AUDIT REPORT

ON

THE ACCOUNTS OF

FEDERAL GOVERNMENT - (CIVIL)

AUDIT YEAR 2023-24

AUDITOR-GENERAL OF PAKISTAN

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 2022-23. Directorate General Audit (Federal Government), Islamabad conducted audit on test check basis with a view to reporting significant findings to the stakeholders. The main body of the Audit Report includes audit findings of a serious nature and systemic issues having significant value. The sectoral analysis of Federal Government is included to review financial management and fiscal discipline. Less significant issues are listed in Annexure-I of the Report as MFDAC, which shall be pursued with the Principal Accounting Officers at the Departmental Accounts Committee. In cases where the PAO does not initiate appropriate action, the audit observation will be brought to the notice of the Public Accounts Committee through next year's Audit Report.

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.

A new concept of Impact Audit has been introduced, which is an attempt to determine the impact of a new programme or recent changes to an existing programme, with its specific focus on service delivery.

There are certain audit para(s) which were also reported in last year(s) Audit Report(s) for the financial year 2021-22 and 2022-23. Recurrence of such irregularities is a matter of concern and needs to be addressed.

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

(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

Islamabad
Dated:

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ABBREVIATIONS AND ACRONYMS

A/C	Account
ADB	Asian Development Bank
AFS	Additional Finance Secretary
AG	Accountant General
AGFP	Attorney General for Pakistan
AGP	Auditor-General of Pakistan
AGPR	Accountant General of Pakistan Revenue
AIOU	Allama Iqbal Open University
AJK	Azad Jammu and Kashmir
APPM	Accounting Policies and Procedures Manual
ASF	Airport Security Force
BECS	Basic Education Community Schools
BESOS	Benazir Employees Stock Option Scheme
BoG	Board of Governors
BoQ	Bills of Quantity
BPS	Basic Pay Scale
CBA	Collective Bargaining Agreement (Employees Union)
CDL	Cash Development Loan
CDWP	Central Development Working Party
CEO	Chief Executive Officer
CF	Court Fee
CGA	Controller General of Accounts
CHE	Central Health Establishment
PAO	Principal Accounting Officer
CPEC	China Pakistan Economic Corridor
CPWA	Central Public Works Accounts
CPWD	Central Public Works Department
DAC	Departmental Accounts Committee
DDMA	District Disaster Management Authority
DDO	Drawing and Disbursing Officer
DDWP	Departmental Development Working Party
DG	Director General
DGA	Director General Audit
DRAP	Drug Regularity Authority of Pakistan
DTH	Direct to Home
EAD	Economic Affairs Division

ECC	Economic Coordination Committee
ECNEC	Executive Committee on National Economic Coordination
EDF	Export Development Fund
EMDF	Export Market Development Fund
EPI	Expanded Programme on Immunization
ETPB	Evacuee Trust Property Board
FAP	Foreign Aided Project
FBISE	Federal Board of Intermediate and Secondary Education
FBR	Federal Board of Revenue
FCF	Federal Consolidated Fund
FEB&GIF	Federal Employees Benevolent and Group Insurance Fund
FG	Federal Government
FGCC	Faisalabad Garment City Company
FIA	Federal Investigation Authority
FPSC	Federal Public Service Commission
FTO	Federal Treasury Office
FTR	Federal Treasury Rules
FY	Financial Year
GDP	Gross Domestic Produce
GFR	General Financial Rules
GST	General Sales Tax
HBL	Habib Bank Limited
HEC	Higher Education Commission
HR	Human Resource
HRD	Human Resource Development
HVAC	Heating, Ventilation, and Air Conditioning
IAP	Iqbal Academy Pakistan
IBCC	Inter Board Chairmen Committee
IC	Investment Committee
ICT	Islamabad Capital Territory
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IHC	Islamabad High Court
IKTK	Institute of Knitwear Technology
INL	International Narcotics Law Affairs Section
JIT	Joint Investigation Team
KDLB	Karachi Dock Labour Board
KPT	Karachi Port Trust

LC	Letter of Credit
LGCC	Lahore Garment City Company
MB	Measurement Book
MFDAC	Memorandum for Departmental Accounts Committee
MOU	Memorandum of Understanding
MSA	Marine Security Agency
NAB	National Accountability Bureau
NADRA	National Database and Registration Authority
NARC	National Agriculture Research Council
NAVTTC	National Vocational and Technical Training Commission
NBP	National Bank of Pakistan
NDMA	National Disaster Management Authority
NIDA	National Income Daily Account
NIH	National Institute of Health
NOC	No Objection Certificate
NPA	National Police Academy
NPF	National Police Foundation
NSPP	National School of Public Policy
NTC	National Tariff Commission
NUML	National University of Modern Languages
OECD	Organization for Economic Co-operation and Development
OEM	Original Equipment Manufacturer
OM	Office Memorandum
PA	per annum
PAC	Public Accounts Committee
PARC	Pakistan Agriculture Research Council
PATCO	PARC Agrotech Company (Pvt.) Limited
PC	Privatization Commission
PCB	Pakistan Cricket Board
PCSIR	Pakistan Council of Scientific and Industrial Research
PEC	Pakistan Engineering Council
PEIRA	Private Educational Institutions Regulatory Authority
PEMRA	Pakistan Electronic Media Regulatory Authority
PHF	Pakistan Hockey Federation
PHMA	Pakistan Hosiery Manufacturers Associations
PID	Press Information Department
PLA	Personal Ledger Account
PLS	Profit and Loss Sharing

PM	Prime Minister
PMA	Pakistan Marine Academy
PMI	Pakistan Management Institute
PMSA	Pakistan Maritime Security Agency
PMU	Project Management Unit
POL	Petroleum, Oil and Lubricant
PPRA	Public Procurement Regulatory Authority
PRO	Public Relations Officer
PSDP	Public Sector Development Programme
PSL	Pakistan Super League
PSQCA	Pakistan Standards and Quality Control Authority
PTV	Pakistan Television
PWD	Pakistan Public Works Department
QMMB	Quaid-e-Azam Mazar Management Board
R&D	Research and Development
SBP	State Bank of Pakistan
SECP	Securities Exchange Commission of Pakistan
SIC	Special Investigation Cell
SRO	Statutory Regulatory Order
TAM	Television Audience Measurement
TDAP	Trade Development Authority of Pakistan
TDR	Terms Deposit Receipt
TOR	Terms of Reference
TRP	Television Rating Points
UAE	United Arab Emirates
UBL	United Bank Limited
UESTP	Universities of Engineering, Science and Technology of Pakistan
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children Education Fund
UOBS	University of Baltistan, Skardu
US	United States
USD	US Dollars
w.e.f.	with effect from
WAPDA	Water and Power Development Authority

EXECUTIVE SUMMARY

Directorate General Audit, Federal Government (DGA-FG) is a field audit office of the Auditor-General of Pakistan. It facilitates the Auditor-General of Pakistan to fulfill his constitutional responsibility of conducting the audit of the Federal Government. The main outputs of this office are Certification Audit Reports of the Federal Government, Foreign Aided Project Audit Reports, Performance Audit Reports, Special Audit Reports and Compliance with Authority Audit Report. This Directorate General is located in Islamabad headed by a Director General with four sub-offices, one each at Lahore, Karachi, Peshawar and Quetta.

The Federal Government conducts its operations under the Rules of Business, 1973 and comprises 62 Principal Accounting Officers (PAOs) for different Ministries, Divisions and entities. The DGA (FG) conducts audit of the Federal Consolidated Fund and Public Account of the Federal Government. The sectoral analysis of financial issues and fiscal discipline is also carried out to analyze the financial management of the Federal Government by reviewing budget estimates, Appropriation Accounts and Financial Statements for the financial year 2022-23. Impact Audit, of "initiatives taken for better service delivery in excise & taxation department Islamabad" also made part of this report. The DGA (FG) has human resource of 108 officers and staff with 26,676 person days. The annual budget allocated to the Directorate General for the Audit Year 2023-24 is Rs.271.718 million.

The report is finalized after reviews of Internal and External Quality Control Committee meetings.

Audit Objectives

The audit was conducted with the objective of ensuring Parliamentary oversight over the expenditure incurred by Federal Ministries and Divisions including review of:

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

ii. The probity and propriety of administrative decisions taken and to highlight cases of irregular expenditure or waste of public money.

iii. The assessment, collection and allocation of revenues in accordance with the law.

Scope of Audit

DG Audit (FG) conducts compliance audit of 2,110 formations of 62 different PAOs of the Federal Government. In Audit Year 2023-24 an expenditure of Rs. 2,289.651 billion was in the audit scope of DG Audit (FG).

Audit coverage relating to expenditure and receipt for the current Audit Year comprises 223 formations of 42 PAOs/Ministries having a total expenditure of Rs. 410.387 billion and receipt of Rs. 74.040 billion for the financial year 2022-23. In terms of percentage, the audit coverage (Compliance Audit) was 17.92% of the auditable expenditure.

In addition to this compliance audit report, DGA-FG conducted 03 Certification Audits and 10 Foreign Aided Project (FAP) Audits.

Recoveries at the instance of Audit

During January, 2023 to December, 2023, an amount of Rs. 31.060 billion was recovered and verified on the pointation of Audit, whereas last year, the amount recovered and verified was Rs. 6.894 billion.

Audit Methodology

Audit was conducted in accordance with Internal Organization of Supreme Audit Institutions (INTOSAI) Auditing Standards as incorporated in Financial Audit Manual (FAM), Guidelines for the Audit of Federal Government Operations and the International Standards of Supreme Audit Institutions (ISSAI).

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 SAP/R3 data of the Accountant General Pakistan Revenues (AGPR).

An effective desk audit was carried out before initiating field activities which included performing of audit tests and analytical procedures to evaluate internal controls and to assure that payments were validated by proper supporting documents, approval of competent authority and expenditure was incurred in accordance with the approved budget.

Comments on Internal Controls and Internal Audit

For most of the entities audited during 2023-24 it was noticed that the internal audit units had not been established in light of section 29 of Public Finance Management Act 2019 & para 33 of PAOs Regulations 2021. Instances of internal control failures were identified which resulted in irregularities and loss of Government money. Similarly, the institutionalization of internal audit and regular issuance of internal audit reports were found missing in majority of the auditee organizations. The same was pointed out to the management for remedial measures.

Impact of Audit:

On pointation of Audit:

i. Excise Department, Islamabad started to collect GST on printing of smart card and number plates.

ii. Pakistan Rangers, Sindh has started disbursing Internal Security Duty Allowance received from Government of Sindh through monthly payroll of AGPR.

iii. CDNS started crediting the Sales Tax on Services in proper head of account of the provinces.

iv. Wafaqi Mohtasib has prepared the service rules for its employees after approval from the Federal Cabinet.

v. ETPB started geo-tagging its properties through department of Survey of Pakistan

vi. KPT agreed to prepare its audited financial statements for the last 10 years.

vii. Rent amounting to Rs. 663.172 million was recovered from allottees of ETPB.

viii. 4,985-acre land of ETPB valuing Rs. 27,692.125 million was retrieved from the encroachers.

Key Audit findings

i. There were 7 cases of misappropriation and embezzlement of public money and fictitious payments, amounting to Rs. 1,504.619 million[1].

ii. There were 76 cases of recovery amounting to Rs. 110,239.84 million[2].

iii. There were 3 instances of non-production of record amounting to Rs. 748.378 million[3].

iv. There were 61 cases of weak internal controls amounting to Rs. 97,387.88 million[4].

v. There were 62 cases pertaining to weak financial management amounting to Rs. 11,586.86 million[5].

vi. Due to the introduction of online payment system the revenue of the government increased from Rs. 6.515 billion during 2018-19 to Rs. 17.876 billion in 2022-23 in Excise and Taxation Department, Islamabad as detailed in Chapter-2.

vii. Excise and Taxation Department, Islamabad introduced bio-metric verification system for transfer of vehicles which eliminated the chances of fraudulent transfers as detailed in Chapter-2.

Audit paras for the Audit Year 2023-24 involving procedural violations, internal control weaknesses and irregularities which are not considered

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[1] Para No. 12.5.5, 12.5.11, 20.5.1, 20.5.38, 20.5.52, 29.5.2, 32.5.6

[2] Para No. 9.5.2, 9.5.5, 12.5.6, 12.5.7, 13.5.8, 13.5.4, 13.5.7, 13.5.9, 13.5.11, 13.5.20, 14.5.3, 14.5.4, 15.5.8, 16.5.12, 17.5.5, 17.5.7, 18.5.3, 18.5.4, 18.5.5, 19.5.8, 20.5.4, 20.5.5, 20.5.37, 20.5.62, 20.5.63, 20.5.66, 20.5.67, 20.5.69, 20.5.71, 20.5.74, 20.5.75, 20.5.76, 20.5.78, 20.5.80, 21.5.1, 21.5.2, 21.5.3, 21.5.4, 21.5.5, 21.5.6, 21.5.7, 21.5.9, 21.5.10, 21.5.11, 21.5.18, 21.5.22, 21.5.24, 21.5.25, 21.5.27, 23.5.4, 23.5.11, 24.5.1, 24.5.23, 24.5.24, 24.5.26, 24.5.30, 26.5.1, 28.5.2, 28.5.3, 28.5.4, 28.5.9, 28.5.10, 29.5.4, 31.5.1, 31.5.3, 31.5.4, 31.5.7, 31.5.9, 31.5.10, 32.5.1, 32.5.2, 32.5.7, 32.5.8, 33.5.2, 33.5.3, 35.5.7

[3] Para No. 20.5.9, 32.5.5, 32.5.9

[4] Para No. 3.5.1, 5.5.1, 5.5.2, 5.5.3, 5.5.4, 5.5.5, 5.5.6, 5.5.7, 5.5.8, 5.5.11, 5.5.12, 5.5.13, 5.5.17, 5.5.19, 6.5.2, 6.5.5, 6.5.6, 7.5.1 ,8.5.1, 9.5.4, 9.5.6, 10.5.8, 10.5.12, 11.5.1, 12.5.3, 12.5.9, 12.5.10, 13.5.1, 13.5.6, 13.5.8, 13.5.21, 14.5.2, 15.5.10, 15.5.11, 15.5.13, 17.5.6, 18.5.1, 19.5.5, 19.5.12, 20.5.2, 20.5.21, 20.5.46, 20.5.53, 20.5.55, 20.5.60, 20.5.65, 20.5.73, 21.5.8, 21.5.17, 21.5.21, 21.5.26, 21.5.29, 22.5.1, 23.5.8, 24.5.31, 28.5.5, 29.5.1, 30.5.2, 30.5.3, 35.5.1,

[5] Para No. 9.5.3, 12.5.4, 13.5.13, 15.5.2, 15.5.3, 15.5.4, 15.5.5, 15.5.6, , 15.5.7, 15.5.9, 15.5.14, 16.5.2, 18.5.7, 19.5.2,

19.5.3, 19.5.6, 19.5.7, 19.5.9, 19.5.13, 19.5.14, 20.5.3, 20.5.8, 20.5.11, 20.5.12, 20.5.20, 20.5.22, 20.5.24, 20.5.25, 20.5.33, 20.5.40, 20.5.41, 20.5.58, 20.5.59, 20.5.64, 20.5.68, 20.5.72, 20.5.79, 21.5.15, 21.5.19, 21.5.28, 23.5.2, 24.5.6, 24.5.7, 24.5.8, 24.5.9, 24.5.10, 24.5.11, 24.5.12, 24.5.13, 24.5.14, 24.5.15, 25.5.1, 25.5.2, 25.5.3, 27.5.1, 29.5.3, 31.5.2, 31.5.5, 31.5.6, 31.5.8, 31.5.11, 32.5.3

significant for reporting to PAC are included in Memorandum for Departmental Accounts Committee (MFDAC) at **Annexure-I.**

Recommendations

i. No expenditure should be incurred without budgetary cover and authorization by Parliament.

ii. Supplementary Grants should not be issued without assessment and approval from the Parliament within the financial year.

iii. Cases of serious embezzlement of public money be sent to the investigation agencies.

iv. Retained Government receipts and unspent balances need to be deposited into the Government Treasury wherever applicable.

v. Internal control system be strengthened to mitigate the risks.

vi. Internal audit and issuance of internal audit report should be ensured

vii. Financial Attest audit reports of autonomous authorities should be shared with AGP's audit teams where required.

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

ix. All auditable records be produced to audit when demanded. PAOs need to take seriously the issues of non-production of record as it hampers auditorial functions of the Auditor-General of Pakistan.

CHAPTER 1

PUBLIC FINANCIAL MANAGEMENT ISSUES

1.1 Sectoral Analysis

The Directorate General Audit (Federal Government) analyzed the financial management of the Federal Government by reviewing budget estimates, Appropriation Accounts and Financial Statements for the financial year 2022-23. Grants of all Ministries/Division included in Audit Plan, overall financial health and fiscal discipline were reviewed in the light of Accounting Policy and Procedure Manual, Financial Audit Manual, Public Finance Management Act, General Financial Rules, field audit of internal controls of selected formations and relevant legislations like Fiscal Responsibility and Debt Limitation Act 2005.

The analysis revealed certain deficiencies and shortcomings which were shared with the management and all the stakeholders which include AGPR, CGA, Ministry of Finance and all the PAOs of the relevant Ministries/Divisions and other entities for corrective measures.

1.1.1 Analysis of appropriation accounts of federal government

It was observed that during the financial year 2022-23 the Federal Government had certain financial management issues which include:

i. Unnecessary allocation of supplementary grants leading to blocking of public funds
ii. Demand of budget without need assessment leading to surrender of budget.
iii. Lapse of funds due to non-surrendering of funds in time
iv. Non-recording of commitments leading to poor budget management

As per Appropriation Accounts for the financial year 2022-23 there was a total provision of Rs. 31,815.629 billion, however, after surrender and supplementary grants final allocation was Rs. 38,616.656 billion. The actual expenditure was Rs. 38,675.387 billion which was Rs. 58.731 billion (0.15% excess) over and above the final allocation. Detail of charged and voted expenditure is as under:

(Rupees in billion)

Heads	No. of Grants	Original	Supplementary Grant		Surrender (-)	Final Grant	Actual Expenditure	Excess / (Savings)	
			Printed	Not Printed				Amount	% age
Current	86	3,248.508	473.114	587.320	(638.697)	3,670.245	3,691.578	21.333	0.58%
Development	40	1,008.516	30.499	52.347	(245.665)	845.873	929.860	83.986	9.03%
Charged	14	27,558.605	20.753	7,358.695	(837.516)	34,100.537	34,053.949	(46.588)	0.14%
Total		**31,815.629**	**524.367**	**7,998.362**	**(1,721.878)**	**38,616.656**	**38,675.387**	**58.731**	**0.15%**

**(excluding five (5) grants i.e. Defence Services, Geological Survey of Pakistan, Foreign Affairs and Capital Outlay on Civil Works).*

Comparison of the current year's excess with the previous year's excess indicates improvement in budgeting of Federal Government. Trend of expenditure in comparison to the final budget is tabulated as below:

(Rupees in billion)

Year	Final Grant	Actual Expenditure	Excess / (Savings)	% (saving) / Excess
2017-18	27,480.98	30,714.14	3,233.16	11.77%
2018-19	26,150.15	48,038.00	21,887.85	83.70%
2019-20	22,375.35	22,523.86	148.51	0.66%
2020-21	21,727.53	25,966.21	4,238.68	19.40%
2021-22	29,625.31	29,663.17	37.86	0.13%
2022-23	38,616.656	38,675.387	58.731	0.15%

Overall appropriation figures revealed that the Federal Government granted supplementary grants of Rs. 8,678.242 billion, out of which Rs. 8,049.415 billion was not approved by the Parliament.

In three (3) grants there was a saving of Rs 3.508 billion after supplementary grants of Rs. 1.364 billion, showing non-utilization of 100% supplementary grants; and in 32 Grants, against the supplementary grant of Rs. 7,960.675 billion, Rs. 47.912 billion could not be utilized. Whereas in 19 supplementary grants amounting to Rs.369.119 billion an amount of Rs. 83.146 billion was spent in excess. The details are summed up in the **Figure-I**.

Non-utilzation of Supplementary Grants **(3 Grants)**	• Supplementary Grant Rs. 1.364 Billion • Savings w.r.t. final Grant Rs. 3.508 Billion resulting in non-utilization of SG
Excessive Supplementary Grants **(32 Grants)**	• Supplementary Grant Rs. 7,960.675 billion • The amount of Rs.47.912 billion could not be utilized
Insufficient Supplementary Grants **(19 Grants)**	• Supplementary Grant Rs.369.119 Billion • Excess w.r.t Final Grant Rs.83.146 billion resulting in insufficient SG

Figure-I Variation of SGs from Actual Requirements

There was a slight decrease in share of total expenditure on current and development grants during financial year 2022-23 as compared to financial year 2021-22 showing reduced resource allocation on development and current expenditure, negatively affecting the growth of the economy as shown in **Figure-II**:

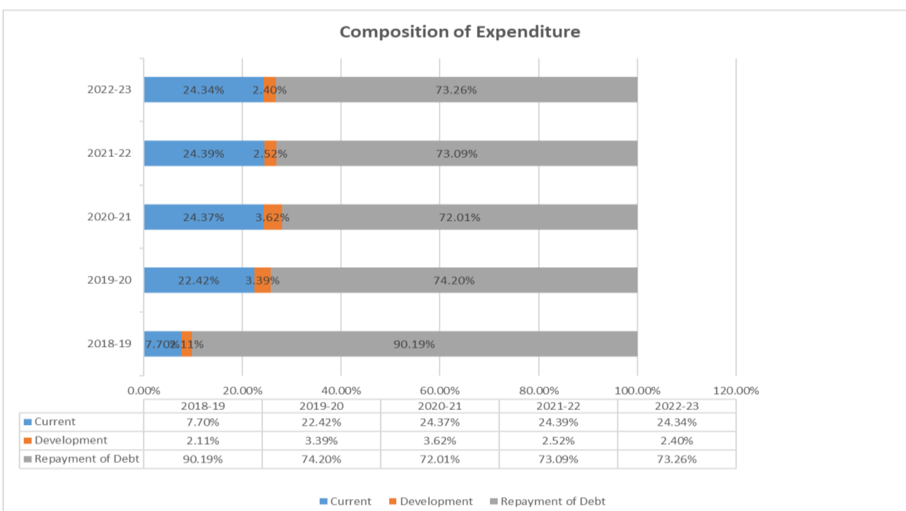


Figure-II – Current, Development and Repayment of debt expenditrue as % of Total Expenditure

Flow of expenditure: As per Appropriation Accounts of the Federal Government, for the financial year 2022-23, the total expenditure of Rs. 38,675.39 billion was booked by the AGPR and its subordinate offices as detailed below.

(Rs. in billion)

Economic Functions	FY 2022-23		FY 2021-22	
	Expenditure	%	Expenditure	%
i. Interest Payment	5,702.16		21,681.63	73.09%
ii- Principal Repayments of Loans	28,332.41		3,213.74	10.83%

A- Total Debt Servicing (i+ii)	**34,034.57**	**91.42%**	**24,895.37**	**83.93%**
B- Other than Debt	3,195.04	8.58%	3,357.96	11.32%
01 - General Public Service (A+B)	**37,229.61**	**96.26%**	**28,253.33**	**95.25%**
02 - Defence Affairs & Services	11.56	0.03%	6.64	0.02%
03 - Public Order and Safety Affairs	228.77	0.59%	208.32	0.70%
04 - Economic Affairs	540.99	1.40%	589.92	1.99%
05 - Environment Protection	4.70	0.01%	10.09	0.03%
06 - Housing and Community Amenities	9.06	0.02%	10.49	0.04%
07 – Health	35.89	0.09%	162.56	0.55%
08 - Recreation, Culture and Religion	17.48	0.05%	15.74	0.05%
09 - Education Affairs and Services	146.94	0.38%	54.96	0.19%
10 - Social Protection	450.39	1.16%	351.13	1.18%
Grand Total	**38,675.39**	**100.00%**	**29,663.17**	**100.00%**

Figure-III Flow of expenditure

As evident from the table above, a high percentage of expenditure i.e. 96.26% was expended on General Public Service which includes 91.42% on repayment of debt and interest payments during 2022-23, the same was 83.93% during 2021-22. Therefore, the Federal Government was left with a meager 12% of total expenditure for socio-economic functions (other than debt) which is lower than last year's percentage of 16.07%.

1.1.2 Analysis of financial statements of Federal Government

As per Financial Statements of the Federal Government, for the financial year 2022-23 government expended Rs. 40,404.18 billion against total receipts of Rs 40,382.70 billion out of Federal Consolidated Fund as detailed below:

In billion

Particular	**FY 2022-23**	**FY 2021-22**
Revenue Receipts	4,643.53	3,759.58
Capital receipts (Debts/recovery of loans/adv)	35,739.17	27,839.79
TOTAL RECEIPTS	**40,382.70**	**31,599.37**
Revenue payments	11,082.23	8,883.05
Capital payments	29,321.96	22,325.80
TOTAL PAYMETS	**40,404.18**	**31,208.85**

a. Five Year trend in Public debt[6]: Trend of domestic and foreign debt for the last 5 years is shown in the table given below. As per the Financial Statement of

[6] Financial Statement 2022-23 Page# 34-35

the Federal Government, for the financial year 2022-23 there was an increase in receipt of domestic-floating & permanent debts to Rs.25.17 trillion & Rs. 7.29 trillion as compared to last year's receipt of Rs.17.94 trillion and Rs. 6.53 trillion, respectively. However, receipt of foreign debt was reduced to Rs. 2.88 trillion as compared to previous year's receipts of Rs. 3.08 trillion.

During financial year 2022-23 Federal Government paid off Rs. 22.63 trillion floating and Rs. 2.46 trillion permanent domestic debts as well as Rs.3.24 trillion of foreign debt.

Resultantly, the federal government increased its debts by Rs 7.01 trillion during 2022-23.

In trillion

Year	Receipts				Payments				Net Increase /(decrease)
	Domestic Debt		Foreign Debt	Total Receipts	Domestic Debt		Foreign Debt	Total	
	Floating	Permanent			Floating	Permanent			
2019	37.68	8.58	1.48	**47.74**	41.07	1.28	0.97	**43.32**	4.42
2020	14.30	3.05	2.08	**19.43**	14.13	1.23	1.36	**16.72**	2.71
2021	14.55	3.18	2.24	**19.96**	13.807	0.96	0.96	**15.72**	4.24
2022	17.94	6.53	3.08	**27.54**	17.96	1.88	1.84	**21.68**	5.86
2023	25.17	7.29	2.88	**35.34**	22.63	2.46	3.24	**28.33**	7.01

b. Composition of total Receipts[7]: To meet its expenditures, Federal Government mainly relied on borrowings in the shape of public debt *(domestic and foreign debt)* which contributed Rs. 35,335.74 billion (87.5%) of total receipt. There is more reliance on borrowings as compared to last year when public debt to the tune of Rs. 27,543.98 billion was part of the total receipts.

