



**AUDIT REPORT
ON
THE ACCOUNTS OF
GILGIT-BALTISTAN COUNCIL
AUDIT YEAR 2022-23**

AUDITOR-GENERAL OF GILGIT-BALTISTAN

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ABBREVIATIONS AND ACRONYMS

APPM	Accounting Policies and Procedures Manual
CPS	Contingent Paid Staff
DAC	Departmental Accounts Committee
DDO	Drawing & Disbursing Officer
FBR	Federal Board of Revenue
FTR	Federal Treasury Rules
GAAP	Generally Accepted Accounting Principles
GB	Gilgit-Baltistan
GBC	Gilgit-Baltistan Council
GFR	General Financial Rules
INTOSAI	International Organization of Supreme Audit Institutions
MFDAC	Memorandum for Departmental Accounts Committee
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PPRA	Public Procurement Regulatory Authority
PTA	Pakistan Telecommunication Authority
SAP	System Application Product
USF	Universal Services Fund

PREFACE

Section-9 of the Auditor General of Gilgit-Baltistan (Functions, Powers and Terms and Conditions of Service) Act, 2012 enacted under Gilgit-Baltistan (Empowerment and Self-Governance) Order, 2009 requires the Auditor General of Gilgit-Baltistan to conduct audit of receipts and expenditure of Gilgit-Baltistan Council.

The Directorate General of Audit, Gilgit-Baltistan conducted audit of Gilgit-Baltistan Council and its attached departments during 2022-23 on test check basis with a view to reporting significant findings to the concerned stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of rupees one million or more. Relatively less significant issues are listed in Annexure-1 of the audit report. The audit observations listed in the Annexure-1 shall be pursued with the Principal Accounting Officer (PAO) at Departmental Accounts Committee (DAC) level and in all cases where the PAO does not initiate appropriate action, the audit observations will be brought to the notice of the Public Accounts Committee (PAC) through the next year's audit report.

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

The observations included in this report have been finalized in the light of written responses and discussions in DAC meetings.

The Audit Report is submitted to the Chairman of the Gilgit-Baltistan Council in pursuance of Section-8 of Auditor General of Gilgit-Baltistan (Functions, Powers and Terms and Conditions of Service) Act, 2012 for causing it to be laid before the Council.

(Muhammad Ajmal Gondal)
Auditor-General of Gilgit-Baltistan

Islamabad
Dated:

EXECUTIVE SUMMARY

Section-98(1) of Government of Gilgit-Baltistan Order, 2018 provides that there shall be an Auditor-General of Gilgit-Baltistan who shall be appointed by the Governor on the advice of Prime Minister. Presently, the Auditor-General of Pakistan holds the office of the Auditor General of Gilgit-Baltistan. Section-9 of the Auditor General of Gilgit-Baltistan (Functions, Powers and Terms and Conditions of Service) Act, 2012 mandates the Auditor General of Gilgit-Baltistan to conduct audit of receipts and expenditure of Gilgit-Baltistan Council.

The Directorate General of Audit Gilgit-Baltistan is Field Audit Office of the Department of Auditor-General of Gilgit-Baltistan. Sanctioned strength of the office is 69 including 18 officers. For audit activities, 11 officers and 02 senior auditors were available having 2,522 man-days. Total budget allocated for the financial year 2022-23 is Rs.82.874 million. This office carries out audit of 01 PAO having 06 formations of Gilgit-Baltistan Council.

Scope of Audit

The Directorate General of Audit Gilgit-Baltistan mandated to conduct audit of 06 formations working under the PAO of Gilgit-Baltistan Council. Total expenditure and receipt of these formations were Rs.610.050 million and Rs.2,050.460 million respectively for the financial year 2021-22.

Audit coverage relating to expenditure for the current audit year comprises of 06 formations of 01 PAO having a total expenditure of Rs.610.050 million for the financial year 2021-22. In terms of percentage, the audit coverage for expenditure is 100% of auditable expenditure.

Audit coverage relating to receipt for the current audit year comprises of 06 formations of 01 PAO having a total receipt of Rs.2,050.460 million for the financial year 2021-22. In terms of percentage, the audit coverage for receipt is 100% of auditable receipts.

In addition to this compliance audit report, DG Audit (Gilgit-Baltistan) also conducts Financial Attest Audit of Gilgit-Baltistan Council.

Recoveries at the instance of audit

As a result of audit, recovery of Rs.13.740 million was pointed out in this report. However, during January to December, 2022 no recovery was affected.

Audit Methodology

Audit was conducted in accordance with the International Organization of Supreme Audit Institutions (INTOSAI) Auditing Standards as incorporated in Financial Audit Manual. Desk audit helped auditors in understanding the systems, procedures and environment of the audited entities before starting field activity. This was facilitated by access data, intranet, internet facility, and availability of permanent files. This greatly facilitated in the identification of high-risk areas for substantive testing in the field.

Audit Impact

On pointation of audit during 2021-22, Gilgit-Baltistan Council Secretariat has notified fuel ceiling of operational vehicles.

