation of Regimental Fund - Rs. 17.814 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 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 South Waziristan Scouts received an amount of Rs. 17.814 million for rent of shops and income of dairy farms during 2014-17.

Audit observed that the amount was deposited into Regimental Fund instead of government treasury.

Audit is of the view that operation of Regimental Fund without the approval of Finance Division was unauthorized.

Despite repeated requests the management did not reply.

The PAO was informed on 20.11.2017 and 07.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity besides depositing the total receipts into the government treasury since the operation of the Fund.

20.4.9 Irregular payment of Civil Armed Forces (CAF) Allowance - Rs. 32.997 million

Finance Division vide O.M No.F.1(7)Imp/2009-III dated 23.07.2009 granted an allowance equal to one month's basic pay to the Civil Armed Forces Personnel including FC, NWFP and Balochistan deployed on the western front w.e.f. 01.07.2009. Premature increment on up- gradation of posts as on promotion w.e.f. 28.02.2002.

The management of District Officer, Frontier Constabulary (DOFC) Gilgit paid an amount of Rs. 32.997 million as Civil Armed Forces (CAF) Allowance during 2014-16.

Audit observed that as per Finance Division instructions, CAF Allowance equal to one month pay was admissible only to the personnel deployed on the western front.

Audit is of the view that CAF Allowance was paid to the personnel of DOFC, Gilgit in violation of Finance Division O.M No. F.1(7)Imp/2009-III dated 23.07.2009.

The management replied that CAF Allowance was paid in accordance with Finance Division O.M dated 23.07.2009 as FC are always deployed in front for maintaining law and orders duty throughout the country.

The reply was not accepted because CAF Allowance was admissible only to the personnel deployed on western front.

The PAO was informed on 17.07.2017 and 03.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity besides recovery of the irregularly paid amount.

20.4.10 Un-supported expenditure on pay and allowances – Rs. 17.443 million

Rule 205 of Federal Treasury Rules Volume I states that a Government officer entrusted with the payment of money shall obtain for every payment he makes, including repayment of sums previously lodged with the Government, a voucher setting forth full and clear particulars of the claim and all information necessary for its proper classification and identification in the accounts. 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.

The management of District Officer, Frontier Constabulary (DOFC), Gilgit-Baltistan, Gilgit incurred an expenditure of Rs. 118.264 million as pay and allowances during 2014-15,

Audit observed that strength-wise monthly expenditure on pay and allowances was Rs. 100.821 million during 2014-15.

Audit is of the view that an amount of Rs. 17.443 million was overdrawn by the management.

The management replied that increment arrears of Rs. 4.904 million had already been paid whereas an amount of Rs. 5.182 million had been deposited into the treasury.

The PAO was informed on 17.07.2017 and 03.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that inquiry may be held to fix the responsibility besides recovery of remaining amount.

20.4.11 Irregular withdrawal of Conveyance Allowance – Rs. 13.764 million

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

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

The management of District Officer, Frontier Constabulary (DOFC), Gilgit-Baltistan paid an amount of Rs 13.764 million as Conveyance Allowance during 2014-16.

Audit observed that the FC employees were residing within the vicinity of the duty area and were availing transportation facility for pick and drop.

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

The management replied that payment of the Conveyance Allowance had now been stopped by the competent authority.

The PAO was informed on 17.07.2017 and 03.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends recovery of irregularly paid amount may be made.

20.4.12 Irregular payment of Conveyance Allowance during leave - Rs 1.436 million

As per Leave Rules, 1980 Conveyance Allowance during Furlough Leave, Leave Preparatory to Retirement and Earned Leave is not admissible.

The management of District Officer, Frontier Constabulary (DOFC) Gilgit Baltistan, Gilgit allowed furlough leave of 3 months to its employees and paid an amount of Rs. 1.436 million during 2014-16.

Audit observed that the employees continued to draw Conveyance Allowance during the leave period and the amount was not recovered from the recipients.

Audit is of the view that drawl of Conveyance Allowance during leave period was irregular.

The management replied that an amount of Rs. 339,282 was recovered from men of the unit as per directions of the Headquarters.

The PAO was informed on 17.07.2017 and 03.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that entire amount should be recovered and deposited into government account.

20.4.13 Irregular payment of Civil Armed Forces (CAF) Allowance - Rs. 133.815 million

Finance Division's (Regulation Wing) Office Memorandum No.F1 (7) Imp/2009-III dated 23-07-2009 states that Government of Pakistan has allowed an allowance equal to one month's pay to the Civil Armed Forces (CAF) Personnel including FC, Khyber Pakhtunkhwa & Balochistan deployed on the western front with effect from 01.07.2009.

The management of the Office of District Officer Frontier Constabulary (DOFC) Oghi paid Rs. 133.815 million as Civil Armed Forces (CAF) Allowance to its employees during 2014-16.

Audit observed that payment of CAF Allowance to the employees of DOFC-Oghi was irregular because they were not deployed on the western front. Hence payment of CAF Allowance was in violation of Finance Division O.M. No. F1(7)Imp/2009-III dated 23-07-2009

Audit is of the view that payment of CAF Allowance to the employees of DOFC-Oghi not deployed on the western front was irregular which resulted in extra financial burden on the exchequer.

The management replied that CAF allowance was granted to all civil Armed Forces employees. The Jawans of Frontier Constabulary were performing their duties all over Pakistan to control law and order situations in the country with Pakistan Army, and assist Police and other Law Enforcement Agencies. Therefore the withdrawal of CAF allowance duly justified being Civil Armed Forces.

The reply was not accepted because the platoon were not deployed on western front and therefore, was not eligible for CAF allowance in light of Finance Division O.M. No. F1(7)Imp/2009-III dated 23.07.2009.

The PAO was informed on 12.10.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for irregular payment of CAF Allowance besides stopping the irregular practice forthwith.

20.4.14 Whereabouts of excess withdrawal of Ration Allowance not known - Rs. 2.749 million

Para 23 of GFR-Vol-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 District Officer, Frontier Constabulary (DOFC), Oghi paid Ration Allowance @ Rs. 86.22 per head per day (Rs. 2,623 per month) to its employees during 2014-15 as detailed below:

(Rupees)

Month	Strength	Total days	Total Leaves	Net Days	Rate Per Day	Total Ration Allowance Due	Ration Allowance Drawn	Amount of Over Drawn
July,14	1,179	36,549	4,606	31,943	86.22	2,754,125.46	3,462,068	707,942.54
Aug,14	1,174	36,394	5,561	30,833	86.22	2,658,421.26	3,115,189	456,767.74
Sep,14	1,165	34,950	5,541	29,409	86.22	2,535,643.98	2,729,437	193,793.02
Oct,14	1,138	35,278	5,273	30,005	86.22	2,587,031.10	3,266,969	679,937.90
Nov,14	1,112	33,360	3,645	29,715	86.22	2,562,027.30	2,873,951	311,923.70
Dec,14	1,109	34,379	4,833	29,546	86.22	2,547,456.12	2,946,337	398,880.88
						15,644,705.22	**18,393,951**	**2,749,245.78**

Audit observed that Ration Allowance as per actual strength for the period from July, 2014 to December, 2014 came to Rs. 15.645 million whereas Rs. 18.394 million were drawn resulting in over-drawl of Rs. 2.749 million.

Audit is of the view that overdrawn amount resulted in the loss of Rs.2.749 million to the Government.

The management replied that on checking the record it was revealed that the leave rate ration money was deducted as per leave actually availed instead of leave recorded in the order book which was typical mistake of this office. The ration allowance drawn over and above the strength would be deposited into government treasury. During 2014-15 an amount of Rs. 660,945 recovered on account of ration allowance and was deposited into treasury.

The reply was not accepted because the management did not produce any record in the support of the reply.

The PAO was informed on 12.10.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that full amount may be recovered and deposited into government treasury besides stopping the irregular practice.

20.4.15 Un-authorized payment of Hard Area Allowance - Rs. 2.009 million

Finance Division O.M. dated 22.04.2007 allowed hard area allowance as incentive to the officers posted in GB Government from down country as 50% of their running pay.

The management of Federal Investigation Agency (FIA), Gilgit (Crime Circle) paid Hard Area Allowance to its employees amounting to Rs. 2.010 million during 2016-17

Audit observed that Hard Area Allowance was paid to the Federal Government employees working in the office of FIA, Gilgit.

Audit is of the view that the allowance was not admissible to the employees working in Federal Government offices at Gilgit.

Despite repeated requests the management did not reply.

The PAO was informed on 09.11.2017 and 07.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that the irregular practice may be stopped forthwith and amount overpaid may be recovered.

20.4.16 Irregular expenditure on account of purchase of K-II Oil - Rs. 63.00 million

In terms of Sr.9 (11) of Annex-I of finance Division O.M. No.F.3 (2) Exp-III/2006 dated 13.09.2006, head of department has full powers to incur expenditure on account of hot and cold weather charges subject to observance of prescribed ceilings.

The management of Gilgit-Baltistan Scouts purchased K-II Oil for heating purposes and incurred an expenditure of Rs. 63.00 million during 2015-17. The payment was made to M/s Ibex Petroleum, Gilgit from the head "hot and cold weather" charges as per detail given below:

(Rupees)

S. No.	Bill. No	Date	Quantity/Ltr	Wing	Amount
1	2887	10.10.2015	70,417	112	4,661,605
2	2888	10.10.2015	74,049	114	4,679,897
3	2889	10.10.2015	78,433	HQs(Wing)	4,956,978
4	2890	10.10.2015	11,100	GB(Centre)	701,520
5	1966	03.11.2015	70,417	112	4,661,605
6	1967	03.11.2015	74,049	114	4,679,897
7	1968	03.11.2015	78,433	Hqs	4,956,966

8	1969	03.11.2015	11,100	GBS(centre)	701,520
9	0020	20.10.2016	84,756	112	4,661,580
10	0021	20.10.2016	93,598	113	4,679,900
11	0022	20.10.2016	99,140	HQs(wing)	4,957,000
12	0023	20.10.2016	14,030	GB(Centre)	701,520
13	0026	14.11.2016	49,119	112	2,701,580
14	0027	14.11.2016	58,598	113	2,929,900
15	0028	14.11.2016	8,230	GB(Centre)	411,520
16	0029	14.11.2016	59,140,	HQs(Wing)	2,957,000
17	0041	16.01.2017	49,119	112	2,701,580
18	0042	16.01.2017	58,598	113	2,929,900
19	0043	16.01.2017	8,230	GB(Centre)	411,520
20	0044	16.01.2017	59,140	HQs(Wing)	2,957,000

Audit observed as under:

i. The claims of K-II Oil were not supported with lists of beneficiaries to ensure the observance of per head expenditure/entitlement.

ii. The wings have no storage capacity for storing the bulk quantity as no document was provided in this regard.

Audit is of the view that the expenditure was incurred in violation of cited rules and audit could not verify the observance of prescribed per head ceiling.

The management replied that each wing had storage capacity in the shape of tanks, barrels and jerry cans and the wings had drawn the K-II oil keeping in view their storage capacity from the petrol pump. Moreover, the remaining allotted K-II oil was kept in petrol pump and drawn on requirement basis.

The reply was not accepted because no documentary evidence was provided regarding oil supplied to beneficiaries as per scale.

The PAO was informed on 02.10.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

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

20.4.17 Irregular purchase of land - Rs. 56.750 million

Section 4(1) of Land Acquisition Act, 1894 states that whenever it appears to the Collector of the District that land in any locality is needed or is likely to be needed for any public purpose or for a Company, a notification to that effect shall be published in the official Gazette, and the Collector shall cause public notice of the substance of such notification to be given at convenient places in the said locality

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 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; the amount payable will include the capitalized value of land revenue assessable on the land when the transfer causes actual loss of land revenue to the Provincial Government.

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 Gilgit-Baltistan Scouts purchased 141 Kanals of land at a cost of Rs. 56.750 million @ Rs. 350,000 per kanal with 15% additional cost on account of compulsory acquisition charges from M/s Syed Rasool Shah at airport road Skardu.

Audit observed as under:

i. The land was not acquired as required under the Land Acquisition Act, 1894.

ii. According to affidavit dated 29.12.2015, the land was given free of cost to GB Scouts.

iii. The land was purchased without open competition.

iv. The management paid an amount of Rs. 7.402 million as additional cost on account of compulsory acquisition charges whereas the land was not purchased through land acquisition act.

v. According to affidavit dated Nil, the seller has acknowledged receipt of Rs. 17.970 million vide cheque No. 5279833 dated 29.06.2015.

vi. Acknowledgement of remaining payments amounting to Rs. 38.780 million was not available on record.

Audit is of the view that land was purchased in violation of rules.

The management replied that land was acquired under the Land Acquisition Act by involving Ministry of Interior and Government of Gilgit-Baltsitan by following the all legal and official procedures.

The reply was not acceptable as the management failed to produce the supporting documents showing acquisition of land through office of the Collector.

The PAO was informed on 02.10.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity and the amount of Rs.7.402 million paid as compulsory compensation charges to the owner may be recovered and deposited into government treasury.

20.4.18 Irregular payment of honorarium - Rs. 30.00 million

Rule 157(1) of FTR Vol-I states that the 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 paid honorarium of Rs. 30.00 million to their employees during 2015-17.

Audit observed as under:

i. The honorarium for the year 2016-17 was paid on the verbal orders of the Director General Gilgit Baltistan Scouts and without any formal approval in violation of rules.

ii. An amount of Rs. 27.350 million was drawn in cash in violation of the provision of FTR.

iii. Complete record of disbursement of honorarium was not available.

Audit is of the view that withdrawal of funds through DDO was not only violation of rules but also susceptible to misuse of funds.

The management replied that the honorarium was paid in cash through DDO to the troops and supporting documents for Rs. 10 million disbursed through cash was provided to Audit.

The PAO was informed on 02.10.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

*20.4.19 Irregular release of funds to the project 'Acquisition of Land for Construction/Establishment of 112 Wing at Skardu' - **Rs. 22.128 million***

In terms of Sr. 5((III) (a) of Annex-I of Finance Division O.M. No.F.3 (2) Exp-III/2006 dated 13.09.2006 no Ministry/Division/Department/Subordinate Office(including any autonomous body) shall be authorized to re-appropriate funds from one development scheme to another development scheme. In exceptional cases, however, re-appropriation of such funds may be allowed, where necessary, by Financial Adviser on the recommendation of Planning and Development Division.

Ministry of Interior vide letter No. 3/6/2009-AC(Dev)-8 dated 01.08.2016 released funds of Rs. 22.128 million for acquisition of land/establishment of force headquarters, GB Scouts.

Audit observed that the funds were further adjusted against the payment of the following projects:

(Rs. in million)

S. No.	Project	Amount
1.	Land acquisition for Gilgit office	17.970
2	Land acquisition for Chilas office	4.158
	Total	**22.128**

Audit is of the view that transfer of funds from one development project to other without the approval of Finance Division was irregular.

The management replied that the initial cost of land at Skardu Garrison was increased to Rs. 0.600 million from Rs. 0.350 million per kanal. In order to purchase the land at lower rates, i.e. Rs. 0.350 million , the management utilized the funds of other projects thus avoiding a loss of Rs. 35.250 million. The funds were reimbursed to original schemes on receipt of funds from the Ministry of Interior.