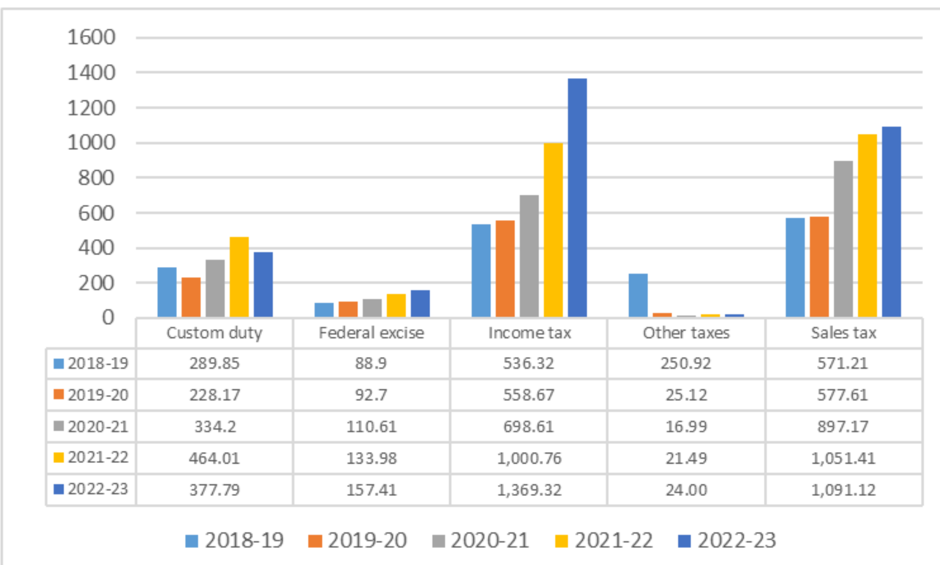
(Rs. in billion)

Particulars	FY 2022-23	FY 2021-22
Revenue-Receipts	**4,643.53**	**3,759.58**
Taxation	3,019.64	2,671.65
Non-taxation	1,623.89	1,087.94
Capital–Receipts	**35,739.17**	**27,839.79**
Domestic debt	32,456.17	24,460.58
Foreign debt	2,879.57	3,083.40
Recoveries of loans and advances	403.43	295.81
Total Receipts	**40,382.70**	**31,599.37**

[7] Financial Statements 2022-23 Page # 15

During the financial year 2022-23 tax receipts of Federal Government were Rs. 7,177.035 billion as compared to Rs. 6,155.166 billion for the previous financial year, which represents an increase of 16.6%. Out of total tax collections for the financial year 2022-23, the Federal Government has transferred Rs. 4,097,393 million to the provinces. These transfers are made from all heads of taxes in accordance with the NFC award. The net tax reported after the transfers leave the Federal Government with tax revenue of Rs 3,019.642 billion against Rs. 2,671.647 billion in comparison with the previous financial year.

c. Composition of tax receipts: In 2022-23 there was a growth in Income tax including nominal growth in Sales Tax, Federal Excise, and other taxes increased by Rs 434.21 billion as compared to previous financial year 2021-22[8]. However, there was a decrease in collection of customs duty during CFY. The same is reflected in the Figure-V:



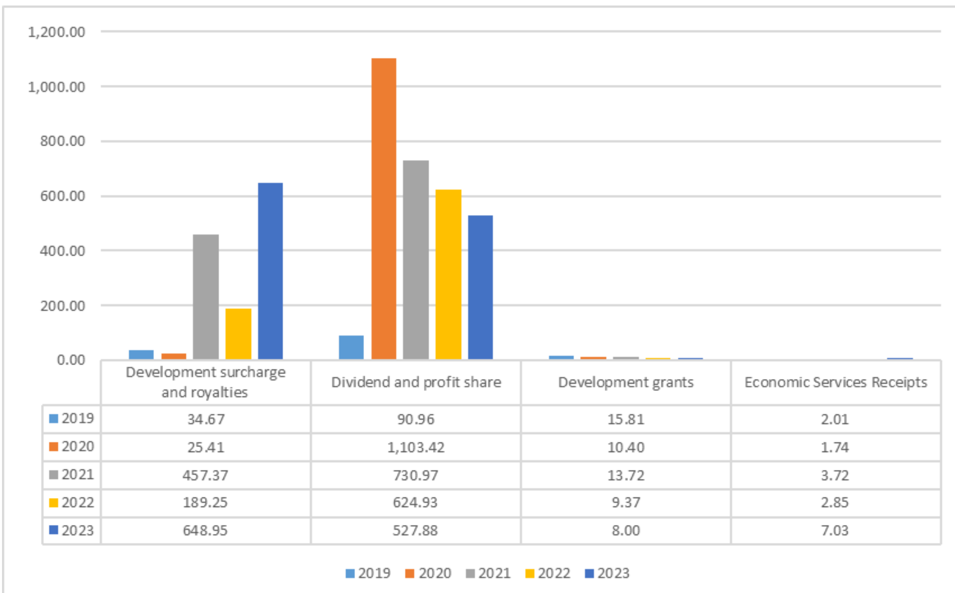
	Custom duty	Federal excise	Income tax	Other taxes	Sales tax
2018-19	289.85	88.9	536.32	250.92	571.21
2019-20	228.17	92.7	558.67	25.12	577.61
2020-21	334.2	110.61	698.61	16.99	897.17
2021-22	464.01	133.98	1,000.76	21.49	1,051.41
2022-23	377.79	157.41	1,369.32	24.00	1,091.12

Figure-V -5 year trend in Tax Receipts of the Federal Government

[8] Financial Statements 2022-23 Page # 19

According to Economic Survey of Pakistan, Tax expenditure has been estimated at Rs. 2,239.6 billion.[9] Last year amount booked as tax expenditure was Rs. 1,757.035 billion.

d. Non-tax receipts: The Federal Government is experiencing increase in total non-tax receipts of Rs 1,623.89 billion as compared to previous year, mainly due to increase in development surcharge & royalties and economic service receipts.



	Development surcharge and royalties	Dividend and profit share	Development grants	Economic Services Receipts
2019	34.67	90.96	15.81	2.01
2020	25.41	1,103.42	10.40	1.74
2021	457.37	730.97	13.72	3.72
2022	189.25	624.93	9.37	2.85
2023	648.95	527.88	8.00	7.03

Figure-VI -Non-Tax Receipts of the Federal Government in FY 2022-23[10]

Strenuous efforts are required to increase the tax and non-tax receipts of the Government to reduce dependency on debt.

[9] Economic Survey of Pakistan 2022-23, Annex-II (Page-312)
[10] Financial Statements 2022-23 page # 19

1.2 Key issues highlighted in Financial Attest Audit

Federal Government (AGPR)

1.2.1 93% of the total supplementary grants remained unapproved by Parliament - Rs. 8,049.415 billion

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.

Para 31 of Supreme Court of Pakistan's Judgment dated 5.12.2013 states that the Phrase, "Supplementary Budget Statement, makes it abundantly clear that the Supplementary Budget Statement, in the normal course, is to be placed before the National Assembly during the same Financial Year.

During Certification Audit of Manuscripts of Appropriation Accounts for the year 2022-23, it was noted that Federal Government approved supplementary grants of Rs. 8,678.242 billion during 2022-23 as per details below:

(Rupees)

Particulars	Amount	Percent
Total Supplementary Grants as per Manuscript of Appropriation Accounts for 2022-23	8,678,242,311,000	
Supplementary Grants printed in Supplementary Schedule of Authorized Expenditure	(628,826,583,000)	7%
Supplementary Grants not printed in Supplementary Schedule of Authorized Expenditure	8,049,415,728,000	93%

Audit observed that the Supplementary Grants of Rs. 8,049.415 billion (93% of total Supplementary Grants) were not authorized by the Parliament during financial year i.e. 2022-23.

Audit is of the view that Supplementary Grants of Rs. 8,049.415 billion were unauthorized as these supplementary grants were not tabled before the National Assembly during FY 2022-23.

The DAC in its meeting dated 22.11.2023 directed the management of AGPR to hold a meeting with DG Audit (FG) and discuss all observations to reconcile the issues, and outcome may be discussed in the next DAC meeting with Finance Division.

In compliance with DAC recommendations, a meeting was convened with AGPR, and para was referred for management letter for further discussion in next DAC meeting.

Audit recommends that supplementary grants should be placed before National Assembly during the same Financial Year in compliance of Article 84 of Constitution of Islamic Republic of Pakistan, 1973 and Supreme Court of Pakistan’s Judgment dated 5.12. 2013.

1.2.2 Expenditure in excess of Final Grants without Supplementary Grant – Rs. 94,656.871 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.

Section 25(1) of Public Finance Act, 2019 provides that the expenditure in excess of the amount of budget grant as well as the expenditure not falling within the scope or intention of any budget grant, unless regularized by a supplementary grant, shall be treated as excess expenditure.

During Certification Audit of Manuscripts of Appropriation Accounts and Financial Statements of Federal Government for the year 2022-23, it was observed that the Ministries/Divisions incurred excess expenditure of Rs 94.657 billion under 11 demands. Details are as under:

(Rupees)

Demand Type	No. of Demands	Final Budget	Expenditure	Excess
Charge	1	935,844,147	936,620,790	776,643
Current	5	24,706,706,570	27,373,715,374	2,667,008,804
Development	5	354,053,858,302	446,042,943,896	91,989,085,594
Grand Total	**11**	**379,696,409,019**	**474,353,280,060**	**94,656,871,041**

Audit is of the view that incurring expenditure in excess of final grants was irregular and against Provision of the Constitution of Pakistan.

The DAC in its meeting dated 22.11.2023 directed the management of AGPR to hold a meeting with DG Audit (FG) and discuss all observations to reconcile the issues and final outcomes may be discussed in the next DAC meeting with Finance Division.

In compliance with DAC recommendations, a meeting was convened with AGPR, and para was referred for management letter for further discussion in next DAC meeting.

Audit recommends that AGPR should be directed to stop payments without allocation of budget in the relevant head.

1.2.3 Expenditure charged to the Revenue Account instead of Capital Account – Rs. 218.046 billion

Para 184 of GFR Vol-I states that provision for expenditure on all buildings, communications and other works required by civil departments, which Government has not specifically allotted to such departments, should be included in the Grant for "Civil Works", to be administered and accounted for by the Public Works Department. No such work may be financed partly from funds provided in a departmental budget and partly from the budget for civil works.

During Certification Audit of Manuscripts of Appropriation Accounts and Financial Statements of Federal Government for the year 2022-23, it was noticed that the expenditure of Rs 218.046 billion was charged to object-head A-12-Civil Works under Current Grants and Development Grants:

Grant	**Nos**	**Expenditure* in Rs.**
Charge	4	7,092,000
Current	36	197,459,833,444
Development	175	20,579,083,490
Grand Total	**215**	**218,046,008,934**

Excluding demands from 122 to 131 i.e. Development expenditure on capital account.

Audit observed that the Ministry of Finance got approved funds from the Parliament under Budget Head A-12-Civil Works in different current and development demands but the expenditure was charged to Revenue Account instead of Capital Account.

Audit is of the view due to non-booking of civil works expenditure as capital expenditure presentation in the books of accounts was affected.

The management of AGPR replied that the para relates to Finance Division. While preparing the annual budget, Finance Division should provide the budget of Civil Works under the proper grant of M/o Housing and Works instead of under different grants of Ministries / Divisions so that the expenditure against the said budget could be charged to Capital Account.

The DAC in its meeting dated 22.11.2023 directed the management of AGPR to hold a meeting with DG Audit (FG) and discuss all observations to reconcile the issues, and final outcomes may be discussed in the next DAC meeting with Finance Division.

In compliance with DAC recommendations, a meeting was convened with AGPR, and para was referred for management letter for further discussion in next DAC meeting.

Audit recommends that expenditure on Civil Works be charged to Capital Expenditure as required under the rules.

1.2.4 Variation in appropriation account and head wise expenditure of PPOD provided by the AGPR – Rs. 1,213.811 million

Para 2.2.2.6 of APPM provides that "the Accountant General Pakistan Revenues (AGPR) is responsible for the centralized accounting and reporting of federal transactions. Additionally, the AGPR is responsible for the consolidation of summarized financial information prepared by federal self-accounting entities.

Para 2.3.3.1 of APPM provides that "the accounting system must produce sufficient information for the adequate control of the government's finances. This objective shall be addressed by:

- Preparation of monthly and annual accounts
- Availability of an audit trail through sub-ledgers, registers and source documents to substantiate the financial reports.
- Preparation of additional operational information by entities as required.
- On-going review of information requirement by users.

During Certification Audit of Manuscripts of Appropriation Accounts and Financial Statements of Federal Government for the year 2022-23, it was observed that expenditure under grant No. 26 pertaining to Pakistan Post Office Department (PPOD) was Rs. 18,697.566 million. Details are as under:

Amount Rs. in million

Document	No. and Name of the Grant/Appropriation	Original Grant / Appropriation	Surrender	Final Grant / Appropriation	Actual Expenditure	Excess / (Savings)
Appropriation Account	26 - Pakistan Post Office Department	15,719.000	(255.883)	15,463.116	18,697.566	3,234.449
AGPR Data	26 - Pakistan Post Office Department	14,738.507	(255.233)	15,263.469	17,483.755	2,220.286
	Variation	**980.493**	**-**	**199.647**	**1,213.811**	

Audit observed that there was variation of Rs 1,213.811 million in the expenditure shown in the appropriation accounts and head-wise expenditure (soft data) provided by the AGPR.

Audit is of the view that due to the non-availability of complete audit trail the certification process has been compromised resulting in scope limitation.

The management replied that actual expenditure of Rs 18.697 million was reported to PPOD, and department did not point out any variation.

The DAC in its meeting dated 22.11.2023 directed the management of AGPR to hold a meeting with DG Audit (FG) and discuss all observations to reconcile the issues, and that final outcomes may be discussed in the next DAC meeting with Finance Division.

In compliance with DAC recommendations, a meeting was convened with AGPR, and para was referred for management letter for further discussion in next DAC meeting.

Audit recommends that reconciled expenditure along with soft data extracted through SAP system be provided and matter may be inquired.

Central Directorate of National Savings (CDNS)

1.2.5 Non-transfer of provincial sales tax on services to the respective province– Rs 15.125 million

The Controller General of Accounts vide letter dated 09.07.2021 devised a mechanism for accounting, reporting and settlement of withheld sales tax on services levied by the provincial governments and also opened new heads of accounts under the object element “G-Liabilities” as detailed below:

Major Object	G05	Control Account
Major Object	G051	Misc
Detailed Object	G05120	Sales Tax on Services (Punjab)
Detailed Object	G05121	Sales Tax on Services (Sindh)
Detailed Object	G05122	Sales Tax on Services (KPK)
Detailed Object	G05123	Sales Tax on Services (Balochistan)

During scrutiny of data provided by the management of CDNS, Islamabad, it was noted that management deducted Rs 15.125 million on account of sales tax on services under the head of account “Services Rendered” during Financial Year 2022-23.

Audit observed that provincial sales tax on services amounting to Rs 15.125 million was not booked under the relevant object head as evident from SAP report.

Audit is of the view that this practice resulted in misclassification of CDNS receipt accounts which may ultimately result in overstatement of receipts of Federal Government.

Management replied that in compliance of audit observation, all the account offices have been instructed to book the payment of “Sales tax on services” under the relevant object heads of Sales Tax on Services of the respective provinces as conveyed / revised by the CGA. Now booking is properly being done by the Regional Accounts Offices.

The DAC in its meeting held on 22.011.2023 recommended the para for settlement subject to regularization by Finance Division.

Audit recommends that DAC directions may be complied with.

Pakistan Mint

1.2.6 Overstatement of receipt – Rs. 17.115 million

Rule 12 of GFR Vol-I requires 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 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.’

During Certification Audit of Manuscript of Appropriation Accounts of Pakistan Mint Lahore for the Year 2022-23, it was observed that Pak Mint recovered an amount of Rs 17.115 million from the pay of employees residing in Mint colony during financial year 2022-23 and deposited the same into receipt account of Pak Mint.

(in Rupees)

Particulars	Electricity	Gas	Total
Recovered from Employees	15,990,887	1,125,038	17,115,925

Audit observed that the recovered amount was irregularly deposited into receipt and collection account G-10104 of Pakistan Mint as this amount does not belong to mint receipts.

Audit is of the view that depositing personal recoveries of employees into receipt account of Pakistan mint enhanced the actual receipts and overstated the receipts by Rs.17.115 million.

The management replied that Pak Mint is maintaining Assignment Account therefore receipt cannot be deposited into said account. Therefore, recoveries of utility were deposited into G10101-Mint Receipt and Payment.

The DAC in its meeting held on 22.011.2023 accepted the viewpoint of Audit and directed the management to resolve the issue in consultation with AGPR to avoid such lapse in future.

Audit recommends that management of Pak Mint should comply with the directions of DAC.

CHAPTER 2

2. IMPACT AUDIT: INITIATIVES TAKEN FOR BETTER SERVICE DELIVERY IN EXCISE & TAXATION DEPARTMENT ISLAMABAD

2.1 Introduction

2.1.1 Background

Pakistan's vision 2025 gives special emphasis on knowledge intensive activities that contribute to advancement in technical and digital innovation. Through digital economy, GOP wants to ensure economic prosperity, citizen facilitation and empowerment. In wake of this vision, Excise and Taxation Department, also known as Islamabad Excise, as a part of Islamabad Capital Territory Administration, has also prioritized multiple initiatives to enhance confidence building measures for taxpayers, harnessing tax culture and facilitating general public.

The Excise and Taxation Department serves as a pivotal government agency which is responsible for the administration and collection of various taxes, duties, and excise fee on activities within its jurisdiction in the federal capital territory. Apart from registration of motor vehicles, its primary mandate is to ensure the fair and efficient collection of revenues that contribute to the development of the region and the provision of essential public services.

The Department has multidimensional functions that encompass gathering of both direct and indirect taxes. It oversees the collection of Road Tax, Income Tax (Adjustable), Professional Tax, Advance Tax and Capital Value Tax, Bed Tax, etc. which are direct taxes levied on individuals and businesses based on their earnings. Additionally, the department administers indirect taxes such as the federal excise duty, which is levied on specific goods and services, contributing to the national revenue pool.

2.1.2 Overview of Digital Initiatives

To enhance operational efficiency and to facilitate ease of compliance, the Excise and Taxation Department has embraced technological advancements. It has introduced several online platforms and digital services that enable taxpayers to book online appointments, make payments, and access relevant information through user-friendly interfaces. This modernization can potentially simplify the tax/fee payment process. It can also promote transparency and reduce administrative burdens. Some of the initiatives taken by the department are as under:

i. Online payment collection system
ii. Introduction of bio-metric verification system
iii. Introduction of online appointment system
iv. Door to door registration

i.

The following are the overall objectives of these digital initiatives:

i. To facilitate the taxpayers and enhance Govt. revenue receipts and recovery
ii. To bring evolution in tax management system and promote tax culture
iii. To ease out mechanism of vehicle registration through digital platforms
iv. To authenticate the process of vehicle transfer through biometric

In order to analyze the impact of these initiatives on public facilitation, improvement in revenue and service delivery, in comparison with manual services before such interventions, DGA (FG) has performed Impact Audit by employing different data analysis and audit techniques.

2.2 Audit Scope

The scope of this Audit is to evaluate the impact of introduction of digital services including the systems of online payment, biometric verification, online appointment and door to door registration services of Excise and Taxation Department Islamabad on revenue collection, ease of accessing services and improvement in vehicle registration and transfer processes.

2.3 Audit Objectives:

i. To evaluate the effectiveness and efficiency of digital services in terms of tax collection, vehicle registration and biometric verification etc.

ii. Provide recommendations for improvement and enhancement.

2.4 Audit methodology

The audit methodology involved a structured approach using time-series analysis. It encompasses a comprehensive review of pre-computerization processes to establish a baseline for comparison. Quantitative and qualitative data on relevant performance indicators were used. Data was collected on indicators of improvement in revenue generation, ease of accessing services and improvement in vehicle registration and transfer processes. Analysis was made employing statistical techniques to measure changes in performance metrics. A qualitative survey was also conducted on a random sample to assess the awareness and effectiveness of new digital systems.

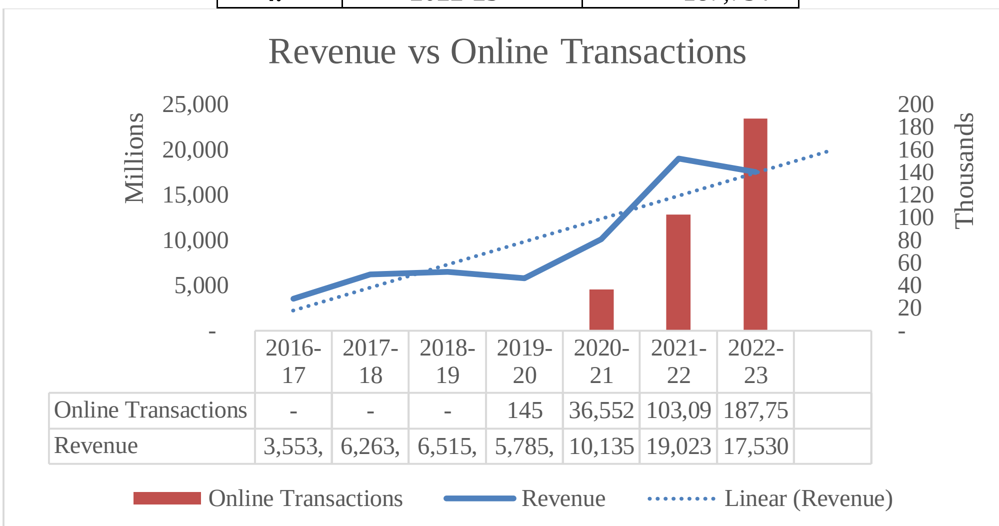
2.5 IMPACT AUDIT FINDINGS

Excise & Taxation Department Islamabad had taken following digital and citizen friendly initiatives in larger public interest. Audit evaluated the impact of each of these digital initiatives for improved service delivery and revenue generation. There was no rival cause involved for comparison as these initiatives were taken as a replacement of manual operations. However, percentage increases were calculated with regard to base year data, where applicable.

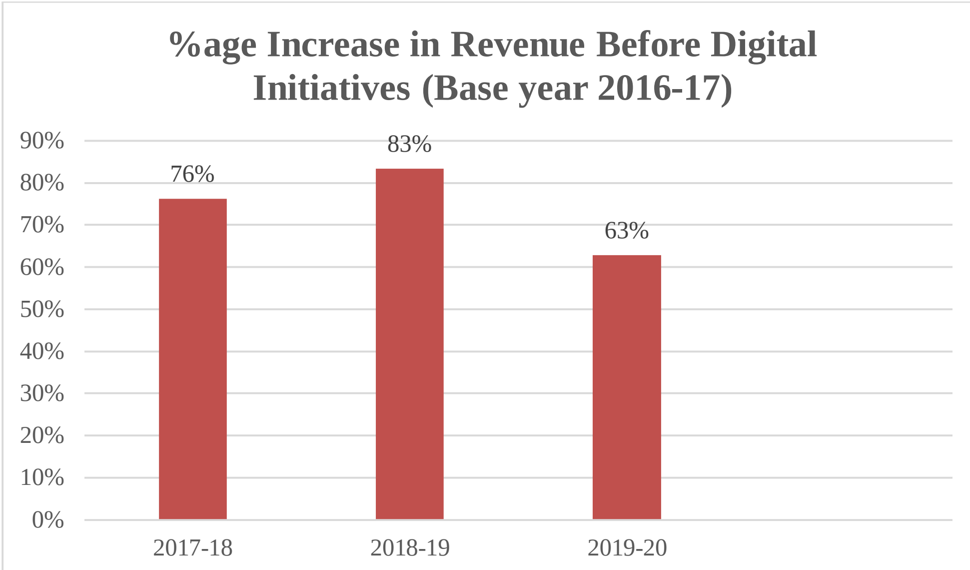
2.5.1 Online Payment Collection System

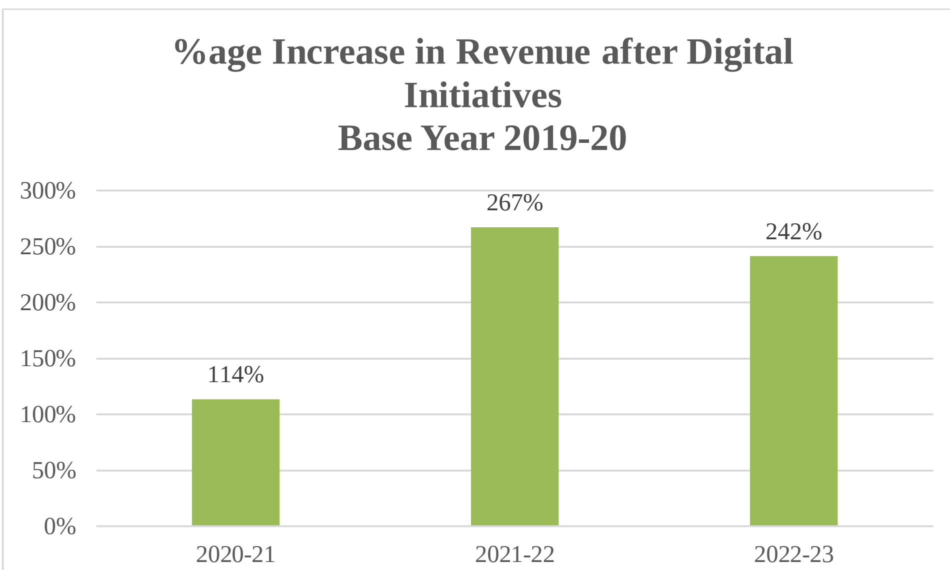
Through the online payment system implemented by the department on 01.06.2020, the general public can pay the Road Tax / Token Tax and registration fee/transfer of ownership fee through a software application namely "CITY ISLAMABAD". The application generates a unique Payment Slip ID which provides option to pay the fees/taxes either by e-Sahulat Center of NADRA across the country or through 1-link service. The above said service has enabled the vehicle owners to pay registration fee/transfer of ownership and Road Tax/Token Tax of their respective vehicles in a more facilitated manner. The initiative helps them to avoid the past practice of standing in long queues for payment. The trend of online transactions for vehicle registration is as under:

S. No.	Financial Year	No. of online Transactions
1.	2019-20	145
2.	2020-21	36,552
3.	2021-22	103,098
4.	2022-23	187,754



The above graph shows that the number of online transactions has been consistently growing, as more citizens have preferred to use online payment facility over the years. The same is further substantiated from the fact that due to the introduction of online payment system, the revenue generated by Excise and Taxation Department, Islamabad has increased from Rs. 6.515 billion during 2018-19 to Rs. 17.530 billion in 2022-23. The charts below depict the yearly revenue growth percentage before the introduction of digital initiatives (with base year 2016-2017) and after the digital initiatives (with base year 2019-2020).