Comments on internal controls and Internal Audit Department

It was noticed that the internal audit unit was non-existent to the large extent. Instances of internal controls failures were also noted which have been highlighted in the Audit Report.

Key audit findings of the report

- i. Non-recovery amounting to Rs.13.740 million was noted in 01 case¹
- ii. Violation of rules amounting to Rs.414.463 million was noted in 04 case²
- iii. Weak internal controls amounting to Rs.3.122 million was noted in 01 case³

Audit paras for the audit year 2021-22 involving procedural violations, including internal control weaknesses and irregularities not considered worth reporting to PAC, have been included in MFDAC and incorporated in the report as **Annexure-1**.

¹Paras 2.5.6

²Paras 2.5.1, 2.5.2, 2.5.4, 2.5.5

³Paras 2.5.3

Recommendations

- i. Recovery on account of HBA/MCA may be made from AGPR and credited into the Gilgit-Baltistan Council Fund.
- ii. All payments may be made in accordance with the applicable rules and regulations.
- iii. Internal controls may be strengthened to avoid the recurrence of irregularities.

CHAPTER-1

1. PUBLIC FINANCIAL MANAGEMENT ISSUES

1.1 Gilgit-Baltistan Council Public Financial Management 2021-22

Total receipts of Gilgit-Baltistan Council for the financial year 2021-22 were Rs.2,050.46 million, which included Grant from Federal Government.

S. No.	Composition of Receipts	Rs. in million	%age
1.	Grant from Federal Government	692.92	33.79
2.	GB Council's Own Collection (Tax)	1,080.46	52.69
3.	Revenue and Other Receipts (Non-Tax)	252.54	12.32
4.	Recovery of loans and advances	24.54	1.20
Total Receipt		2,050.46	100

In a total revenue of Rs.2,050.46 million, Gilgit-Baltistan Council received Rs.692.92 million from Federal Government as Grant which was 33.79% of its total receipts.

Total non-development expenditure for the financial year 2021-22 was Rs.692.92 million. However, there was no development expenditure during the year. The head wise expenditure was as under:

S. No.	Head	Rs. in million	%age
1.	Salaries and employee benefits	571.55	82.48
2.	Operating expenses	89.57	12.93
3.	Transfer grants, Subsidies	13.47	1.95
4.	Physical assets	5.21	0.75
5.	Repairs and Maintenance	13.12	1.89
Total expenditure		692.92	100

Out of total expenditure of Rs.692.92 million, an expenditure of Rs.571.55 million was incurred on salaries, which was 82.48% of the total expenditure. Similarly, an expenditure of Rs.89.57 million which constituted 12.93% of the total expenditure was incurred on operational activities. Besides, an expenditure of Rs.13.47 million was incurred under the head 'transfer grants and subsidies' which is 1.95% of total expenditure. Similarly, an expenditure of Rs.13.12 million was incurred under the head 'repair and maintenance', which was 1.89% of the

expenditure. Moreover, physical assets valuing Rs.5.21 million were created during the year.

It is pertinent to mention here that the budget of the Gilgit-Baltistan Council Secretariat was not approved by the Gilgit-Baltistan Council which was serious deficiency. Accordingly, an audit opinion (emphasis of matter) has already been issued to the management.

The audit highlighted certain systemic weaknesses in the budgetary utilization and resource allocation by the Council. Audit observations included in the report are indicators of these weaknesses, which arise from lack of implementation of standard operating procedures, weak internal control mechanisms that primarily arise from financial and administrative mismanagement of financial resources.

1.2 AUDIT PARAS

1.2.1 Irregular expenditure without approved budget – Rs.692.92 million

Para 3.1.1.3 of Accounting Policies and Procedures Manual (APPM) states that under the Constitution, the Federal/Provincial Government is required annually to lay before the National/Provincial Assembly, a statement of estimated receipts and expenditure for the forthcoming financial year. This is referred to as the Annual Budget Statement. This statement indicates separately the sums required to meet expenditure charged upon the Federal/Provincial Consolidated Fund and other expenditure to be made from the Federal/Provincial Consolidated Fund.

During Certification Audit of Appropriation Accounts of Gilgit-Baltistan Council for the year 2021-22, it was noted that the total expenditure of Council and its attached departments for the financial year 2021-22 was Rs.692.92 million.

Audit observed that the budget was not approved by the Gilgit-Baltistan Council, therefore the expenditure incurred was held irregular.

Audit is of the view that non-approval of the budget by the Council was violation of the provision of APPM.

The irregularity was pointed out in October, 2022. The management replied that since the case is sub-judice in the Supreme Court, therefore, the approval of the previous year's budget would be sought from the Council once the case is finally decided and the Order, 2019 is promulgated.

The DAC in its meeting held on 04.11.2022 decided to pend the para till final decision of the Court.

Audit recommends that budget of the Council may be got approved from the Gilgit-Baltistan Council.