The PAO was informed on 02.10.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

20.4.20 Excess payment over contract agreement - Rs. 19.399 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 GB Scouts entered into an agreement with M/s Syed Rasool Shah for an amount of Rs. 35.606 million for the work “Provision of 20% External Services” at Skardu.

Audit observed that the management paid an amount of Rs. 55.005 million for the said work which resulted in excess payment of Rs. 19.399 million.

Audit is of the view that excess payment was made in violation of the contract agreement, which resulted in loss to the government.

The management replied that original contract amounting to Rs. 35.66 million was awarded to contractor in 2009 with completion period of 24 months. Considering the severe cold weather in Skardu and location of previous facilities in garrison, the scope of work in contract was revised in 2012. All additional works were executed within the cost of approved scheme.

Reply indicates that the management accepted the audit observation as the cost of work was revised instead of scope of work.

The PAO was informed on 02.10.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

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

20.4.21 Irregular expenditure on repair of transport - Rs. 7.956 million

Para 42 of GFR Volume-I states that the financial powers of the Federal Government, which have not been delegated to any other Ministry, department or authority vest in the Ministry of Finance.

Para 43 of GFR-Vol-I states that unless otherwise provided by any special rule or order of Government, a higher authority may exercise the powers delegated to an authority subordinate to it.

In terms of Sr.9 (42) of Annex-I of Finance Division O.M. No.F.3 (2) Exp-III/2006 dated 13.09.2006, head of department is empowered to incur expenditure upto Rs.100,000 on account of repair of transport at any one time to one or any number of vehicles used by the Ministry/Division/departments.

The management of Gilgit-Baltistan Scouts incurred an expenditure of Rs. 7.956 million during 2015-17 on account of repair of transport as detail given below:

S. No	Contractor	Bill. No	Date	Amount (Rs)
1	Muhammad Ayub and Associates	202	13.10.2016	2,399,850
2	Muhammad Ayub and Associates	203	13.10.2016	423,700
3	Muhammad Ayub and Associates	204	13.10.2016	490,000
4	Muhammad Ayub and Associates	205	25.04.2017	1,832,300
5	Muhammad Ayub and Associates	206	25.04.2017	455,770
6	Muhammad Ayub and Associates	207	25.04.2017	651,800
7	Muhammad Ayub and Associates	208	25.04.2017	246,400
8	Muhammad Ayub and Associates	1341	30.12.2015	1,456,295
			Total	**7,956,115**

Audit observed that the entire expenditure was sanctioned by the Director General GB Scouts in violation of Finance Division O.M. No. F.3(2)Exp-III/2006 dated 13.09.2006.

Audit is of the view that sanction of expenditure on account of repair and maintenance of vehicles was irregular as the Director General GB Scouts was not empowered to accord sanction over Rs. 100,000.

The management replied that in future the expenditure would not be exceeded of the sanction limit of head of department and in case of contract above Rs. 500,000, sanction would be obtained from competent authority.

The PAO was informed on 02.10.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

20.4.22 Un-authorized expenditure on repair of residential building – Rs. 2.500 million

In terms of Sr.9 (45) of Annex-I of Finance Division O.M. No.F.3 (2) Exp-III/2006 dated 13.09.2006, only Ministries/Divisions have been empowered to incur expenditure on repair of accommodation for office and residential purposes: up to two months' rent as the land lord's liability limited to the lease period of not less than three years and no power has been delegated to the head of department for said purpose.

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

The management of Gilgit-Baltistan Scouts incurred an expenditure of Rs.1.500 million on account of repair of residential building vide cheque No. 5283826 dated 25.05.2016 and Rs. 1.00 million vide Cheque No. 6203978 dated 15.06.2017 during 2015-16 and 2016-17, respectively.

Audit observed as under:

i. The management was not competent to accord the sanction of expenditure as no power was delegated to head of department in respect of repair of building.
ii. Departmental regulations as required for execution of works was not framed by the management.

The management replied that the work had been done by the technical staff of works department of GB Scouts. The expenditure was made within the allocated budget. However, some rules and formalities had not been fulfilled due to being a newly raised force and first time occurrence of such expenditure.

The PAO was informed on 02.10.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

20.4.23 Non finalization of TO&E and GB Scouts Ordinance

Para 2(C) of Ministry of Interior letter No.2/3/2002-CFA/F.Com dated 31.10.2003 states that raising of additional Corps Headquarters and Wings will be based on existing Table of Organization and Equipment (TO&E) of respective CAFs. Northern Areas Scouts Corps HQ (except Army Officers) and 3 Wings will initially be raise based on the TO&E of FC NWFP as interim arrangements and on raising of the Corps HQ of Northern Areas Scouts, it will forward their proposed TO&E to the Ministry of Interior for approval, by 31.12.2003.

The management of Gilgit-Baltistan Scouts did not provide a copy of TO& E as the same was not finalized.

Audit observed that the TO&E was not finalized despite lapse of 14 years.

Audit is of the view that TO&E determines the authorization of vehicles and other equipment required to be maintained by the GB Scouts. Audit is also of the view that in absence approved TO& E, the maintenance of vehicles and expenditure on repair and POL was unjustified.

The management replied that the TO&E had already been sent to Ministry of Interior in June, 2017 for which approval is awaited.

The PAO was informed on 02.10.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that the matter may be pursued with Ministry for finalization and approval of TO&E.

20.4.24 Irregular expenditure on repair of equipment without open competition - Rs. 3.259 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.

The management of Islamabad Capital Territory Police Islamabad incurred expenditure of Rs. 3.259 million on the repair of vehicles and equipment. Details are as under:

Bill No.	Firm	Amount (Rs.)	Cheque No.	Particulars
659	Sama Pakistan Islamabad Limited	741,000	6164209	Repair of Jammer

1050	Sama Pakistan Islamabad Limited	2,018,000	6439851	Repair of Jammer
948	VPL Limited Islamabad	499,990	6435504	Air Spring 07 No.
	Total	**3,258,990**		

Audit observed that the expenditure was incurred without open competition.

Audit is of the view that expenditure on the repair of vehicles and equipment without open competition was irregular.

Despite repeated requests the management did not reply.

The PAO was informed on 14.09.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

20.4.25 Loss due to non-imposition of liquidated damages - Rs. 2.561 million

Para 12 of the Contract Agreements made by the management for procurement of Goods and Services during 2015-16 and 2016-17 with various firms state that "if the suppliers fails to deliver the items of specified standard within the specified time period, the purchaser shall deduct from the claim, liquidated damages @ 0.5% per week and maximum up to 20% of the total value of the contract".

The management of Islamabad Capital Territory Police, Islamabad made agreements with various Firms for supplies of uniforms items during the year 2015-16 and 2016-17.

Audit observed as under:

i. 36 firms failed to deliver the items within stipulated time given in their agreements.

ii. The management did not deduct the liquidated damages amounting to Rs. 2.561 million from these firms.

Audit is of the view that non imposition of liquidated damages was not only violation of the provisions of the agreements but also deprived the government of the benefit of its due receipt.

Despite repeated requests the management did not reply.

The PAO was informed on 14.09.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that the liquidated damages may be recovered and deposited into government treasury.

20.4.26 Irregular operation of Islamabad Police Welfare Fund

Rule 25 of GFR Vol-I states that all department 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 Capital Territory Police (ICTP) established Islamabad Police Welfare Fund and made regulations for the operation of this fund vide Letter No.10-79/970-73/A dated 30.01.2012. A bank account No. PLS-81395-7 was opened in the National Bank of Pakistan, F-8 Markaz Branch, Islamabad to operate the fund.

Audit observed that the Fund was established without the approval of the Ministry of Finance.

Audit is of the view that establishment of Welfare Fund without the approval of Ministry of Finance was irregular and unauthorized.

Despite repeated requests the management did not reply.

The PAO was informed on 14.09.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that the case may be taken up with Ministry of Finance for approval of the Fund.

20.4.27 Irregular regularization of project employees without framing service rules and fulfilling other required conditions

Cabinet Secretariat Government of Pakistan Dated 29.07.2008 states that Federal Cabinet has decided that all those employees who were working on contract basis against posts in BS-1 to BS-15 in the Federal Ministries/Divisions/Attached Department/Subordinate Offices/Autonomous/ Semi-Autonomous bodies/Corporations and were appointed up to 03.06.2008 may be regularized. Those who are working against tenure posts, project posts or daily wages; or those who are being paid from contingent or defence budget are not eligible for regularization.

The management of the Islamabad Capital Territory Police regularized the services of 11 employees against the post of BS 15 to 19 working in the Project titled "E- Enablement of ICT Police".

Audit observed that the employees were regularized in violation of Cabinet Division instructions.

Audit is of the view that regularization of project employees was irregular.

Despite repeated requests the management did not reply.

The PAO was informed on 14.09.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

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

20.4.28 Non-deduction of General Sales Tax - Rs. 8.799 million

Rule 2(2) of Sales Tax Special Procedure (Withholding) Rules, 2007 states that a Withholding Agent shall deduct an amount equal to one fifth of the total Sales Tax shown in the sales tax invoice issued by a registered person and make payment of the balance amount to him.

The management of Khyber Rifles paid Rs. 258.780 million as cost of meat, firewood and milk powder during the year 2015-16 to M/s. M. Imran Khan, M/s Ihsan Ullah & Co and Pir Moasam Shah.

Audit observed that management did not withhold 1/5th of the Sales Tax amounting to Rs. 8.799 million. Details are as under:

(Rupees)

M/s. M. Imran Khan	Item	Quantity	Rate	Cost	GST @ 17%	1/5th of GST
	Meat Mutton	18,415,871	585.40	26,951,628	4,581,777	916,355
	Beef Mutton	19,920,743	350	19,920,743	3,386,526	677,305
	Beef on hoof	135,252,502	400	135,252,502	22,992,925	4,598,585
M/s Ihsan Ullah & Co.	Firewood	97,072.200	26.46	2,568,530	436,650	87,330
		1,004,0856	30.50	30,624,620	5,206,185	1,041,237
Pir Moasam Shah	Milk Powder	5,392.900	575.00	3,100,918	527,156	105,431
		61,037.25	661.25	40,360,882	6,861,350	1,372,270
			Total	**258,779,823**	**43,992,569**	**8,798,513**

Audit is of the view that non-deduction of 1/5th GST deprived the government of its due receipt.

The management replied that the contracts were awarded to the contractors who belonged to tribal areas and in light of FBR letter No. CIR/(Z-Li-RTO-PR/2013-14/123 dated 19.12.2014 the bonafide residents of FATA/PATA were exempted for payment of Income Tax.

The reply was not accepted because the exemption from payment of Sales Tax was not provided in the given letter. Moreover, the areas for which exemption was granted did not include Khyber Agency.

The PAO was informed on 05.06.2017 and 03.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that the amount may be deducted and deposited into the government treasury.

20.4.29 Mis-procurement of furniture and fixture and partition work - Rs. 1.705 million

Rule 20 of Public Procurement Rules, 2004 states that competitive tendering is required for the procurement of goods, services and works.

The management of National Counter Terrorism Authority (NACTA), Islamabad paid an amount of Rs. 1.705 million for purchase of furniture, fixture and partition work during 2016-17.

Audit observed that purchases were made without open competition.

Audit is of the view that due to procurement without open competition, the Government was deprived of the benefit of competitive rates.

The management replied that purchases were made after following all codal formalities.

The reply was not accepted because no documentary evidence was provided in support of the reply.

The PAO was informed on 12.06.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

20.4.30 Non holding of Board Meeting

Section 6(4) of National Counter Terrorism Authority Act, 2013 states that the Board may meet as and when required but it shall meet at least once in each quarter of a year.

Audit observed that National Counter Terrorism Authority did not hold board meetings despite lapse of four years.

Audit is of the view that due to non-holding of board meetings, the National Counter Terrorism Authority Act, 2013 was not implemented in true letter and spirit.

The management replied that Prime Minister’s Secretariat has been requested for holding BOG meeting.

The PAO was informed on 12.06.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that Board meeting may be held as per provisions of National Counter Terrorism Authority Act, 2013.

20.4.31 Non preparation of Service Regulations with the approval of Board

Section 11 (2) of the National Counter Terrorism Authority (NACTA) Act, 2013 states that The Authority shall prescribe service regulations, with the approval of the Board for the appointment, promotion and transfer of officers, staff, experts and consultants, their terms and conditions of service including additional financial incentives such as special salaries, allowances, pension or gratuity etc., constitution and management of pension and gratuity and shall be competent to take disciplinary action against them.

The management of NACTA did not prescribe service regulations, with the approval of the Board.

Audit observed that NACTA did not prepare Service Regulations and got these approved from the Board despite lapse of four years.

Audit is of the view that due to non-preparation of Service Regulations and its approval from the Board, the National Counter Terrorism Authority Act, 2013 was not implemented in true letter and spirit.

The management replied that no meeting of the Board of Governor was held during last 4 years, therefore, service regulation could not to be placed before the BoG.

The PAO was informed on 12.06.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that rules may be framed and implemented.

20.4.32 Unauthorized retention of 17 vehicles in excess of authorization

Cabinet Division vide U.O. No. 6/1/2010-CPC dated 15.03.2010 authorized 21 vehicles and 10 motorcycles to be maintained for Protocol/General/Operational duties of NACTA. Details are as under:

S No.	Vehicles	Purpose
1	1 x 1300 cc Car	For BS-22 Officers
2	3 x 1300 cc Car	For BS-21 Officer
3	7 x 1000 cc Car	For BS-20 Officer
4	8 x 1000 cc Car	For Operational duties
5	1 x 1300 cc Car	For Protocol duties
6	1 x Toyota Van	For Pick and drop of staff
7	10 x Motorcycles	For dispatch riders

The management of National Counter Terrorism Authority (NACTA) was maintaining 38 vehicles of engine capacity ranging from 993cc to 2986cc and 10 motor cycles.

Audit observed that 17 vehicles were maintained in excess of the vehicles authorized by the Cabinet Division.

Audit is of the view that retention and maintenance of vehicles in excess of authorization from Vehicle Committee was irregular.

The management replied that the vehicles indicated in excess have been gifted by Foreign Governments for facilitation of the envoys often visiting NACTA for mutual cooperation for combating against terrorism & extremism.

The PAO was informed on 12.06.2017 and 27.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that excess vehicles may be surrendered to the Cabinet Division.

20.4.33 Un-authorized charging of Rs. 25 by NBP on collection of passport fee – Rs. 448.062 million

The State Bank of Pakistan with the approval of Ministry of Finance allowed Rs.2 as bank/ commission charges on collection of passport and visa fee to NBP.

The management of Directorate General of Immigration and Passports, Islamabad issued 19,480,957 ordinary passports during the financial year 2012-13 to 2016-17. The NBP requested the Ministry of Interior to increase the Bank charges from Rs.2 to Rs.25 which were increased by the Ministry of Interior without obtaining approval from Ministry of Finance.

Audit observed that the NBP irregularly charged Rs.25 instead of Rs.2 as bank/commission charges per application from the customers during the financial year 2012-13 to 2016-17.