The charts show that the revenue growth has significantly increased after the introduction of digital initiatives by Excise and Taxation Department, Islamabad.

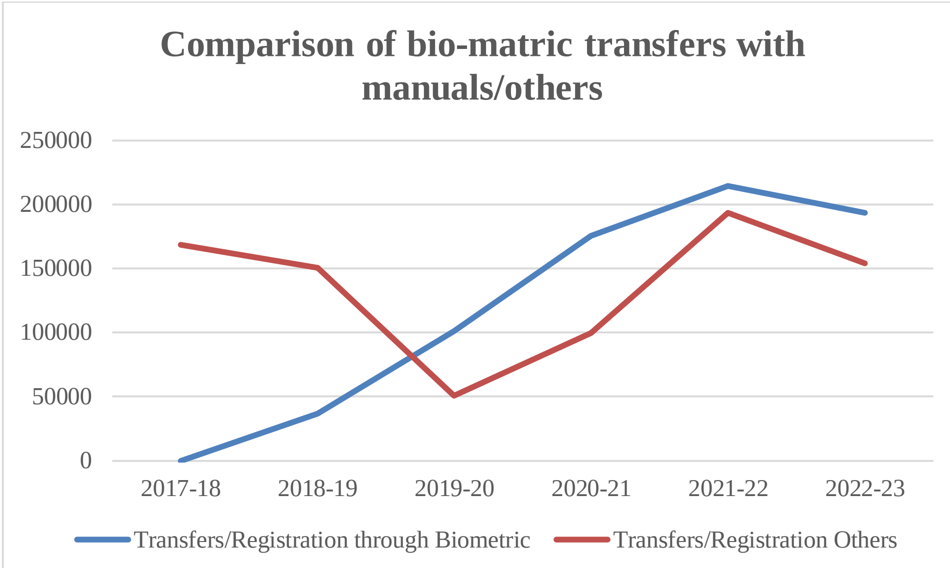
The increase in revenue was less significant in 2022-23 as compared to substantiated increase in revenue after online system introduced in 2019. It to mention that the revenue growth has slowed down a little during 2022-23 due to the fact that taxation rate of new registration in Islamabad is much higher than that in Rawalpindi.

During a qualitative survey by Audit, it was noted that 76.4 percent of survey respondents were aware of digital services, though almost 98 percent considered it as a useful initiative by the Excise and Taxation Department Islamabad.

2.5.2 Introduction of Biometric Verification System

Before introduction of biometric verification system for registration / transfer of ownership of vehicles there were chances of ownership transfer fraudulently by presenting fake/fabricated transfer letter. Biometric verification provides for a unique authentication system with no chance of malpractice and connivance.

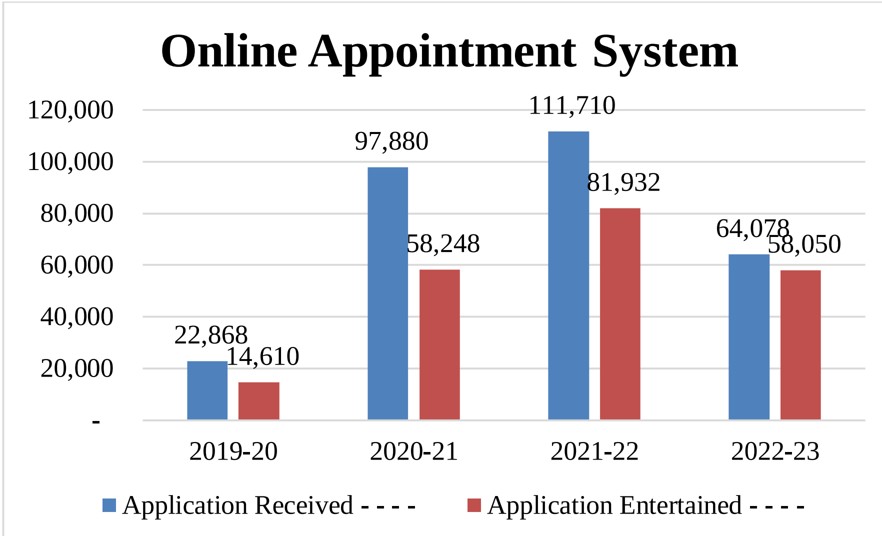
Since the start of initiative of Biometric Verification System on 01.03.2019, the chance of getting a vehicle transferred fraudulently or illegally must have considerably reduced owing to the inherent security feature of biometric verification system. It is even more robust in comparison with the previous system of vehicle transfers through manual buyer/seller verification. The said system made the registration process transparent and ensured elimination of agent mafia involvement. Currently, the BVS facility is available at e-Sahulat centers of NADRA all over Pakistan. With the start of Biometric Verification, the number of vehicle transfers has increased two times because now the purchaser must have to transfer the vehicle in his name in certain period of time otherwise a penalty will be imposed on purchaser. In previous system, the purchaser needed only a transfer letter signed by the seller without any validity. Trend of bio-metric registration/transfer cases vs manual /other transfers (companies/government vehicles, engine change, duplicate book, etc.) is as under:



It is clear from above chart that the number of transfers through bio-metric was on increasing trend as vehicle transfer in case of individuals is mandatory to be routed through biometric verification. However, Audit noted that transfers / registrations of bank-leased, auctioned and imported vehicles are still lying outside bio-metric verification, which also showed upward trend and will remain potential cases of fraudulent transfers. The absence of fraudulent cases data in manual system possesses a limitation to Audit for analyzing the trend in fraudulent cases. During a qualitative survey by Audit, an overwhelming majority of respondents (98.3 percent) have considered it as an initiative that is an effective control against fraudulent practices.

2.5.3 Introduction of Online Appointment System

During Covid-19 pandemic, the department initiated an online appointment system for registration /transfer of vehicles w.e.f. 20.08.2019. After initial data entry the system generates an appointment number and also intimates the date and time for client to approach the office for registration / transfer of vehicle. A separate counter has also been designated at the premises for the said purpose. Due to the online appointment system, the general public has been facilitated for registration / transfer of their respective vehicles without standing in long queues at department. Detail of online application cases is as under:

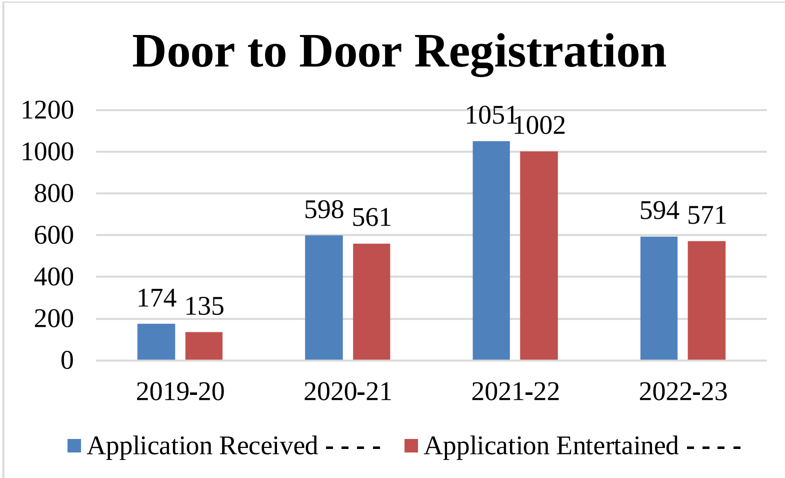


Audit noted that citizens have been increasingly utilizing the online appointment facility which indicates it as a citizen friendly initiative. However, Audit noted a decline in the use of online appointment application during 2023, which is a cause of concern, and the department should take measures to maintain this facility.

During the survey by Audit, 94.3 percent responses showed that people consider it a useful digital initiative but on the other side, only 52.8 percent were aware of this service.

2.5.4 Door To Door Registration

The Excise & Taxation Department, with collaboration of NADRA, started a Door to Door Registration of Vehicle w.e.f. 20.08.2019 for facilitation of general public. Through this service, the applicants can contact with a call center and take appointment for the service. The staff of Excise & Taxation Department will then visit the applicants at their vicinity for completing due process at doorstep.



Audit noted that registration/transfer of vehicles at doorstep of citizens has shown an increasing trend with a little decline in 2022-23 Overall, the chart shows an upward trend but it is not a hugely popular service, probably because of increased fees involved. The decline in use of above service is a matter of concern for audit and the department should take measures to keep it intact. As per survey results, most of the respondents considered it as a useful initiative, a significant number (38.4 percent) was not even aware of this service.

2.6 Conclusion

Audit concludes that the digital initiatives taken by the department have shown positive impact on service delivery and thereby brought improvement in revenue generation. The impact is mainly attributable to the increased number of digital transaction over a period, facilitation of citizens by enhancing outreach of the service through door to door facility, saving time through online appointments and improvement in revenue generation. Biometrically authenticated transfers are inherently more secure, therefore, it is a strong step by the department to reduce fraudulent/bogus transfers of vehicles. Further, the online accessibility of digital service to the citizens has also reduced the role of agent mafia. The online initiative has also offered 24/7 accessibility of departmental facilities. On contrary, Audit also noted a decline in all the key indicators during 2022-23 which needs to be explored for ensuring continuation of digital efforts for enhanced service delivery. Moreover, awareness among masses for using digital services needs to be enhanced.

2.7 Audit Recommendations

i. The continuation of digital initiatives is strongly recommended to ensure continuity of public facilitation and improvement in revenue generation.

ii. A mechanism should be devised to authenticate transfer of vehicles lying outside the system to avoid fraudulent transfer.

iii. Audit recommends that the Department should take measures to ensure that more residents become aware of the digital services to stay facilitated.

iv. Audit recommends ensuring the effectiveness and reliability of online tax collection systems. In this regard, IS Audit of the technology infrastructure including security protocols and data encryption methods are highly recommended to identify the potential vulnerabilities.

v. Continuous monitoring of transaction logs and system activities are recommended to help detect anomalies or irregularities which may result in fraudulent activities.

vi. Audit recommends investing in employees training programs to enhance the skills of tax administration personnel responsible for managing online tax collection systems. This includes staying abreast of the latest technological advancements and cyber security measures to effectively respond to evolving threats and risks posed to the system.

CHAPTER 3

MINISTRY OF AVIATION

3.1 Introduction

As per Schedule II [Rule 3 (3)] Distribution of Business among the Divisions read with Schedule III [rule-4(4)] Rules of Business 1973 following main businesses have been assigned to the Division amongst the other functions.

i. Aircraft and air navigation; administration of the Civil Aviation Ordinance, 1960
ii. Regulation, organization and safety of air traffic and of aerodromes and administration of Airports Security Force
iii. Matters related to Pakistan International Airlines Corporation
iv. Air Service agreements with different countries and other international agencies concerned with aviation.
v. Federal Meteorological Organizations and Meteorological observations and World Meteorological Organizations

ATTACHED DEPARTMENTS / AUTONOMOUS BODIES/COMPANIES

i. Pakistan Meteorological Department
ii. Airports Security Force
iii. Civil Aviation Authority (CAA)
iv. PIACL

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY 2022-23) Rs. in million	Revenue/Receipt Audited (FY 2022-23) Rs. in million
1	Formations	20	4	3,546.362	-
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

3.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Aviation Division for the financial year 2022-23 was Rs. 15,485.26 million, out of which the Division expended an amount of Rs.15,474.02 million. Grant-wise detail of current and development expenditure is as under:

(Rs. In millions)

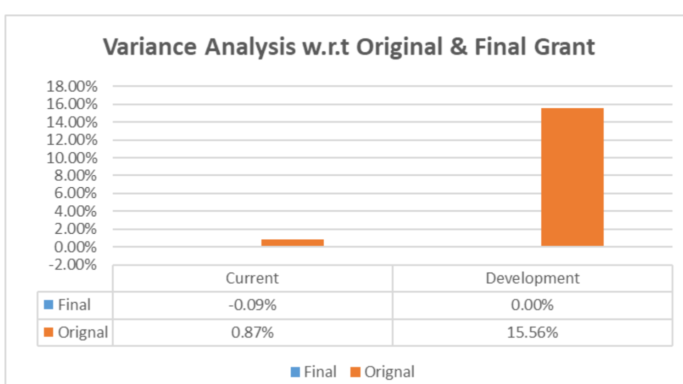
Grant No	Type of Grant	Original Grant	Supplementary Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
1	Current	2,227.23	.00	-15.77	2,211.45	2,194.90	-16.55	-0.75%
2	Current	10,195.97	222.04	-87.15	10,330.86	10,336.19	5.33	0.05%
	Total Current	**12,423.20**	**222.04**	**-102.92**	**12,542.31**	**12,531.09**	**-11.22**	**-0.09%**
91	Development	2,484.87	839.13	-381.05	2,942.95	2,942.93	-.02	0.00%
	G Total	**14,908.07**	**1,061.17**	**-483.97**	**15,485.26**	**15,474.02**	**-11.24**	**-0.07%**

Audit noted that there was an overall savings of Rs.11.24 million, which was mainly due to current expenditure.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR (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, bifurcating total allocation into current and development expenditure it is observed that, in case of development expenditure, there was 15% of excess w.r.t original grant which finally became 0% w.r.t Final Grant and in case of current expenditure 0.87% of excess expenditure reduced to 0.09% of saving in expenditure.



3.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 16.994 million, were raised in this report during the audit of **Aviation Division**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and Misappropriation	-
3	Irregularities	
A	*HR/Employees related Irregularities*	-
B	*Procurement related irregularities*	4.901
C	*Management of account with commercial banks*	-
D	*Recovery*	-
E	*Internal Control*	12.093
4	Value for money and service delivery	-
5	Others	-

3.4 Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2011-12	1	0	0	1	-
2013-14	1	1	0	1	-
2015-16	1	1	1	0	100
2017-18	1	1	0	1	-
2018-19	2	2	0	2	-
2019-20	9	0	0	9	-
2020-21	2	0	0	2	-
2021-22	4	0	0	4	-
2022-23	14	0	0	14	-
Total	**35**	**5**	**1**	**34**	**-**

3.5 AUDIT PARAS

Airport Security Force Headquarters, Karachi

3.5.1 Irregular obtaining of pay orders in the name of ASFF Surety Fund – Rs. 12.093 million

Clause 2(j) of the Public Finance Management Act 2019 calls for the compliance of law, rules, regulations, maintaining high standard of prudence, vigilance, due diligence and ensuring value for money while incurring expenditure and collecting government receipts.

Clause 7(a) of invitation to tender and general instructions of bidding documents regarding earnest money states that Pay Order/Bank Draft in Favor of ASFF Surety Fund from Schedule banks of Pakistan at 3% of total contract be deposited in separate envelope along with tender documents. Firms' offer will be disqualified in absence of Earnest Money.

Clause 21(a) of the contract agreement signed between all the suppliers and ASF HQ, Karachi states that to ensure timely and correct supply of stores, the firm will furnish unconditional guarantee in the form of pay order in favor of ASFF Surety Fund within 10 days of signing of contract of total amount i.e. 10% of the total value of the contract. The pay order will remain valid for 60 days after acceptance of the stores, it will be returned to supplier after acceptance of stores by the consignee.

The management of Airports Security Force (HQ), Karachi purchased different items from contractors and obtained a pay order/demand draft amounting to Rs. 12,093,546 as 3% Earnest money and 10% performance guarantee during the financial year 2022-23. The summary is given below:

Particulars	Amount (Rs)
3% Earnest Money	3,072,209
10% Performance Guarantee	9,021,337
Total	**12,093,546**

Audit observed that:

i. Earnest Money & Performance Guarantee in the shape of pay orders was obtained in the name of Airport Security Force Foundation Security Fund Account which is a separate account of i.e. ASF Foundation, and is not related to ASF HQ.
ii. Whether the Pay orders were deposited into ASFF Funds or returned to bidders/suppliers was neither known nor any proof thereof was provided.
iii. Utilization of Government money for Foundation Activities was not covered under the rule.

Audit is of the view that the accounts of the Foundation were benefited by the Government money which was irregular.

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

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 2.5.2 having financial impact of Rs. 65.865 million. Recurrence of same irregularity is a matter of serious concern.

Airport Security Force Islamabad

3.5.2 Whereabouts of Tents not known– Rs. 4.901 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.

Airport Security Force, Headquarters, Karachi purchased 44 Tents for 8 men and 46 tents for 4 men amounting to Rs. 9.960 million from M/s BSF Associate, Karachi during 2021-22, and delivered them to Airport Security Force, Islamabad for 23rd March Parade, 2022.

Audit observed that during audit of ASF Headquarters, Karachi the management provided receiving note of 90 tents from Islamabad Office whereas during audit of ASF, Islamabad it was observed that only 45 tents were received as per Receiving Voucher dated 20.06.2022 by ASF Islamabad. Details are as under:

S. No.	Description	Qty	Rate	Amount
1.	Tent for 8 Men	19	123,950	2,355,050
2.	Tent for 4 Men	26	97,950	2,546,700
			Total	**4,901,750**

Audit is of the view that one of the receiving notes may be fake. It could either be the note provided during audit of ASF Headquarters, Karachi, or the one provided during audit of ASF, Islamabad.

The PAO was requested to provide justification on 27.06.2023 but neither reply was received nor was DAC convened till finalization of the report.

Audit recommends that the matter may be inquired and outcome may be shared with audit.

CHAPTER 4

BOARD OF INVESTMENT

4.1 Introduction

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

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

BOI acts as a focal point of contact for existing and prospective investors, both domestic and foreign, to provide them with all necessary information and assistance in coordination with other Government Departments/Agencies at Federal and Provincial level.

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY 2022-23) Rs. in million	Revenue/Receipt Audited (FY 2022-23) Rs. in million
1	Formations	-	-	-	-
2	Assignment Accounts (Excluding FAP)	1	1	219.916	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

4.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Board of Investment for the financial year 2022-23 was Rs. 450.77 million, out of which the Division expended an amount of Rs.463.77 million. Grant-wise detail of current expenditure and development expenditure is as under:

(Rs. in millions)

Grant No	Type of Grant	Original Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
13	Current	377.67	-1.89	375.77	388.89	13.11	3.37%
92*	Development	107.50	-32.50	75.00	74.75	-.25	-0.34%
	Total	**485.17**	**-34.39**	**450.77**	**463.63**	**12.86**	**2.77%**

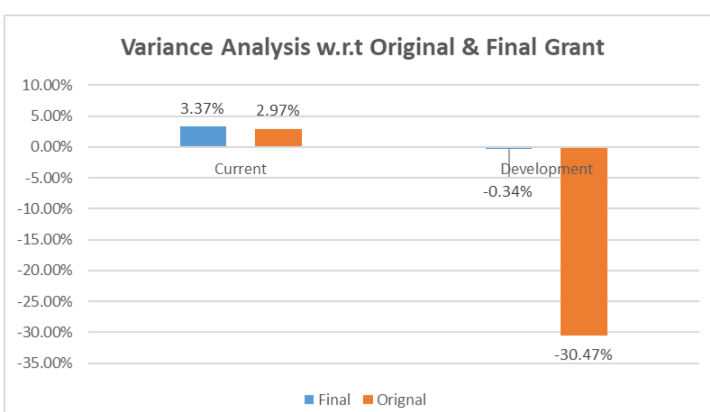
* Development Project of BoI named CPEC-ICDP (ID9436) was reflected under grant 92 of Cabinet

The audit noted that there was an overall excess expenditure of Rs.12.86 million, mainly pertaining to current expenditure.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR (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, bifurcating total allocation into current and development expenditure, it is observed that, in case of development expenditure, there were 30.47% of saving w.r.t original grant which was finally reduced to 0.34% w.r.t Final Grant and in case of current expenditure 2.97% of excess expenditure rose to 3.37%.



4.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs.13.872 million, were raised in this report during the current audit of **Board of Invesetment**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and Misappropriation	-
3	Irregularities	
A	*HR/Employees related Irregularities*	-
B	*Procurement related irregularities*	13.872
C	*Management of account with commercial banks*	-
D	*Recovery*	-
E	*Internal Control*	-
4	Value for money and service delivery	-

4.4 Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2014-15	4	0	0	4	-
2016-17	3	0	0	3	-
2019-20	6	5	1	5	20
2020-21	2	0	0	2	-
Total	**15**	**5**	**1**	**14**	-

4.5 AUDIT PARAS

4.5.1 Hiring of services without competition - Rs. 5.555 million

Rule 12(1) of the Public Procurement Rules, 2004 states that procurement over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani 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 42(c)(v) of PPRA states that a procuring agency shall engage in direct contracting in case of an emergency: Provided that the procuring agencies shall specify appropriate fora vested with necessary authority to declare an emergency.

The management of the project titled "Establishment of PMU on CPEC – Industrial Cooperation Development Project (CPEC-ICDP)" incurred an expenditure of Rs.5,554,904 on account of Conferences & Seminar during 2021-22.

(Rupees)

Sr	Firm	Particulars	Amount
1	M/S Shift Three Media	Event Management at PC Lahore	3,017,114
2.	M/s Quarks (pvt) Ltd	Making of HD 4k Documentary	2,537,790
Total Rs.			**5,554,904**

Audit observed that services of above said firms were hired without open competition as required under PPRA Rules,2004.

Audit further observed that M/s Shift Three Media was registered for GST in September, 2020 and had less than one year of experience.

Audit is of the view that hiring of services in violation of PPRA Rules,2004 was irregular.

The management replied that considering the COVID-19 restrictions imposed on holding gatherings during that period, it is understandable that the event was organized on short notice due to unforeseen circumstances and the need to adapt to changing circumstances. PPRA Rules 42(c)v allows for emergency procurement in exceptional situations where the delay in following the regular procurement process could cause significant harm or damage to the organization or its objectives. Given the urgency of the B2B event and the limited time available for planning and execution, it can be argued that the situation warranted the application of this rule. In this regard the approval of the Secretary was obtained, which signifies adherence to the internal protocols and decision-making hierarchy. This demonstrates responsible governance and ensures that the necessary authorization was obtained before proceeding with the emergency procurement. As there was no pre-qualified vendor for the making of a documentary movie was associated with BOI, hence all arrangements are being made in extreme emergency in the public interest and open bidding method cannot be met.

The reply of the management was not acceptable as neither evidence regarding declaration of emergency in accordance with 42(c)v was provided to audit nor fora specified, vested with the authority to declare emergency, recommended the procurement.

Audit recommends fixing of the responsibility for violation of PPRA Rules besides regularization of expenditure.

4.5.2 Hiring of hotel services without competition – Rs.8.317 million

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

The management of the project titled "Establishment of PMU on CPEC – Industrial Cooperation Development Project (CPEC-ICDP)" hired services of different hotels to conduct conferences including lunch / dinners for the participants and incurred an expenditure of Rs. 8,317,082 as detailed below:

Year	Vendor Name	Amount	Cheque No	Date
2021-22	Pearl Continental Hotel Lahore	2,936,830	8812659	13/04/2022
2021-22	Hashwani Hotels Limited	2,881,726	8979469	21/06/2022
2020-21	Hashwani Hotels Limited	1,309,236	8429180	15/06/2021
2019-20	Islamabad Marriott Hotel	907,410	7814143	20/06/2020
2020-21	Hashwani Hotels Limited	281,880	8026305	01/01/2021
	Total	**8,317,082**		

The audit observed that services were hired without open competition as required under PPRA Rules.

The audit also observed that the signed list of participants was also not available with the management.

Audit is of the view that irregularity was committed by hiring services without any competition and in violation of PPRA Rules, 2004.

The management replied that regarding the challenges faced during the procurement of hotel services for conferences in the project. It is noted that there were two main issues firstly, the ban on public gatherings due to COVID-19 restrictions, and secondly, the restriction on the movement of Chinese investors by the Chinese Embassy. As a result, B2B events were organized on short notice, leading to services being hired without going through a competitive bidding process. The COVID-19 pandemic has indeed imposed various restrictions and limitations on public gatherings, including conferences and events.

The management, however, accepted the viewpoint of audit that services of hotels were hired without any competition.

Audit recommends fixing the responsibility for violation of PPRA Rules and regularization of the expenditure from Finance Division.

CHAPTER 5

CABINET DIVISION

5.1 Introduction

As per Schedule II [Rule 3 (3)] Distribution of Business among the Divisions read with Schedule III [rule 4(4)] Rules of Business 1973 (As amended up to 23rd April, 2019) following main businesses have been assigned to the Division amongst the other functions.

1- All secretarial work for the Cabinet, National Economic Council and their Committees, Secretaries' Committee.

2- Appointments, resignations, salaries, allowances and privileges of Provincial Governors.

3- Setting up of a Division, allocation of business to a Division and constitution of a Division or group of Divisions as a Ministry.

4- Coordination of defense effort at the national level by forging effective liaison between the Armed Forces, Federal Ministries and the Provincial Governments at the national level.

5- Instructions for delegations abroad and categorization of international conferences.

6- Security and proper custody of official documents and security instructions for protection of classified matter in Civil Departments.

7- 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.

8- 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.

9- People’s Works Program (Rural Development Program).

10- Selection of scholars against Pakistan Chairs Abroad by the Special Selection Board.

ATTACHED DEPARTMENTS/ AUTONOMOUS BODIES

i. Abandoned Property Organization
ii. Department of Communication Security.
iii. Department of Stationery Forms.
iv. Department of Archives.
v. Intelligence Bureau
vi. Islamabad Club as an Autonomous Body.
vii. Public Procurement Regulatory Authority

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY 2022-23) Rs. in million
1	Formations	59	7	4,785.278	-
2	Assignment Accounts (Excluding FAP)	4	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	3	3	2,285.000	-
4	Foreign Aided Project (FAP)	-	-	-	-

5.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Cabinet Division for the financial year 2022-23 was Rs.52,471.66 million, out of which the Division expended an amount of Rs.52,405.64 million. Grant-wise detail of current expenditure and development expenditure is as under:

(Rs. in million)

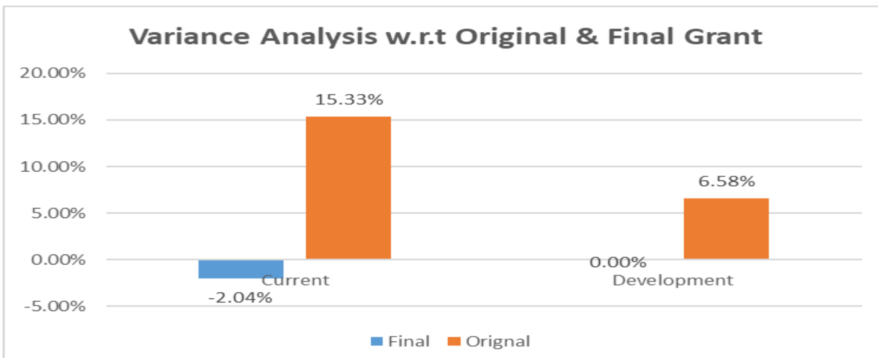
Grant No	Type of Grant	Heads	Original Grant	Supplementary Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
1	Current	Cabinet	277.00	.00	-80.39	196.61	185.32	-11.29	-5.74%
2	Current	Cabinet Division	2,048.00	1,055.00	-619.71	2,483.29	2,429.91	-53.38	-2.15%
3	Current	Emergency Relief and Repatriation	387.00	125.82	0.00	512.82	512.42	-.40	-0.08%
	Total Current		**2,712.00**	**1,180.82**	**-700.10**	**3,192.72**	**3,127.65**	**-65.07**	**-2.04%**
86	Development	Development Expenditure	46,235.00	18,729.38	-15,685.43	49,278.94	49,277.99	-.95	0.00%
	G Total		**48,947.00**	**19,910.19**	**-16,385.53**	**52,471.66**	**52,405.64**	**-66.02**	**-0.13%**

Audit noted that there was an overall saving of Rs.66.02 million, which was mainly due to saving 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. 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, bifurcating total allocation into current and development expenditure, it is observed that, in case of current expenditure 15.33% of excess expenditure becomes 2.04% of saving in expenditure.