1.2.2 Non-approval of receipts estimates – Rs.2,050.46 million

Para 3.1.1.3 of Accounting Policies and Procedures Manual (APPM) states that under the Constitution, the Federal/Provincial Government is required annually to lay before the National/Provincial Assembly, a statement of estimated receipts and expenditure for the forthcoming financial year. This is referred to as the Annual Budget Statement. This statement indicates separately the sums required to meet expenditure charged upon the Federal/Provincial Consolidated Fund and other expenditure to be made from the Federal/Provincial Consolidated Fund.

During certification audit of financial statement of the Gilgit-Baltistan Council for the financial year 2021-22, it was noted that the Gilgit-Baltistan Council Secretariat collected an amount of Rs.2,025.92 million as tax and non-tax receipts besides capital receipts of Rs.24.54 million.

Audit observed that revenue estimates were not approved by the Gilgit-Baltistan Council.

Audit is of the view that non-approval of the revenue/receipt budget by the Council was violation of the provision of APPM.

The irregularity was pointed out in October, 2022. The management replied that since the case is sub-judice in the Supreme Court, therefore, the approval of the previous year's budget would be sought from the Council once the case is finally decided and the Order, 2019 is promulgated.

The DAC in its meeting held on 04.11.2022 decided to pend the para till final decision of the Court.

Audit recommends that revenue budget of the Council Secretariat may be got approved from the Gilgit-Baltistan Council.

1.2.3 Unknown trail of non-tax receipt of Gilgit-Baltistan Council – Rs.929.58 million

Rule-6(v) of the Gilgit-Baltistan Council System of Financial Control and Budgeting Rules, 2010 states that in the matter of receipts pertaining to the wings, departments and subordinate offices, the Principal Accounting Officer (PAO) is expected to ensure that adequate machinery exists for due collection and bringing to account all receipts of any kind connected with the functions of the wings, departments and subordinate offices under his control.

During certification audit of financial statements of the Gilgit-Baltistan Council for the year 2021-22, it was noted that an amount of Rs.929.58 million were credited to Gilgit-Baltistan Council Consolidated Fund under the head non-tax revenue and other receipt.

Audit observed that the proper trail to authenticate the receipt was not available with management.

Audit is of view that in absence of proper source and trail the authenticity of receipt could not be ascertained.

The irregularity was pointed out in October, 2022. The management replied that the amount was transferred by PTA and the case has been taken up with the PTA to provide the record/trail to authenticate the receipt.

The DAC in its meeting held on 04.11.2022 directed the management to expedite the case and pended the para until final reply from the PTA.

Audit recommends that complete record relating to revenue may be obtained from PTA to authenticate the receipt.

1.2.4 Non-reconciliation of receipts and difference of Rs.13.120 million between actual cash balances and financial statements

Rule 6(v) of the Gilgit-Baltistan Council System of Financial Control and Budgeting Rules, 2010 states that in the matter of receipts pertaining to the wings, departments and subordinate offices, the Principal Accounting Officer is expected to ensure that adequate machinery exists for due collection and bringing to account all receipts of any kind connected with the functions of the wings, departments and subordinate offices under his control.

During certification audit of financial statements of the Gilgit-Baltistan Council for the year 2021-22, it was noted that cash balance of Rs.7,647.41 million was available in the Council's fund account whereas actual cash balances comes to Rs.7,660.53 million leaving a difference of Rs.13.120 million as per following detail:

• Balance as per Bank Statement	Rs. 660.53 million
• Investments	<u>Rs. 7,000.00 million</u>
• Total balance at bank	Rs. 7,660.53 million
• Cash Balances as per Financial Statements	Rs. <u>7,647.41 million</u>
• Difference	Rs. 13.120 million

Audit observed that reconciliation was not carried out to ascertain the difference between actual cash balances and balances reported in financial statement.

Audit is of view that the irregularity was occurred due to weak internal controls and non-reconciliation of bank account.

The irregularity was pointed out in October, 2022. The management replied that the case has been taken up with National Bank of Pakistan for provision of statement of account since the opening of the said account.

The management admitted the audit point of view.

The DAC in its meeting held on 04.11.2022 directed the management to reconcile the account within two months and provide the reconciliation statement to audit.

Audit recommends that reconciliation of account may be carried out to sort out the difference.

CHAPTER-2

2. GILGIT-BALTISTAN COUNCIL

2.1 Introduction

A. The Gilgit-Baltistan Council has been established under Section-60(A) of the Government of Gilgit-Baltistan Order, 2018. The Council consists of:

- i. The Prime Minister of Pakistan (Chairman of the Council)
- ii. The Governor (Vice Chairman of the Council)
- iii. Six members nominated by the Prime Minister of Pakistan from time to time from amongst Federal Ministers and members of Parliament; provided that the Federal Minister for Kashmir Affairs and Gilgit-Baltistan shall be an ex-officio member and Minister In charge of the Council.
- iv. The Chief Minister of Gilgit-Baltistan
- v. Six members to be elected by the Gilgit-Baltistan Legislative Assembly in accordance with the single non-transferable majority vote.