Audit is of the view that charging of fee @ Rs. 25 by the NBP on collection of passport fee was irregular and orders of the Ministry of Interior dated 19.06.2006 for approval/enhancement of commission/bank charges were beyond the authority of the Ministry and in violation of Rules of Business, 1973. Hence collection of extra commission charges amounting to Rs. 448.062 million (Rs. 19.481 million x Rs. 23) by the NBP was unauthorized.

The management replied that the case for approval of Rs. 25 service charges per applicant was already submitted to Finance Division but response is still awaited. However, NBP had not stopped charging Rs. 25 per applicant despite the PAC directives conveyed by this department in December, 2009.

The reply was not accepted because charging of Rs. 25 instead of Rs. 2 per applicant by the NBP without the approval of Finance Division was irregular. Continuation of the irregularity despite the PAC directives of 2009 was also serious lapse on the part of the management.

The PAO was informed on 08.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

20.4.34 Loss due to destruction of quality control rejected passport booklets - Rs. 280.632 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 Directorate General of Immigration and Passports, Islamabad rejected 818,624 booklets during the financial years 2012-13 to 2016-17 which were destroyed by burning during 2016-17. The passport booklets were purchased from M/s Pakistan Security Printing Corporation, Karachi @ Rs. 342.81 per passport booklet.

Audit observed that quality control rejected passport booklets valuing Rs. 280.632 million were destroyed by burning in incinerator. This indicates that the printing process is defective that resulted in heavy quality control rejection and monthly loss to Government comes approximately to Rs. 4.677 million.

Audit is of the view that quality control rejected passport booklets was serious lapse and negligence on the part of the management which resulted in the loss of Rs. 280.632 million to Government.

The management replied that the average workload of the production facility is 20,000 applications per day. To ensure timely delivery of the passports, the production facility was bound to utilize old equipment more than its standard working capacity due to which booklets were damaged. The technical team provides continuous support to the personalization equipment but the rejection was inevitable as long as old equipment was used excessively.

The reply was not acceptable as Government suffered a loss of Rs. 280.632 million due to negligence of the management.

The PAO was informed on 08.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

20.4.35 Irregular procurement of services of DHL and TCS without competition - Rs. 135.712 million

Rule 12(2) of the Public Procurement Rules, 2004, states that all procurement opportunities over two million rupees should be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

The management of Directorate General of Immigration and Passports, Islamabad paid an amount of Rs. 135.712 million to M/s DHL Pakistan Private (Ltd.), Karachi and M/s TCS Private (Ltd.), Karachi for carrying the booklets from Islamabad to Mission Abroad and within the designated Regional Passport Offices in Pakistan during 2012-17.

Audit observed that services of M/s DHL Pakistan Private (Ltd.), Karachi and M/s TCS Private (Ltd.), Karachi amounting to Rs. 108.620 million and Rs. 27.092 million, respectively were procured without open competition in violation of rule 12(2) of the Public Procurement Rules, 2004.

Audit is of the view that procurement of services from DHL and TCS without competition was irregular and unauthorized which deprived the Government from the benefit of competitive rates.

The management replied that a tender for hiring of both local and international courier services was floated in November 2011. Both M/s. TCS and M/S DHL emerged as single bidders in their respective domains of local and international tenders. The then Joint Purchase Committee decided not to award contracts afresh as that would have entailed enhanced rates. So a decision was then made to grant extension of contract to both M/s. TCS and M/s. DHL. The move saved the Department essential exchequer. It is further added that DG I&P intended to float a tender for procurement of courier services but the advertisement could not be published in newspaper as Federal Government's advertisements had been suspended by APNS in February, 2014. Courier contracts have been extended from time to time for periods ranging from 03 months to 01 year. However, DG I&P is in the process of procurement of courier services through open tendering process and tender documents had been submitted to the competent authority for necessary approvals.

The PAO was informed on 08.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

20.4.36 Irregular procurement of physical assets without competition by splitting up of sanction orders - Rs. 74.114 million

Rule 9 of the Public Procurement Rules, 2004 states that save as otherwise provided and subject to the regulation made by the Authority, with the prior approval of the Federal Government, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

Rule 12(2) of the Public Procurement Rules, 2004 states that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

The management of Machine Readable Passport (MRP) Project purchased physical assets (plant & machinery, furniture & fixture and other site up-gradation) amounting to Rs. 74.114 million for MRP Phase-II project as detailed below:

(Rupees)

Financial year	Procurement of physical assets		
	Plant & Machinery	Furniture & Fixture	Other site up-gradation
2012-13	20,423,276	6,800,000	12,028,106
2013-14	6,163,954	2,550,000	2,904,900
2014-15	7,029,074	1,072,000	5,847,476
2015-16	3,351,826	758,000	1,175,875
2016-17	2,655,000	564,938	789,200
Total	**39,623,130**	**11,744,938**	**22,745,557**
		Grand Total	**74,113,625**

Audit observed that physical assets were purchased in piece meal and amount of each order was kept below the limit of Rs. 100,000 just to avoid the necessity of advertising the objects on the authority's website and in print media in violation of Rules 9 and 12 (2) of Public Procurement Rules, 2004.

Audit further observed that the entire procurement of physical assets was made on quotation basis and all the quotations and bills of the suppliers were un-dated.

Audit is of the view that procurement of physical assets without competition by splitting up of sanction orders was irregular which deprived the Government of the benefit of competitive rates.

The management replied that most of the procurements of physical assets were made for establishment of new Regional Passport Offices across the country on urgent basis.

The PAO was informed on 08.12.2017 but DAC was not convened till the finalization of the report.

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

20.4.37 Unnecessary procurement of physical assets - Rs. 31.743 million

Para 96 of GFR Vol-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.

Para 145 of GFR. Volume-I, states that purchases must be made in the most economical manner in accordance with the definite requirements of the public service. Stores should not be purchased in small quantities. Periodical indents should be prepared and as many articles as possible obtained by means of such indents. At the same time, care should be taken not to purchase stores much in advance of actual requirements, if such purchase is likely to prove unprofitable to Government.

The management of Machine Readable Passport Project (MRP) purchased physical assets such as Air Conditioners, Servers, UPS, Batteries, LEDS, Network switches and VOIP phones for installation at various Regional Passport Offices.

Audit observed that physical assets valuing Rs. 31.743 million were lying in the store un-utilized since their procurement which is at least one year old resulting in blockage of public funds. Details are as under:

Statement showing the physical assets lying in stock

S. No	Name of Physical Asset purchased	Date of purchase	Unit price	No. Of units lying in stock	Total Price (Rupees)
1	Air Conditioner 2 ton	17.11.2015	54,500	21	1,144,500
2	VOIP Phone Avaya 1608	11.01.2016	227,139	30	6,814,170
3	5 KVA UPS APC	02.01.2016	165,000	7	1,155,000
4	Seven Segment LED	17.11.2015	16,995	219	3,721,905
5	Huawei RH 1288V3 (Data base Server)	05.10.2016	517,785	31	16,051,335
6	Network Switches	01.01.2016	61,850	41	2,535,850
7	Battery for Cannon EOS 1200-D	01.09.2016	3,334	96	320,064
				Total	**31,742,824**

Audit is of the view that procurement of physical assets much in advance of actual requirements was irregular.

Audit is also of the view that funds were spent hastily to avoid the lapse of grant.

The management replied that installation of air conditioners were pending due to weather conditions at few sites in GB and VOIP phones were yet to be installed. UPS are for emergency backup units. Installation of LEDs were pending due to PC interface (RS232 port) conversion to USB under new OS (64 bits).

The reply was not accepted because all the physical assets purchased were still lying in the stores. Further, audit observation was also strengthen as LED purchased in haste were not compatible to the existing system.

The PAO was informed on 08.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for procurement of physical assets much in advance of actual requirement.

20.4.38 Irregular hiring of security agency - Rs. 17.803 million

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

Rule 12(2) of the Public Procurement Rules, 2004 states that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

The management of Machine Readable Passport Project (MRP) hired services of M/s Omer Razzaq Enterprises (Pvt) Ltd. (OREL), Islamabad in 2007 and paid Rs. 17.803 million as salary of security guards as detailed below:

S. No	Year	Amount (Rs.)
1	2012-13	4,828,150
2	2013-14	5,940,522
3	2014-15	5,989,054
4	2015-16	1,044,935
Total Rs.		**17,802,661**

Audit observed that the services were hired without open competition.

Audit is of the view that hiring of services of security agency without open competition was irregular and unauthorized.

The management replied that a tender was floated in September, 2011 but could not be finalized due to expiry of bid validity period. 2nd tender was floated on 25.05.2013 which was not matured and the committee decided to re-tender. Re-tender in August, 2014 was also cancelled by the procurement committee due to objections raised by M/s. OREL and again recommended re-tendering. Despite attempts made by DG I&P, the management could not hire the services of a security agency through open competition. Resultantly, the only option left was extension of contract with M/s. OREL.

The PAO was informed on 08.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for hiring of Security Agency without open competition.

20.4.39 Non adjustment of TA advance – Rs. 7.737 million

Rule 668 of FTR, states that adjustment of all advances is required immediately after completion of the assignment by submission of detailed accounts supported by vouchers or by refund, as the case may be.

The management of Machine Readable Passport Project (MRP) paid TA/DA advances amounting to Rs. 7.737 million for deployment/posting as Pakistan Foreign Mission during financial year 2007-15.

Audit observed that TA/DA advances were not adjusted up to 2016-17 in violation of rule 668 of FTR.

Audit is of the view that non-adjustment of advances at the close of Financial Year was irregular.

The management replied that some of the TA/DA advances had been adjusted which can be verified.

The PAO was informed on 08.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that record may be got verified from audit and responsibility for non-adjustment of old TA/DA advances may also be fixed.

20.4.40 Loss due to issuance of unauthorized official gratis passports to non-entitled persons - Rs. 6.006 million

Para 9(a) of the Passport and Visa Manual, 2006 states that official gratis passports shall be issued to Members of the National Assembly and Senate, Judges of the Supreme Court, High Court, Shariat Court and Wafaqi Mohtasib, Provincial Ministers and Advisors, Federal Secretaries/Additional Secretaries/ Joint Secretaries, Chief Secretaries, Civil Servants and Armed Forces Personnel proceeding on official business, on training courses, study tours, or to attend seminars, etc.

Para 8(i) of the Passport and Visa Manual, 2006 states that fee for the issuance of normal green (private) passport (36 pages) is Rs. 3,000 per booklet for five years validity.

The management of Directorate General of Immigration and Passports, Islamabad issued 2002 official (Blue) gratis passports to non-entitled persons up to 04.10.2013.

Audit observed that issuance of official gratis passports to 2002 non-entitled persons was unauthorized.

Audit further observed that Government was deprived of its due receipt of Rs. 6,006,000 (2002 x Rs. 3,000) due to issuance of official gratis passports to non-entitled persons free of cost.

Audit is of the view that issuance of official gratis passports to non-entitled persons was serious irregularity on the part of the management, which resulted in the loss of Rs. 6.006 million to the Government.

The management replied that Official/Gratis passports were issued by this Directorate under the provision of Para 9 of Passport & Visa Manual, 2006 to the entitled persons. However, Federal Government (Ministry of Interior) could exempt any person or class of persons from all or any of the provisions of Para 9 in the public interest. Official/Gratis passports were issued to 2002 individuals under the authorization of Ministry of Interior. On receipt of directions from Ministry of Interior for cancellation of the passports, this Directorate General made the passports so issued ‘Inactive’/cancelled through system.

The reply was not accepted because record regarding issuance of 2,002 official gratis passports to non-entitled persons in the public interest by the Ministry of Interior was not provided to audit.

The PAO was informed on 08.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that inquiry may be held to fix the responsibility.

20.4.41 Un-authorized payment of cash reward to the production staff of the Project – Rs. 5.577 million

S.No.9(13) of Annexure-I to the Finance Division's O.M No.3(2)Exp-III/2006 dated 13.09.2006 regarding scholarship, bonuses and other awards states that Ministries/Divisions are delegated full powers in accordance with the approved rates for scales.

The management of the Machine Readable Passport Project (MRP) paid Cash Reward amounting to Rs. 5.577 million to the production staff of the Project out of the Head-A03808-Conveyance Charges during 2015-17.

Audit observed that Cash Reward was paid out of the Head meant for conveyance charges and in absence of any approved policy of cash reward for the Ministry.

Audit is of the view that payment of cash reward to the employees out of the budget of conveyance charges was irregular and unauthorized.

The management replied that the production facility remains functional for nearly 20 hours per day and every official over works so that the back log remains at a minimum level ensuring there with timely delivery of passports within Pakistan and abroad. In order to facilitate the production staff the management decided to compensate their services beyond their normal duties by giving a fix cash award of Rs. 5,000, Rs. 4,000 and Rs. 2500 to officers , officials and support staff, etc. respectively. It is worth mentioning that in the absence of the head of account, cash award payment was made under the head "Conveyance charges" as the said amount was paid as an overtime allowance in the form of cash award to the Production Staff.

The PAO was informed on 08.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that the responsibility may be fixed for irregular payment of cash award.

20.4.42 Unjustified purchase of excessive POL for the vehicles under the use of Director General and Project Coordinator – Rs. 4.724 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.

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.

The management of MRP incurred an expenditure of Rs. 2.287 million and Rs. 2.436 million on purchase of diesel for Toyota Hilux Vigo 2982cc bearing Registration No. GK-009 and GK-010 respectively during the financial years 2013-14 to 2016-17.

Audit observed that expenditure on procurement of diesel for each vehicle bearing No. GK-009 and GK-010 under the use of Director General and Project Coordinator, respectively was on the average of Rs. 61,824 and Rs. 49,720 per month. Such heavy consumption of diesel by the vehicles indicates that the vehicles were on the road round the clock for the last three years.

Audit is of the view that excessive expenditure on procurement of diesel for the said vehicles was irregular and unjustified.

The management replied that all vehicles were used for operations throughout Pakistan.

The reply was not satisfactory as both the vehicles were exclusively used by the Directors General and Project Director simultaneously including pick and drop facility (residence to office and back) as evident from the movement register. Further, no record in support of the reply such as requisition slips and approved tour programmes of field areas was provided to Audit.

The PAO was informed on 08.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that the matter may be looked into at an appropriate level to fix the responsibility for misuse of official vehicles.

20.4.43 Irregular expenditure on POL and repair and maintenance by Director General availing monetization allowance - Rs. 3.135 million

The Federal Government approved the "Compulsory Monetization of Transport Facility for Civil Servants in BPS-20 to BPS-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 2 of the Rules/Policy for Monetization of Transport Facility for Civil Servants (BS-20 to BS-22) circulated by the Cabinet Division vide letter No. 6/7/2011 CPC dated 12.12.2011 states that the basic objective of this transport monetization policy is in line with the observance of the austerity measures and to eliminate any possibility of misuse of official vehicles, as well as, to restrict the maintenance expenditure of the vehicles to the bare minimum, which shall be used as protocol/ operational duty purposes.

According to rule 5 (10) of the Rules for the use of Staff Cars, 1980; an officer requiring a staff car for official duty shall fill Part-1 of the Requisition Slip at Annexure "C" and send it to the Officer-in-Charge of Transport.