5.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 990.339 million, were raised in this report during the current audit of the Cabinet Division. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and Misappropriation	-
3	Irregularities	
A	*HR/Employees related Irregularities*	-
B	*Procurement related irregularities*	431.262
C	*Management of account with commercial banks*	19.167
D	*Recovery*	-
E	*Internal Control*	539.91
4	Value for money and service delivery	-
5	Others	-

5.4 Status of compliance with PAC Directives

PAO	Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
Cabinet Division	2010-11	1	1	1	0	100
	2012-13	3	0	0	3	-
	2013-14	4	4	4	0	100
	2014-15	9	5	4	5	80
	2015-16	2	2	2	0	100
	2016-17	22	9	0	22	-
	2018-19	25	25	21	4	84
	2019-20	15	7	3	12	43
	2020-21	2	0	0	2	-
	2021-22	3	1	1	2	100
	2022-23	22	0	0	22	-
	Total	108	54	36	72	-

5.5 AUDIT PARAS

Special Audit of Toshakhana

5.5.1 Irregular and unauthorized modification in Toshakhana Rules 1973

In Case NO. 233/31/73 dated 9.10.1973, the Federal Cabinet has approved the Rules for the acceptance of gifts and their disposal. The Prime Minister while approving the Rules prior to Federal Cabinet noted his remarks "The Prime Minister was pleased to observe that in the past different standards of conduct were observed with regard to the Toshakhana rules. While honest people had observed these rules strictly, the corrupt people had manipulated these for their own ends. Some of the past Governments had been particularly notorious in this regard. "In 1956 when the then Prime Minister of Pakistan visited Brother Country the members of the Pakistan delegation were given some very expensive gifts by the Chinese Government. However, these people deposited imitations bought in Hong Kong in the Toshakhana and retained the original gifts. It is necessary to frame proper and realistic rules of Toshakhana in such a way that honest people are not placed at a disadvantage".

Serial No. 2 (23) Schedule II Rule 3 (3) of Rules of Business, 1973 states that the business of government shall be distributed among the Divisions in the manner indicated in Schedule II in which Toshakhana was distributed to Cabinet Division.

The management of Cabinet Division (Toshakhana) converted Toshakhana Rules to Toshakhana procedures after 1973. These procedures were continuously amended, i.e., 2001, 2004, 2006, 2007, 2011, 2017 and 2018 (Supporting documents pages-35 to 41 Policy 2018 Volume-I).

During Special Audit of Toshakhana, audit observed as under:

i. Amendments in Toshakhana Rules framed in 1973 were made frequently from time to time without approval from the Federal Cabinet as was done in 1973.
ii. Relaxation of rules was obtained for Prime Minister against the Rules.
iii. Rules were superseded ab initio through framing of procedures in 2001, 2004, 2006, 2007, 2011, 2017 and 2018.

Further, other paras of personal nature pertaining to the Special Audit of Toshakhana are pended for want of replies from the management and verifications of record. Special Audit Report will be issued separately after completing necessary requirements.

Audit is of the view that amendments and replacing of Toshakhana Rules with policies procedures and relaxation of Rules was irregular and unauthorized.

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

5.5.2 Non-reconciliation of receipt collected through challans against gifts – Rs. 226.987 million

Regulation 7 (P) of Financial Management and Powers of Principal Accounting Officers Regulations, 2021 The principal accounting officer shall be responsible for monitoring the budget execution progress, and undertake reconciliation with accounting offices on monthly basis, related to revenues and expenditure of the division, department, sub-ordinate office or demand for grant under his control, through chief finance and accounts officer and furnish reconciled statement of revenue and expenditure, separately to Finance Division on quarterly basis, through chief finance and accounts officer.

Para 7 (i) of the System of Financial Control and Budgeting issued vide Finance Division O.M. dated 13.06.2006 states that the Chief Finance and Accounts Officer shall systematize proper maintenance of accounts and their timely reconciliation with the actual figures of the CGA/AGPR and maintenance of 'Liability Register' in the Ministry/Division, its Attached Departments and Sub0rdinate Offices. He shall monitor the progress of the expenditure and receipts and furnish, with the approval of the Principal Accounting Officer, a monthly statement of departmental expenditure and receipts to Financial Adviser's Organization and the Finance Division (budget and Accounts Section –Budget Wing) by the 10th and the reconciled statement of expenditure and receipts by the 25th of the month following the month to which it relates.

The management of Cabinet Division (Toshakhana) has collected an amount of Rs. 226.987 million as percentage of assessment value of gifts from recipients and through auction from 2002 to February 28, 2023 through bank chalans. Detail is as under:

S. No.	**Year**	**Amount**
1.	2022	5,702,530
2.	2021	4,068,543
3.	2020	14,437,250
4.	2019	10,802,9464
5.	2018	47,527,586
6.	2017	62,404,078
7.	2016	25,032,057
8.	2015	9,927,085
9.	2014	1,520,915
10.	2013	1,246,800
11.	2012	2,209,480
12.	2011	3,634,282
13.	2010	1,524,035
14.	2009	21,643,499
15.	2008	1,130,971
16.	2007	5,473,274
17.	2006	2,883,962
18.	2005	1,535,766
19.	2004	1,720,347
20.	2003	2,219,130
21.	2002	342,665
Total		**226,987,201**

During Special Audit of Toshakhana, it was observed that the Cabinet Division has not reconciled the bank challans figure with the Federal Treasury Office.

Further, other paras of personal nature pertaining to the Special Audit of Toshakhana are pended for want of replies from the management and verifications of record. Special Audit Report will be issued separately after completing necessary requirements.

Audit is of the view that in the absence of reconciled figures audit is not in a position to verify the actual amount deposited in Government kitty.

Audit recommends that matter may be inquired, verification of each challan be carried out and responsibility be fixed for non-reconciliation of receipts.

5.5.3 Non-Production of record relating to Toshakhana Cabinet Division

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.

During Special Audit of Toshakhana, the Cabinet Division was requested to provide the following auditable record pertaining to Toshakhana vide requisition Nos. 5 (Supporting documents pages-1147 to 1148 Policy 2018 Volue-IV).

i. List of complete gifts received in Toshakhana from 1990 to 2002 Requisition No. 5 dated 19.04.2023.
ii. All gifts' files (in original) along with files index register from 1990 to 2002 Requisition No.5 dated 19.04.2023.
iii. Copies of approved Rules/Regulations/SoPs of Toshakhana and subsequent amendments made from 1990 to 2002 Requisition No.5 dated 19.04.2023.
iv. First Entry Registers (FER), Toshakhana Stock Registers and Bank Challan Register from 1990 to 2002, Requisition No.5 dated 19.04.2023.
v. Physical verification report of gifts displayed in various government buildings' as well as in Toshakhana from 1990 to 2002. Requisition No.5 dated 19.04.2023.
vi. List of items auctioned along with bank challan from 1990 to 2002, Requisition No. 5 dated 19.04.2023.

Further, other paras of personal nature pertaining to the Special Audit of Toshakhana are pended for want of replies from the management and verifications of record. Special Audit Report will be issued separately after completing necessary requirements.

Audit of the view that in the absence of aforementioned information/record Audit is unable to ascertain the authenticity of data.

The management replied that as per the recommendation of Inter-Ministerial Committee on Toshakhana, the Federal Cabinet on 22.02.2023approved the declassification of Toshakhana record from 2002 onwards. The record prior to 2002 is classified and hence cannot be provided letter No.F.No.8/3/2022-TK dated 19.04.2023.

The reply of the management is not acceptable because the clarified in its verdict that under Articles 169 and 170 of the Constitution, the Auditor General 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.

Audit recommends inquiry to fix responsibility besides production of record.

5.5.4 Non-conducting of physical verification of Toshakhana gifts displayed in prominent places

Para 8 of Office Memorandum No. 8/5/2017-TK dated 18.12.2018 states that the Gifts deposited in the Toshakhana which are fit for display, shall be properly catalogued and then displayed in the prominent buildings/institutions owned by Government or in the official residences of the Head of the State or the Head of the Government. Such articles shall be properly entered in the Toshakhana register and in the stock registers of the respective offices/institutions.

Para 9 of Office Memorandum No. 8/5/2017-TK dated 18.12.2018 states that an annual physical verification shall be carried out in respect of such articles by an authorized officer of the Cabinet Division in the first quarter of each calendar year.

The management of Cabinet Division was required to carry out physical verification of first quarter of each calendar year of those gifts which were displayed by the Toshakhana in the prominent buildings/institutions owned by the Government or in the official residences of the Head of the State or the Head of the Government (Supporting documents pages-1377 Policy 2018 Volume-IV).

Further, other paras of personal nature pertaining to the Special Audit of Toshakhana are pended for want of replies from the management and verifications of record. Special Audit Report will be issued separately after completing necessary requirements.

Further, other paras of personal nature pertaining to the Special Audit of Toshakhana are pended for want of replies from the management and verifications of record and will be issued separately after completing necessary requirements.

Audit recommends that matter may be inquired and necessary verification as required under procedures be carried out without further delay.

5.5.5 Non provision of certificate regarding physical verifications in original form and actual quantity

Para 9 of Office Memorandum No. 8/5/2017-TK dated 18.12.2018 of Procedure for acceptance and disposal of gifts states that an annual physical verification shall be carried out in respect of such articles by an authorized officer of the Cabinet Division in the first quarter of each calendar year.

Rule 159 of GFR Volume I states that a physical verification of all stores should be made at least once in every year under rules prescribed by competent authority, and subject to the condition that the verification is not entrusted to a person i. who is the custodian, the ledger, keeper, or the accountant of the stores to be verified, or who is a nominee of, or is employed under the custodian, the ledger keeper or the accountant or ii. Who is not conversant with the classification, nomenclature and technique of the particular classes of stores to be verified. The verification should never be left to low paid subordinates and in the case of large and important stores, it should be as far as possible, entrusted to a responsible officer who is independent of the superior executive officer in charge of the stores.

Rule 160 of GFR Volume I states that a certificate of verification of stores with its results should be recorded on the list, inventory or account, as the case may be, where such a verification is carried out.

Rules 161 of GFR Volume I states that in making a physical verification the following instructions should invariably be observed: i. verification must always be made in the presence of the officer responsible for the custody of the stores or of a responsible person deputed by him; ii. All discrepancies noticed should be brought to account immediately, so that the stores account may represent the true state of the stores; and iii. Shortages and damages, as well as unserviceable stores, should be reported immediately to the authority competent to write off the loss.

During Special Audit of Toshakhana, the Cabinet Division was requested to provide the following auditable record pertaining to Toshakhana vide requisition Nos. 5 (Supporting documents pages-1377 Policy 2018 Volume-IV).

i. Physical verification certificate for existence of articles in original form and quantity as received in Toshakhana from Competent Authority – Serial No. 1, Requisition No. 5 dated 19.04.2023 and Reminder dated 28.04.2023.
ii. Physical verification certificate for existence of articles in original form and quantity as displayed in prominent places from Competent Authority – Serial No.2, Requisition No. 5 dated 19.04.2023.

The management replied that Physical verification of articles in original form and quantity is time taking activity that requires services of an official and private expert to assess and evaluate the value and quality of each item. At present, there is no private appraiser engaged with the Cabinet Division. As and when the hiring process is completed the required physical verification will be carried out and the report will be submitted to the Audit. Letter No.8/3/2022-TK dated 09.05.2023.

Moreover, they also stated that last physical verification report for displayed items issued in 2019 are attached. Letter No.9/3/2022-TK dated 09.05.2023.

The reply of the management is not acceptable as this process is regular annual exercise which was not yet completed.

Further, other paras of personal nature pertaining to the Special Audit of Toshakhana are pended for want of replies from the management and verifications of record. Special Audit Report will be issued separately after completing necessary requirements.

Audit is of the view that in the absence of aforementioned information/record Audit is unable to ascertain the authenticity of data.

Audit recommends inquiry to fix responsibility besides production of record.

5.5.6 Irregular conducting of auction of Toshakhana articles as per given time line

Para 9 of Office Memorandum NO. 8/5/2017-TK dated 18.12.2018 of Procedure for acceptance and disposal of gifts states that gifts which are not fit to be retained or displayed shall be disposed off by periodical sales to be arranged by the Cabinet Division, Government of Pakistan. These sales shall be held once or twice a year. The list of gifts to be sold shall be circulated to all Federal Government officers and officers of the Armed Forces. The articles not purchased in two consecutive auctions by the Government Servants should be disposed of to the public through sealed bids.

The management of Cabinet Division (Toshakhana) auctioned Toshakhana gifts through restricted circulation to Federal Government officers from 1973 to 2022 as per following details (Supporting documents pages-1378 to 1829 Policy 2018 Volume-V):

S #	Auction Year
1.	1987
2.	1993
3.	1995

4.	2001
5.	2007
6.	2010
7.	2012
8.	2015

During Special Audit of Toshakhana, Audit observed as under:

i. As per Toshakhana procedures the management was required to dispose off gifts through auctions at least once or twice in a year but the management failed to carry out the auctions in time.
ii. The management also failed to provide the evidence for circulation of auction notification to all federal government and armed forces organizations.
iii. No public auction was held as of to date.

Further, other paras of personal nature pertaining to the Special Audit of Toshakhana are pended for want of replies from the management and verifications of record. Special Audit Report will be issued separately after completing necessary requirements.

Audit is of the view that delays in conducting of auction, non-catering of all federal government and armed forces and non-conducting of open auctions was irregular.

Audit recommends inquiry to fix responsibility.

5.5.7 Irregular enlistment of Private Appraiser for evaluation of gifts

Para 5 (i) of Office Memorandum No. 8/5/2017-TK dated 18.12.2018 of Procedure for acceptance and disposal of gifts states that Cabinet Division will get the value of the gifts assessed from Government Sector experts in FBR. Cabinet Division will also get the value of gifts assessed by the private appraisers borne on its approved panel.

Para 2 of the Tender Notice dated 05.08.2018 states that only those firms which have resource to evaluate the goods of latest designs and technology should apply for enlistment.

The Cabinet Division vide letter dated 13.12.2016 taken the two firms namely M/s Agilent and M/s Immix Prime and appraisers for assessment of gifts articles (Supporting documents pages-1830 to 1877 Policy 2018 Volume-V).

During Special Audit of Toshakhana, Audit observed as under:

i. Both firms i.e. M/s Agilent and M/s Immix Prime were registered as importer/exporter and other personal services and have no experience of evaluation of articles.
ii. As per company profile M/s Agilent has no evaluator having expertise to evaluate the goods of latest designs and technology of wrist watches, jewelries, handicraft etc.
iii. Company profile of M/s Immix Prime was not available on record.
iv. Another tender notice was published in the press on 05.08.2018 for enlistment of the evaluators by the Cabinet Division.
v. As per Minutes of the Tender Committee held on 20.08.2018 M/s Agilent was again enlisted as evaluator/appraiser on the basis of its previous 02 years' experience with the Cabinet Division for assessment of gifts articles.

Audit is of the view that the firm was selected without having any experience of assessment of diamonds, gold, watches, jewelries, handicrafts etc. and undue favour was extended to the firm.

Further, other paras of personal nature pertaining to the Special Audit of Toshakhana are pended for want of replies from the management and verifications of record. Special Audit Report will be issued separately after completing necessary requirements.

Audit recommends the fact finding inquiry be made and responsibility be fixed for irregular enlistment of private evaluator.

5.5.8 Irregular and unauthorized approval for disposal of gifts without delegation of powers – Rs.42.505 million

Para 1 (23) Schedule II Rule 3(3) of Rules of Business, 1973 describes that the business of government shall be distributed among the Divisions in the manner indicated in Schedule II which also includes "Toshakhana".

Regulation 8 (b) of the Financial Management and Powers of Principal Accounting Officers Regulations, 2021 under these regulations. Finance Division is delegating financial powers to principal accounting officers, heads of departments and sub-ordinates offices as per the attached Schedule. The principal accounting officers and other officers shall exercise the delegated powers and sanction expenditure accordingly.

The management of Cabinet Division was requested through requisition to provide copies of delegation of powers with regard to disposal of gifts in Toshakhana. The management of Toshakhana stated that there was no delegation for disposal of gifts in Cabinet Division before 18.12.2018. The first delegation letter was issued on 18.12.2018 and second was on 18.06.2021. Prior to 18.12.2018 approval were given by the officers without delegation of powers. (Supporting documents pages-2186 to 2749 Policy 2011 Volume-1 & 2):

During Special Audit of Toshakhana, Audit observed as under:

i. The disposal of cases other than Secretary Cabinet without any delegation was irregular and unauthorized.
ii. On sample test basis it was found that cases amounting to Rs. 13.985 million was disposed of by the Deputy Secretary Administration and Rs. 28.520 million by Joint Secretary Administration.
iii. Because of handling of disposal of gift cases proper procedures for acceptance and disposal of gifts were not followed.
iv. Irregularities in assessment of gifts and disposal of gifts were observed.

Further, other paras of personal nature pertaining to the Special Audit of Toshakhana are pended for want of replies from the management and verifications of record. Special Audit Report will be issued separately after completing necessary requirements.

Audit is of the view that disposal of gifts without any delegation by the Secretary Cabinet was irregular and unauthorized.

Audit recommends the fact finding inquiry be made and responsibility be fixed for irregular and unauthorized use of powers.

Islamabad Club, Islamabad

5.5.9 Irregular Payment for Purchases and Civil Work under Development of Lake at cricket ground Rs.14.462 million

As per rule-21 of PPR, subject to the provisions of rules 22 to 37 the procuring agencies shall engage in open competitive bidding if the cost of the object to be procured is more than the prescribed financial limit (of Rs. one hundred thousand) which is applicable under sub-clause (i) of clause (b) of rule 42.

As per PPR-9 , 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.

The management of Islamabad Club made payment of Rs.14,462,049/- during the financial year, 2022-23 on account of purchase of various items and execution of civil works for development of a lake at cricket ground.

Audit observed as under:

i. The civil works were performed in the absence of any approved civil works rules.
ii. The approved annual procurement plan was not found on record.
iii. The items were procured by splitting the purchase to avoid open competitive bidding and sanction from the higher authority.
iv. The works performed were of the same nature and performed with repeated orders.

Audit is of the view that execution of civil works without approved civil works rules and without open competitive bidding was unauthorized and in violation of PPRA Rules.

The management did not reply till finalization of report.

Audit recommends that the matter may be inquired at appropriate level under intimation to audit and responsibility be fixed for violation of PPRA Rules.

5.5.10 Payment on account of Ex-Gratia to club employees despite operating loss and without budget provision - Rs. 96.082 million

As per Fundamental Rule 9(9) states that honorarium means a recurring or non-recurring payment granted to a government servant from general revenues as remuneration for special work of an occasional or intermittent character.

As per Islamabad club service regulations- 2022, schedule-vi policy regarding ex-gratia payment (formerly annual bonus) states that, yearly ex-gratia will be paid to employees who are permanent or on contract of minimum one year and/or as per terms of the contract. Ex-gratia payment shall be calculated on the last drawn basic salary. One ex-gratia payment is equal to three basic salaries.

The management of Islamabad Club made ex-gratia payment of Rs.100.32 million to club employees during the financial year, 2022-23.

Audit observed as under;

i. Ex-gratia payment of Rs.69.061 million was made as annual ex-gratia (equal to 03 Basics of Decemeber-2022) on 04.04.2023.
ii. Later on, ex-gratia payment of Rs.24.909 million equal to (one month basic) was made on 20.06.2023 as advance ex-gratia.
iii. No-budgetary allocation was available under the relevant head of expenditure in the budget estimates for the year 2022-23.
iv. The organization showed an operating loss of Rs.199.270 million for the financial year 2022-23.

Audit is of the view that, the payment of ex-gratia without any approved performance indicators and budget provision in budget estimates 2022-23 was unauthorized.

The management did not reply till finalization of report.

Audit recommends that the unauthorized payments may be recovered/regularized from competent forum in accordance with approved performance criteria as per rules.

5.5.11 Unauthorized refund of corporate membership entrance fee - Rs. 25.10 million

As per Islamabad club membership regulations- 2022, Part-vii membership affairs, fee (1) (3) states that, a candidate for Membership in any category shall deposit 50% or relevant amount of the applicable Entrance Fee, in the category they are applying for, at the time of submission of membership application form. The remaining balance of Entrance Fee shall be paid at the rate applicable at the time of grant of membership. Once the successful candidate deposits the full entrance fee, they shall be issued a membership card and provided /referred to the E-copy of membership regulations (on Club's website). Membership thereafter shall be governed by the rules, regulations, policies and SOPs of the Club. Entrance fee once paid shall be non-refundable for all categories of memberships after grant of membership.

The management of Islamabad Club cancelled the corporate membership of National Endowment Scholarships for Talent (NEST) and refunded Rs. 25.10 million including application processing fee to NEST.

Audit observed as under:

i. The entrance fee and application processing fee were not refundable once membership had been granted.
ii. The membership was granted after an interview and recommendation of the Balloting Committee.

Audit is of the view that refund of entrance fee was in violation of above referred regulations and resulted in reduced club revenues.

The management did not reply till finalization of report.

Audit recommends that the unauthorized refund may be recovered under intimation to audit and responsibility be fixed for allowing refund in violation of club membership regulations.

5.5.12 Non-Recovery/receipts of receivable against the members - Rs. 104.560 million

Section 4 (f) of the Islamabad Club (Administration) Ordinance, 1978 states that "any sum Payable to, or recoverable by, the Company shall be deemed to be payable to, or recoverable by the Administrator".

The financial statement for the financial year 2021-22 (un-approved) at note No.27.1-Credit Risk states that overall receivables from members amounted to Rs. 104,560,187 for the year. Furthermore, the notes to the financial statements also state that an amount of Rs. 23,277,599 comprises long outstanding dues from members since 2018.

Audit observed that the club had receivables outstanding since 2018. The heavy amount of receivables from the members constitutes a serious lapse on the part of local management as the main source of income for the Club is entrance fee and monthly subscription from the members.

Audit is of the view that non-collection of outstanding receivables from the members is a violation of Section 4(f) of the Islamabad Club (Administration) Ordinance, 1978 and indicates weak internal control on the part of the management.

The management did not reply till finalization of report.

Audit recommends that the receivables amount may be recognized/receive under intimation to audit.

5.5.13 Irregular execution of works (in-house schemes) without detailed estimates and payments without any measurements - Rs. 302.625 million

Para 56 of CPWD Code states that a properly detailed estimate must be prepared for the sanction of competent authority; this sanction is known as the technical sanction to the estimate and, except in cases such as are referred to in paragraphs 58 and 75, must be obtained before the construction of the work is commenced. As its name indicates, it amounts to no more than a guarantee that the proposals are structurally sound, and that the estimates are accurately calculated and based on adequate data.

Para 208 of Central Public Works Account (CPWA) Code states that "payments of all work done otherwise than by daily labour and for all supplies are made on the basis of measurements recorded in Measurement Books (MBs) in Form 23 in accordance with rules in Para 209 of CPWA Code."

The management of Islamabad Club, Islamabad executed different in-house schemes/projects (construction, repair, renovation, etc.) amounting to Rs. 173,344,972 during 2021-22 and Rs. 129,279,882 during 2022-23.

Audit observed that all the works amounting to Rs. 302,624,854 were executed without any detailed estimates and payments were also made without any measurement in violation of rules.

Audit is of the view that execution of works without detailed estimates and further payments amounting to Rs. 302.625 million without detailed measurement was unauthorized.

Audit is also of the view that without detailed estimates and measurements the authenticity of the expenditure could not be ascertained.

Audit recommends that responsibility may be fixed for the irregularity.

5.5.14 Unauthorized procurement of flood lights without open competition – Rs. 16.120 million

Para 12(2) of Public Procurement Rules, 2004 states that all procurement opportunities over three million Pakistani 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.

Islamabad Club purchased 62 LED lights from M/s Signify Pakistan Limited at a cost of Rs. 16.120 million through purchase order No. 201473 dated 09.02.2021 on the rates offered by the said company to Mari Petroleum Company Limited (MPCL).

Audit observed that the purchases were made without open competition and without any confirmation of rates offered by the said company to MPCL in violation of rules.

Audit observed that management procured 62 flood lights without open competition amounting to Rs. 16,120,000.

Audit also observed that 10 flood lights amounting to Rs. 2.600 million were missing.

Audit is of the view that procurement without open competition was unauthorized and missing of flood lights is a serious lapse on the part of club management.

Audit recommends that responsibility may be fixed for the irregular procurement and missing flood lights.

5.5.15 Unauthorized execution of permanent civil works without approval of drawing / design from CDA – Rs. 93.655 million

Section 6 of the Islamabad Building Regulations, 1963 states that every person who intends to erect or re-erect a building shall submit to the Authority an application in writing on the prescribed form A-l for permission to execute the work and the name of the Licensed Architect/ Engineer whom he employs to supervise its erection.

Clause-2 of Lease Agreement dated 10.11.1970 between Islamabad Club and CDA states that the Lessee shall utilize the leased land only for the purpose of

Golf Courses and may erect with the prior approval of the Authority necessary building in accordance with the designs, plans and specification submitted by the lessee and approved, in writing by the Lessor, and thereafter, the Lessee shall not make any structural alteration or addition to such building without previous approval of the Lessor.

Islamabad club awarded work vide letter IC/SO/2021/1.1/271 dated 20.04.2021 "Construction of Futsal Court, Service blocks, Gazebos, Hospitality boxes and Tuck Shop in Polo complex, Islamabad Club" to M/s Khewa Khan and Brothers amounting to Rs. 59,177,655. The work was completed at a cost of Rs. 67.816 million.

Similarly, Islamabad Club awarded work of "construction of Cricket Ground Pavilion (Grey Structure) to M/s Al-Qaim Construction Pvt. Ltd amounting to Rs. 25,839,291.