Audit profile of the Gilgit-Baltistan Council

Sr. No.	Description	Total Nos.	Audited	Expenditure audited FY 2021-22 (Rs. in million)	Revenue/Receipts audited FY 2021-22 (Rs. in million)
1.	Formations	7*	6	692.924	2,050.46
2.	<ul style="list-style-type: none">• Assignment Accounts• SDAs	0	0	-	-
3.	Authorities/ Autonomous Bodies under the PAO	0	0	-	-
4.	Foreign Aided Projects	0	0	-	-

* Includes Directorate General Audit (Gilgit-Baltistan)

B. Comments on Budget & Accounts (Variance Analysis)

Budget allocation and expenditure of Gilgit-Baltistan Council for the Financial Year 2021-22 was as under:

(Rupees in million)

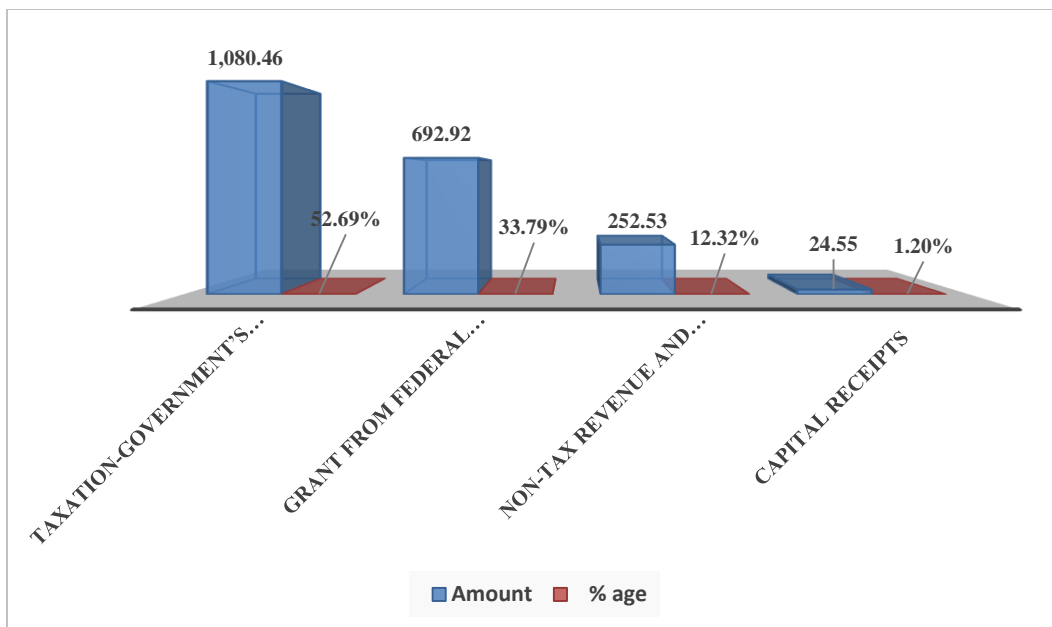
S. No.	Department	Original Budget	Re-appropriation (+/-)	Supplementary Grant	Surrender	Final Grant	Actual Expenditure
1	Members GB Council	25.148	-7.962	-	-	17.186	17.186
2	Gilgit-Baltistan Council Secretariat ISB	161.887	17.3	-	-	179.187	179.187
3	Tax Department GB, Gilgit	26.716	0.028	-	-	26.744	26.744
4	AG Gilgit-Baltistan (so) Islamabad	4.516	6.276	-	-	10.792	10.792
5	AG Gilgit-Baltistan Gilgit	357.575	-6.602	-	-	350.973	350.973
6	Pension, Loans & Grants by GB Council	29.5	-4.332	-	-	25.168	25.168
7	Director General Audit, GB Gilgit	87.582	-4.708	-	-	82.874	82.874
Total		692.924	0			692.924	692.924

C. Sectoral analysis

The financial management system of Gilgit-Baltistan Council determines the objectives, formulates the policies, lays out the procedures, implements the programmes, and allocates the budgets for all financial activities of Gilgit-Baltistan Council. A streamlined financial management practice, ensure availability of sufficient funds and maintenance of a balance between income and expenses to ensure financial stability.

Total revenue of Gilgit-Baltistan Council for the financial year 2021-22 was Rs.2,050.46 million including grant of Rs.692.92 million from Federal Government. Details are as under:

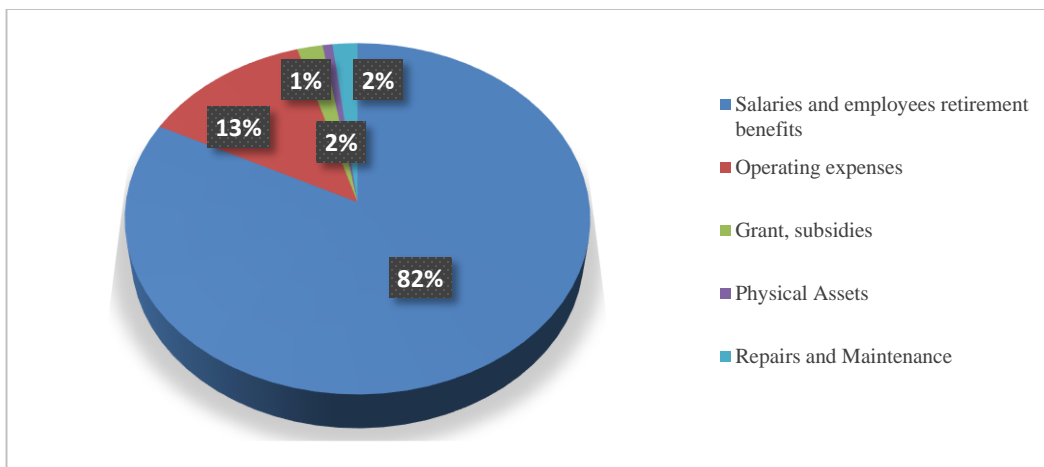
S. No.	Head	Rs. in million	% age
1.	Taxation-Government's own collection	1,080.460	52.694
2.	Grant from Federal Government	692.920	33.793
3.	Non-tax revenue and other receipts	252.530	12.316
4.	Capital receipts	24.550	1.197
Total Receipt		2,050.46	100



In total receipt of Rs.2,050.46 million, Gilgit-Baltistan Council received Rs.1,080.46 million from taxation-Government's own collection, which was almost 52.69% of its total receipt. The Gilgit-Baltistan Council also received grant-in-aid of Rs.692.92 million from Federal Government which constitute 33.79% of the total receipt. The non-tax revenue contribution comes to Rs.252.53 million which is 12.32% of the total receipt followed by capital receipt which is 1.20% of the total receipt.

Total non-development expenditure for the financial year 2021-22 was Rs.692.92 million. The breakup of non-development expenditure is as under:

S. No.	Head	Rs. in million	% age
1.	Salaries and employees retirement benefits	571.550	82.484
2.	Operating expenses	89.570	12.926
3.	Grant, subsidies	13.470	1.944
5.	Physical Assets	5.210	0.752
6.	Repairs and Maintenance	13.120	1.894
Total Expenditure		692.92	100



The above table shows that an expenditure of Rs.571.55 million was incurred on salaries and employee related expenditure, which is almost 82% of the total spending. The Council made an expenditure of Rs.89.57 million on operational activities which is 13% of the total expenditure. Almost 95% expenditure was made on salaries and operational cost. Grants/subsidies amounting to Rs.13.48 million were granted during the year which is 2% of the total expenditure. Similarly, physical assets worth Rs.5.21 million were acquired besides expenditure of Rs.13.12 million on repair and maintenance which is 1% and 2% respectively of the total expenditure.

There was no development expenditure during the year 2021-22.

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.832.420 million were raised in this report during current audit of Gilgit-Baltistan Council. This amount also includes recoveries of Rs.13.740 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

S. No.	Classification	Amount (Rs. in million)
1.	Recovery	13.740
2.	Violation of Rules	416.623
3.	Contract management	398.935
4.	Internal Controls	3.122
Total		832.42

2.3 Comments on the status of compliance with PAC directives

No meeting of Public Accounts Committee (PAC) was held to discuss audit paras of Gilgit-Baltistan Council.

2.4 AUDIT PARAS

2.4.1 Non-execution of schemes for provision of telecom services – Rs.398.935 million

Section 33B(2) of the Pakistan Telecommunication (Re-organization) Act 1996 adopted by Gilgit-Baltistan Council states that the Universal Services Fund(USF) shall be utilized exclusively for providing access to the telecommunication services to people in the un-served, under-served, rural and remote areas and other expenditure to be made and incurred by the Federal Government in managing USF.

During audit of Gilgit-Baltistan Council for the financial year 2021-22 , it was noted that the Gilgit-Baltistan Council established Universal Service Fund in pursuance of Section 33A of the Pakistan Telecommunication (Re-organization) Act.1-996 vide Notification No.F-I-I(6)/2011-GBC-PTA dated 06.01.2017. The Gilgit-Baltistan Council Secretariat received funds of Rs.398.935 million up to June, 2022.

Audit observed that the management has neither identified nor executed any project in the Gilgit-Baltistan despite having mandate, resources and a full-fledged company for provision of telecom services to the people in the un-served, rural and remote areas of the Gilgit-Baltistan.

Audit is of the view that purpose for which the USF was established has not been achieved as the management has not identified any project and consequently the people of un-served and rural areas were deprived from the benefits of telecom facilities.

The irregularity was pointed out in October, 2022. The management replied that the telecommunication projects were identified by the Government of Gilgit-Baltistan for un-served and under-served areas of Gilgit-Baltistan. No development scheme was executed due to 1st wave of Covid-19. Since the

projects for underserved and un-served areas of Gilgit-Baltistan were received during the previous year, therefore Gilgit-Baltistan Council approached for assent of the newly elected Government and requested a list of telecommunication projects in consultation with all stakeholders. USF Company management is effectively pursuing the matter with Gilgit-Baltistan Government. Response from Gilgit-Baltistan Government is still awaited.

The management admitted the audit observation.

The DAC meeting was held on 17.01.2023. The DAC directed the management to place the case before USF Board for utilization of funds and to find out the way forward for telecommunication projects in Gilgit-Baltistan.