The management of Directorate General of Immigration and Passports, Islamabad provided official vehicles to Directors General (I&P), Islamabad and they were exclusively using official vehicles bearing No.GK-009 (Toyota Hilux VIGO, 2982cc) and IDL-9393 (Toyota Corolla Car 1300cc) from 01.07.2012 to 30.06.2017. The officers were also paid transport monetization amounting to Rs. 3,061,392 as detailed below:

(Rupees)

S. No.	Vehicle	Period	Monthly Transport Monetization paid	Total Amount
1	Syed Wajid Ali	01.07.2012 to 09.04.2013 (9 months & 9 days)	65,960	613,428
2	Mr. Sikandar Sultan Raja	17.07.2013 to 29.04.2014 (9 months & 14 days)	77,430	733,004
3	Mr. Usman Akhtar Bajwa	30.04.2015 to 30.06.2017 (26 months)	65,960	1,714,960
			Total Rs.	**3,061,392**

Audit observed that an amount of Rs. 3.135 million was incurred only on vehicle No. GK-009 as POL cost of POL and repair and maintenance of other vehicles was not produced.

Audit is of the view that vehicles were used in excess of transport monetization allowance by the Directors Generals which resulted in the loss of Rs. 3.135 million to the Government.

The management replied that all vehicles were used for operations throughout Pakistan.

The reply was not satisfactory as both the vehicles were exclusively used by the Directors General simultaneously including pick and drop facility (residence to office and back) as evident from the movement register.

The PAO was informed on 08.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity besides stopping the irregular payment of monetization allowance and recovery of monetization allowance already paid irregularly.

20.4.44 Irregular retention of deployment cost - Rs. 985.020 million

Clause 3 of Standard Terms and Condition for deployment of frontier constabulary (Regular) platoons for security duties with multinational companies states that pay and allowances as admissible in the parent department from time to time will be paid by the borrowing agency.

Rule 7 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. 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.

The management of Frontier Constabulary, Khyber Pakhtunkhwa was maintaining 13 private bank accounts for provision of security on payment basis and other welfare activities. Details are as under:

(Rs. in million)

S. No.	Account Title	Opening Balance	Deposits	Withdrawals	Closing Balance
1.	PPL Company	38.414	63.413	59.267	42.559
2.	MARI GAS Company	11.837	43.992	50.443	5.386
3.	POL Company	9.988	11.555	14.465	7.078
4.	MOL	72.118	155.606	159.732	67.993
5.	NHA Besham	10.297	1.232	1.722	9.806
6.	FC/Main Account	32.761	134.814	67.436	100.140
7.	SNGPL Company	27.904	11.918	6.622	33.200
8.	Special Pay	13.522	11.918	15.709	9.731
9.	Uniform	23.109	7.675	6.576	24.209
10.	Troops Welfare Fund	348.424	94.682	67.155	375.951
11.	Misc	49.471	5.499	0.265	54.704
12.	OGDCL	185.314	287.303	237.144	235.473
13.	NHA Kohat	0	39.825	21.035	18.790
Total		**823.159**	**869.432**	**707.571**	**985.02**

Audit observed as under:

i. The accounts were opened without the approval of the Finance Division.

ii. Pay and allowances and other costs paid by entities were retained by Frontier Constabulary instead of depositing into the Government treasury.

iii. During the year an amount of Rs. 707.571 million were withdrawn without any supporting documents.

iv. No policy regarding provision of security services by Civil Armed Forces to commercial organizations was devised by the Ministry of Interior.

Audit is of the view that employees of Civil Armed Forces were paid their salaries and IS Duty from Federal Consolidated Fund, therefore, retention of deployment cost in shape of pay and allowance paid by commercial entities deprived the government of its due receipt.

The management replied that these fund were centrally utilized for troops who were on duty with different companies.

The reply was not acceptable because the accounts were opened and amounts were retained without the approval of the Finance Division.

Audit recommends that the amounts retained in bank accounts be deposited in to the government treasury.

20.4.45 Non-deduction of sales tax - Rs. 12.220 million

According to Collectorate of Sale Tax Peshawar letter No. ST (Tech) Govt/31/2001/4191 dated 13.06.2001, sales tax shall be deducted @ 17% and invoice shall be got verified from the sales tax Collectorate where the supplier is located.

The management of Kurram Militia paid Rs. 72.003 million to Mr. Ihsan Ullah, Firewood Contractor for purchased of firewood during 2014-16.

Audit observed that:

i. As per Contract Agreement for the firewood for the year 2015-16 the rates were inclusive of the sales tax and other incidental charges.

ii. The payment was made to the supplier while no sales tax was deducted from his bills as per detail below:

S. No.	Month	PO. No.& date	Amount	17% GST
1.	07/2014	12/08 07 2014	1,875,991	318,918.5
2.	08/2014	148/12 08 2014	1,904,582	323,778.9
3.	09/2014	29/09 09 2014	2,277,500	387,175
4.	10/2014	07/01 10 2014	2,004,724	340,803.1
5.	11/2014	06/10 11 2014	2,246,732	381,944.4
6.	12/2014	22/03 12 2014	2,137,592	363,390.6
7.	01/2015	43/05 01 2015	2,214,392	376,446.6

8.	02/2015	33/09 12 2015	2,208,153	375,386
9.	03/2015	50/04 03 2015	19,747,704	3,357,110
10.	04/2015	47/06 04 2015	2,167,645	368,499.7
11.	05/2015	41/06 04 2015	2,258,806	383,997
12.	06/2015	1101/25 06 2015	1,687,222	286,827.7
13.	09/2015	29/07 09 2015	2,524,231	429,119.3
14.	10/2015	38/12 10 2015	2,524,220	429,117.4
15.	11/2015	17/03 11 2015	2,661,470	452,449.9
16.	12/2015	11/07 12 2015	2,668,497	453,644.5
17.	01/2016	18/04 01 2016	2,970,996	505,069.3
18.	02/2016	18/02 02 2016	3,348,900	569,313
19.	03/2016	70/10 03 2016	4,019,625	683,336.3
20.	04/2016	24/04 03 2016	2,948,816	501,298.7
21.	05/2016	3817084 7 4 16	3,506,710	596,140.7
22.	06/2016	82/05 05 2015	2,098,299	356,710.8
		Total	**72,002,807**	**12,240,477.4**

Audit is of the view that due to non-deduction of sales tax the Government was suffered a loss of Rs 12.240 million.

The management replied that General Sales Tax from Haji Ihsan Ullah (Firewood Contractor) had been made from their monthly bills through short drawl and the remaining due had already been recovered and deposited into Government Treasury.

The reply was not accepted because no documentary evidence was produced in support of the reply.

The PAO was informed on 30.05.2017 and 03.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that recovery of the sales tax may be made and deposited into Government Treasury under intimation to audit.

20.4.46 Annual audit of Cooperative Societies not conducted

Section 22 of Cooperative Societies Act, 1925 states that the Registrar shall be himself or by some person authorized by him in writing by general or special order in this behalf audit the accounts of every society once at least in every year.

Section 12 of Cooperative Societies Act, 1925 states that every society shall within a period of three months after the date fixed for making up its accounts for the year under the rules for the time being in force call a general meeting of its members.

Audit observed that the Registrar Cooperative Societies, Islamabad did not conduct audit of Cooperative Societies as required under Section 22 of Cooperative Societies Act, 1925. Detail of last Audit Reports of the societies mentioned on website is as under:

S. No.	Name	S. No.	Name
1	Multi Professional CHS	22	PAEC ECHS
2	T&T ECHS	23	Supreme Court Bar ECHS
3	Islamabad Farming CS	24	Media City CHS
4	WAPDA ECHS	25	NADRA ECHS
5	Ministry of Commerce ECHS	26	Pak PWD ECHS
6	OGDC Officers CHS	27	Federal Shariat Court ECHC
7	Veterans CHS	28	Services CHS
8	Jammu and Kashmir CHS	29	Pakistan ECHS
9	Cabinet Division ECHS	30	Federation of Employees CHS
10	Ministry of Interior ECHS	31	Work No Word CHS
11	Foreign Office ECHS	32	Pakistan Medical CHS
12	PARC ECHS	33	Mohafiz Gardens CHS
13	Senate (Sectt) ECHS	34	State Life Insurance CHS
14	IB ECHS	35	Islamabad CHS
15	National Assembly ECHS	36	Engineers CHS
16	NPF ECHS	37	KRL ECHS
17	Doctors ECHS	38	Pakistani Professionals CHS
18	Civilian ECHS	39	OGDC ECHS
19	CBR ECHS	40	Baltistan CHS
20	AGOCHS	41	Ministry of Religious affairs CHS
21	Federal ECHS	42	Government Officer Cooperative Farming Society Islamabad

Audit is of the view that the management failed to perform its function as required under the Act.

The DAC meeting held on 18.10.2017 directed the CF&AO, Ministry of Interior to probe into the matter and responsibility may be fixed for non-provision of record to Audit and share the report with Audit.

Audit recommends that audit of the Cooperative Societies may be conducted as per rules under intimation to Audit.

CHAPTER 21

21. MINISTRY OF LAW, JUSTICE AND HUMAN RIGHTS

21.1 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.

21.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Law and Justice Division for the financial year 2016-17 was Rs. 11,019.271 million including Supplementary Grant of Rs. 31.865 million out of which the Division utilized Rs. 9,111.580 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	627,795,000	3,000	627,798,000	520,389,752	(107,408,248)	(17)
75	Current	3,579,409,000	41,124,000	3,620,533,000	3,389,626,562	(230,906,438)	(6)
76	Current	99,637,000	9,403,000	109,040,000	97,358,686	(11,681,314)	(11)
77	Current	345,105,000	8,000	345,113,000	328,018,653	(17,094,347)	(5)
78	Current	2,339,398,000	260,318,000	2,599,716,000	2,513,071,354	(86,644,646)	(34)
	Subtotal	**6,991,344,000**	**310,856,000**	**7,302,200,000**	**6,848,465,007**	**(453,734,993)**	**(22)**
H	Charged	1,747,432,000	2,000	1,747,434,000	1,349,775,505	(397,658,495)	(19)
I	Charged	469,630,000	5,000	469,635,000	426,328,390	(43,306,610)	(9)
126	Development	1,500,000,000	2,000	1,500,002,000	487,010,827	(1,012,991,173)	(68)
	Total	**10,708,406,000**	**310,865,000**	**11,019,271,000**	**9,111,579,729**	**(1,907,691,271)**	**(17)**

Audit noted that there was an overall saving of Rs. 1,907.691 million mainly due to savings in current as well as development expenditure.

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
Law & Justice and Human Rights (including Devolved M/o Women Development)	1989-90	1	1	1	0	100
	1990-91	4	4	3	1	75
	1992-93	4	4	3	1	75
	1997-98	1	1	0	1	0
	1999-00	20	20	0	20	0
	2000-01	25	25	15	10	60
	2003-04	9	9	6	3	67
	2005-06	9	9	0	9	0
	2006-07	6	6	4	2	67
	2007-08	1	1	0	1	0
	2008-09	2	2	1	1	50
Total		**82**	**82**	**33**	**49**	**40**

21.4 AUDIT PARAS

Irregularity & Non Compliance

21.4.1 Unauthorized retention of 10 vehicles in excess of authorization from Vehicle Authorization Committee

Para xv of Annexure to the Cabinet Division No. 6/7/2011-CPC dated 12.12.2011 states that the Ministries/Divisions/Departments needing operational vehicles shall get their authorization of such vehicles fixed from the Vehicle Committee constituted with a representative each from Cabinet Division, Finance Division and the respective Ministry/Division/Department.

Cabinet Division vide U.O. No. 2/20/1011-CPC dated 23.02.2012 authorized seven vehicles to be maintained for Protocol/General/Operational duties of Ministry of Law & Justice. Details are as under:

S. No.	Engine Capacity	No. of Vehicles
1.	1300cc Car	One
2.	800/1000cc Vehicle	Five
3.	Van up to 3000cc	One

Para 3 of Cabinet Division vide U.O. No. 2/20/1011-CPC dated 23.02.2012 states that all other vehicles, in excess to above authorized vehicles being used for Protocol/General/Operational duties may immediately be surrendered to the Cabinet Division, Central Pool of Cars by 01.03.2012.

The Ministry of Law, Justice and Human Rights was maintaining 17 vehicles of engine capacity ranging from 800cc to 1800cc.

Audit observed as under:

i. 10 vehicles were being maintained in excess of the vehicles authorized by the Vehicle Committee constituted pursuant to the Transport Monetization Policy.
ii. The excess vehicles were not surrendered to the Cabinet Division, Central Pool of Cars as required under Cabinet Division U.O. No. 2/20/1011-CPC dated 23.02.2012.

Audit is of the view that retention and maintenance of vehicles in excess of authorization from Vehicle Committee was irregular and unauthorized.

The management in its reply provided the status of the deployment of vehicles with the officers.

The PAO was informed on 10.11.2017 and 07.12.2017 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.

21.4.2 Irregular appointment of Staff/Officers without observing merit

Establishment Division O.M. No.8/10/2000-CP.I, dated 21-3-2000 as amended from time to time given at Sr. No. 133 of the Estacode states that It has been noticed with concern that contract appointments were made in the past indiscriminately without proper examination of the need therefore and without ensuring observance of the principle of open merit, and equality of opportunity. It has now been decided by the Chief Executive that the following guidelines should be strictly observed in future while proposing contract appointments to civil posts under the Federal Government:–

i) The concerned department should specifically justify why it is not possible to fill in a vacancy in accordance with the procedure laid down in the Civil Servants (Appointment, Promotion and Transfer) Rules, 1973 and the Recruitment Rules and where it is considered necessary to fill in a post on contract, it shall only be for a period not exceeding two years. The professional qualifications, experience, and age limit (where necessary) required for the post, shall be prescribed in consultation with the Establishment Division.

ii) The decision to fill the vacant post on contract basis shall be taken at the level of the Secretary of the Ministry/Division and/or head of the Departments/Organization etc. The post should be advertised and selection should be made by a Departmental Selection Committee.

Audit observed that the following appointments were made in National Commission for Human Rights without availability of sanctioned posts and without advertisement during F.Y 2015-16.

S #	Name	Designation	Date of appointment	Monthly Pay
01	Mian Waqar Ahmed	Complaint Officer	17.05.2016	45,000
02	Mr. Waqas Umar	Complaint Officer	17.05.2016	45,000
03	Mr.Ali Mujtaba	Law Officer	21.06.2016	45,000
04	M.Adnan Muzaffar	Complaint Officer	24.06.2016	45,000
05	Mr Muhammad Naqshad	Deputy Coordinator	14.06.2016	45,000
06	Ms Saira Kamran	Assistant Coordinator	10.06.2016	45,000
07	Mr.Ehsan Ullah Cheema	Consultant Finance	01.04.2016	95,000
08	Mr. Israr Ahmed Khan	Assistant / Cashier	02.05.2016	30,000
09	M Rehanullah	LDC	21.06.2016	16,000
10	Mr. Muhammad Shahbaz	Driver	08.06.2016	16,000
11	Mr. Rashid Baggu	N/Q	06.06.2016	14,000
12	Mr. Muhammad Usman	N/Q	06.01.2016	14,000
13	Muhammad Shabbir	Frash	31.05.2016	14,000
14	M. Faisal Naseem	Sweeper	07.12.2015	14,000
15	Mr.Imran Younas	Sweeper	06.06.2016	14,000
16	Mr,Muhammad Rafique	N/Q	17.04.2016	14,000
17	Mr.Muhammad Faizan	Chowkidar	07.12.2015	14,000
18	Mr.Ali Raza	N/Q	07.12.2015	14,000
19	Mr.Shabbar Raza	Dispatch Rider	07.12.2015	14,000

Regional Officer (Punjab)				
01	Mr.Muhammad Khalid	Coordinator	30.06.2016	70,000
Regional Office (FATA)				
01	Mr.Riazuddin Khilji	Senior Coordinator	26.05.2016	75,000
Regional Office (KPK)				
01	Mr Rizwanullah Shah	Coordinator	17.05.2016	70,000
Regional Office (Sindh)				
01	M Seema Sheikh	Sr.Coordinator	01.06.2016	75,000
Regional Office (Balochistan)				
01	Mr Ameer Jan Jamaldini	Coordinator	19.05.2016	70,000
Regional Office (Minorities)				
01	Mr.Aamir Sattar	Coordinator	31.05.2016	70,000
02	Mr. Arslan Ilyas	N/Q	21.04.2016	14,000

Audit is of the view that hiring of staff without open competition and without merit is a serious lapse on the part of the management.