Audit observed that all permanent civil works were executed without approval of drawing and design from Capital Development Authority (CDA) in violation of lease agreement.

Audit is of the view that execution of projects/schemes without approval from CDA was unauthorized.

The management did not reply till finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

5.5.16 Unauthorized payment development projects without measurement – Rs. 105.268 million

Para 208 of Central Public Works Account (CPWA) Code states that "payments of all work done otherwise than by daily labour and for all supplies are made on the basis of measurements recorded in Measurement Books (MBs) in Form 23 in accordance with rules in Para 209 of CPWA Code."

Islamabad Club executed development projects/Schemes during 2021-23 amounting to Rs. 105,268,286.

Audit observed that payments against civil works were made without recording detailed measurement in Measurement Books in violation of Rules.

Audit is of the view that payment without actual assessment and recording of measurements was unauthorized.

The management did not reply till finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity besides maintenance of measurement books.

5.5.17 Unauthorized hiring of consultant without open competition - Rs 4.4 million

Para 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 Islamabad club, Islamabad hired consultancy services from M/s Suhail & Fawad Architect for project "Construction of Futsal Court, Service blocks, Gazebos, Hospitality boxes and Tuck Shop" in Polo complex, Islamabad Club and made payment amounting to Rs.4.4 million.

Audit observed that the management hired consultancy services without open competition.

Audit is of the view that hiring consultancy services without open competition is violation of PPRA rules.

Audit recommends that responsibility may be fixed for the irregularity.

Public Procurement Regulatory Authority

5.5.18 Non-collection of receivables - Rs. 208.900 million

Para 26 of GFR (Vol-I) states that subject to any special arrangement that may be authorized by competent authority with respect to any particular class of receipts, it is the duty of the departmental Controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

The management of Public Procurement Regulatory Authority (PPRA), Islamabad issued invoices amounting to Rs. 417,802,458, received payments of Rs.

251,713,773 (including backlog of Rs. 24,115,527) and an amount of Rs. 208,900,000 was outstanding/receivable on account of tenders, sales auctions, evaluations, trainings, etc. as on 30.06.2023.

Audit observed that the management did not collect the amount(s) of due receivables.

Audit recommends early recovery/collection of receivables/outstanding amounts.

5.5.19 Non-Investment of Contributory Provident Fund (CPF) – Rs.19.167 million

Sr. 66(1) of Public Procurement Regulatory Authority (PPRA) Service Regulations states that the amount of CPF (comprising of the employees' contribution and the equivalent amount provided by the Authority) will be invested in such profitable ventures or placed in a bank account as approved by the Management Committee of the Fund.

The management of Public Procurement Regulatory Authority (PPRA), Islamabad collected by deduction of Rs. 9,583,741 as "employees' contribution" towards Contributory Provident Fund (CPF) and equivalent amount as "employer's contribution" during the financial year 2022-23.

Audit observed that the accumulated balances of the CPF of PPRA employees were neither invested nor were placed in a (separate) bank account as required under the Regulations.

Audit is of the view that non-investment of CPF deprived the employees of the profit on one hand and violation of provisions of Regulations on the other hand.

The management did not reply till finalization of the report.

Audit recommends investment of CPF at the earliest.

CHAPTER 6

COMMERCE DIVISION

6.1 Introduction

As per Schedule II [Rule 3 (3)] Distribution of Business among the Divisions read with Schedule III [rule 4(4)] Rules of Business 1973 following main business have been assigned to the Division amongst the other functions.

1- Imports and exports across custom frontiers.
2- Interprovincial trade.
3- Commercial intelligence and statistics.
4- Tariff policy and its implementation.
5- Regulation and control of insurance agencies.
6- Intellectual property organizations Pakistan

ATTACHED DEPARTMENTS/ AUTONOMOUS BODIES

i. Trading Corporation of Pakistan
ii. National Tariff Commission
iii. State Life Insurance Corporation
iv. Foreign Trade Institute of Pakistan
v. Pakistan Reinsurance Company
vi. Pakistan Institute of Fashion and Design
vii. National Insurance Company
viii. Pakistan Tobacco Board
ix. Federation of Chambers and Industry
x. Pakistan Horticulture Development and Export Board

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-22)	Revenue / Receipt Audited (FY 2022-23)
1	Formations	15	2	4,107.972	
2	Assignment Accounts (Excluding FAP)	1	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	2	2	280.000	-
4	Foreign Aided Project (FAP)	-	-	-	-

6.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Commerce Division for the financial year 2022-23 was Rs. 12,241.70 million, out of which the Division expended an amount of Rs.12,183.66 million. Grant-wise detail of current expenditure and development expenditure is as under:

(Rs. In million)

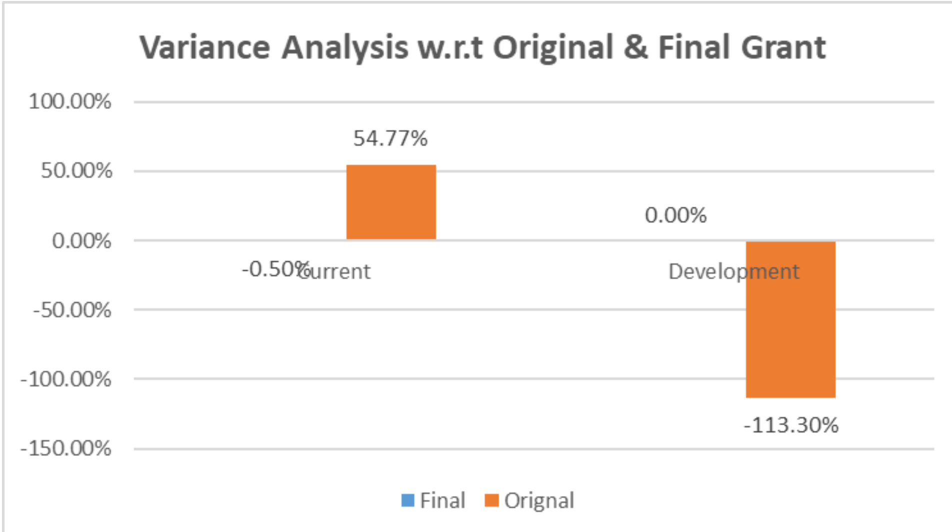
Grant No	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
23	Current	5,261.80	6,480.43	-51.13	11,691.09	11,633.06	-58.03	-0.50%
96	Development	1,174.44	.00	-623.83	550.61	550.61	.00	0.00%
	G Total	**6,436.24**	**6,480.43**	**-674.97**	**12,241.70**	**12,183.66**	**-58.03**	**-0.50%**

Audit noted that there was an overall saving of Rs.58.03 million, mainly comprising saving 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. 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, bifurcating total allocation into current and development expenditure, it was observed that, in case of development expenditure, there was 113.3% of saving w.r.t original grant which finally became 0% excess/saving w.r.t Final Grant, and in case of current expenditure 54.77% of excess expenditure reduced to 0.5% of saving in expenditure.



6.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs.606.037 million, were raised in this report during the current audit of **Ministry of Commerce**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and Misappropriation	-
3	Irregularities	
A	*HR/Employees related Irregularities*	-
B	*Procurement related irregularities*	81.94
C	*Management of account with commercial banks*	423.9
D	*Recovery*	-
E	*Internal Control*	99.197
4	Value for money and service delivery	-
5	Others	-

6.4 Status of compliance with PAC Directives

PAO	Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
Commerce Division	2012-13	1	0	0	1	-
	2013-14	7	7	2	5	29
	2014-15	1	1	0	1	-
	2015-16	1	1	0	1	-
	2016-17	3	1	1	2	100
	2017-18	1	1	0	1	-
	2019-20	1	0	0	1	-
	2020-21	4	0	0	4	-
	2021-22	15	0	0	15	-
	2022-23	4	0	0	4	-
	Total	**38**	**11**	**3**	**35**	-

6.5 AUDIT PARAS

Export Development Fund, Karachi

6.5.1 Mis-procurement of Event Manager Services during EHCS, 2023 - Rs 67.319 million

Rule 29 of Public Procurement Rules, 2004 states that procuring agencies shall formulate an appropriate evaluation criterion listing all the relevant information against which a bid is to be evaluated. Such evaluation criteria shall form an integral part of the bidding documents. Failure to provide for an unambiguous evaluation criterion in the bidding documents shall amount to mis-procurement.

Rule 30(1) of Public Procurement Rules, 2004 states that all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding documents.

Clause 17.2 of the Instructions to Bidder (ITB) states that the original and copy or copies of the bid shall be typed or written in indelible ink and shall be signed by the Bidder or a person or persons duly authorized to bind the Bidder to the contract. All pages of the bid, except for un-amended printed literature, shall be initialed by the person or persons signing the bid.

A Tender Notice for hiring the services of Event Manager for Engineering and Healthcare Show (February 23-25, 2023) was published on 14.09.2022 based on Single Stage Two Envelops procedure as per Rule 36(b) of Public Procurement Rules, 2004.

In response to the advertisement, two firms, i.e. M/s Pegasus Consultancy (Pvt) Ltd and M/s Badar Expo Solutions were technically qualified for further procurement process.

The management of EDF, Karachi awarded a contract of event management to M/s Pegasus Consultancy (Pvt) Ltd and paid an amount of Rs 67.319 million to the firm during FY 2022-23.

Audit observed that:

i. The bid quoted by M/s Pegasus was not signed by the bidder or a person(s) duly authorized to bind the bidder to the contract. Furthermore, all pages of the bid were not initialed by the person or persons signing the bid.
ii. The procuring agency provided ambiguous evaluation criteria in the bidding process as the quantity of carpeting area at Sr. 4 of the BOQs was not disclosed.
iii. The procuring agency did not evaluate the bids in accordance with prescribed evaluation criteria, as M/s Pegasus quoted rates without taxes.

Audit is of the view that:

i. Procurement was made in violation of provisions of Public Procurement Rules, 2004 and constituted mis-procurement.
ii. Awarding of contract to a non-compliant bidder was unauthorized.
iii. The incurrence of expenditure was irregular and unauthorized.

The management replied that M/s Pegasus Consultancy PVT Ltd was duly signed as per clause 17(ii) of the bidding document.

The procuring agency, upon inquiry from the bidders informed them about the quantity of carpet. M/s Pegasus was informed via email in reply to their query raised through the email, whereas the M/s Badar Expo Solution was informed verbally via telecom & further M/s BAXXX was requested to send any further query in writing.

The procuring agency evaluated the bids in accordance with prescribed evaluation criteria as M/s Pegasus quoted the rates with all Government taxes. Furthermore, the invoices submitted by the bidder amounting to Rs. 68.1 million are inclusive of 13% SRB.

The reply was not accepted as the contract was awarded to a non-compliant bidder. Furthermore, the procuring agency provided ambiguous evaluation criteria in the bidding process.

Audit recommends fixing of responsibility for the irregularity.

6.5.2 Non-refund of unspent balance of EDF and income generated during EHCS-2022 - Rs 41.665 million

Rule 668 of FTRs 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.

Ministry of Commerce (EDF Wing) O.M. No.EDF-6(8)/2009-EDF dated 26.06.2023 states that EDF will have the right on the income accruing to the beneficiaries from the moneys provided by the EDF in the form of interest or renting of assets to entities other than exporters, trade promotion officers and trade bodies.

The management of Export Development Fund (EDF), Karachi released an amount of Rs 179,639,051 for holding “Engineering and Health Care Show-2022” by the Trade Development Authority of Pakistan (TDAP) vide cheque No. B-955381 dated 27.12.2021.

The project completion report along with summary of actual cost of EHCS-2022 shows that there was a saving of Rs 34,164,972 and an income of Rs 7,500,000 generated from the event.

Audit observed that TDAP management did not refund the saving/unspent amount and income generated from the event to EDF.

Audit is of the view that non-refund of saving/unspent amount and income deprived the Fund from its due receipts.

The management replied that the E&M Division concluded the event, submitted the Completion Form-III of EDF and the file was submitted to MS-Division to send back the saved balance of EHCS 2022 to EDF, the file is under process and the amount will be sent back to EDF accordingly, the EDF will be informed in next fortnight.

The management has accepted the audit observation, but the amount has not yet been refunded by TDAP management.

Audit recommends early refund of saving/unspent amount and income generated from event along with interest.

6.5.3 Non-obtaining of performance guarantee / non-forfeiture of bid security resulted in provision of substandard items for EHCS, 2023 - Rs 14.621 million

Rule 39 of Public Procurement Rules, 2004 states that where needed and clearly expressed in the bidding documents, the procuring agency shall require the successful bidder to furnish a performance guarantee which shall not exceed ten per cent of the contract amount.

The management of EDF/TDAP, Karachi issued Work Order for hiring of Event Management Company for Engineering and Health Care Show (EHCS), 2022 to M/s Badar Expo Solution vide No. TDAP/EHCS-TDAP/1/2022 dated 15.02.2022 attached therewith BOQs amounting to Rs 76,699,952. During the event of EHCS-2022, a BOQ item (Fashion Show) amounting to Rs 18,205,452 was cancelled, resulting in remaining BOQ amounting to Rs 58,195,500.

An amount of Rs 46.782 million was paid to M/s Badar Expo Solution against their provided BOQ items' claim amounting to Rs 61.404 million during FY 2021-22, as per following details:

Sr.	Bill No.	Amount Claimed	Claim Admitted	Deductions
1	First Running Bill	19,828,500	14,189,356	5,639,144
2	Second Running Bill	41,575,000	32,593,000	8,982,000
Total		**61,403,500**	**46,782,356**	**14,621,144**

Audit observed that:

i. No performance guarantee was obtained from M/s Badar Expo Solution while awarding the contract resultantly deductions amounting to Rs 14.621 million were made from the bills/claims due to either non-provision of items or provision of substandard items/services.

ii. The bid security of the contractor was not forfeited on non-provision of items or provision of substandard items / services.

Audit is of the view that the non-obtaining of performance guarantee and non-forfeiture of bid security was in violation of PPRA rules and provision of the contract agreement.

The management replied that as per bidding document/BoQ requirement, the bidder provided substandard services in many heads, due to which amount of Rs. 14.6 million was deducted. The Bidder submitted the bid guarantee of Rs. 3 million on stamp paper verified by its bank, the same was held by TDAP, the same was returned back to firm after the settlement of payment. The procuring agency deducted an amount of Rs. 14.6 million from bidder's amount of 61.4 million as penalty for providing the substandard items/services.

The reply was not accepted as the amount was deducted for the provision of services which were of inadequate quality and no penalty was charged to the Bidder. Furthermore, the bid guarantee was also returned to the Bidder without taking any action against the Bidder.

Audit recommends fixing responsibility on the person(s) at fault for non-obtaining of performance guarantee & non-forfeiture of bid security and non-initiating the case for blacklisting of the firm for non-provision of BOQ items.

6.5.4 Un-authorized retention and investment of EDF's fund in four PLS Accounts by Karachi Garment City - Rs. 423.9 million

According to OM No.6(8)/2009-EDF dated 21.07.2014 issued by EDF Secretariat, all beneficiaries shall be required to open a Joint Account with TDAP to receive the amount approved by EDF Board.

In continuation of the aforesaid OM another OM dated 02.01.2015 was issued by EDF Secretariat which states it should be mandatory for all the Accounts to be opened in National Bank of Pakistan only, and EDF funds should not be placed in any profit-oriented accounts.

The management of EDF, Karachi released funds from EDF to Karachi Garment City. These funds were deposited into different PLS accounts maintained by the Garment City, Karachi and later invested in TDR and earned profit of Rs. 48 million on the EDF funds.

Audit observed as under:

i. EDF, Karachi did not monitor the expenditure made from these unauthorized accounts.
ii. EDF, Karachi did not have the details of the exact amount of balances in these accounts.
iii. The record of expenditure made from these Accounts over the years is not available with EDF, Karachi.
iv. These accounts are still operative, and the amount has not been transferred to the joint account.
v. Karachi Garments City, Karachi invested the amounts in TDR without approval of EDF Board.
vi. A statement available in the file shows that the total allocation of Rs. 375 million was kept in commercial banks and profit of Rs. 48.9 million was earned over the years.

Audit is of the view that the investment of funds and its retention in commercial bank accounts without the approval of the Board is against the EDF Board instructions.

The management provided reply/response of the KGCC:

i. For EDF funds of Rs 375 million released during 2007 to 2014, KGCC was never informed of instructions to deposit these in joint account with TDAP. As such, funds were put in the company's bank account with the approval of KGCC-BOD. Later, KGCC invested available idle/unutilized EDF funds as TDR to meet administrative/running expenses of KGCC office from the profit earned.

ii. The instructions for depositing EDF funds in joint account were conveyed for the first time when funds of Rs 52.930 million were released on 15.06.2015, which were fully complied with. Presently, an amount of Rs 125.932 million is parked in a joint account with TDAP in NBP.

The EDF management did not respond to the audit observation regarding violation of instructions issued on utilization of EDF funds.

Audit recommends holding of an inquiry to fix responsibility on person(s) at fault.

6.5.5 Non-utilization of EDF Funds provided to PHMA - Rs. 27.532 million

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

The EDF, Karachi released funds amounting to Rs 20.880 million to Pakistan Hosiery Manufacturers Associations (PHMA)- Institute of Knitwear Technology (IKTK) as approved by the board in its 76th meeting held on 22.6.2017 for the following purpose, and funds were transferred to joint account on October 25,2017.

S.No.	Particulars	Amount (Rs)
1	Color matching equipment	4,200,000
2	Knitting Machines (3)	6,000,000

3	Dying Equipment	2,325,000
4	Computer Lab	943,000
5	Fashion Design Studio	1,500,000
6	Testing & Quality Control Equipment	5,912,120
	Total	**20,880,120**

Audit observed as under:

i. The EDF Board approved the proposal of PHMA without analyzing the space requirement of the institute. It was later found that PHMA did not have accommodation to install the machinery and equipment due to which the funds allocated remained unutilized to date.

ii. After a lapse of five years the building of the closed PKTI institute, Nazimabad was handed over to PHMA-Institute of Knitwear Technology (IKTK) and further allocation of funds amounting to Rs. 6,652,000 was made with the approval of Board for renovation and operationalization of the building/institute of PKTI, Nazimabad but the same were also not utilized till 31.08.2023.

Audit is of the view that non-utilization of funds was serious lapse on the part of stakeholders, as the proposal of PHMA was not analyzed properly and funds were allocated without recognizing the fact that the institute did not have accommodation to install machinery.

The EDF management did not provide its reply to the audit observation.

Audit recommends holding of inquiry to fix responsibility and retrieval of unutilized EDF funds along with interest.

6.5.6 Whereabouts of money withdrawn from profit bearing joint account of EPB and SMA Rizvi Textile Institute not known- Rs 30.00 million

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

Endowment amounting to Rs. 30 million was given to S.M.A Rizvi, Textile Institute, Karachi vide cheque No.451840 dated 09.02.2001. The entire amount was deposited into the profit oriented joint account of EPB and SMA Rizvi Textile Institute maintained in Metropolitan Bank Ltd Main Branch I.I Chundgrigar Road, Karachi. In 2005, the amount was withdrawn from the bank for avoiding zakat deduction which was not redeposited.

Audit observed as under:

i. The amount of Rs 30.00 million was withdrawn from the above-mentioned Bank Account and was not deposited back into the bank account.
ii. The detail of Profit earned from the investment was not provided to audit.
iii. The whereabouts of the funds drawn were not known to the EDF management.

Audit is of the view that it is serious negligence on the part of management of EDF, Karachi and the likelihood of risk of misappropriation of the amount was high .

The EDF management did not provide its reply to the audit observation.

Audit recommends holding of inquiry to fix responsibility and retrieval of unutilized EDF funds.

CHAPTER 7

DEFENCE DIVISION

7.1 Introduction

As per Schedule II [Rule 3 (3)] Distribution of Business among the Divisions read with Schedule III [rule 4(4)] Rules of Business 1973 following main business have been assigned to the Division amongst the other functions.

Defence of the Federation or any part thereof in peace or war including 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.

1- Civilian employees paid by the Defence services.
2- International Red Cross and Geneva Conventions in so far as they affect belligerents.
3- Pardons, reprieves and respites, etc. of all personnel belonging to the Armed Forces.
4- Administration of Military Lands and Cantonments Group.
5- National Maritime Policy.
6- Marine surveys and elimination of dangers to navigation.

ATTACHED DEPARTMENTS/ AUTONOMOUS BODIES

i. Directorate of Military Land and Cantonments.
ii. Federal Government Educational Institutions (Cantonments/Garrisons) Directorate.
iii. Pakistan Military Accounts Department.
iv. Office of the Surveyor General of Pakistan.
v. Pakistan Armed Services Board.
vi. Pakistan Maritime Security Agency.

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY 2022-23) Rs. in million	Revenue/Receipt Audited (FY 2022-23) Rs. in million
1	Formations	6	2	2934.205	-
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

7.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Defence Division for the financial year 2022-23 was Rs. 11,431.79 million, out of which the Division expended an amount of Rs.11,322.56 million. Grant-wise detail of current and development expenditure is as under:

(Rs. In million)

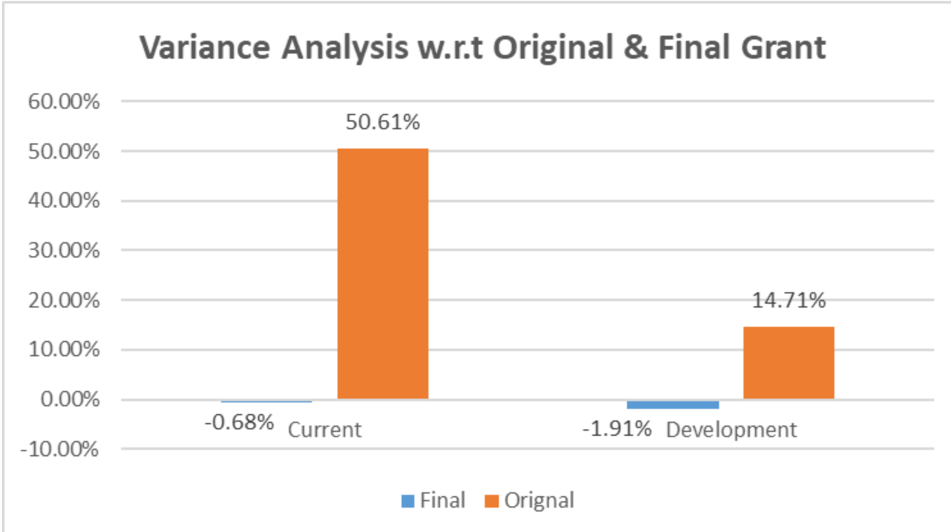
Grant No	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
27	Current	4,299.25	4,572.36	-107.01	8,764.61	8,705.38	-59.23	-0.68%
98	Development	2,232.09	450.00	-14.91	2,667.19	2,617.18	-50.00	-1.91%
	G Total	**6,531.34**	**5,022.36**	**-121.92**	**11,431.79**	**11,322.56**	**-109.23**	**-0.96%**

Audit noted that there was an overall saving of Rs. 109.23 million, which was mainly due to savings in current / 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. 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, bifurcating total allocation into current and development expenditure it is observed that, in case of development expenditure, there was 14.71% of excess w.r.t original grant which was finally become 1.91% saving w.r.t Final Grant and in case of current expenditure 50.61% of excess reduced to 0.68% of saving.



7.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs.36.588 million, were raised in this report during the current audit of **Defence Division**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	
B	*Procurement related irregularities*	29.702
C	*Management of account with commercial banks*	
D	*Recovery*	
E	*Internal Control*	6.886
4	Value for money and service delivery	
5	Others	

7.4 Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2011-12	3	0	0	3	-
2012-13	5	0	0	5	-

2013-14	2	0	0	2	-
2014-15	5	0	0	5	-
2016-17	1	0	0	1	-
2017-18	1	1	0	1	-
2019-20	4	0	0	4	-
2020-21	7	0	0	7	-
2021-22	23	0	0	23	-
Total	**51**	**1**	**0**	**51**	**-**

7.5 AUDIT PARAS

Pakistan Maritime Security Agency (PMSA)

7.5.1 Irregular expenditure on Pakistani Delegations Abroad - Rs. 6.886 million

As per GFR 10(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.

According to Finance Division's O.M. No.7(1)Exp.IV/2016-340 dated 07.07.2022, there shall be a complete ban on official visit abroad by Govt. functionaries.

The management of Pakistan Maritime Security Agency, Karachi incurred an expenditure of Rs. 6,886,569 on Pakistani delegation abroad during Financial Year 2022-23.

Audit observed that expenditure on Pakistani delegation abroad was incurred during the ban period.

Audit is of the view that expenditure on visits abroad during the ban period was unjustified and irregular.

The Management did not reply till finalization of report.

Audit recommends that either ex-post facto approval be taken from Prime Minister or recoveries may be initiated.

Survey of Pakistan

7.5.2 Irregular procurement of GNSS sets - Rs. 29.702 million

Rule 37(A)(1) of Public Procurement Rules, 2004 states that an unsolicited proposal received by the procuring agency from any individual or agency, private or public, consistent with the mission of the procuring agency, shall be assessed by the assessment committee, consisting of at least three technical experts, to be notified by the procuring agency. The assessment committee shall ascertain the viability of the proposal.

The management of Survey of Pakistan (SoP), Rawalpindi constituted a Technical Committee-I for the procurement of GNSS sets under the project titled "Cadastral Mapping" vide notification No. 93-c/14-A-8/IHD dated 11.11.2020 comprising of following officers for technical input assessment of equipment as under:

i. Mr. Shah Muhammad, Director (Chairman)
ii. Mr. Irshad Ali, Assistant Director (Member)
iii. Mr. Atif Shoaib, Survey Officer (Member)
iv. Mr. Farhan Zafar, Survey Officer (Member)

The tender was floated in newspapers on 31.03.2021 and M/s Shaheen was technically qualified and was the lowest at a cost of Rs. 47,802,649. Later on, it was revealed that the firm did not possess relevant experience in supply of GNSS as per complaint lodged by M/s KBS on 28.05.2021 and on this contention tender was rejected. An inquiry was initiated which gave its recommendation on 26.08.2021 that the Technical Committee was not aware of technicality of items and Public Procurement Rules, 2004. The same procurement was retendered on 05.08.2021 but the Technical Committee remained unchanged which was found technically unqualified in the inquiry report. A supply order was issued after evaluation to M/s Sandhu Engineering at a cost of Rs. 29,702,802.

Audit observed as under:

i. Bids were evaluated by the same Technical Committee which was declared disqualified in the inquiry report.. Furthermore, financial bids were opened after one month of technical evaluation without any solid reason.

ii. An amount of Rs. 1,271,360 was paid to M/s Sandhu as rent of similar equipment without tender for the period April, 2021 to June, 2021 and an amount of Rs. 13,659,725 was paid to M/s Sandhu as rent after tender for the period July, 21 to December, 2021.

iii. Had the selection process of the firm been undertaken with due care during the first tendering process, there would have been no need to make rental payment(s) for the equipment.