Audit recommends that a comprehensive mechanism may be devised for effective utilization of USF in accordance with IT requirements of underserved and un-served areas of Gilgit-Baltistan and in line with provisions of Pakistan Telecommunication (Re-organization) Act, 1996.

AP-01/2022-23

2.4.2 Irregular expenditure without the approval of the Board – Rs.2.050 million

Rule 16 of the Universal Service Fund Rules, 2006 states that the Board shall, in respect of each financial year, prepare and approved its budget. The Board shall also prepare budget of the Fund and submit it for approval of the Government/Council.

During audit of Gilgit-Baltistan Council for the financial year 2021-22, it was noted that Universal Service Fund (USF) Company incurred an expenditure of Rs.2.050 million on employee related expenditure during financial year 2021-22.

Audit observed that the management of the company has neither prepared budget nor obtain the approval of expenditure made from Board.

Audit is of the view that non-preparation of budget and expenditure without the approval of the board was irregular.

The irregularity was pointed out in October, 2022. The management replied that AGM of the Board for the year 2015 and 2016 of Gilgit-Baltistan Council USF company was held on 04.08.2017. Accordingly, the case of salaries of management of Company was put up along with comparison of others Public Sector Companies. Consequently, the Chairman of the board approved the salaries of the management of the Gilgit-Baltistan Council USF Co.

The reply was not acceptable as the salaries structure was approved by the chairman himself which has not been validated by the board despite lapse of 05 years. The issue regarding non-preparation of budget and its approval from board was not responded by the management.

The DAC meeting was held on 17.01.2023. The DAC directed the management to get the approval of the budget and expenditure of the company for the period 2017-18 onward from the board.

Audit recommends that budget and expenditure since 2017-18 onward may be placed before the Board for regularization.

AP-03/2022-23

2.4.3 Non-achievement of objectives and wasteful expenditure – Rs.3.122 million

Section 8 of the Gilgit-Baltistan Power Development Board Act, 2012 empowered the Board to prepare following policies and plan for power generation in Gilgit-Baltistan:

- i. Prepare a comprehensive plan for the development and utilization of the power and energy resources of the Gilgit-Baltistan.
- ii. Board may frame schemes for Gilgit-Baltistan for generation of power.
- iii. The Board shall make policies for power generation in Gilgit-Baltistan in collaboration with the private sector based on the national and international best practices.

During audit of Gilgit-Baltistan Council for the financial year 2021-22, it was noted that the Gilgit-Baltistan Power Development Board incurred an expenditure of Rs.3.122 million on account of pay and allowances during the

financial year 2021-22. Since its establishment, the Board prepared a draft policy for installation of captive power generation projects in Gilgit-Baltistan in July, 2015 and Gilgit-Baltistan Power Generation Policy, 2019.

Audit observed as under:

- i. Both the draft policies prepared by the Board have not attained the finality so far being un-approved from competent forum.
- ii. Since establishment of the Board, only three meetings were held and the last meeting was held on 12.02.2014 whereas according to law, the Board is required to meet at least once in every three months.
- iii. Despite great hydropower generation potential in Gilgit-Baltistan no plan has been framed for utilization power resources of Gilgit-Baltistan in order to meet increasing energy requirements of region as well as of National Grid.
- iv. The Board did not submit annual report to the Council on the conduct of its affairs as per requirement of Section 14 of the Act.

Audit is of the view that the Board could not achieve the laid down objectives regarding development of power resources of Gilgit-Baltistan.

The irregularity was pointed out in October, 2022. The management replied that Gilgit-Baltistan Power Development Board (GBPDB) has framed two Power Generation Policies for strengthening power sector of Gilgit-Baltistan despite limited resources. The objectives of the policies are to ensure energy supply for industries, and to encourage sustainable industrial development of new projects in private sector in Gilgit-Baltistan. Accordingly, Captive Power Generation Policy for Gilgit-Baltistan has been drafted in consultation with the private sector and Government of Gilgit-Baltistan. The same is vetted by Law & Prosecution Department Gilgit-Baltistan. Captive Power Generation Policy, would be submitted for consideration of the Board in forth coming meeting. The policy once approved by the Board shall be submitted to Gilgit-Baltistan Council for the final approval. On the recommendation of Gilgit-Baltistan Government, Secretary in-charge Gilgit-Baltistan Council directed GBPDB to frame Power Generation Policy for Gilgit-Baltistan on the pattern of Federal Power Generation Policy 2015. Accordingly, the policy has been drafted in consultation with Gilgit-Baltistan Government and Private Power Infrastructure Board (PPIB). As advised

by Law & Justice Division, Summary of Power Generation Policy for Gilgit-Baltistan has been forwarded through Secretary, Ministry of Kashmir Affairs & Gilgit-Baltistan to obtain comments of the relevant Ministries from policy perspective on Power Generation Policy for Gilgit-Baltistan.

The management has admitted the audit point of view.