The management replied that appointments of Chairman and 07 Members of the Commission were notified in May 2015 but there was no separate office to administer the financial and administrative matters of the Commission. In March 2016, Establishment Division was requested to provide some officers/officials against the sanctioned posts on deputation basis but there was no response. The Commission decided to hire some people on contract basis as a stop-gap arrangement. All these appointments/ contracts were on short term basis. The Service/Recruitment Rules of the Commission had been prepared and presently with Establishment Division for vetting and approval. As soon as the Recruitment Rules were approved and appointments were made, the contractual/contingent appointments would be replaced.

Audit recommends responsibility may be fixed for non-observance of merit and open competition and appointments without availability of posts.

CHAPTER 22

22. NATIONAL HEALTH, SERVICES, REGULATIONS AND COORDINATION DIVISION

22.1 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

22.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the National Health Service Regulations and Coordination Division for the financial year 2016-17 was Rs. 38,626.862 million including Supplementary Grant of Rs. 6,247.612 million out of which the Division utilized Rs. 34,371.736 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)
84	Current	1,728,077,000	1,050,406,000	2,778,483,000	2,736,511,885	(41,971,115)	(1.51)
132	Development	30,651,173,000	5,197,206,000	35,848,379,000	31,635,224,659	(4,213,154,341)	(11.75)
	Total	**32,379,250,000**	**6,247,612,000**	**38,626,862,000**	**34,371,736,544**	**(4,255,125,456)**	**(13.26)**

Audit noted that there was an overall saving of Rs. 4,255.125 million, which was mainly due to saving of Rs. 4,213.154 million in development expenditure.

22.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Complied	Not - Complied	% of Compliance
National Health Services. Regulations and Coordination (Devolved M/o Health)	1988-89	2	2	0	2	0
	1995-96	8	8	5	3	63
	1996-97	22	22	17	5	77
	1997-98	1	1	1	0	100
	1998-99	41	41	6	35	15
	2000-01	52	52	5	47	10
	2003-04	14	14	4	10	29
Total		**140**	**140**	**38**	**102**	**27**

22.4 AUDIT PARAS

Irregularity and Non-Compliance

22.4.1 Unauthentic expenditure by hospitals - Rs. 300.684 million

Prime Minister's Office vide letter No. 124/SPM/16 dated 17.01.2016 approved detailed procedure for entertainment and process of treatment of various life threatening diseases.

As per clause "f" of the approved procedure "estimated cost shall be paid to treating hospitals/institutions by the Ministry of National Health Services with the condition that these institutions shall furnish a vouched account in each case to the Ministry immediately on discharge of a patient and return any unspent balance. In this context, Ministry shall put in place a proper reconciliation mechanism.

The management of Ministry of National Health Services, Regulations and Coordination released an amount of Rs. 559.532 million to different hospitals during 2015-16.

Audit observed that out of the released amount, only an amount of Rs. 258.878 million was reconciled with the hospitals and the remaining amount of Rs. 300.684 million remained un-reconciled with the hospitals.

Audit is of the view that due to non-reconciliation and non-provision of vouched account, the authenticity of the expenditure could not be ascertained.

Despite repeated requests the management did not reply.

The PAO was informed on 07.12.2017 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 provision of vouched account and depositing of unspent balances in Government account.

22.4.2 Non-obtaining of adjustment accounts - Rs. 210.000 million

Para 207(3) of GFR Volume-I states that the recipient organization is required to submit vouched accounts or audited statement of the accounts to the sanctioning authority, in order to ensure that the grant was utilized/spent for the purpose for which it was provided.

The management of Ministry of National Health Services, Regulations and Coordination released an amount of Rs. 210.000 million to Institute of Nuclear Medicine and Oncology (INMOL) , Lahore vide cheque No. 6188325 dated 04.01.2017 for purchase of MRI Machine and Generator as per Prime Minister's directives dated 17.11.2016.

Audit observed that the management did not obtain the adjustment accounts from INMOL despite close of financial year 2016-17.

Audit is of the view that in the absence of adjustment accounts, It could not be ascertained that the funds were utilized for intended purposes, i.e. purchase of MRI Machine and Generator.

Despite repeated requests the management did not reply.

The PAO was informed on 07.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

22.4.3 Nomination for Pakistan's candidature for the position of Director General, WHO without advertisement and technical evaluation - Rs. 31.52 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.

Ministry of National Health Services, Regulations and Coordination nominated Dr. Sania Nishtar for the post of Director General World Health Organization (WHO) and made payments aggregating to Rs. 31.52 million on foreign tours, seminars, conferences, printing of material and courier services etc. during 2016-17 to muster support for her candidature.

Audit observed that management did not formulate any policy/procedure for selection and nomination of candidate for participation in Election for position of Director General, World Health Organization (WHO) .

Audit is of the view that nomination for Pakistan's candidature for the position of DG, WHO in absence of approved criteria and policy was an undue favor to the candidate.

Despite repeated requests the management did not reply.

The PAO was informed on 07.12.2017 but DAC was not convened till the finalization of the report.

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

22.4.4 Unauthorized release regarding treatment expenses on non-affording patients - Rs. 19.936 million

Prime Minister's Office vide letter No. 124/SPM/16 dated 17.01.2016 approved detailed procedure for entertainment and process of treatment of various life threatening diseases.

As per clause "e" of the approved procedure "treatment expenses on non-affording patients below the limit of Rs. 0.600 million shall be met out the Pakistan Bait-ul-Mal funds.

Ministry of National Health Services, Regulations and Coordination released an amount of Rs. 559.532 million to different hospitals during 2015-17.

Audit observed that the Ministry released an amount of Rs. 19.936 million for treatment expenses of non-affording patients below the limit of Rs. 0.600 million which was required to be met out of the Pakistan Bait-ul-Mal Funds.

Audit is of the view that Prime Minister's Office instructions on financial assistance up to Rs. 0.600 million were not followed.

Despite repeated requests the management did not reply.

The PAO was informed on 07.12.2017 but DAC was not convened till the finalization of the report.

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

22.4.5 Recovery of undue deduction of GST on Syringes - Rs. 10.471 million

Vide S.R.O 349(1) 2010 dated 18.05.2010, in exercise of powers conferred by sub-clause (vi) of clause (g) of Section 3 of the Drug Act, 1976, the Federal Government declared auto-disable syringes and butterfly needles to be drug for the purpose of this Act.

As per S.R.O 5512(1)/2008 dated 11.06.2008, the Federal Government in exercise of powers conferred by Clause (a) of sub-section (2) of section 13 of the Sales Tax 1990, exempted the substances registered as drugs under the Drug Act, 1976 from the whole amount of Sales Tax w.e.f. 01.07.2008.

As per caption 9.4 of the Instructions to Bidders of the bidding document for the supply of auto-disable syringes, the bidder is required to offer very competitive price. All prices must include the General Sales Tax and other taxes and duties, where applicable. If there is no mention of taxes, the offered / quoted price will be considered as inclusive of all prevailing taxes/ duties. The benefit of exemption from or reduction in the GST or other taxes and duties during the contract period shall be passed on to the Purchaser.

The management of Expanded Programme on Immunization (EPI), Islamabad purchased 8,922,640 Auto-disable syringes at a cost of 7.35 per unit including GST @ 19% from M/s Hospital Services & Sales and paid Rs. 65.581 million vide during 2016-17.

Audit observed as under:

i. As per invoices issued by the supplier, cost of a syringe excluding GST was Rs. 6.176 million.

ii. An amount of Rs. 10.471 million was charged as GST in violation of S.R.O. 5512(1)/2008 dated 11.06.2008.

Audit is of the view that undue favor was extended to the supplier which resulted in loss of Rs. 10.471 million to the public exchequer.

The management replied that after completion of the supply, the firm submitted their invoices dated 03.01.2017 and 02.02.2017 amounting to Rs. 65.581 million. The bill was sent to AGPR, Islamabad after deduction of 1/5th of the total GST amounting to Rs. 2.094 million. Hence no overpayment has been made to the supplier.

The reply was not accepted being irrelevant.

Audit recommends recovery of excess payment to the supplier on account of GST.

22.4.6 Irregular payment of Health Allowance to the employees of EPI - Rs. 6.010 million

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

As per approved PC-I of the program, EPI is a Federal Cell which is responsible for making plans for monitoring, training and evaluation of the programmes in collaboration with WHO and UNICEF. The Cell is also responsible for central procurement of EPI supplies including vaccine, syringes, cold chain equipment and vehicles etc.

The management of Expanded Programme on Immunization (EPI) paid Health Allowance to officers and staff amounting to Rs. 6.010 million during 2016-17.

Audit observed that Health Allowance was paid to the employees of EPI which is neither a hospital nor a clinic.

Audit is of the view that payment of Health Allowance to EPI employees was irregular and unauthorized.

The management replied that health allowance equal to one-month basic pay was sanctioned by the Govt. of Pakistan to all health personnel in January 2012 replacing the HPS scales. Accordingly, being health personals 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 on 18.05.2012. It is further clarified that the grant of health allowance has been accorded by the ECNEC headed by Finance Minister while approving the EPI 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. On the orders of Courts, the M/o. Finance has withdrawn the said letter dated 27.10.2014 vide their recent letter No.F.12(10)R-2/2016-480 dated 24.08.2017.

The reply was not accepted due to the reason that the letter of Finance Division dated 24.08.2017 refers to a specific case filed by Mr. Ali Hussain Vs. Finance Division. Moreover, Finance Division has not withdrawn its letter dated 27.03.2012.

Audit recommends that responsibility may be fixed for the irregularity.

22.4.7 Irregular payment of allowances – Rs. 51.198 million

Section 18 of the Health Services Academy Ordinance, 2002 states that the Federal Government may, by notification in the official Gazette, make rules for carrying out the purposes of this Ordinance, including rules to regulate the financial and administrative matters related to the Academy.

Rule 32 of Health Services Academy Employees (Service) Rules, 2009 states that the employees shall be entitled to such allowances as may be prescribed by the Board from time to time with the approval of the Ministry of Finance.

The Board of Governors of Health Services Academy in its 9th meeting held on 18.07.2013 approved teaching allowance to teaching staff as per the following rates:

S. No.	Faculty	Monthly Allowance
1	Professor	Rs.80,000
2	Associate Professor	Rs.65,000
3	Assistant Professor	Rs.55,000
4	Instructor	Rs.30,000

The Board of Governors of Health Services Academy in its 9th meeting held on 18.07.2013 approved Health Services Academy Allowance @ of 30 % of the gross pay (including pay and allowances).

The management paid an amount of Rs. 51.198 million from date of approval to 30.06.2017.

Audit observed that the allowances were granted without the approval of the Finance Division.

Audit is of the view that payment of teaching allowance and health service academy allowance without the approval of Finance Division was violation of the provisions of HSA Ordinance and Rules.

The management replied that under Section 8(g) of Health Service Academy Ordinance, 2002 the BoG is empowered to fix remuneration, allowances and honoraria for all the staff, both academic and administrative commensurate with their qualifications and experience in order to attract the best talent from within and outside Pakistan for the Academy. Therefore, the BoG keeping in view the provision of Ordinance has allowed teaching allowance. However, under Rule 32 of the Health Service Academy Employees (Service) Rules-2009, the power of fixing of allowances by BoG was linked with concurrence of Finance Division which is in contravention of the parent legislation, i.e. Academy Ordinance, 2002. Further, the Academy was making payment of pay and allowances from its own resources and had no burden on the Federal Consolidated Fund. A case for amendment in the Section 32 of the Service Rules-2009 to bring it in conformity with Section 8(g) of the Ordinance and proposal of amendment would be placed before BoG for recommendations to be sent to the Government.

The reply was not accepted because under Section 18 of the Health Services Academy Ordinance, 2000 the rules were required to be made to regulate the financial and administrative matters related to the Academy. Moreover, Rules 32 of Health Services Academy Employees (Service) Rules, 2009 clearly states that the employees of the academy shall be entitled to such allowances as may be prescribed by the Board from time to time with the approval of the Ministry of Finance.

The PAO was informed on 22.11.2017 but DAC was not convened till the finalization of the report.

Audit recommends that the payment of teaching allowance being paid without the approval of Finance may be stopped forthwith besides making the recovery.

22.4.8 Irregular payment of facilitation charges - Rs. 35.566 million

Section 18 of the Health Services Academy Ordinance, 2002 states that the Federal Government may, by notification in the official Gazette, make rules for carrying out the purposes of this Ordinance, including rules to regulate the financial and administrative matters related to the Academy.

Rules 32 of Health Services Academy Employees (Service) Rules, 2009 states that the employees shall be entitled to such allowances as may be prescribed by the Board from time to time with the approval of the Ministry of Finance.

The management of Health Services Academy incurred an expenditure of Rs. 35.566 million on account of facilitation charges.

Audit observed that the facilitation charges were paid to the employees without the approval of the Finance Division

Audit is of the view that payment of facilitation charges to the employees in absence of approved rules was irregular and in violation of the provisions of HSA Ordinance and Rules.

The management replied that the figure Rs. 35.566 million was system generated figure which included various payment other than facilitation charges, therefore the statement was being bifurcated to work out the actual payment of facilitation charges. Payment of Facilitation charges was approved by Executive Committee in its meeting held on 18.02.2010.

The reply was not accepted being irrelevant. The executive committee was not empowered to approve incentives involving financial implication which is required to be dealt with in accordance with rules approved by the Government.

The PAO was informed on 22.11.2017 but DAC was not convened till the finalization of the report.

Audit recommends that irregular practice may be stopped and the amount already paid may be recovered.

22.4.9 Non recovery of rent of land and buildings – Rs. 415.931 million

Para 5 (e) of Finance Division OM No.F.3(2)/Exp.III/2006, dated 13.09.2006 states that in the matter of receipts pertaining to the Ministry/Division, Attached Departments and subordinate 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 any kind connected with the functions of the Ministry/Division (s)/ departments and subordinate offices under his control.

The management of the National Institute of Health (NIH), Islamabad leased out land and rented out buildings to various departments.