Audit is of the view that due to negligence in constitution of Technical Committee public exchequer sustained loss in the form of payment of rent of equipment. Moreover, equipment in 2nd tendering process was also procured on the recommendation of same Technical Committee which had been declared technically unqualified by the inquiry committee.

The management replied that procurement of GNSS was made in accordance with PPRA Rules. The re-tender was initiated in accordance with Rule 33 (Rejection of bid) & Rule 34 (Re-bidding). The Rule does not require reconstitution of a technical or purchase committee. The procuring Agency can revise specifications, evaluation criteria or any other condition for bidders as it may deem necessary for re-tendering. Accordingly, framing technical specifications and subsequent evaluation of bid by the same technical committee (as for initial bid) was not mandatory. The report of the Inquiry Committee and its recommendation were not received by the Project Management Unit till completion of evaluation and procurement process. Therefore, the technical committee was not revised. The Rules are silent about duration of time frame between technical evaluation and financial evaluation. There is only condition that contract is signed within validity period of the bid which was duly full filled.

The reply was not accepted because the management kept the same technical committee which was termed unqualified by the inquiry committee due to their incapacity to evaluate such types of bids.

Audit recommends holding of inquiry to probe the matter.

CHAPTER 8

ECONOMIC AFFAIRS DIVISION

8.1 Introduction

As per Schedule II [Rule 3 (3)] Distribution of Business among the Divisions read with Schedule III [rule 4(4)] Rules of Business 1973 (as amended up to 1st December 2021) following main functions have been assigned to the Division:

1. Assessment of requirements; programming and negotiations for external economic assistance from foreign Governments and organizations.
2. Matters relating to IBRD, IDA, IFC, ADB and IFAD.
3. Economic matters pertaining to the Economic and Social Council of the United Nations, Governing Council of UNDP, ESCAP (Economic and Social Commission for Asia and Pacific), Colombo Plan and OECD (DAC).
4. Negotiations and coordination activities, etc., pertaining to economic cooperation with other countries (excluding RCD and IPECC).
5. Assessment of requirements, programming and negotiation for securing technical assistance to Pakistan from foreign Governments organizations including nominations for EDI Courses.
6. External debt management, including authorization of remittances for all external debt servicing, compilation and accounting and analysis of economic assistance from all foreign governments and organizations.
7. Review and appraisal of international and regional economic trends and their impact on the national economy. Proposals concerning changes in International Economic Order.
8. Matters relating to transfer of technology under UNDP assistance.
9. Matters relating to International Islamic Development Bank.
10. Financial Action Task Force (FATF) Cell.

ATTACHED DEPARTMENTS / AUTONOMOUS BODIES

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY 2022-23) Rs. in million	Revenue / Receipt Audited (FY 2022-23) Rs. in million
1	Formations	1	1	590.693	
2	Assignment Accounts (Excluding FAP)				
3	Authorities / Autonomous Bodies etc. under the PAO				
4	Foreign Aided Project (FAP)				

8.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Economic Affairs Division for the financial year 2022-23 was Rs. 11,288.70 million, out of which the Division expended an amount of Rs. 11,270.40 million. Grant-wise detail of current expenditure is as under:

Rs. in million

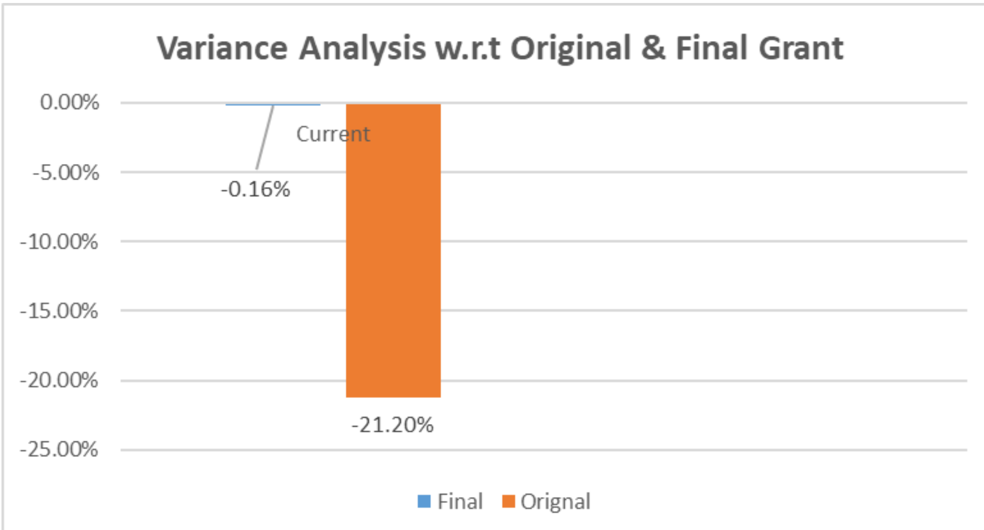
Grant No	Type of Grant	Heads	Original Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
31	Current	Main	681.06	16.71	664.35	658.30	-6.05	-0.92%
32	Current	Misc	12,978.99	2,354.64	10,624.35	10,612.11	-12.25	-0.12%
	Total		**13,660.05**	**2,371.35**	**11,288.70**	**11,270.40**	**-18.30**	**-0.16%**

Audit noted that there was an overall saving of Rs.18.30 million, which was mainly due to saving 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. 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, bifurcating total allocation into current expenditure, it was observed that there was 21.20 % of saving w.r.t original grant which was finally reduced to 0.16 % w.r.t final grant.



8.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 52.018 million, were raised in this report during the current audit of the Economic Affairs Division. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	
B	*Procurement related irregularities*	
C	*Management of account with commercial banks*	
D	*Recovery*	
E	*Internal Control*	52.018
4	Value for money and service delivery	
5	Others	

8.4 Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2010-11	1	0	0	1	-
2011-12	4	0	0	4	-
2013-14	4	4	1	3	25
2020-21	5	0	0	5	-
2022-23	2	0	0	2	-
Total	**16**	**4**	**1**	**15**	-

8.5 AUDIT PARAS

Economic Affairs Division

8.5.1 Irregular cash withdrawal of honorarium by DDO-Rs. 52.018 million

According to Rule-157 of Federal Treasury Rules "Cheques drawn in favour of Government officers and departments in settlement of Government dues shall always be crossed "A/c payee only - not negotiable".

Drawing and Disbursing Officer Ministry of Economic Affairs, Islamabad had drawn cash money of Rs. 52,018,240 for disbursement of honorarium to their officers & officials during financial years 2021-22 and 2022-23. Details are as under:

F.Y	Gross Amount (Rs.)	Net amount (Rs.)	Cheque No. & date
2021-22	**27,785,420**	**26,742,321**	8995165 dated 30-06-2022
2022-23	**21,006,160**	**20,104,044**	9652146 dated 23-06-2023
2022-23	**3,226,660**	**3,065,327**	9695590 dated 21-06-2023
Total	**52,018,240**	**49,911,692**	

Audit observed that instead of making payment of honorarium through crossed cheques or through pay roll, the cash money of Rs. 52.018 million was withdrawn by the DDO for making payment to officers/officials of the Ministry.

Audit is of the view that cash withdrawal of honorarium amounting to Rs. 52.018 million by the DDO was in violation of rules and irregular.

The management replied that the approval of the honorarium from the Minister was received on 29th June 2022 and 22nd June, 2023, respectively. After which the last date for acceptance of change statement by AGPR had also passed and it was not possible to make all cheques in such a short time and deliver to each employee separately.

The reply is not tenable as the late processing of case for grant of honorarium resulted in cash payment through DDO in violation of rules.

The DAC was convened on 26.12.2023 and directed to avoid this practice in future.

Audit recommends appropriate action against the persons concerned for not processing the case of honorarium timely well before close of financial year. Audit further recommends that such practice should be discontinued in future.

CHAPTER 9

ESTABLISHMENT DIVISION

9.1 Introduction

As per Schedule II [Rule 3 (3)] Distribution of Business among the Divisions read with Schedule III [rule 4(4)] Rules of Business 1973 (As amended up to 23rd April 2019) following main businesses have been assigned to the Division amongst the other functions.

Regulation of all matters of general applicability to civil posts in connection with the affairs of the Federation:

1. Formation of Occupational Groups
2. Policy regarding recruitment to various grades
3. The Federal Government functions in regard to Federal Public Service Commission.
4. Career Planning
5. Services Tribunal Act, 1973.
6. Idea Award Scheme.
7. Pakistan Public Administration Research.

ATTACHED DEPARTMENTS / AUTONOMOUS BODIES

i. Secretariat Training Institute.
ii. Staff Welfare Organization.
iii. Akhtar Hameed Khan National Centre for Rural Development.
iv. Federal Benevolent Fund & Group Insurance

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY 2022-23) Rs. in million
1	Formations	2	3	4,505.316	-
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	1	1	7,050.759	-

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY 2022-23) Rs. in million
4	Foreign Aided Project (FAP)	-	-	-	-

9.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Establishment Division for the financial year 2022-23 was Rs. 6,580.71 million, out of which the Division expended an amount of Rs.6,500.34 million. Grant-wise detail of current and development expenditure is as under:

(Rs. In million)

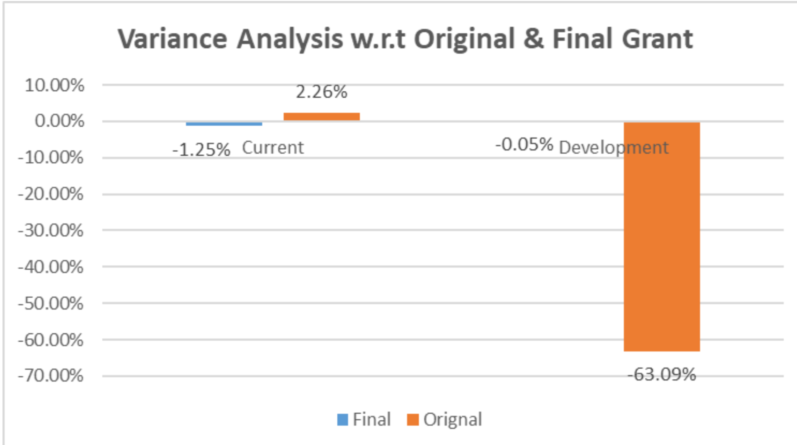
Grant No	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
16	Current	6,203.07	261.03	-40.35	6,423.75	6,343.46	-80.29	-1.25%
93	Develo-pment	425.00	0.00	-268.03	156.97	156.89	-0.08	-0.05%
	G Total	**6,628.07**	**261.03**	**-308.39**	**6,580.71**	**6,500.34**	**-80.37**	-0.05%

Audit noted that there was an overall saving of Rs. 80.37 million, which was mainly due to saving 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, bifurcating total allocation into current and development expenditure, it was observed that, in case of development grant, there was a 63.09% saving w.r.t original grant which was finally reduced to 0.05% saving w.r.t Final Grant and in case of current grant 2.26% of excess was become 1.25% saving.



9.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs.599.93 million, were raised in this report during the current audit of **Establishment Division**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	8.66
B	*Procurement related irregularities*	
C	*Management of account with commercial banks*	14.539
D	*Recovery*	173.087
E	*Internal Control*	51.907
4	Value for money and service delivery	
5	Others	351.734

9.4 Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2010-11	2	2	2	0	100
2012-13	11	11	9	2	82
2013-14	3	3	1	2	33
2014-15	6	6	4	2	67
2015-16	1	1	0	1	-
2016-17	5	5	4	1	80
2017-18	1	1	1	0	100
2018-19	6	6	3	3	50

2019-20	16	10	2	14	20
2020-21	5	0	0	5	-
2021-22	6	0	0	6	-
2022-23	6	0	0	6	-
Total	**68**	**45**	**26**	**42**	-

9.5 AUDIT PARAS

Establishment Division (Main)

9.5.1 Irregular expenditure on engagement of Contingent Paid Staff - Rs. 8.666 million

Finance Division vide U.O.Nos.F.1(2)DFA(Estt)/2012-13 dated 15.08.2018, 06.08.2019, 30.07.2020, 24.08.2021 & 13.09.2022 gave concurrence to the proposal of Establishment Division for continuation / extension of post of Contingent Paid Staff in Establishment Division for the FYs 2018-19, 2019-20, 2020-21, 2021-22 & 2022-23, respectively, subject to the condition(s) that Establishment Division was to fill up posts on regular basis on merit as soon as possible (while approving every year).

The management of the Establishment Division incurred an expenditure amounting to Rs. 8,665,776 on payment of salaries to twenty-eight (28) persons appointed as Contingent Paid Staff (CPS) during the FY 2022-23.

Audit observed that the Establishment Division did not appoint the staff on a regular basis, as per instructions of the Finance Division from time to time, instead the expenditure was incurred on engagement of Contingent / Daily Paid Staff.

Audit is of the view that non-compliance of the Finance Division's instructions regarding appointment of staff on regular basis and incurrence of expenditure (every year) on engagement of Contingent Paid Staff is irregular and unauthorized.

The DAC was held on 17.01.2024. The DAC was apprised that the appointment of contingent paid staff was made in BPS-01-04 against the sanctioned /vacant posts duly endorsed by the Finance Division. The process of recruitment was initiated, and vacancies were advertised in National Dailies on 28.05.2023. In the meantime, the Election Commission of Pakistan imposed ban on all kinds of recruitments in Ministry/Division during Care-Taker Government vide ECP's letter dated 15.08.2023.

The DAC directed the management to expedite the recruitment process after lifting the ban on completion of General Election process and proof of recruitment may be provided to audit.

Audit recommends that decision of the DAC may be implemented.

Staff Welfare Organization

9.5.2 Non-Recovery of Outstanding Rent from Utility Stores Corporation - Rs. 12.379 Million

Section 10(I) of the Islamabad Rent Restriction Ordinance, 2001 states that the rent of residential as well as a non-residential building shall stand automatically increased at the end of every three years of its tenancy by twenty-five percent of the rent already being paid by the tenant.

Pak. PWD vide letter No. CIII/WXIII/111/565 dated 22.02.2005 and vide letter dated 09.03.2005 visited the building and made a rent assessment of the premises on Plot No. ID-2, G-6/1-1 and ID-16, Sector G-6, Aabpara Islamabad.

The properties of Staff Welfare Organization (SWO), Islamabad primarily meant for setting up Lady Industrial Home and Library for the welfare of Federal Government Employees and their Families were rented to the Utility Stores Corporation on temporary basis on 01.07.1971 with monthly rent of Rs 600. No written / formal lease agreement had been signed since that time till now. The detail of outstanding rent is as under:

Period	Rent Due	Rent Paid	Rent Recoverable
01.07.1971 to 31.07.2023	20,275,292	7,896,240	12,379,052

Audit observed that:

1. The management did not recover outstanding rent of Rs.12.379 million after applying 25% increase in rent after every three years.
2. The SWO management failed to make a lease agreement with Utility Stores Corporation.

Audit is of the view that non-recovery of outstanding amount from the tenant resulted in non realization of revenue amounting to Rs. 12.379 million.

The DAC was held on 17.01.2024. The DAC directed the management to expedite the recovery of outstanding rent and vacation of building.

Audit recommends that recovery of outstanding rent be ensured besides fixing responsibility for non-execution of rent agreement.

Federal Employees Benevolent & Group Insurance Fund

9.5.3 Payment of escalation over and above the approved PC-I – Rs. 351.734 million

Section 4.3 of the revised PC-I for Multi Storey FEB&GIF Tower Multipurpose Building in Blue Area (Jinnah Avenue) Islamabad elaborates the Project Cost which included the Escalation cost as Rs. 515.730 million.

The management of the FEB&GIF provided the Price Adjustment Summary which reflects the escalation of Rs. 867.464 million.

Audit observed that the escalation amount as per summary provided is over and above the approved escalation by Rs. 351.734 million.

Audit is of the view that escalation over and above the approved project cost is irregular and unauthorized.

The management informed that PC-I of the subject project is under revision and the subject over and above escalation amount is being covered in the proposed revision.

The DAC was held on 17.01.2024. The DAC directed the management to produce the revised PC-I and get it verified from audit.

Audit recommends that responsibility may be fixed for payment of escalation over and above the provision of revised PC-I without further revision.

9.5.4 Recovery of wrongly transferred funds to NBP – Rs. 9.414 million

Section 7(c) of the Federal Employees Benevolent Fund and Group Insurance Act, 1969 states that the Board shall have power to do or cause to be done all acts and things necessary for the proper administration and management of the moneys or properties in the Benevolent Fund and the Insurance Fund.

The FEB&GIF made an analysis of the payments and identified an amount of Rs. 12,623,839 as wrong/overpayment by the NBP, out of which an amount of Rs. 3,210,1564 was refunded by the Bank.

Audit observed as under:

i. The remaining overpaid amount of Rs. 9,413,675 has not yet been refunded to FEB&GIF.
ii. No disciplinary proceedings were initiated against the persons who wrongly transferred the amount to the Bank.

Audit is of the view that non-retrieval of the amount was an undue financial favour to the bank.

The management replied that the FEB&GIF disbursed the amount of Monthly Benevolent Grant amongst the beneficiaries through NBP across the country. During this exercise some of the beneficiaries either die or get married/remarried or their accounts become dormant/inactive, but FEB&GIF remains unaware of such facts till NBP authorities or beneficiaries themselves intimate it to that extent. Till such time, the amount of Monthly Benevolent Grant keeps remitting to their accounts as per SOPs provided by NBP for Direct Credit System (DCS).

The DAC was held on 17.01.2024. The DAC directed the management to reconcile the figures with NBP and share final reconciliation with Audit.

Audit recommends a mechanism for timely sharing of beneficiary data between NBP and the department be implemented ; and that recovery of overpaid amount from NBP may be made and got verified by audit besides fixing of the responsibility on the persons who wrongly transferred the amount to the Bank.

9.5.5 Recovery of balance lying in the in-active accounts from NBP – Rs. 160.708 million

Section 7(c) of the Federal Employees Benevolent Fund and Group Insurance Act, 1969 states that the Board shall have power to do or cause to be done all acts and things necessary for the proper administration and management of the moneys or properties in the Benevolent Fund and the Insurance Fund.

The management of FEB&GIF established Contribution Branch with the responsibility to keep record of contribution received from the contributors for both funds (Benevolent and Group Insurance) and also reconciliation of Demand Draft Payments (DDPs) made by the bank.

Audit observed as under:

i. As per the analysis report on the status of the payments made, un-claimed balance of Rs. 160.708 million was lying in various inactive NBP accounts up to 11-05-2023.
ii. The NBP on 12-06-2023 accepted partially an amount of Rs. 78.297 million as lying in the inactive accounts thereby admitting that the NBP had been keeping the funds in inactive accounts.
iii. The Bank has not yet started refunding the amount.

Audit is of the view that non-retrieval of the amount was an undue financial benefit to the bank besides being an inherent risk in the internal control system of the organization.

The DAC was held on 17.01.2024. The DAC decided that the amount may be reconciled in consultation with the National Bank of Pakistan and the detail may be shared with the Audit.

Audit recommends that the matter of inactive accounts and keeping balances thereof, may be resolved and amounts lying in the inactive accounts may be retrieved. Audit further recommends that the internal control system be strengthened to avoid such lapses in the future.

Civil Services Academy, (CSA)

9.5.6 Un-authorized maintenance of Employees Welfare Fund and incurring of expenditure without approved rules - Rs. 42.493 million

Serial No. 11(16) of Schedule-II of Rule 3(3) of Rules of Business, 1973 has assigned the Finance Division to frame rules on pay and allowances, retirement benefits, leave benefits and other financial terms and conditions of service.

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

Management of Civil Services Academy (CSA), Lahore was maintaining Employees Welfare Fund Account No. 1250-00501589-01 with HBL, Walton Road, Lahore. The receipts and expenditure of this account as per bank statement was as under:

(Rupees)

Opening Balance as on 01-07-2022	Receipts (Cr)	Expenditure (Dr)	Closing Balance as on 30-06-2023
10,282,359	32,816,278	42,493,248	605,389

Audit observed that the Welfare Fund was established and being maintained, without the approval of the Finance Division. Moreover, the expenditure of Rs 42.493 million was incurred without approved rules/regulations/policy.

Audit is of the view that the maintenance of bank account and incurring of expenditure without approved rules from Finance Division was unauthorized.

The management did not reply till finalization of the report.

Audit recommends obtaining approval of the Finance Division for maintenance and operation of bank account and rules & regulations for incurring expenditure.

9.5.7 Unauthorized transfer of fund from Assignment Account to bank accounts – Rs. 14.539 million

Section 23 (2) of Public Finance Management Act, 2019 states that "No authority shall transfer public moneys for investment or deposit from government account including the assignment accounts to other bank account without prior approval from the Federal Government."

Para ix of Provisional Indicative Budget Ceiling of Civil Services Academy, Lahore for FY 2022-23 issued by Finance Division on 09-05-2022 stipulates that money cannot be transferred from an assignment account to other bank accounts.

Management of Civil Services Academy (CSA), Lahore was maintaining Assignment Account No.1001 (1158391924) at NBP, Main Branch the Mall, Lahore. The management transferred an amount of Rs. 14,538,940/- from assignment account to following bank accounts during FY 2022-23. Details are as under:

Sr. #	Transfer To Whom	Amount
1.	DG's Misc. Receipts Fund NBP Account No.1618-3150986885	3,885,268
2.	Director (F&A) NBP Account No. 1618-003069947250	7,996,772
3.	Employees Welfare HBL Account No. 1250-00501589-01	2,656,900
	Total	**14,538,940**

Audit observed that the management transferred an amount of Rs. 14.538 million from assignment account to bank accounts which was in violation of instructions of the Finance Division.

Audit is of the view that transfer of fund from assignment account to non-lapsable accounts and commercial bank accounts was in violation of instructions of the Finance Division and Article 80 of the Constitution of Islamic Republic of Pakistan was irregular and unauthorized.

The management did not reply till finalization of the report.

Audit recommends fixing of the responsibility for the said lapse and refund of unspent amount into Government Account.

CHAPTER 10

FEDERAL EDUCATION AND PROFESSIONAL TRAINING DIVISION

10.1 Introduction

As per Schedule II [Rule 3 (3)] Distribution of Business among the Divisions read with Schedule III [rule 4(4)] Rules of Business 1973 (As amended up to 23rd April 2019) following main businesses have been assigned to the Division amongst the other functions.

1- Academy of Educational Planning and Management (AEPAM), Islamabad.

2- Federal Board of Intermediate and Secondary Education (FBISE), Islamabad.

3- National Education Assessment Centre, Islamabad.

4- National Talent Pool, Islamabad.

5- Youth Centers.

6- All matters relating to the National Commission for Human Development (NCHD) and National Education Foundation (NEF).

7- Pakistan National Commission for UNESCO (PNCU).

8- Higher Education Commission.

9- External examination and equivalence of degrees and diplomas.

10- Commission for standards for higher education.

11- National Institute of Science and Technical Education, Islamabad.

12- National College of Arts, Lahore and Rawalpindi.

13- Pakistan Chairs Abroad.

14- Selection of Scholars against Pakistan Chairs Abroad by the Special Selection Board.

15- Boy Scouts and Girl Guides; Youth Activities and Movement.

16- International exchange of students and teachers, foreign studies and training and international assistance in the field of education.

17- Social Welfare, Special Education, Welfare, development and rehabilitation of children and disabled in the Federal area.

18- Federal College of Education, Islamabad.

19- Federal Directorate of Education and education in the Capital.

20- Federal Government Polytechnic Institute of Women, Islamabad.

21- Sir Syed School and College of Special Education, Rawalpindi.

22- Training, education and rehabilitation of disabled in Islamabad.

23- Private Educational Institutions Regulatory Authority.

24- Dealing and agreements with other countries and international organizations in the fields of social welfare.

25- Relationship with UNESCO and participation in its activities, liaison with other international agencies and organizations in educational programs.

ATTACHED DEPARTMENTS / AUTONOMOUS BODIES

i. National Training Bureau.

ii. Pakistan Manpower Institute.

iii. Federal Directorate of Education Islamabad.

iv. Directorate General of Special Education.

v. Academy of Educational Planning and Management, Islamabad

vi. Federal Board of Intermediate and Secondary Education, Islamabad

vii. National Education Assessment Centre, Islamabad

viii. Pakistan National Commission for UNESCO (PNCU)

ix. Inter-Board Committee of Chairmen

x. National College of Arts Rawalpindi & Lahore.

xi. Private Educational Institution Regulation Authority.

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY 2022-23) Rs. in million
1.	Formations	495	17	8,312.503	428.419
2.	Assignment Accounts (Excluding FAP)	16	-	-	-
3.	Authorities / Autonomous Bodies etc. under the PAO	5	5	9,891.263	-
4.	Foreign Aided Project (FAP)	-	-	-	-

10.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Federal Education and Professional Training Division for the financial year 2022-23 was Rs. 28,089.62 million, out of which the Division expended an amount of Rs. 31,780.75 million. Grant-wise detail of current and development expenditure is as under:

(Rs. In million)

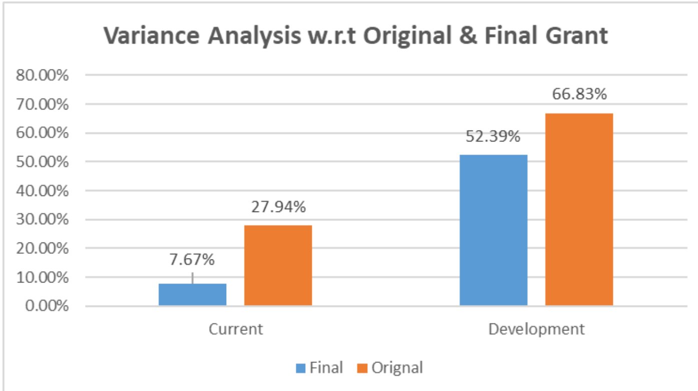
Grant No	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
36	Current	20,746.61	4,040.00	-134.01	24,652.60	26,542.91	1,890.31	7.67%
102	Development	3,139.60	567.12	-269.70	3,437.02	5,237.84	1,800.82	52.39%
	Total	**23,886.21**	**4,607.12**	**-403.71**	**28,089.62**	**31,780.75**	**3,691.13**	**13.14%**

Audit noted that there was an overall excess of Rs. 3,691.13 million, which was mainly due to excess in current / 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. 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, bifurcating total allocation into current and development expenditure, it was observed that in case of development grant, there was 66.83% of excess w.r.t original grant which was finally reduced to 52.39% excess w.r.t Final Grant and in case of current grant 27.94% of excess was reduced to 7.67%.