The DAC meeting was held on 17.01.2023. The DAC directed the management that the approval of budget from Gilgit-Baltistan Power Development Board may be obtained. The DAC also directed the management to apprise the Board regarding legal complications involved in execution of projects in Gilgit-Baltistan.

Audit recommends that power policy for the region may be finalized in consultation with all stakeholders to exploit natural hydro potential of the region for socio-economic uplift of the people of Gilgit-Baltistan. Moreover, the board may also be re-activated to make plan for the development and utilization of the energy resources of the Gilgit-Baltistan besides making policies for power generation in Gilgit-Baltistan in collaboration with the private sector based on the national and international best practices.

AP-04/2022-23

2.4.4 Irregular payment of salaries to contingent paid staff – Rs.13.478 million

Rule 5(iii) of the Gilgit-Baltistan Council System of Financial Control and Budgeting Rules, 2010 states that funds are spent in accordance with relevant rules and regulations.

Rule 157(1) of FTR Volume-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".

During audit of Gilgit-Baltistan Council for the financial year 2021-22, it was noted that the Gilgit-Baltistan Council Secretariat has appointed forty six (46) employees as contingent basis against different posts including NQ, Assistant

Engineer, PS etc. including 09 employees for camp office at Gilgit on monthly salary from Rs.20,950 to 45,000.

Audit observed that entire payment of salary amounting to Rs.13.478 million to contingent paid staff (CPS) during the year 2021-22 was made through DDO instead of making payment to the beneficiaries through cross cheque or through payroll. Audit further observed that the management has not framed policy to regulate their appointments.

Audit is of the view that the irregularity was occurred due to weak internal controls and non-adherence to rules.

The irregularity was pointed out in October, 2022. The management replied that the CPS were appointed in this Council Secretariat against the sanctioned strength of the Council to run the day to day business of the Council. Contingent Paid Staff are posted in different sections of this Council Secretariat i.e. Office of the Chairman Standing Committee, Public Accounts Committee, Office of the Minister-in-Charge, Gilgit-Baltistan Council and Camp Office at Gilgit. Moreover, services of 04 Contingent Paid Staff were placed with ex-Secretary-in-Charge (GBC), Ex-Joint Secretary (GBC) and office of the Chairman PAC. These CPS are performing their duties till date. The staff appointed with Ex-officers, is being directed to report back in Gilgit-Baltistan Council Secretariat.

The management has accepted the audit point of view.

The DAC meeting was held on 17.01.2023. The DAC directed the management that the salary of Gilgit-Baltistan Council contingent paid staff may be paid through their bank accounts.

Audit recommends that salaries of contingent paid staff may be paid through their bank accounts instead of disbursement in cash.

AP-06/2022-23

2.4.5 Irregular attachment of staff outside Council Secretariat

In accordance with rule 3(1) of Civil Servants (Appointment, Promotion and Transfer Rules, 1973 the appointments to posts shall be made by any of the following methods, namely:

- (a) By promotion.
- (b) By transfer.
- (c) By initial appointment.

The Gilgit-Baltistan Council adopted Civil Service Act, 1973 and the rules, notifications, and orders made hereunder on 22.10.2010.

Section 60(A) (14) of the Gilgit-Baltistan Order, 2018 states that the Council may make its rules of business and laws for the appointment of its employees and expenditure.

During audit of the Gilgit-Baltistan Council for the year 2021-22, it was noted that twenty-five (25) officers/officials from various departments were posted in Gilgit-Baltistan Council Secretariat on deputation basis.

Audit observed that ten deputationists were working outside Council Secretariat in controlling ministry on attachment since their joining and drawing pay from Council Budget. Details are as under:

S. No.	Name & Designation	BPS	Present Place of Posting	Parent Department	Date of Joining
1.	Mr. Sajid Khan, Director to Advisor	BS-18	Advisor's Office	Establishment Division	04-12-2018
2.	Mr. MujibQadir	BS-18	Advisor's Office	Information Department	06-04-2021
3.	Mr. Muhammad Faridoon, Deputy Director (BoR)	BS-18	Secretary In- charge Office	Establishment Division	06-10-2022
4.	Mr. Nadeem Akhtar Section Officer	BS-18	M/o KA & GB	M/o Interior	07-12-2021
5.	Mr. Muhammad Naeem, Assistant Director (BoR)	BS-17	Advisor's Office	Senate of Pakistan	31-08-2022
6.	Mr. Mansoor Ahmed, Private Secretary	BS-18	Secretary In- charge Office	M/ o KA & GB	08-03-2021
7.	Ms. Shaheen Attique Assistant	BS-16	Secretary In- charge office	M/o KA & GB	02-01-2019

8.	Mr. Kamran Javed S/T	BS-14	Secretary In-charge Office	M/o Interior	17-12-2021
9.	Mr. Muhammad Masoom Ali, LDC	BS-09	M/o KA & GB	M/o KA & GB	18-08-2022
10.	Mr. Muhammad Latif Khan, Naib Qasid	BS-02	Advisor' Office	M/o KA & GB	15-01-2021

Audit further observed that attachment includes majority of employees of controlling ministry, who only actualizes the posting in Council but physically and practically working against their original posts in ministry.