Audit observed that rent of Rs. 415.931 million which included ground rent of Rs. 75.458 million was outstanding against various departments as on 30.06.2017. Details are as under:

(Rupees)

S. No.	Department	Total Outstanding
1.	Expended Programme on Immunization	17,237,087
2.	National AIDS Control Programme	42,722,724
3.	National Prevention & Control of Blindness (PCB)	6,266,022
4.	National Hepatitis Control Programme	16,601,920
5.	Directorate of Malaria Control (DoMC)	23,747,214
6.	National TB Control Programme (NTCP)	33,200,907
7.	National Control Laboratory for Biological	8,520,044

8.	Health Services Academy (HSA)	48,960,000
9.	Pakistan Nursing Council (PNC)	6,464,000
10.	Federal Drugs Surveillance Laboratory	3,795,000
11.	World Health Organization (WHO)	1,531,250
12.	Central Health Establishments (CHE)	267,360
13.	FELTP	406,200
14.	FM&DC	74,221,744
15.	Federal General Hospital, (FGH)	131,990,048
	Total	**415,931,520**

Audit is of the view that non receipt of rent resulted in loss to department and government.

The management replied that NIH was putting its efforts to collect the outstanding rent.

The PAO was informed on 08.11.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed and recovery of outstanding rent from the defaulters be made.

22.4.10 Irregular payment of pay and allowances - Rs. 496.60 million

Section 33(1) of the Pakistan Medical & Dental Council (PMDC) Ordinance, 1962 (Amended Act, 2012) states that the Council may, with the previous sanction of the Federal Government, make Regulations generally to carry out the purposes of this Ordinance, and, without prejudice to the generality of this power.

Section 33(2)(i) of the PMDC Ordinance, 1962 (Amended Act, 2012) states that the council shall make regulations which may provide for terms and conditions of service for all employees appointed under Section 9

Section 9(1)(f) of the PMDC Ordinance, 1962 (Amended Act, 2012) states that the Council shall fix the remuneration and allowances to be paid to the President, Vice President, members, officers and servants of the Council employed under this section..

PMDC in its meeting held on 28.08.2012, approved the terms and conditions of service and ancillary administrative and financial matters of all employees appointed under Section 9 of the PMDC Ordinance, 1962.

The management of PMDC paid pay and allowances amounting to Rs. 496.60 million (Rs. 223.50 million in 2015-16 and Rs. 273.10 million in 2016-17) to its employees during 2015-17.

Audit observed that pay and allowances were paid without the approval of the Federal Government as required under Section 33(1) of the Medical & Dental Council Ordinance, 1962 (Amended Act, 2012). In addition of Special Pay Scales, following allowance were also paid to the employees: Health Allowance (100% of running pay), Ad-hoc Allowance 2012 (50% of running pay), House Rent Allowance (45% of running pay).

Audit is of the view that payment of pay and allowances on basis of Regulations not approved by the Federal Government was irregular and unauthorized.

The management replied that PMDC was empowered to make Regulations in terms of Section 33(2) of Pakistan Medical and Dental Council Ordinance, 1962 as amended vide Medical and Dental Council (Amendment) Act, 2012. Accordingly, the Council approved the terms and conditions of service and ancillary administrative and financial matters of all employees appointed under Section 9 of the PMDC Ordinance, 1962.

The reply was not accepted because in the Amended Act, 2012 no amendments were made in Section 33(1) and Section 33(2) only some sub-clauses of these Sections were amended which did not empower PMDC to make regulations on its own without the approval of the Federal Government.

Audit recommends that the irregular practice may be stopped forthwith and the Regulations may be got approved from the Federal Government.

22.4.11 Irregular/un-authorized maintenance of CP Fund Scheme - Rs. 14.000 million

Section 33(1) of the Pakistan Medical & Dental Council Ordinance, 1962 (Amended Act, 2012) states that the Council may, with the previous sanction of the Federal Government, make Regulations generally to carry out the purposes of this Ordinance, and, without prejudice to the generality of this power.

Section 33(2)(i) of the Pakistan Medical & Dental Council Ordinance, 1962 (Amended Act, 2012) states that the council shall make regulations which may provide for terms and conditions of service for all employees appointed under Section 9.

Section 9(1)(f) of the Pakistan Medical and Dental Council Ordinance, 1962 (Amended Act, 2012) states that the Council shall fix the remuneration and allowances to be paid to the President, Vice President, members, officers and servants of the Council employed under this section..

The management of PMDC deducted an amount of Rs. 7.227 million from the salaries of employees and contributed equal amount to G.P Fund during 2015-17 and total amount of Rs. 14.454 million was deposited into the GP Fund Account.

Audit observed that the deduction and contribution of GP Fund was made without the approval of Regulations by the Federal Government.

Audit is of the view that deduction and contribution of GP Fund was irregular and unauthorized.

The management replied that PMDC is empowered to make regulations under Section 33(ii) of the PM&DC Ordinance 1962 as amended vide Act No.XIX of 2012. The Council approved Terms & Conditions of Service and Ancillary matters of all employees appointed under Section 9 of the PM&DC Ordinance, 1962. The said Regulations contain provision for GP Fund Contribution by the employee and the employer (PM&DC).

The reply was not accepted because in the Amended Act, 2012 no amendments were made in Section 33(1) and Section 33(2) only some sub-clauses of these Sections were amended which did not empower PMDC to make regulations on its own without the approval of the Federal Government.

Audit recommends that the irregular practice may be stopped and the Regulations may be got approved from the Federal Government.

CHAPTER 23

23. PAKISTAN ATOMIC ENERGY COMMISSION (PAEC)

23.1 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.

23.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to Pakistan Atomic Energy Commission for the financial year 2016-17 was Rs. 37,574.721 million against which the Commission utilized Rs. 34,487.874 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	8,059,014,000	489,238,000	8,548,252,000	8,548,252,000	-	-
138	Development	27,831,469,000	1,195,000,000	29,026,469,000	25,939,622,000	(3,086,847,000)	(10.63)
	Total	**35,890,483,000**	**1,684,238,000**	**37,574,721,000**	**34,487,874,000**	**(3,086,847,000)**	**(8.22)**

Audit noted that there were savings of Rs. 3,086.847 million in development grant No. 138 which amounts to 10.63% of the total budget allocated to the Pakistan Atomic Energy Commission.

23.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Compliance	Non Compliance	% 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
	Total	**12**	**12**	**11**	**1**	92

23.4 AUDIT PARAS

Irregularity & Non Compliance

23.4.1 Irregular expenditure on procurement of medicines - Rs. 33.883 million

Clause 7 of the Agreement Deed for the local purchase of medicines relating to Zakat, Bait ul Mal & Tanzeem Lissail-e-Wal Mahroom Funds, etc. of INOR Abbottabad states that the contractor shall be bound to stamp the medicine with the title of "INOR Not for Sale" with irremovable ink failing which the supply shall not be accepted.

The management of Institute of Nuclear Medicine Oncology & Radiotherapy (INOR), Abbottabad procured medicine from various suppliers during the period under audit. Year-wise details are as under:

S. No.	Financial Year	Amount (Rs)
1.	2010-11	4,290,709
2.	2011-12	5,664,923
3.	2012-13	4,355,858
4.	2013-14	1,220,029
5.	2014-15	3,723,790
6.	2015-16	14,628,282
	Total:	**33,883,591**

Audit observed during the inspection of the store that the medicines were procured by the management in violation of the clause 7 of the Agreement Deed for the local purchase of medicines as the supplier did not mention "INOR Not for Sale" with irremovable ink on the medicines supplied, but the management did not refuse to accept the medicine supplied.

Audit is of the view that the undue favor was extended to the suppliers and made the medicines susceptible to sale in the open market or pilferage.

The management replied that practice of affixing stamp on medicines "INOR Not for sale" was followed during 2011 to 2016 but during current financial year 2016-17, the said clause was overlooked due to urgent need of medicines. However, procedure of receipt and issue of medicines to the patients adopted by the institute makes it transparent.

DAC in its meeting held on 05.12.017 directed the management to get the record verified from audit. The record verification was carried on 11.12.2017, however, the management could not produce the complete record showing the stamp "INOR Not for sale" on medicines purchased during 2011-2016.

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

23.4.2 Irregular payment of house requisition subsidy - Rs. 17.349 million

Para 25 of GFR Volume-I states that 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.

Ministry of Housing & Works O.M No. F.4(8)/92-Policy dated 18.10.2011 states that there are only six specified stations for the purpose of rental ceiling throughout Pakistan which are Islamabad, Rawalpindi, Lahore, Quetta, Peshawar & Karachi . In Sindh, only Karachi is the specified station for which house rent ceiling is admissible to personnels who are not provided official accommodation.

The management of Gujranwala Institute of Nuclear Medicine and Radiotherapy, Gujranwala (GINUM) paid Rs. 17.349 million as house requisition subsidy during 2009-17.

Audit observed that the house requisition subsidy was paid to employees at the station which was not a specified station.

Audit is of the view that payment of house rent subsidy to the employees without approval of Ministry of Finance was unauthorized.

The management replied that Chairman, PAEC with financial concurrence of Member (Finance) granted housing subsidy facility @ 75% of main cities to employees posted at non specified stations including Gujranwala.

The reply was not accepted because Gujranwala was not a specified station as mentioned in Ministry of Housing & Works O.M. No. F.4(8)/92-Policy dated 18.10.2011

Audit recommends that responsibility may be fixed for the irregularity besides recovery of already paid amount.

23.4.3 Irregular purchases without open competition - Rs. 8.119 million

Rule 12(1) of Public Procurement Rules, 2004 states that (1) 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 Gujranwala Institute of Nuclear Medicine and Radiotherapy Gujranwala (GINUM) incurred an expenditure of Rs. 8.119 million on account of procurement of stores during 2009-17. Details are as under:

(Rupees)

S. No.	Name of suppliers	Description	Amount
1.	M/s National Traders & M/s Panasonic Communication Lahore.	Procurement of Audio video system	1.427
2.	M/s AYK private Limited	Purchase of diesel Generator set	1.825
3.	M/s unique wood working Rawalpindi	Furnishing of auditorium	4.867
		Total	**8.119**

Audit observed that purchases were made without open competition.

Audit is of the view that due to purchases without open competition the Government was deprived of the benefit of competitive rates.

The management replied that all the stores were urgently required for the smooth function of the institution. The equipment were purchased with the approval of competent authorities as per delegation of power.

The reply was not accepted because items were purchased without open competition.

Audit recommends that responsibility may be fixed for the irregularity.

CHAPTER 24

24. MINISTRY OF PETROLEUM AND NATURAL RESOURCES

24.1 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

24.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Petroleum & Natural Resources Division for the financial year 2016-17 was Rs. 11,093.257 million including Supplementary Grant of Rs. 9,626.253 million out of which the Division utilized Rs. 8,263.496 million. Grant-wise detail of current and development expenditure is as under:

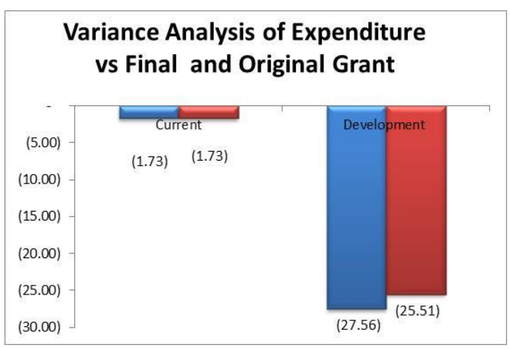
(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
87	Current	347,484,000	11,000	347,495,000	336,304,460	(11,190,540)	(3)
88	Current	444,310,000	18,000	444,328,000	440,283,976	(4,044,024)	(1)
89	Current	87,734,000	-	87,734,000	87,734,000	-	-
	Subtotal	**879,528,000**	**29,000**	**879,557,000**	**864,322,436**	**(15,234,564)**	**(2)**
145	Development	587,476,000	9,626,224,000	10,213,700,000	7,399,173,717	(2,814,526,283)	(28)
	Total	**1,467,004,000**	**9,626,253,000**	**11,093,257,000**	**8,263,496,153**	**(2,829,760,847)**	**(26)**

Audit noted that there was an overall saving of Rs. 2,829.761 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, savings in current expenditure were 1.73%. In development expenditure, savings against original budget were 27.56% which reduced to savings of 25.51% when Supplementary Grants were taken into account.



24.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Full Compliance	Not Complied	% of Compliance
Ministry of Petroleum and Natural Resources	1987-88	2	2	0	2	0
	1988-89	5	5	2	3	40
	1990-91	1	1	1	0	100
	1992-93	3	3	2	1	67
	1993-94	2	2	1	1	50
	1994-95	4	4	0	4	0
	1995-96	4	4	3	1	75

	1999-00	4	4	0	4	0
	2000-01	52	52	38	14	73
	2003-04	8	8	6	2	75
	2005-06	11	11	3	8	27
	2006-07	3	3	2	1	67
	2008-09	3	3	0	3	0
	Total	**102**	**102**	**58**	**44**	**57**

24.4 AUDIT PARAS

Irregularity & Non Compliance

24.4.1 Irregular expenditure out of receipts - Rs. 24.901 million

Rule 21 of HDIP Service 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 function and operations of the institute. Receipts of fund from all sources shall be deposited into the HDIP Fund which shall be operated in accordance with the direction of the Board.

In terms of Section 6(c) of the HDIP, Act 2006, the Board of Governors shall have the power to approve annual budget of the Institute.

The management of the HDIP, Karachi received an amount of Rs. 73.426 million on CNG Tests/Lab Income during 2015-16.

Audit observed as under:

i. An amount of Rs. 48.524 million was transferred to HDIP, Head office, Islamabad for depositing into HDIP Fund.

ii. The remaining amount of Rs. 24.901 million was utilized on departmental expenses in excess of approved budget of Rs. 30.430 million in violation of HDIP Service and Financial Rules, 2009.

Audit is of the view that expenditure out of receipts without the approval of the Board was irregular and unauthorized.

The management replied that the expenditure was made with the approval of the Board.

The reply was not accepted because the approval of the Board was neither provided during audit nor on verification held on 30.11.2017.

The PAO was informed on 03.10.2017 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 in future.

CHAPTER 25

25. MARITIME AFFAIRS DIVISION

25.1 Introduction

In view of paramount importance of the marine sector, the Ministry of Ports & Shipping was created on 02.09.2004. The Ministry was renamed as Maritime Affairs Division. The Division 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 Division 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

25.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Ports and Shipping for the financial year 2016-17 was Rs. 13,641.645 million including Supplementary Grant of Rs. 120.033 out of which the Division utilized Rs. 1,749.214 million. Grant-wise detail of current and development expenditure is as under:

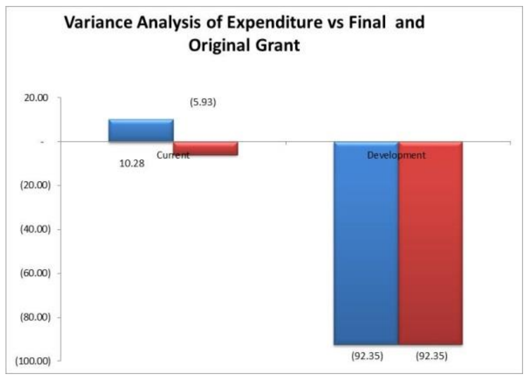
(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
91	Current	696,413,000	120,033,000	816,446,000	768,011,264	(48,434,736)	(6)
146	Development	12,825,199,000	-	12,825,199,000	981,202,393	(11,843,996,607)	(92)
	Total	**13,521,612,000**	**120,033,000**	**13,641,645,000**	**1,749,213,657**	**(11,892,431,343)**	**(87)**

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 10.28%, which changed to savings of 5.93% after accounting for Supplementary Grants. In development expenditure, savings against original budget were 92.35%.