10.3Classified Summary of Audit Observations

Audit observations, amounting to Rs.1,067.813 million, were raised in this report during the current audit of **Federal Education And Professional Training Division**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	139.988
B	*Procurement related irregularities*	87.514
C	*Management of account with commercial banks*	191.864
D	*Recovery*	
E	*Internal Control*	648.447
4	Value for money and service delivery	
5	Others	

10.4Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2010-11	17	17	5	12	29
2011-12	18	7	4	14	57
2012-13	8	0	0	8	-
2013-14	28	25	17	11	68
2014-15	20	10	2	18	20
2015-16	8	0	0	8	-
2016-17	13	1	0	13	-
2017-18	14	10	2	12	20

2018-19	27	23	9	18	39
2019-20	34	0	0	34	-
2020-21	19	0	0	19	-
2021-22	19	0	0	19	-
2022-23	22	0	0	22	-
Total	**247**	**93**	**39**	**208**	-

10.5AUDIT PARAS

National Rahmatul-Lil-Aalameen Wa Khatamun Nabiyyin Authority

10.5.1 Irregular appointment of Chairman and Members in MP Scales without advertisement – Rs. 13.350 million

Clause 3 (i to vii) of Establishment Division O.M. No. 1/3/2020-E-6 dated 22-06-2020 related to management position scales policy 2020 provide insights about the following criteria such as sanction of post (s), wide advertisement of posts including terms of reference, Job description, Job Specifications, Tenure of appointment and Pay package in the national press, composition of scrutiny committee, scrutinize applications based on the advertised criteria, no short listing of eligible candidates and all candidates having basic eligibility as per advertised eligibility criteria will be called for interview by the Selection Committee, list of all eligible candidates duly signed by the scrutiny committee, original score sheet and minutes of the meeting of the selection committee duly for initial recruitment.

Clause 5 (1 & 2) of ibid determines the required qualification, experience and age limit. The required qualification and experience for MP-I scale is PhD in relevant subject(s) with 14 years-professional experience or Masters in relevant subject(s) with 18 years' post qualification experience in the relevant field. However, the age limit is 45-62 on the closing date of submission of applications.

Clause 6 (iii) of ibid states that a civil servants/government servant is selected through competitive process against any such position, he/she shall either resign from government service or seek early retirement, severing his/her connection/lien with their parent cadre/Ministry/Division/organization, etc., before joining the MP Scale Position.

The following officers were appointed as a Chairman and Members in Authority since its inception and made payments of Rs 13.350 million as under:

S. #	Employee Name	Member Name	Duration	Payment	Age at time of Appointment
1	Dr Ejaz Akram	Chairman	06-12-2021 to 31-12-2021	565,233	Not Available
2	Dr Amir Tauseef	Member Media	10-02-2022 to 07-11-2022	6,235,824	Not Available
3	Mr. Tanveer Anjum	Member International Research	03-02-2022 to 30-06-2022	3,166,091	Not Available
4	Mr. Ayesha Laghari	Member Prescribing Curricula	24-01-2022 to 30-06-2022	3,383,128	Not Available

Audit observed as under:

i. The recruitment of Chairman and members was made through service provider firm in violation of the instructions of the Establishment Division.

ii. All the appointments were made on MP scale without following the process as envisaged in Clause 3 (i to vii) of MP Scale Policy, 2020.

iii. Copies of academic qualification, experience certificates, CV, NIC, etc., were not available on record to determine the eligibility criteria of each candidate/applicant.

iv. The evidence relating to resignation or seeking of retirement from the previous posts/service or serving his/her connection/lien with their parent cadre/Ministry/Division/organization, etc., before joining the new assignment, was not available on record.

v. Copy of approval of arrears allowed to officers placed at Serial # 2 from the Prime Minister was not shared.

Audit is of the view that the appointment of Chairman and Members was made through service provider firm instead of advertisement, in violation of MP Scale policy, and therefore was irregular.

The management did not reply.

Audit recommends fixing the responsibility for making appointment without advertisement in violation of government rules and procedures.

National College of Arts, Lahore

10.5.2 Unauthorized expenditure due to appointments of visiting faculty without advertisement of posts - Rs. 114.397 million

Cabinet Secretariat establishment Division Notification No F.53/I/2008-SP dated 22.10.2014 for recruitment in Ministries / Division / Attached/ Departments / Subordinate offices/ Autonomous Bodies/ Semi-Autonomous envisages that vacancies as per the Provincial Regional Quota etc. shall be advertised through widely published National / Provincial / Regional newspaper.

The management of National College of Arts Lahore made recruitments of the visiting faculty, but the vacancies were not advertised in the print media as required in the above Establishment Division Notification. An expenditure of Rs. 114.397 million was incurred on account of lecture fees.

Audit observed that

i. The appointments without advertisement of posts in the print media were irregular.
ii. The appointment contracts were further extended by the Vice Chancellor without prior approval of the competent authority.
iii. Appointment in violation of Government instructions were irregular.

Audit is of the view that appointments without advertisement of posts and grant of increment were irregular.

The management did not reply.

Audit recommends that responsibility may be fixed for the irregularity.

10.5.3 Non-investment of pension contribution - Rs. 80.816 million.

BOG(NCA) in its meeting approved deduction of pension contribution from its employees as conveyed vide letter No. NCZ/178 dated 9-10-2019 and an equal contribution by the college to the pension fund BoG also:

i. Decided to open a pension fund bank account and invest the money in profit earning securities.
ii. Directed that the employees be given the right to choose between paying the pension contribution or relinquish the right to pension.

The management of NCA has been deducting pension contribution along with college contribution equal to 7.5% of salary which has accumulated to total of Rs. 80.816 Million.

Audit observed that:

i. Management did not open pension fund account.
ii. Management did not invest the contributed amount in profitable schemes.
iii. Non-maintaining of pension Funds is a violation of BOG instructions.

Audit is of the view that non-investment of pension contribution funds in profitable schemes deprived the college from the benefit of its due revenue.

The management did not reply.

Audit recommends that responsibility may be fixed for the irregularity.

10.5.4 Irregular expenditure on repair of building - Rs. 24.923 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 directly 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. In the absence of departmental regulations, Federal Government rules were applicable.

Para 178 of GFR Vol-1 states that except in cases covered by any special rules or orders of Government, no work should be commenced or liability incurred in connection with it until Administrative approval has been obtained from the authority appropriate in each case; sanction, either special or general, of competent authority has been obtained authorizing the expenditure; a properly detailed design and estimate has been sanctioned; and funds to cover the charge during the year have been provided by competent authority.

Management of National College of Arts Lahore incurred an expenditure of Rs. 24.923 million under the head repair of building during the financial year 2020-21& 2022-23 as follows:

Sr. No.	Head of Account	Financial year	Amount (Rs.)
1	Repair of Office Building	2020-21	8,423,284
2	Repair of Office Building	2021-22	8,122,195
3	Repair of Office Building	2022-23	8,377,672
Total			**24,923,151**

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Audit observed that;

i. Expenditure was split up to avoid the requirement of open tender.
ii. Management did not prepare estimates for each repair, for administrative approval from the competent authority.
iii. Management did not prepare the measurement books / sheet for each work to calculate the cost viz a viz the work done.
iv. The expense amount of Rs. 24.923 million on account of repair for each work was not got verified by audit.
v. Technical sanction from technical qualified officer / Competent Authority was not obtained prior to execute the work.

Audit is of the view that expenditure without technical sanction from the Competent Authority and preparation of Measurement Book was irregular and doubtful.

The management did not reply.

Audit recommends that responsibility may be fixed for the irregularity.

10.5.5 Unsecured expenditure without surety bond and payment of scholarships - Rs. 45.272 million

Clause 10 of Agreement Surety bond pertaining to scholarship award states that the person getting scholarship shall regularly submit the 6 monthly report related to her study work through the academic supervisor, to the Principal and a final comprehensive report immediately on completion of study for which scholarship was obtained.

Clause 12 of agreement Surety bond states that the person will produce two sureties of Government Officers of Grade-17 or above with more than five years of service left.

Clause 13 of Agreement Surety bond states that Surety Bond and Guarantee Bond need to be registered with Registrar Sub-Court City Lahore.

Management of National College of Arts Lahore awarded scholarship for higher education abroad to the teaching staff during financial year 2020-23. The detail is given below:

Sr	Name	From	To	Leave Type	Reason	Amount in PKR
1	Ms. Zunaira Batool	1/1/2023	12/31/2023	Study Leave	PhD	1,120,160
		Continue / Extended				
2	Ms. Amina Ejaz	9/9/2020	9/8/2022	Study Leave	PhD	3,643,440
		10/17/2022	10/16/2023	Study Leave	PhD	
		Continue / Extended				
3	Ms. Amna Qureshi	8/13/2020	8/12/2022	Study Leave	PhD	2,260,356
		8/13/2022	8/12/2023	Study Leave	PhD	
		Continue / Extended				
4	Ms. Hafsa Imtiaz	3/1/2021	22/3/23	Study Leave	PhD	7,269,720
		Joined	3/22/2023			
5	Ms. Sher Jalil	9/12/2021	9/11/2022	Study Leave	PhD / M.Phil	10,378,280
		9/12/2022	9/11/2023	Study Leave	PhD / M.Phil	
		Continue / Extended				
6	Mr. Ajmal Hussain	9/25/2021	9/24/2022	Study Leave	Masters	8,248,579
		10/4/2022	10/3/2023	Study Leave	D.Phil	
		Continue / Extended				
7	Ms. Javaria	8/29/2021	8/28/2022	Study Leave	Masters	4,570,680
		Joined	8/21/2023			
8	Mr. Khalid Ibrahim	5/6/2022	5/22/2022	ex-Pakistan	Residency	727,200
		Joined				
9	Ms. Ghazala Raees	6/6/2022	9/12/2022	ex-Pakistan	Summer School	1,959,200
		Joined				
10	Ms. Sobia Ahmed	9/18/2022	10/12/2022	ex-Pakistan	Workshop	412,200
		Joined				

11	**Ms. Aqsa Akbar Khan**	9/18/2022	10/12/2022	ex-Pakistan	Workshop	412,200
		Joined				
12	**Mr. Qasim Naeem**	10/28/2022	12/5/2022	ex-Pakistan	Short Course	1,508,760
		Joined				
13	**Mr. M. Shahzad Tanveer**	11/5/2022	12/10/2022	ex-Pakistan	Residency	1,852,930
		Joined				
14	**Ms. Rida Fatima**	11/5/2022	12/10/2022	ex-Pakistan	Residency	18,453
		Joined				
15	**Mr. M. Zafar Iqbal**	4/21/2023	7/20/2023	ex-Pakistan	Short Course	890,000
		Joined				
Total						**45,272,158**

Audit observed that:

i. Management did not obtain surety of Government officer of Grade 17 or above on the approved format.
ii. Signatures of two witnesses were recorded on surety bond in all cases instead of obtaining signatures of Guarantors.

Audit is of the view that non-obtaining of surety bond / guarantee from office of BPS – 17 or above is violation of surety Bond Agreement.

Audit is also of the view that payment of Rs. 45.272 million without Surety Bond is irregular, carries financial risk and reflects weak administrative control.

The management did not reply.

Audit recommends that surety bonds may be obtained besides fixing responsibility for the irregularity.

10.5.6 Non-maintaining of record of paintings / sculptures available at NCA valuing millions of Rupees

Rule 148 of GFR 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.

Rule 155 of GFR states that a reliable list, inventory or account of all stores in the custody of Government officers should be maintained in a form prescribed by competent authority to enable a ready verification of stores and check of accounts at any time, and transactions must be recorded in as they occur.

During scrutiny of auditable record of National College of Arts Lahore for the financial year 2021-23, it was noted that the paintings / sculptures / antiques worth millions of rupees were available at the premises of NCA Lahore, however, these valuable items were not taken on stock. No entry was found in the stock register of NCA produced to audit. In the absence of complete record, the facts could not be verified.

The record submitted to audit relating to paintings/ sculptures is not verifiable as it does not contain any list, inventory duly verified by competent authority. Moreover the record is not maintained in the prescribed stock register format.

Audit is of the view that due to not being taken on proper stock register, these paintings / sculptures are vulnerable to theft / embezzlement.

The management did not reply.

Audit recommends maintaining asset register, stock register along with assessing and recording the estimated value of articles painting, etc.

Pakistan Institute of Fashion & Design, Lahore

10.5.7 Non-Deduction of withholding taxes from M/S AGCN Pakistan for purchase of IT Equipment– Rs.12.939 million

Section 159 (2) of Income Tax Ordinance States that a person required to collect advance tax under Division II of this Part or deduct tax from a payment under Division III of this Part 1 [or deduct or collect tax under Chapter XII] shall collect or deduct the full amount of tax specified in Division II or III 2 [or Chapter XII], as the case may be, unless there is in force a certificate issued under sub-section (1) relating to the collection or deduction of such tax, in which case the person shall comply with the certificate.

Project Management of "Purchase of Equipment, Furnishing, Curriculum Development and Training of PIFD Lahore" made procurement of IT equipment costing Rs. 67.995 million from M/S AGCN Pakistan. Details are as under:

Sr. No	Name of Company	Invoice NO	Amount (Rs)	Income Tax @ 4.5%	Sales Tax @ 17%	Total (Rs)
1	AGCN Pak	2016/AGCN/07	35,327,699	1,589,746	5,133,084	6,722,831
2	AGCN Pak	2016-04	32,667,741	1,470,048	4,746,595	6,216,643
Total			**67,995,440**	**3,059,795**	**9,879,679**	**12,939,474**

Audit observed that:

i. Management of PIFD processed the claim of the vendor for payment but did not withhold income tax due on supplies.
ii. The exemption claimed by the supplier / vendor was not admissible as the supplier did not provide the essential documents for the exemption i.e. bill of entry, certificate of exemption issued by the FBR.
iii. Payment without deduction of tax is irregular.

Audit is of the view that payment to the supplier without deduction of Income Tax & Sales Tax of Rs. 12.939 million is irregular and Government may sustain loss of Rs. 12.939 million due to non-recovery of tax.

The management did not reply till finalization of the report.

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

10.5.8 Irregular termination of PSDP project resulting in likely misappropriation of Government Property for Rs. 648.447 million

Para 1.21(iv) of Manual of PSDP Projects states that "the project closure brings project execution to a formal conclusion, informing all stakeholders about the completion of the project, and winding up technical, operational, and administrative actions. PC-IV form is required to be submitted at the time of project closure or the termination of the physical implementation of the project. At the stage of project closure, PC-IV is submitted".

Rule 10 of GFR Vol 1 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".

PSDP project titled "Purchase of Equipment Furnishing Curriculum Development and Training of PIFD Lahore" was approved by CDWP on 20-3-2007 and by ECNEC on 20th September 2007. The original cost of Project was 755.747 million. The project was required to be completed by June 2011".

Later on, time extension with approved cost & scope was granted up to 30-6-2018 by CDWP in a meeting held on 19-10-2017. Again, a time extension up to 30.06.2020 was allowed.

Audit observed that:

i. The executing agency failed to complete the project even by the extended time i.e. 30.06.2020.
ii. The project was discontinued by the Administrative Ministry at a cost of Rs.583.447 million instead of the approved cost.
iii. Handing over/taking over was not done between Ministry of Commerce & Ministry of Education.
iv. Closure of project without preparation & submission of PC-IV was against the Government instructions.
v. Proper stock/inventory of the durable goods/equipment was not maintained.
vi. The aims and objectives of the project to sustain the PIFD as a competitive university were not achieved.

Audit is of the view that project management / ministry failed to establish the status of PIFD as world class competitive institute.

Audit notes that there was inefficiency on the part of project management to complete the project despite extension up to 30.06.2020 .

The management did not reply till finalization of the report.

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

10.5.9 Irregular utilization of interest on investments of pension fund- Rs. 25.048 million

Para 12 of GFR Vol-1 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".

Rule-23 of GFR Vol-I also 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 Institute of Fashion and Design (PIFD), Lahore made investments in Term Deposit Receipts (TDRs) in commercial banks from pension funds and earned interest on these investments for Rs.25.048 million during the financial years 2019-23. The details are given below:

(Amounts in Rs.)

Sr. No.	Financial Year	Amount of Investment	Interest Earned	Amount re-invested
1.	2019-20	30,000,000	3,780,000	30,000,000
2.	2020-21	30,000,000	3,240,000	30,000,000
3.	2021-22	30,000,000	3,240,000	30,000,000
4.		56,000,000	939,879	56,000,000
5.	2022-23	56,000,000	8,807,803	56,000,000
6.		30,000,000	5,040,000	30,000,000
Total			**25,047,682**	

Audit observed that:

i. The management of PIFD did not prepare a rational working balance.

ii. The management transferred the interest amount Rs. 25.048 million in recurring Account No. 50397000268851 and spent it for its operational expenditure during financial years 2019-23.

iii. Spending of interest earned for its operational expenditure was irregular.

Audit is of the view that:

i. Utilization of earned interest of Rs. 25.048 million is irregular and unauthorized.

ii. Management deprived the institute of the benefits of optimal use/further investment of earned interest.

iii. Inefficiency on the part of management to maintain a rational working balance cannot be ruled out.

The management did not reply till finalization of the report.

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

10.5.10 Irregular establishment of pension fund and retention of public money - Rs.86.00 million

The Senate of PIFD in its meeting held on 8th May 2018 approved Pension Rules, actuarial valuation of the Pension liability and opening of separate bank account for Pension Fund. Further, the senate approved Pension Fund Rules for the regular employees of PIFD having service with PIFD since 1st July 2002 and onwards, subject to issuance of NOC by HEC.

The management of Pakistan Institute of Fashion and Design (PIFD), Lahore established Pension Fund for the regular employees of PIFD having service with PIFD since 1st July 2002 and onwards and retained an amount of Rs.86.00 million for the financial years 2019-23. Details are as under:

(Rs. in million)

Sr. No.	Financial Year	Amount contributed by Institute
1	2019-20	30.00
2	2021-22	56.00
Total		**86.00**

Audit observed that:

i. The management created Pension Fund without pension contribution by the employees.
ii. The management created Pension Fund without approval of Higher Education Commission (HEC).
iii. The management opened a bank account for pension fund without the approval of Finance Division.
iv. Management did not conduct actuarial studies/ valuation to ascertain pension liability.

Audit is of the view that:

i. Creation of pension fund without the approval of HEC is irregular.
ii. Non recovery of Pension contribution by the employees is huge burden on the Institute and violation of Government Instructions.

The management did not reply till finalization of the report.

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

10.5.11 Irregular expenditure due to appointment of visiting faculty without advertisement - Rs. 12.241 million

Cabinet Secretariat establishment Division Notification No F.53/I/2008-SP dated 22.10.2014 for recruitment in Ministries / Division / Attached/ Departments / Subordinate offices/ Autonomous Bodies/ Semi-Autonomous envisages that vacancies as per the Provincial Regional Quota etc. shall be advertised through widely published National / Provincial / Regional newspaper.

Management of Pakistan Institute of Fashion and Design Lahore made recruitments of the visiting faculty, but the vacancies were not advertised in the print media. The detail of payments made to visiting faculty is given below:-

Sr. NO	Financial Year	Amount
1	2019-20	1,674,400
2	2020-21	4,027,520
3	2021-22	2,722,560
4	2022-23	3,816,800
Total		**12,241,280**

Audit observed that:

i. The appointments without advertisement of posts in print media were irregular.
ii. The appointment contracts were further extended by the management without prior approval of the competent authority.
iii. The officers were granted annual increments without any provision in the recruitment rules / statues.
iv. Appointments in violation of Government instructions were irregular.

Audit is of the view that appointments without advertisement of posts and grant of increment were irregular.

Audit is also of the view that payment of pay & allowances to the visiting facility without advertisement of vacancies was unauthorized.

The management did not reply till finalization of the report.

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

Pakistan Boy Scouts Association

10.5.12 Irregular Drawl in Cash to DDO Rs. 6.614 million

According to Rule-157 of Federal Treasury Rules "Cheques drawn in favor of Government officers and departments in settlement of Government dues shall always be crossed "A/c payee only—not negotiable".

Drawing and Disbursing Officer PBSA, Islamabad had drawn cash money of Rs. 6.614 million for expenditure on various training courses, events, and camping activities.

Sr No.	Voucher No.	Cheque No.	Cheque Date	Amount Rs.
1	GF-20	268202625	18.07.2022	318,000
2	GF-30	268202644	12.08.2022	499,000
3	GF-64	276639314	01.11.2022	450,000
4	GF-68	276639318	04.11.2022	362,000

5	GF-77	289889181	18.11.2022	250,000
3	GF-113	289889222	26.12.2022	450,000
4	GF-131	289889245	18.01.2023	350,000
5	GF-136	289889249	30.01.2023	200,000
5	GF-145	289889257	09.02.2023	100,000
6	GF-149	289889261	16.02.2023	190,000
7	GF-169	26615041	20.03.2023	384,000
8	GF-170	26615042	21.03.2023	300,000
9	GF-174	26615048	29.03.2023	299,000
10	GF-181	26614983	07.04.2023	470,000
11	GF-194	26614997	04.05.2023	300,000
12	GF-197	26615000	05.05.2023	237,000
13	GF-210	26615117	15.05.2023	299,000
14	GF-211	26615118	15.05.2023	330,000
15	GF-220	26615127	02.06.2023	490,000
16	GF-225	26615132	05.06.2023	180,500
17	GF-229	26615136	06.06.2023	155,500
	TOTAL			6,614,000

Audit observed that instead of making payment through crossed cheques or through pay roll, the cash money of Rs. 6.614 million was withdrawn by the DDO for various expenditure throughout the year.

Audit is of the view DDO payments of Rs. 6.614 million are in violation of rules and are irregular.

The management replied that the amount was spent through-out the FY 2022-23 in different Training / Programs & events which was required to be spent in different sub-parts. Thus, drawing an amount through crossed cheques in this regard was unbearable for disbursement in various requisitions. However, such practice would be restricted in future, seeing the possibility.

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

Audit recommends that responsibility for the lapse be fixed, and the practice be discontinued.

10.5.13 Non-transparent Appointment of Director and Consultant

Para-3 of the Pakistan Boy Scouts Association Ordinance, 1959 (Ordinance No.XLIV of 1959) states that "the constitution, powers and functions of the Association shall, notwithstanding anything in the Companies Act, 1913(III of 1913(III of 1913), be such as may be prescribed by rules to be made by the Association, with the previous approval in writing of Central Government, and until such rules are made, the rules of the Pakistan Boy Scouts Association registered under the Societies Registration Act, 1860(XXI of 1860), and in force immediately before the commencement of this Ordinance, shall continue in force and be deemed to have been made under this section".

According to Establishment Division's O.M.No.F.53/1/2008-SP dated 22nd October, 2014 "Ministries / Divisions / Attached Departments /Subordinate Offices/Autonomous Bodies / Semi-Autonomous Bodies/Corporations/Companies /Authorities etc. are required to follow the recruitment policy as under:

i. 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.

ii. Administrative Ministries/Divisions shall ensure merit and transparency in the recruitment process at all levels.

PBSA appointed Director and Consultant during FY 2022-23:

S. No.	Post	Date of Appointment
1	Director Youth Programme	31.10.2022
2	Consultant PBSA	03.02.2023

Audit observed as under:

i. The appointment of the Director and Consultant was made without approved Recruitment Rules as required under Pakistan Boy Scouts

Association Ordinance, 1959 (Ordinance No.XLIV of 1959) and instructions issued by the Establishment Division.

ii. Both Officers were appointed without completion of codal formalities i.e. advertisement, conducting of written test, short-listing for interview, preparation of merit list, and minutes of the meeting signed by the recruitment committee etc.

iii. No Character Certificate, Medical Certificate, or Bachelor's degree was furnished.

Audit is of the view that the appointment was made in a non-transparent manner in violation of rules and instructions of the Government.

The management replied that with the sudden departure of our previous Director Youth Program, the vacuum within the organization was left. There was a risk of Programs disruption and a negative impact on the youth affairs were not tolerable for our organization as, after Covid-19 there was rush of the programs which the only Director Youth Program has to shoulder it.

So, accordingly to stopgap arrangement, Mr. Naik Akhtar Javed (LT) – M.Phil (Part-I), was preferred to station as Director Youth vide this office letter No. PBSA/4-17/PF/MNA/81 dated 31st October, 2022, who was recommended by National Executive committee, PBSA in its 154th Meeting held at National Headquarters, Pakistan Boy Scouts Association on 27th October, 2022. Further, the highest forum i.e. National Council, PBSA in its 77th Extra Ordinary Meeting held at National Headquarters, PBSA on 30th January, 2023 also endorsed the said recommendations of 154th meeting of National Executive Committee.

It is pertinent to mention here that Mr. Naik Akhtar Javed is M. Phil (Pak studies), M.A (Persian and Pak. Studies) and a qualified Scout Leader (LT) and has been attached since 1978 to this profession. He has 30 year plus experience of educational institutions of Pakistan, and also attended many international events to present Pakistan and he brought good name in the field of scouting. He equally had performed very well, in Pakistan as well as abroad.

Further, management replied that a consultant was required to improve the liaison with sister organizations at national & international level along with donor organizations. The matter was discussed in 152nd Meeting of the National

Executive Committee of PBSA, held at NHQ, Pakistan Boy Scouts Association, Islamabad dated 3rd April, 2022. Consequently, the forum has given the approval to hire a suitable candidate for the purpose.

In the light of that decision, the management of PBSA hired Ms. Tamana Banori on an initial basis for a period of three months w.e.f 23rd November, 2022, keeping her vast experience in the same field.

During this short period of her contract, she succeeded and got a project from the International Labour Organization (ILO). However, the National Executive Committee, being the second highest forum of PBSA, in its 154th meeting, held at Islamabad dated 27-10-2022 has approved her contract on a lump-sum salary of Rs. 300,000/-. After completion of the contract on 22nd February, 2023, it was extended up to 22nd May, 2023 for an additional term of 3 months. This decision was taken in the 155th meeting of the National Executive Committee, PBSA held on 18th November, 2022. Similarly, the management has extended her contract for a 3rd term from 23rd May, 2022 to 22nd August, 2023

The reply is not cogent. Nothing was explained about non- preparation of rules, non-observing merit in selection of the consultant.

Audit recommends responsibility for the lapse be fixed.

CHAPTER 11

FEDERAL PUBLIC SERVICE COMMISSION

11.1 Introduction

The Federal Public Service Commission (FPSC) is a statutory body of the Government of Pakistan, constituted in 1947, functions under the guiding principles of Articles 18, 25, 27, 34, 36, and 38 of the Constitution of the Islamic Republic of Pakistan 1973 and under Section 7 of the Federal Public Service Commission Ordinance 1977.

ATTACHED DEPARTMENTS / AUTONOMOUS BODIES

i. FPSC Regional Office, Lahore
ii. FPSC Regional Office, Karachi
iii. FPSC Regional Office, Peshawar
iv. FPSC Regional Office, Quetta
v. FPSC Regional Office, Gilgit
vi. FPSC, Regional Office D.I.Khan
vii. FPSC, Regional Office Sukkur.
viii. FPSC, Regional Office, Multan.