Audit is of the view that existing arrangement of posting of staff on attachment basis was neither covered in Gilgit-Baltistan Council's Rules of Business nor in the Civil Servant Appointment, Promotion and Transfer Rules, 1973.

The irregularity was pointed out in October, 2022. The management replied that the Secretary, Ministry of Kashmir Affairs and Gilgit-Baltistan (KA&GB) is also Secretary in-charge of the Gilgit-Baltistan Council Secretariat and the Secretary, KA&GB, is the Principal Accounting Officer of the Gilgit-Baltistan, Council and its attached departments. Being administrative need, the Staff of the Gilgit-Baltistan Council was attached with the Secretary in-charge of the Council. It is further submitted that Minister of Kashmir Affairs and Gilgit-Baltistan is also Minister in-charge of the Council and being Minister-in-charge of the Gilgit-Baltistan Council, employees of this Council Secretariat are performing their duties in the office of the Minister.

The reply is not convincing as the Secretary and Minister offices have full fledged secretariat with all staff, therefore, the attachment of staff is an additional burden.

The DAC meeting was held on 17.01.2023. The DAC directed the department to rationalize the attachment on actual need basis and also directed to withdraw the surplus staff attached with other offices.

Audit recommends that the services of the officer/officials on attachment with other offices may be withdrawn for effective utilization in other sections of the Gilgit-Baltistan Council Secretariat where needed.

AP-07/2022-23

2.4.6 Loss to the Council due to non-recovery of advances – Rs.13.740 million

Rule 6(v) of the Gilgit-Baltistan Council System of Financial Control and Budgeting Rules, 2010 states in the matter of receipts pertaining to the Wings, 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 the Wings, departments and subordinate offices under his control.

During audit of the Gilgit-Baltistan Council for the year 2021-22, it was noted the Gilgit-Baltistan Council Secretariat granted HBA, MCA amounting to Rs.12.088 and Rs.1.652 million respectively out of Gilgit-Baltistan Council Consolidated fund to various deputationists during their stay in the Gilgit-Baltistan Council Secretariat.

Audit observed that the concerned officers/officials have neither credited the monthly recovery into Gilgit-Baltistan consolidated fund nor the concerned Account Offices have transferred the recoveries to Gilgit-Baltistan Council Consolidated fund.

Audit is of the view that not receipt of recovery into Gilgit-Baltistan Consolidated fund resulted in loss to the Council.

The irregularity was pointed out in October, 2022. The management replied that Council Secretariat has time to time requested Accountant General of Pakistan Revenues (AGPR) and the parent offices regarding recovery of the outstanding amount of HBA and MCA granted to officers/officials who remained on deputation in Gilgit-Baltistan Council Secretariat to credited the said amount in Gilgit-Baltistan Council Consolidated Fund.

The management admitted the audit point of view.

The DAC meeting was held on 17.01.2023. The DAC directed the management to coordinate with AGPR for early transfer of HBA and MCA recoveries from Federal to Gilgit-Baltistan Council Fund.

Audit recommends that recoveries of HBA/MCA along with interest may be made from AGPR and credited into the Gilgit-Baltistan Council Fund.

AP-09/2022-23

Annexure-I MFDAC Paras

S No.	Para #	Year	Subject	Rs. in million	Formation
1.	01	2021-22	Irregular expenditure during close of June	8.609	Inland Revenue, Gilgit
2.	02	2021-22	Irregular expenditure on account of payment of POL, repair maintenance of vehicles	5.485	Inland Revenue, Gilgit
3.	03	2021-22	Irregular expenditure on contingent paid staff	10.442	Inland Revenue, Gilgit
4.	04	2021-22	Non-maintenance of cash book for sales tax and income tax	1,080.46	Inland Revenue, Gilgit
5.	05	2021-22	Non-appointment of staff	-	Inland Revenue, Gilgit
6.	01	2021-22	Improper / incomplete maintenance of Personal Files by GAD Section	-	AG-GB
7.	02	2021-22	Non-maintenance of Broad sheet/register of HBA/MCA	-	AG-GB
8.	03	2021-22	Non-conduct of post audit of Assignment Accounts of projects	-	AG-GB
9.	04	2021-22	Non-maintenance of pension payment register	-	AG-GB
10.	05	2021-22	Improper maintenance of post audit register/files of Gazzated officers	-	AG-GB
11.	06	2021-22	Improper maintenance of main Cash Book	-	AG-GB
12.	07	2021-22	Irregular expenditure on account of rent of office building	1.323	AG-GB
13.	08	2021-22	Non-maintenance of declaration of assets record	-	AG-GB
14.	09	2021-22	Irregular expenditure on account of contingent paid staff	0.379	AG-GB
15.	10	2021-22	Irregular expenditure during close of June	44.587	AG-GB
16.	01	2021-22	Non-maintenance of cash book	3.299	AG-GB sub office Isld
17.	02	2021-22	Non-transferring of GP Fund of deputationists	-	AG-GB sub office Isld
18.	03	2021-22	Irregular hiring of residential accommodation	1.184	AG-GB sub office Isld