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 Ports and Shipping	1992-93	1	1	1	0	100
	2000-01	10	10	6	4	60
	2001-02	1	1	0	1	0
	2003-04	30	30	12	18	40
	2006-07	4	4	1	3	25
	Total	**46**	**46**	**20**	**26**	**43**

25.4 AUDIT PARAS

Irregularity and Non-compliance

25.4.1 Non-recovery of rent from NED University, Karachi - Rs. 98.442 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 Pakistan Marine Academy (PMA), Karachi handed over one, centrally air-conditioned and fully furnished academic block-I building consisting of two floors to NED University, Karachi on 02.12.2011.

Audit observed as under:

i. The building was handed over to the University on the verbal direction of Minister for Ports and Shipping.

ii. The building was handed over without making any agreement.

iii. PMA vide letter No. PMA/CMD-11/P&S dated 5.02.2012 sought approval of monthly rent at @ Rs.1.448 million (including utility charges) from Director General, Port and Shipping, Ministry of Post and Shipping.

iv. Rent amounting to Rs. 98.442 million at monthly rate of Rs. 1.448 million from 01.01.2012 to 30.06.2017 was not paid by the University.

Audit is of the view that handing over the building without making agreement and non-recovery of rent was violation of rules and resulted in loss to the Academy.

The management replied that reminders for payment of outstanding dues were issued to NED University.

Audit recommends that inquiry may be held to fix the responsibility for non-recovery of rent and utility charges and handing over the building without any agreement to NED University.

25.4.2 Irregular expenditure on purchase of diet items - Rs. 40.780 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 11 of GFR Volume-I provides 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.

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 management of the Pakistan Marine Academy, Karachi incurred expenditure of Rs. 40.780 million on purchase of diet items for Cadets from the Boarding A/c # 4432-8 during 2015-2017.

Audit observed as under:

i. The expenditure was incurred without open competition.
ii. Instead of making payment through crossed cheques all items were purchased on cash basis.
iii. The items purchases were not entered in the stock register.

Audit is of the view that procurement without open competition was a violation of Public Procurement Rules, 2004.

Audit is also of the view that payment in cash instead of crossed cheques was susceptible to misuse.

The management replied that in light of the audit observation a tender for procurement of diet items was published and contract was awarded to the lowest rate of Rs. 300 per cadet per day. However, this would abruptly increase fee to be paid by the families of cadets.

The reply was not accepted because purchases were made without open competition and payment of cash instead of crossed cheques was not addressed.

Audit recommends that responsibility may be fixed for the irregularity besides discontinuation of the practice in future.

25.4.3 Un-authorized withdrawal from Misc. Account for payment of salary to daily wagers - Rs. 12.848 million

As per New System of Financial Controlling and Budgeting, 2006 issued by Finance Division vide O.M. No F-3(2) Exp.III/2006 date 13.09.2006, the appointment of contingent staff is required to be made with the prior approval of Finance Division.

The management of Pakistan Marine Academy withdrew Rs. 12.848 million from Miscellaneous Account No. 4558-06 for making payment of salary to daily wagers during 2015-2017.

Audit observed that the appointments of daily wagers were made without the prior approval of the Finance Division.

Audit is of the view that appointments without the approval of the Finance Division was irregular and unauthorized.

The management replied that the induction of cadets was increased from 100 to 170 per year but the sanctioned strength of staff was not increased. The acute shortage of staff was met by hiring daily wages staff to look after cadets. The payments to all daily wages were being made through bank transactions. The expenditure was incurred to achieve the objectives of PMA.

The reply was not accepted because the appointments were made without the approval of the Finance Division.

Audit recommends that responsibility may be fixed for the irregularity.

25.4.4 Un-authorized expenditure on repair and maintenance of office building – Rs. 9.912 million

In terms of Finance Division letter No.F.3(2)Exp.III/2006 dated 13.09.2006, the financial powers have been delegated to the Ministries / Division under various heads of account but financial powers have not been delegated to the head of the department under the head of account “repair / maintenance of office building.

The Commander, Pakistan Marine Academy, Karachi being the head of the office sanctioned expenditure of Rs. 9.912 million on repair and maintenance of office building during the year 2015-17.

Audit observed that the sanctions of the expenditure were accorded by the Commander Pakistan Marine Academy, Karachi who was not delegated such powers to accord sanction in this regard.

Audit is of the view that expenditure on repair and maintenance without delegation of financial powers was irregular.

The management replied that efforts of adjustment was being made and would be shown during verification.

The reply being irrelevant was not accepted.

Audit recommends that responsibility may be fixed for the irregularity.

25.4.5 Non-recovery of government dues against 50% charges from Karachi Port Trust, Karachi - Rs. 57.645 million

Section 61(4) of KPT Act, 1886 states that the KPT is obligated to pay an amount (moiety) equivalent to 50% of the yearly expenditure of the Port Health Establishment, Karachi in lieu of services provided by the later.

Audit observed that the management of Karachi Port Trust, Karachi did not pay moiety charges amounting to Rs. 57.645 million to Port Health Establishment since 01.07.2000.

Audit is of the view that the non-payment of moiety charges by the management of Karachi Port Trust, Karachi is loss to Government exchequer.

The DAC in its meeting held on 21.02.2017 directed the management to write a letter to KPT for recovery of accumulated amount of Rs. 57.645 million.

Audit recommends that amount may be recovered as directed by DAC.

CHAPTER 26

26. PRIVATIZATION DIVISION

26.1 Introduction

On 22.01.1991, the Privatization Commission was established as a sub-branch of the Finance Division. Later, on 28.09.2000, the Government approved the Privatization Commission Ordinance, 2000. As a result of this Ordinance, the Privatization Commission was converted into a sovereign corporate body.

In November, 2000 the Ministry of Privatization was created for enhancement of privatization within the country and the facilitation of privatization transactions. Two years later, in November, 2002 the scope of the Ministry was enhanced to include local as well as foreign investment. The Board of Investment was, thus, attached to the Ministry which was renamed as Ministry of Privatization and Investment on 04.09.2004. The Ministry was divided into Privatization Division and Investment Division on 30.10.2007. Since 08.12.2008, the Investment Division has been placed under a separate Ministry.

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

Privatization Policies.

The Transfer of Managed Establishments Order, 1978.

Administration of the Privatization Commission Ordinance, 2000.

Negotiations with international organizations relating to the functions of Privatization Division.

26.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Division for the financial year 2016-17 was Rs. 147.697 out of which the Division utilized Rs. 136.046 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)
39	Current	147,693,000	4,000	147,697,000	136,046,307	(11,650,693)	(8)

Audit noted that there was an overall saving of Rs. 11.650 million in final budget allocated to the Division.

26.3 Brief comments on the status of compliance with PAC Directives

There are no PAC directives.

26.4 AUDIT PARAS

Irregularity and non-compliance

26.4.1 Irregular payment of honorarium to the employees of Privatization Commission and Privatization Division - Rs. 22.195 million

Section 16(1) of the Privatization Commission Ordinance, 2000 states that the Commission shall establish and maintain a distinct and separate Privatization Fund in which all privatization proceeds shall be deposited. The Commission shall, out of the moneys so deposited, withdraw and contribute to the Commission's Account such amount or amounts as may be needed by it from time to time but only to supplement the other resources therein if and to the extent necessary.

Sl. No. 17 of Annexure-I of the System of Financial Control and Budgeting, 2006 states that Ministries/Divisions are delegated full powers up to the level of Section Officer(BPS-18)/ and equivalent for the sanction of honorarium. The amount should not exceed one month pay of the government servant concerned on each occasion.

The powers for grant of honorarium to the Officer in BPS-19 and above rest with the Chairman Economic Coordination Committee (ECC) and in case payment of honorarium is related to successful completion of transaction, the approval of Chairman Cabinet Committee on Privatization (CCOP) needs to be obtained.

The management of the Privatization Commission paid honorarium amounting to Rs. 22.195 million to all regular and contract employees, Consultants and Special Service Agreement (SSA) Staff of Privatization Commission and Privatization Division from Fund Account during 2015-17.

Audit observed as under:

i. Regular employees were paid honorarium from Fund Account in addition to honorarium from regular budget in violation of Section 16(1) of the Privatization Commission Ordinance, 2000.

ii. Honorarium was also paid to the Consultants in violation of their terms and conditions.

Audit is of the view that honorarium was paid in violation of the rules and Government instructions which was irregular and un-authorized.

The management replied that Section 183 of the Companies Act, 2017 empowers the Board of the corporate entities to "approve bonus to the employees".

The reply was not accepted because the honorarium was paid in violation of Privatization Commission Ordinance, 2000.

Audit recommends that the irregular practice may be stopped forthwith besides recovery of amount already paid.

26.4.2 Non-recovery from Chairman, Secretary and Members on account of un-authorized payment of Board Meeting Attendance Fee - Rs. 13.000 million

Section 7(4) of the Privatization Commission Ordinance, 2000 states that the Chairman and Secretary shall be paid such remuneration and allowances and shall be entitled to such privileges and facilities as the Federal Government may determine, which shall not be varied to their disadvantage during their term of office. The members shall be entitled to such privileges and facilities as the Federal Government may determine.

The management of Privatization Commission, Islamabad paid Meeting Attendance Fee amounting to Rs. 13.000 million @ Rs. 50,000 per participant per meeting to the Chairman, Secretary and Members of the Board of Directors during financial year 2014-17.

Audit observed that Meeting Attendance Fee to the Chairman, Secretary and Members was paid without the approval of the Federal Government.

Audit is of the view that payment of Meeting Attendance Fee was irregular and in violation of Section 7(4) of the Privatization Commission Ordinance, 2000 which resulted in the extra financial burden of Rs. 13.000 million to the Government.

The management replied that in exercise of powers conferred by Section 41 of the PC Ordinance 2000, the PC notified "Privatization Commission (Members Allowance/Daily Allowance) Regulations 2001, as amended by the PC Board vide its decision dated 12.09.2014 allows/permits to pay "Attendance Fee @ Rs. 50,000 per meeting to all the Members of the Board". Accordingly, the said fee was paid strictly in compliance with the law and the regulations made thereunder. Further, Section 170(2) of the Companies Act, 2017 states that the governing statute for the corporate entities, empowers the Board of the respective corporate entities to determine the attendance fee to be paid to the directors of the board for attending the meeting.

The reply was not accepted because the Chairman, Secretary and Members could not be paid remuneration and allowances including Board Meeting Attendance Fee without the approval of the Federal Government in accordance with the provision of section 7(4) of the Privatization Commission Ordinance, 2000.

Audit recommends that the irregular practice may be stopped forthwith and responsibility may be fixed for the irregularity besides recovery of amount already paid.

26.4.3 Irregular appointment of a Consultant (Banking & Finance) and Overpayment - Rs. 3.513 million

Appointment letter No. 7(2)Admn/PC/2013, dated 26.12.2014 issued to Mr. Bilal A. Kayani by the Privatization Commission states that Mr. Bilal A. Kayani will be appointed initially for the period of two years as full time

Consultant (Banking & Finance) Grade-III and will be remunerated salary of Grade-III (Rs. 75,000-2,500-125,000) per month, along with 60% House Rent, 10% Medical Allowance and 10% Utility Allowance. All allowances will be admissible on initial basic pay.

Mr. Bilal Ahmad Kayani accepted the terms and conditions of the appointment and assumed the charge of the post of Consultant w.e.f. 29.12.2014. The Contract Agreement was extended for further a period of two year w.e.f. 29.12.2016 on the same terms and conditions.

Audit observed that the management of Privatization Commission upgraded the Consultant from Grade-III to Grade-II(125,0000-5,000-200,000) vide office order No. 4(10)Admn/PC/2014, dated 16.04.2015 and again he was upgraded from Grade-II to Grade-I (200,000-10,000-300,000) vide office order No. 4(10)Admn/PC/2014, dated 06.11.2015 in violation of the Contract Agreement and was over paid an amount of Rs. 3.513 million as detailed below:

(Rupees)

Month	Due per month	Drawn	Difference
May, 2015	142,500	285,000	142,500
June to December, 2015	142,500	237,500	665,000
January to April, 2016	145,000	237,500	370,000
September to December, 2016	145,000	380,000	940,000
January to June, 2017	147,500	380,000	1,395,000
		Total	**3,512,500**

Note: Pay from May to August, 2016 was not drawn

Audit is of the view that the appointment of the Consultant in Grade-II and Grade-I without open competition deprived the benefit of the fair competition.

The management replied that pursuant to Section 10(1) of the PC Ordinance, 2000, the Commission may, from time to time, employ persons to be employees of the commission who shall be paid such remuneration and allowances and shall hold their employment on such terms and conditions as may be determined by the Commission. Further, regulation 3(2) of “Privatization Commission Advisors/Senior Consultants, Consultants, Transaction Managers and Technical Assistants (Terms and Conditions of Appointment) Regulations, 2002 states that all such appointments shall be renewable/terminable on mutually agreed terms.

The reply was not accepted because the Consultant was hired without open competition in higher grade.

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

26.4.4 Irregular promotion of three employees in the absence of approved Recruitment Rules

Section 40 of the Privatization Commission Ordinance, 2000 states that the Commission may, with the approval of the Federal Government, by notification in the official Gazette, make rules, not inconsistent with the provisions of this Ordinance, for exercising its powers and carrying out of its functions under this Ordinance.

Para (v) of the Establishment Division's O.M. No. F.53/1/2008-SP, dated 22.10.2014 states that initial appointment shall be made strictly in accordance with the provisions contained in the Recruitment Rules of the post concerned. In the absence of Recruitment Rules, Ministries/Divisions/Attached Departments/ Subordinate Offices/Autonomous Bodies/Semi-Autonomous Bodies/ Corporations/Companies/Authorities, etc. are first required to frame the Recruitment Rules and lay down the eligibility conditions for such appointments. No recruitment shall be made in the absence of approved Recruitment Rules.

The management of Privatization Commission promoted three employees from the post of Technical Assistant (PC-16) to Senior Technical Assistant (PC-17) on 19.08.2015.

Audit observed that promotion was made in the absence of approved Recruitment Rules.

Audit is of the view that promotion made in the absence of Recruitment Rules was irregular.

The management replied that the promotions from PC-1 to PC-18 were made as per approved regulations and the promotion of three Technical Assistants was made according to regulations applicable to them.

The reply was not accepted because promotions were made in the absence of Recruitment Rules as required under Section 40 of the Privatization Commission Ordinance, 2000.

Audit recommends that responsibility may be fixed for the irregularity and Recruitment Rules may be framed and approved from the Federal Government.

CHAPTER 27

27. SENATE SECRETARIT

27.1 Introduction

After independence, the first Constituent Assembly of Pakistan, elected in December, 1945 in undivided India, was assigned the task of framing the Constitution of Pakistan. This Assembly passed the Objectives Resolution on 12th March, 1949 laying down principles which later became substantive part of the Constitution of Pakistan. However, before it could accomplish the task of framing the constitution, it was dissolved in October, 1954. Thereafter, the Governor General, convened the Second Constituent Assembly in May, 1955, which framed and passed the first Constitution of Pakistan on 29.02.1956. That Constitution was promulgated on 23.03.1956, which provided a parliamentary form of Government with a unicameral legislature. However, from 14.08.1947 to 01.03.1956 the Government of India Act, 1935, was retained as the Constitution of Pakistan.

On 07.10.1958, Martial Law was promulgated and the Constitution was abrogated. The Military Government appointed a Constitution Commission in February, 1960 which framed the 1962 Constitution, which provided for a Presidential form of Government with a unicameral legislature. The 1962 Constitution was abrogated on 25.03.1969. The Civil Government, which came to power in December, 1971 pursuant to 1970 elections, gave the nation an interim Constitution in 1972.

The 1970 Assembly framed the 1973 Constitution which was passed on 12th April and promulgated on 14.08.1973. The Constitution of Pakistan, 1973 provides for a parliamentary form of Government with a bicameral legislature, comprising the National Assembly and the Senate. The membership of the Senate, which was originally 45, was raised to 63 in 1977 and to 87 in 1985. The membership of the Senate was again raised from 87 to 100 in 2002. The current membership of the Senate is 104, after addition of four seats for non-Muslims through the Constitution (Eighteenth Amendment) Act, 2010.

27.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Secretariat for the financial year 2016-17 was Rs. 29,178.130 million including Supplementary Grant of Rs. 25,466.756 million out of which the Secretariat utilized Rs. 25,670.846 million. Audit noted that there was an overall saving of Rs. 3,507.284 million

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
Secretariat	2003-04	4	4	0	4	0
	Total	**10**	**10**	**0**	**4**	**0**

27.4 AUDIT PARAS

Irregularity & Non Compliance

27.4.1 Excess use of official vehicles - Rs. 28.086 million

Section 7 of the Chairman and Speaker (Salaries, Allowances and Privileges) Act, 1975 states that the Chairman and the Speaker and members of their families shall be entitled to the use of an official car maintained at Government expense.

Section 18 of Chairman and Speaker (Salaries, Allowances and Privileges) Act, 1975 states that the Federal Government may grant to the Chairman and the Speaker such additional privileges as it may deem fit.

The management of Senate Secretariat, Islamabad allocated the following vehicles to the Chairman Senate:

(Rupees)

S. No	Vehicle No	Make	Model	POL	R&M
1	GD-344	Mercedes Benz	2005	1,431,029	16,773,750
2	GH-005	Mercedes Benz	2007	1,376,826	3,457,081
3	GAC-099	Toyota Fortuner	2016	3,232,871	351,095
4	GV-974	Toyota Corolla	2010	1,159,274	1,003,138
5	GT-687	Honda VTI	2008	0	693,525
6	GT-688	Honda VTI	2008	0	759,939
			Total	**7,200,000**	**23,038,528**

Audit observed that the additional vehicles were allowed by the Finance Committee of the Senate in excess of the already allocated vehicle.

Audit is of the view that grant of additional vehicle was in violation of the Chairman and Speaker (Salaries, Allowances and Privileges) Act, 1975.

The management replied that Article 88 of the Constitution of Islamic Republic of Pakistan stipulates that the expenditure of the Senate within authorized appropriation shall be controlled by the Senate on the advise of the Finance Committee. Senate Finance Committee approved provision of 04 vehicles to Chairman Senate including use of bullet proof Mercedes car and two Honda VTI for security duty.

The reply was not accepted because as per Chairman and Speaker (Salaries, Allowances and Privileges) Act, 1975 only Federal Government was empowered to grant additional privileges.

The PAO was informed on 26.10.2017 and 07.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that privileges of the Chairman, Senate and Speaker, National Assembly may be granted as provided in the Act.

27.4.2 Excess use of official vehicles - Rs. 9.958 million

Section 7 of the Deputy Chairman and Deputy Speaker (Salaries, Allowances and Privileges) Act, 1975 states that the Deputy Chairman and the Deputy Speaker and members of their families shall be entitled to the use of an official car maintained at Government expense.

Section 18 of the Deputy Chairman and Deputy Speaker (Salaries, Allowances and Privileges) Act, 1975 states that the Federal Government may grant to the Deputy Chairman and the Deputy Speaker such additional privileges as it may deem fit.

Section 19B of the Deputy Chairman and Deputy Speaker (Salaries, Allowances and Privileges) Act, 1975 states that the Federal Government may, by notification in the official Gazette, revise the salary, allowances and privileges of Speaker and Chairman to enable them to perform their functions and discharge their responsibilities in a befitting and effective manner.

Senate Secretariat Islamabad provided the following vehicles to the Deputy Chairman Senate.

S. No	Vehicle No	Make	Model	POL	R&M
1	GZ-139	Honda VTI	2013	1,978,290	860,516
2	GD-005	Toyota Land Cruiser	2013	4,707,474	2,018,253
3	GAA-356	Toyota Hilux	2015	2,299,547	933,194
			Total	**8,985,311**	**3,811,963**

Audit observed that the additional vehicles were allowed to the Deputy Chairman Senate by the Finance Committee of the Senate.

Audit is of the view that grant of additional vehicle was in violation of the Deputy Chairman and Deputy Speaker (Salaries, Allowances and Privileges) Act, 1975

The management replied that Article 88 of the Constitution of Islamic Republic of Pakistan stipulates that the expenditure of the Senate within authorized appropriation shall be controlled by the Senate on the advise of the Finance Committee. Senate Finance Committee approved provision of two vehicles to Deputy Chairman Senate and one escort vehicle for security duty.

The reply was not accepted because as per Deputy Chairman and Deputy Speaker (Salaries, Allowances and Privileges) Act, 1975 only Federal Government was empowered to grant additional privileges.

The PAO was informed on 26.10.2017 and 07.12.2017 but DAC was not convened till the finalization of the report.

Audit recommends that privileges of the Deputy Chairman, Senate and Deputy Speaker, National Assembly may be granted as provided in the Act.

CHAPTER 28

28. MINISTRY OF SCIENCE AND TECHNOLOGY

28.1 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

28.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Ministry of Science and Technology for the financial year 2016-17 was Rs. 8,631.325 million including Supplementary Grant of Rs. 760.512 million out of which the Division utilized Rs. 7,708.621 million. Grant-wise detail of current and development expenditure is as under:

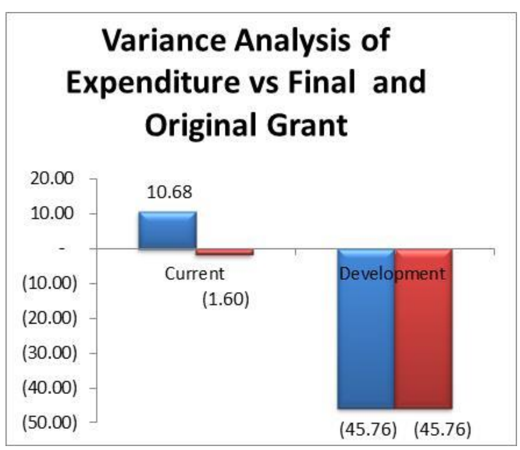
(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
95	Current	447,577,000	10,601,000	458,178,000	397,416,009	(60,761,991)	(13)
96	Current	5,646,364,000	749,900,000	6,396,264,000	6,347,464,991	(48,799,009)	(1)
	Subtotal	**6,093,941,000**	**760,501,000**	**6,854,442,000**	**6,744,881,000**	**(109,561,000)**	**(2)**
134	Development	1,776,872,000	11,000	1,776,883,000	963,740,644	(813,142,356)	(46)
	Total	**7,870,813,000**	**760,512,000**	**8,631,325,000**	**7,708,621,644**	**(922,703,356)**	**(11)**

Audit noted that there was an overall saving of Rs. 922.703 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 10.68% of Original Grant, which changed to savings of 1.60% after accounting for Supplementary Grants. In development expenditure there were savings of 45.76% against Original Budget.



28.3 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
	2003-04	81	81	71	10	88
	2005-06	4	4	2	2	50
	2007-08	3	3	2	1	67
	2008-09	5	5	2	3	40
Total		**303**	**303**	**196**	**107**	**65**

28.4 AUDIT PARAS

Non Production of Record

28.4.1 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 Honorable 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 Honorable Supreme Court of Pakistan dated 08.07.2013, besides provision of auditable record.

Irregularity & Non Compliance

28.4.2 Irregular retention and expenditure from receipt account- Rs. 44.519 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 a treasury. Moneys received or aforesaid shall not be appropriated to meet the departmental expenditure nor otherwise kept apart from the Federal Consolidated Fund

The management of the project “Establishment of Cast Metals and Foundry Technology, Daska, Sialkot” collected an amount of Rs 44.519 million on account of test fees from students.

Audit observed that the management did not deposit the amount in the Government treasury. Audit further observed that an amount of Rs 43.769 million was expended on departmental expenditure.

Audit is of the view that retention and expenditure from the Government fund was irregular and unauthorized.

The management replied that CM&FT Centre was a PSDP Project and presently in transitional phase for conversion from development to non-development side. PC-IV of the project was submitted in November, 2011, which was still in the pipeline with the Planning Commission for final approval. In absence of any financial support from any quarter and in order to manage the stop gap arrangement from 2012 onward, the self-generated funds of the Centre had been utilized for payment of salaries to the staff, utilities training material, advertisement etc. for running the affairs of the project.

The reply was not accepted because the project was closed financially in June, 2011 and administratively in December, 2011 but still running on ad-hoc basis was negligence on the part of the management.

Audit recommends that responsibility should be fixed for retention and expenditure from government receipts and unspent balances should be deposited into government account.

CHAPTER 29

29. POWER DIVISION

29.1 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 Division are:

a) Matters relating to development of power resources of the country.

b) Matters relating to electric utilities.

c) Liaison with international engineering organizations in power sector.

d) Federal agencies and institutions for promotion of special studies in power sector.

e) (a) Electricity; (b) Karachi Electric Supply Corporation and Pakistan Electric Agencies Limited.

f) National Engineering (Services) Pakistan Limited.

g) Private Power and Infrastructure Board.

h) Administrative Control of Alternative Energy Development Board.

i) Federal Government functions in regard to National Electric Power

Regulatory Authority.

j) National Energy Efficiency and Conservation Authority.

29.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Water and Power for the financial year 2016-17 was Rs. 32,849.382 million including Supplementary Grant of Rs. 3,475.895 million out of which the Division utilized Rs. 27,194.041 million. Grant-wise detail of current and development expenditure is as under:

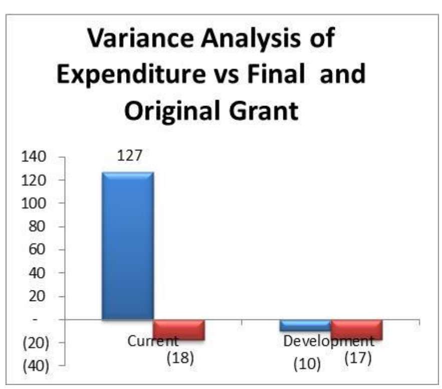
(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
103	Current	457,117,000	801,539,000	1,258,656,000	1,037,261,764	(221,394,236)	(18)
137	Development	28,916,370,000	2,674,356,000	31,590,726,000	26,156,779,439	(5,433,946,561)	(17)
	Total	**29,373,487,000**	**3,475,895,000**	**32,849,382,000**	**27,194,041,203**	**(5,655,340,797)**	**(17)**

Audit noted that there was an overall saving of Rs. 5,655.341 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 127% of Original Grant, which changed to savings of 18% after accounting for Supplementary Grants. In development expenditure there were savings of 10% against original budget which increased to savings of 17% when supplementary grant was 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
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
	2003-04	10	10	2	8	20
	2005-06	5	5	1	4	20
	2007-08	2	2	0	2	0
Total		**27**	**27**	**5**	**22**	**19**

29.4 AUDIT PARAS

Non Production of Record

29.4.1 Non-production of record of Energy Conservancy Fund (ECF) – Rs. 369.044 million

Article 170(2) of Constitution of Pakistan states that the audit of the accounts of the Federal and of the Provincial Governments and the accounts of any authority or body established by, or under the control of, the Federal or a Provincial Government shall be conducted by the Auditor General who shall determine the extent and nature of such audit

Section 14 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. 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 3(b) of SRO 4(KE)/86, dated 23.12.1986 provides that to coordinate and monitor the implementation of National Energy Conservation Programme to be implemented under the overall coordination by ENERCON in various sub-sectors of supply and consumption of energy.

Para 9 of Summary submitted by Finance Division to Prime Minister provides that Finance Division has examined the proposal and is of the view that presently Rs. 311 million is available in the Energy Conservation Fund of the dissolved National Energy Conservation Centre (ENERCON) which may be used as a seed money for NEECA to initiate and perform its function under NEECA Act, 2016.

Para 16 of Notes to Audited Statement for the Financial year ended 2015 provides that the Company is a subsidiary of ENERCON.

Despite repeated requests the management of NEECA did not provide the auditable record of Energy Conservation Fund.

Audit is of the view that non-production of record is a violation of the Constitution and Auditor General’s Ordinance.

Management replied that ECF is not in scope of Auditor General because no budget/fund allocation was made by the government.

The reply was not accepted because ECF was established and owned by the Federal Government, therefore, it falls under the jurisdiction of the Auditor General of Pakistan.

The PAO was informed on 03.10.2017 but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for hindering the auditorial functions of Auditor General of Pakistan besides production of complete record.

Annexure-I Memorandum for Departmental Accounts Committee (MAFDAC)

(Rs. in million)

S. No.	PAO	No. of Paras	Amount
01	Aviation Division	4	14
02	Benazir Income Support Programme	20	80
03	Cabinet Division	22	225
04	CADD	37	144
05	Ministry of Communication	19	1,145
06	Controller General of Accounts	28	182
07	Economic Affair Division	22	191,346
08	Election Commission of Pakistan	4	27
09	Establishment Division	14	2,003
10	FATA	120	28,760
11	Higher Education Commission	292	74,824
12	Ministry of Interior	163	2,316,881
13	Inter Provincial Coordination Division	51	1,807
14	Ministry of Law and Justice	10	697
15	Ministry of Information Broadcasting	82	627
16	Ministry of Climate Change	3	1
17	Ministry of Commerce	2	2
18	Ministry of Defence	16	823
19	Ministry of Federal Education & Professional Training	33	51
20	Ministry of Finance	28	6,467
21	Ministry of Food Security and Research	43	5,870
22	Ministry of Housing & Works	14	30
23	Ministry of Narcotics Control Division	3	1
24	Ministry of National Health Services, Regulations and Coordination	54	211
25	Ministry of Religious Affairs	2	1
26	Ministry of Science and Technology	24	123
27	Ministry of States and Frontier Regions	4	1
28	Pakistan Atomic Energy Commission (PAEC)	39	3,812
29	Petroleum Division	7	169,632
30	Prime Minister Office	16	74
31	Privatization Division	19	59
32	Senate Secretariat	15	1,517
33	Ministry of Textile	13	477
34	Water and Power	37	1,040,912
	Total	**1,253**	**3,848,826**