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY-2022-23) Rs. in million
1	Formations	9	1	845.483	-
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

11.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Federal Public Service Commission for the financial year 2022-23 was Rs.991.64 million, out of which the Division expended an amount of Rs.988.64 million. Grant detail of current expenditure is as under:

(Rs. In million)

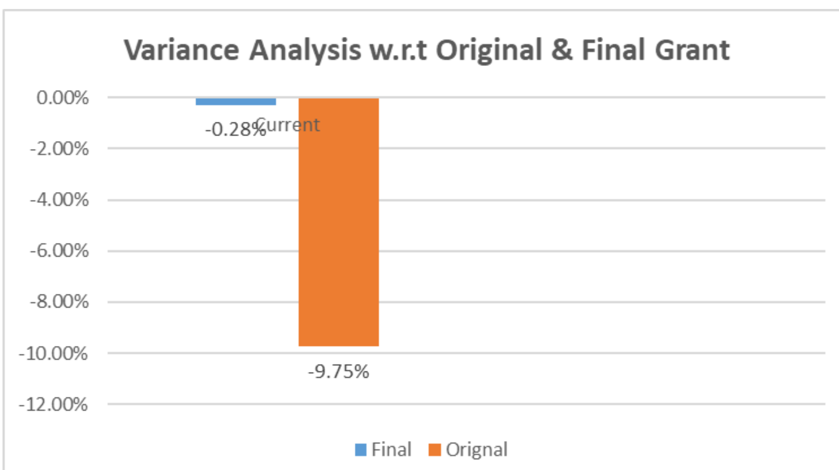
Grant No	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
17	Current	1,085.30	0.00	-93.65	991.64	988.84	-2.80	-0.28%

Audit noted that there was an overall saving of Rs. 2.80 million 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, bifurcating total allocation into actual expenditure, it is observed that there was 9.75% of saving w.r.t original grant and become 0.28% with respect to Final Grant:



11.3Classified Summary of Audit Observations

Audit observations, amounting to Rs. 413.69 million, were raised in this report during the current audit of **Federal Public Service Commission**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	

3	Irregularities	
A	*HR/Employees related Irregularities*	
B	*Procurement related irregularities*	
C	*Management of account with commercial banks*	59.005
D	*Recovery*	
E	*Internal Control*	354.687
4	Value for money and service delivery	
5	Others	

11.4Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2015-16	1	0	0	1	-
2016-17	1	1	0	1	-
2020-21	7	7	4	3	57
2021-22	7	0	0	7	-
Total	**16**	**8**	**4**	**12**	**-**

11.5 AUDIT PARAS

Federal Public Service Commission, Islamabad

11.5.1 Irregular cash payments - Rs. 354.687 million

Rule 157 of Federal Treasury Rules Vol-I states that "payment of two thousand and above to local bodies firms and private persons may be made through bank order. Cheque shall always be crossed Payee's Account only-not negotiable".

The management of Federal Public Service Commission, Islamabad made payment to vendors as well as its employees during financial year 2021-22.

Audit observed that:

i. Funds amounting to Rs. 354,244,361 were drawn in cash through open cheques for disbursement to individuals instead of payment to them through crossed cheques or through direct credit to their bank accounts.
ii. Payments were made to Deputy Supervisors (Honorary) in cash amounting to Rs. 0.442 million instead of cross cheques/payees account only who are usually gazetted officers.

Audit is of the view that payments made in cash instead of through cross cheque are against the provisions of FTRs.

The management did not reply.

Audit recommends that cash payments be stopped forthwith, payments be made through cross cheques, fix the responsibility on persons at fault besides regularization of expenditure from the Finance Division.

11.5.2 Irregular drawl of funds for depositing into Commercial Bank Account maintained under the title "Director Secrecy" - Rs. 6.767 million

Establishment Division letter No.11/7/52-SE. II dated 07.06.1952 method of payments to examiners provides for opening of a bank account by the Secretary, Pakistan Public Service Commission in his own name with an amount of Rs. 5,000 at an approved bank and to making payments to examiners by means of cheques out of that amount. The sum of Rs. 5,000 will be drawn from the State Bank of Pakistan and will be deposited in the personal accounts of the Secretary, Pakistan Public Service Commission. This sum will be recouped from time to time by drawing further advances, as and when required, through bills which will not bear the names of any examiners. There will be no pre-audit of such bills and the accounts will be audited secretly by an official of the office of the AGPR (Now DG Audit) at stated intervals. Such bills should, however, be supported with certificate in the following form:

"Certified that the amounts shown in the bill have been disbursed to the examiners and their receipts duly stamped have been obtained and filed in the confidential branch of the Commission's office".

The management of Federal Public Service Commission (FPSC), Islamabad drew an amount of Rs. 6.767 million during the year 2021-2022 from the head of account "A-03919-Payment to Others for Services Rendered" and deposited into Bank Account No. 0854-22-000775-4, National Bank of Pakistan, Super Market Branch, Islamabad. The bank account was opened and is maintained under the title "Director Secrecy"

Audit observed as under:

i. The bank account was required to be opened under the title of Secretary but was opened and is being maintained by the Director Secrecy irregularly.

ii. No arrangements were made since the opening of the bank account to carry out the proper audit of the accounts of Secrecy Wing of FPSC in accordance with the instructions contained in the Establishment Division's letter No.11/7/52-SE. II dated 07.06.1952.

Audit is of the view that amounts from the government account were drawn in disregard to the instructions contained in the Establishment Division's letter No.11/7/52-SE. II dated 07.06.1952.

The management did not reply.

Audit recommends that a proper inquiry into the matter should be carried out.

11.5.3 Irregular Withdrawal of Funds under Account No. 4019573836 (Titled Secretary FPSC) - Rs. 52.238 million

Section 30(2)(d) of Public Finance Management Act, 2019 states that all the Ministries and Divisions, attached departments and subordinate offices shall ensure placement of all public moneys into the Treasury Single Account.

The management of Federal Public Service Commission, Islamabad maintained bank account for the purpose of payment to exam/paper setter only payee's account during financial year 2021-22.

Audit observed that:

1. Heavy amounts were withdrawn from this bank account.
2. The funds were transferred to another bank account from this bank account.

Audit is of the view that heavy amounts were withdrawn from this bank in spite of only payee's account. Withdrawal of heavy amount from this account and transfer to other accounts are irregular and unauthorized.

The management did not reply.

Audit recommends that payment should be made through payees only account and stoppage of irregular practice. Audit also recommends that responsibility may be fixed for irregular withdrawal of amounts.

11.5.4 Non-appointment of Member from Private Sector

In terms of Section 3(4) of Federal Public Service Commission (FPSC) Ordinance, 1977 the Commission shall have:

(a) not less than one half of the members who shall be persons having held office in the service of Pakistan in basic pay scale 21 or above post, provided that no serving Government servant shall be appointed as a member.

(b) at least one member each from:-

(i) retired judges of the superior judiciary.

(ii) retired officers not below the rank of Major-General or equivalent of the Armed Forces; and

(iii) Women and the private sector possessing such qualifications and experience as the Federal Government may by rules prescribe.

Regulation 3 of Federal Public Service Commission (Composition and Condition of Service) Regulations, 1978 states that the Commission shall consist of a Chairman and not more than eleven members.

There are ten (Including two Additional Members) serving members in the Commission and one seat is vacant. Details are as under:

S. No.	Name	Date of joining FPSC	Ex-Service (Group)
1	Mr. Fazal Abbas Maken	12.11.2020	PAS
2	Mr. Muhammad Nafees Zakria	17.11.2020	FSP
3	Mr. Muhammad Tahir	30.11.2020	PSP
4	Capt. ® Shahid Ashraf Tarar	18.01.2021	PAS
5	Mr. Akbar Hussain Durrani (TI)	01.04.2022	PAS
6	Dr. Akhtar Nazir Warraich	01.04.2022	PAS
7.	Flt Lt. (Retd.) Khawaja Daud Ahmed	01.04.2022	PAS
8	Dr. Tanveer Ahmed Qurashi	04.04.2022	PAS
9	Ms. Yasmeen Masood	04.04.2022	PAS

S. No.	Name	Date of joining FPSC	Ex-Service (Group)
10	Mr. Zaheer Pervaiz	30-06-2022	FSP

Audit observed that:

1. No member from the private sector has been posted in the Commission.
2. Two additional members were nominated/ posted on vacant posts without observing the requirement of ordinance.

Audit is of the view that non-appointment of Member from Private Sector is violation of FPSC Ordinance and due to this FPSC is deprived of expertise from other respected professions.

The management did not reply.

Audit recommends that appointment of member from private sector should be made for completion of composition of the Commission.

CHAPTER 12

FINANCE DIVISION

12.1 Introduction

Following functions are main functions assigned to the Finance Division under the Rules of Business, 1973 amongst the other functions:

1. The 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 Parliament, the Schedules of Authorized Expenditure.
3. Allocation of share of each Provincial Government in the proceeds of divisible Federal Taxes; National Finance Commission.
4. Public debt of the Federation both internal and external; borrowing money on the security of the Federal Consolidated Fund.
5. Currency, coinage and legal tender, Pakistan Security Printing Corporation and Pakistan Mint.
6. 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.
7. Company Law: Accountancy, Matters relating to the Partnership Act, 1932.
8. Investment policies: Capital Issues (Continuance of Control) Act, 1947; statistics and research work pertaining to investment and capital.
9. Financial settlement between Pakistan and India and division of assets and liabilities of the Pre-Independence Government of India.

10. International Monetary Fund.
11. Competition Commission of Pakistan and anti-Cartel Laws.
12. Administration of Economic Reforms Order, 1978.
13. Negotiations with international organizations and other countries and implementation of agreements thereof.

ATTACHED DEPARTMENTS

1. Office of the Auditor-General of Pakistan
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

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY 2022-23) Rs. in million
1	Formations	58	14	41,325.660	264.490
2	Assignment Accounts (Excluding FAP)	1	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	14	3	30,142.605	-
4	Foreign Aided Project (FAP)	5	-	-	-

12.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Finance Division for the financial year 2022-23 was Rs. 30,788,680.14 million, out of which the Division expended an amount of Rs. 30,800,772.99 million. Grant-wise detail of current and development expenditure is as under:

(Rs. In million)

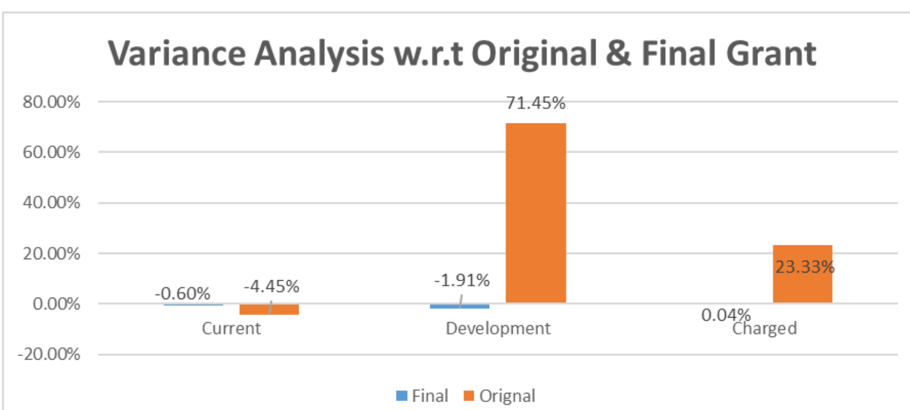
Grant No	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
41	Current	2,609.97	.00	-86.96	2,523.01	2,478.64	-44.37	-1.79%
42	Current	5,468.31	.00	-210.63	5,257.68	5,255.23	-2.45	-0.05%
	Total Current	**8,078.28**	**.00**	**-297.59**	**7,780.69**	**7,733.87**	**-46.82**	**-0.60%**
106	**Development**	**1,660.00**	**7,840.00**	**-3,572.60**	**5,927.40**	**5,814.28**	**-113.11**	**-1.91%**
C	Charged	510,971.76	214,398.09	.00	725,369.85	759,891.50	34,521.65	4.54%
G	Charged	3,439,090.26	1,510,909.74	-.50	4,949,999.50	4,936,024.76	-13,974.74	-0.28%
H	Charged	19,654,367.91	5,445,234.79	.00	25,099,602.70	25,091,308.58	-8,294.12	-0.03%
	Total Charged	**23,604,429.94**	**7,170,542.62**	**-.50**	**30,774,972.05**	**30,787,224.83**	**12,252.78**	**0.04%**
	G Total	**23,614,168.21**	**7,178,382.62**	**-3,870.69**	**30,788,680.14**	**30,800,772.99**	**12,092.85**	**0.04%**

Audit noted that there was an overall excess of Rs. 12,092.85 million, which was mainly due to excess in charged 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. 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, bifurcating total allocation into current, development and charge expenditure, it is observed that, in case of charged expenditure, there was 23.33% of excess w.r.t Original grant which finally became 0.4% excess w.r.t Final Grant, in case of development grant 71.45% of excess was reduced to 1.91% saving and in case of current grant 4.45% saving was finally became 0.60% saving.



12.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs.20,111.38 million, were raised in this report during the current audit of **Finance Division**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	53.808
3	Irregularities	
A	*HR/Employees related Irregularities*	
B	*Procurement related irregularities*	
C	*Management of account with commercial banks*	
D	*Recovery*	22.938
E	*Internal Control*	18,970.33
4	Value for money and service delivery	
5	Others	1,064.3

12.4Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2010-11	9	9	8	1	89
2011-12	17	0	0	17	-
2012-13	35	6	5	30	83
2013-14	21	19	8	13	42
2014-15	30	2	0	30	-
2015-16	9	8	3	6	38
2016-17	13	8	1	12	13
2017-18	15	15	8	7	53
2018-19	61	0	0	61	-
2019-20	42	0	0	42	-
2020-21	34	1	0	34	-
2021-22	26	0	0	26	-
2022-23	20	0	0	20	-
Total	**332**	**68**	**33**	**299**	-

12.5AUDIT PARAS

Special Study on House Building Advance and Conveyance Advance on the Direction of President of Pakistan

12.5.1 Unauthorized grant of Advances under hardship cases

As per procedures and mechanism decided by the Finance Division in consultation with AGPR in a meeting held on 07.12.2015 under the Chairmanship of Federal Finance Secretary

i. Out of total allocation, 10% funds instead of 5% approved earlier would be earmarked for the hardship cases.

ii. The hardship cases shall be decided by a two-member committee consisting of AGPR and AFS (IGF).

iii. For hardship cases criteria would be prepared jointly by the Finance Division and AGPR.

The management of AGPR Islamabad and its sub-offices at Karachi & Quetta incurred an expenditure of Rs 9,102 million on account of HBA and MCA during 2022-23. However, as per SAP data of FACs amounting to Rs 2,486.09 million were issued under hardship quota.

Audit observed as under:-

i. Payments were made without the approval of two-member committee consisting of AGPR and AFS (IGF).

ii. 38% of the funds were utilized for payment under hardship in violation of 10% quota as detailed below:

Amount in million

	Particulars	Amount	%
House Building Advance (AGPR Islamabad, Karachi, Quetta)	AGPR	519	11%
	MOF	1,338	27%
	Hardship	**1,857.09**	**38%**
	Other	3,074	62%
	Grand Total	**4,931.05**	
	Particulars	**Amount**	**%**

Motor Car Advance (AGPR Islamabad)	AGPR	168	10%
	MOF	461	28%
	Hardship	**629**	**38%**
	Other	1025	62%
	G Total	**1,654**	

Audit is of the view that out of turn HBAs and MCAs were granted in violation of approved criteria and without approval of the committee.

Audit recommends that cases for hardship should be processed on the recommendations of hardship committee as per SoPs already approved and quota for 10% hardship cases should be strictly followed.

12.5.2 Non processing of Advances through SAP by Sub-Offices at Lahore, Gilgit and Peshawar

As per procedures and mechanism decided by the Finance Division in consultation with AGPR in a meeting held on 07.12.2015 under the Chairmanship of Federal Finance Secretary, AGPR would ensure a transparent and merit-based mechanism for preparation and maintenance of priority and general waiting lists for the advances. A web-based mechanism would be developed to maintain priority and a general waiting list of various advances. The list would be displayed on the web pages of AGPR and Finance Division.

The management of AGPR was requested to provide SAP data pertaining to Islamabad and all sub-offices. However, SAP data and waiting list of HBA/MCA pertaining to sub-offices at Gilgit, Lahore and Peshawar were not provided being maintained manually, as informed by the management of AGPR. It was observed that waiting list and payment of advances are being processed manually by the sub-offices of AGPR at Gilgit, Lahore and Peshawar. Therefore, SAP data of advances was not available to audit for analysis.

Audit is of the view that non-processing of HBA / MCA cases through SAP was a violation of decisions made during meeting dated 07.12.2015 which provide room for grant of advances in violation of the policy/merit.

Audit recommends that all cases at sub-offices of AGPR should be processed through SAP instead of manual processing.

Ministry of Finance

12.5.3 Payment of honoraria without approved policy – Rs.240.167 million

Fundamental Rule 9(9) states that honorarium means a recurring or non-recurring payment granted to a government servant from general revenues as remuneration for special work of an occasional or intermittent character. 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'.

The Cabinet vide Decision in Case No.438/24/2018 dated 31.05.2018 directed inter alia that a new policy for the grant of honorarium may be presented to the newly elected government for approval. Based on the above decision of the Cabinet, Honorable Prime Minister on 16th April, 2020 directed Finance Division to place a draft policy before the Cabinet. Furthermore, Financial Management and Powers of Principal Accounting Officers Regulations, 2021 at Serial No.62 warrants formulation of a policy for grant of honoraria.

The Finance Division incurred expenditure amounting to Rs.240,167,079 on account of payment of honoraria, up to four running basic pay, during financial year 2022-23 as under:

Sr. No.	Pay Scale	Amount
1	BPS-01 to 20	225,456,397
2	BPS-21 to 22	13,513,682
3	Secretary Office	1,024,327
4	FBR Employees	172,700
Total Rs.		**240,167,106**

Audit observed as under:

i. The payment of four honoraria without approved policy of the Cabinet is violation of rules.

ii. The honoraria were granted through DDO Vendor No.30005932 instead of crossed cheques or inclusion in pay slip of the employees.

iii. The honoraria were not included in salaries i.e. payment through salary slips of the employees which reduced the tax slabs for the purpose of payment of income tax.

Audit is of view that grant of honoraria without approved policy of the Cabinet is not only serious lapse on the part of management but also violation of the directives of the Prime Minister and financial instructions laid down in Financial Management and Powers of Principal Accounting Officers Regulations, 2021.

The management replied that during financial year 2022-23, honoraria were granted amounting to Rs.240,025,940 to the employees of Finance Division on three (03) occasions, as per detail below:

i. Amounting to Rs. 220,860 in August, 2022 through pay slip (left over employees of Finance Division).
ii. Amounting to Rs.947,161 in the month of May, 2023 through pay slip (granted by the outgoing Finance Secretary.
iii. Amounting to Rs.238,857,919 (budget honoraria up to 4-month basic pay) in recognition of the services rendered as per criteria duly approved by Finance Minister as Chairman (ECC). ECC decision dated 01-07-1996 allows payment of honoraria to BS 1-20 for officers BPS 21-22, specific approval was obtained from Finance Minister in the capacity of Chairman, ECC.

Financial Management and Powers of PAO Regulation, 2021 vide Sr. No.63 allows payment of honoraria as per prescribed policy. The Cabinet vide its decision dated 31.05.2018 directed that a new policy for grant of honoraria may be presented to newly elected government for approval. The Prime Minister also directed the Finance Division on 16.04.2020 to place a policy on honoraria before the Cabinet. In compliance with these directions, Finance Division submitted honoraria policy before the ECC, which was considered / approved by the Committee in its meeting dated 03.06.2022.

The Pay Roll System runs on 21st of each month whereas the budget honoraria are usually approved in the last week of June of each Financial Year, it is not possible to draw the honoraria through Pay Roll System of AGPR. Therefore, AGPR approve Cash payment through DDO in the last days of closing of Financial Year.

It is stated that the tax from the Budget Honoraria was deducted as per following rates:

35,000	0%
35,000 - 80,000	2%
80,000 - 140,000	5%
140,000 - 200,000	7%
200,000 – above	10%

The reply of the management is not acceptable as the honoraria was paid without approval of policy from the Cabinet. Further, the ECC in its decision granted honoraria for the specific time period as no directions for the future was included in the decision and as per Rules of Business. Functions of ECC does not includes the mandate for provision of honoraria.

Audit recommends recovering the excess amount paid more than provision of rules besides formulation and approval of policy from Cabinet in the light of decision of the Prime Minister.

12.5.4 Excess drawl of subsidies by Utility Stores Corporation of Pakistan – Rs.1,064.300 million

As per Para-4(c) of Finance Division (Budget Wing) letter No. F.3(1)FO/2022-23 dated 07.07.2022 states that in pursuance of the provisions of the Public Finance Management Act, 2019, Rule 3(9) of the Cash Management and Treasury Single Account Rules 2020 and Financial Management and Powers of Principal Accounting Officers Regulations, 2021, the budget release strategy for Recurrent Budget for the Current Financial Year (CFY) 2022-23 is being issued for implementation with immediate effect and until further orders.

i. The PAOs concerned shall prepare quarterly funds requirement plans within allocated budget for Current Financial Year and shall share with relevant Wings of Finance Division before start of each quarter.

ii. Finance Division may review the quarterly requirement plan for subsidies and may convey its views and comments to the PAO concerned within two weeks.

iii. While firming up its views and comments Finance Division shall consider, inter-alia, fiscal space as well as cash balances availability.

iv. Release of funds by the PAO for subsidies shall be made in accordance with the fund’s requirement plans, as modified in light of Finance Division's comments.

v. The sanction for expenditure will be issued by PAO concerned and copy will be sent to Budget Wing, Finance Division for entry in SAP System.

During financial year 2022-23 the Utility Stores Corporation of Pakistan (Pvt.) Limited drawn amount of Rs.4,997.020 million from AGPR for payment of subsidy for utilization of fund under Ramzan Relief Package. As per Ministry of Industries & Production letter No. CFO/Subsidy/2023-13 dated 07.06.2023 subsidy consumed for Special Package and Prime Minister’s Free Ata Initiative for 2023 the total subsidy claimed was Rs.3,932.720 million. Audit observed as under:

i. The actual claimed amount was less than the amount drawn from the AGPR (i.e. Rs.1,064.300 million less) without taking into consideration funds requirement plans.

ii. The subsidy drawn for Ramzan Relief Package was utilized in PM Free Ata Initiative

iii. The amount was paid in advance for payment of subsidies for sale of commodities.

iv. The difference in the subsidies for the last three years indicates the unusual enhancement of subsidies provided to Utility Stores Corporation of Pakistan (Pvt.) Limited.

v. The amount was not reconciled by the Finance Division.

Audit is of the view that the drawl of advance subsidies in excess and non-reconciliation of the same is a serious lapse on the part of management.

The management did not reply till finalization of this report.

Audit recommends inquiring the matter.

Regional Directorate of National Savings, Sukkur

12.5.5 Non recovery/write off of amount lost against dacoity and embezzlement at different centers in Sukkur Region - Rs. 6.377 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.

Para 20 (1) GFR Volume-I states that, any loss of public money, departmental revenue or other property held by or on behalf of Government, caused by defalcation or otherwise, which is discovered in a treasury or other office or department; should be immediately reported by the officer concerned to his immediate official superior as well as to the Accountant General, even when such loss has been made good by the party responsible for it.

Serial No. 7 of Appendix-2 Rule 23 of GFR Volume-I states that, in all cases of fraud, embezzlement or similar offences, departmental proceedings should be instituted at the earliest possible moment against all the delinquents and conducted with strict adherence to the Rules.

The management of Regional Directorate of National Savings, Sukkur provided a statement showing an amount of Rs. 6,377,866 outstanding up to March 2023 against losses involving incidents of different nature i.e. dacoity, embezzlement, fraud and forgery that have been occurred over the years at different saving centers in Sukkur region. The summary is as under:

S#.	Nature of Incidents	Amount
1	Embezzlement, fraud, forgery etc.	3,535,224
2	Dacoity / looted amount	2,842,642
	Total	**6,377,866**

Audit observed that only Rs.4,150,074/- (39%) of total amount of Rs.10,527,940 was recovered through insurance claims and from culprits whereas as a sum of Rs.6,377,866/-(61%) was still outstanding as most of the proceedings of cases were pending since long. No efforts were made to expedite the proceedings and finalize the cases of loss.

Audit is of the view that non-recovery of amount lost was lapse on the part of management as most of the incidences were neither covered with insurance claims nor finalized for recovery from concerned officials/culprits or got written off from Finance Division.

The irregularity was pointed out vide OS-01 dated.27.03.2023 to justify the position, but no reply was received till the finalization of report.

Audit recommends that efforts may be made to finalize proceedings for recovery of outstanding amount otherwise the same may be got written off/regularized from Finance Division.

12.5.6 Non-recovery on account of over/wrong payment to depositors Rs.4.880 million

Rule 26 of GFR Vol-I states that it is the responsibility of every controlling officer to see that all sums due to the government are regularly and promptly assessed and realized and duly credited.

As per rule No.35 of Mahana Amadni Rules 1983, the depositor shall repay in lumpsum any payment made by mistake or overpayment received by him.

In terms of para 7.2 (I)(ii)(a) of national savings accounting procedures given in Handbook vol-II, it shall be the joint responsibility of officer/official and the centre in-charge/authorized officer, to effect recoveries from the customers.

The management of Regional Directorate of National Savings, Sukkur provided a statement showing different recoveries against depositors relating to audit period 2009-10 to 2021-22 outstanding up to March 2023.

The audit observed that an amount of Rs. 4,880,153/- was still outstanding on account of over/wrong payment made to depositors at different centers under administrative control of RDNS Sukkur.

Audit is of the view that non-recovery/adjustment of amount outstanding against depositors was lapse on the part of management and violation of above rules.

The irregularity was pointed out vide OS-03 dated.27.03.2023 to justify the position, but no reply was received till the finalization of report.

Audit recommends that outstanding amount regarding over/wrong payment may be recovered/adjusted from depositors under intimation to Audit.

12.5.7 Non-recovery on account of Excess/Irregular payment of profit on investment Rs.8.284 million

Rule 26 of GFR Vol-I states that it is the responsibility of every controlling officer to see that all sums due to the government are regularly and promptly assessed and realized and duly credited.

As per rule No.35 of Mahana Amadni Rules 1983, the depositor shall repay in lumpsum any payment made by mistake or overpayment received by him.

In terms of para 7.2 (I)(ii)(a) of national savings accounting procedures given in Handbook vol-II, it shall be the joint responsibility of officer/official and the centre in-charge/authorized officer, to effect recoveries from the customers.

The management of Regional Directorate of National Savings, Sukkur provided a statement showing different recoveries against depositors relating to audit period 2009-10 to 2021-22 outstanding up to March 2023.

Audit observed that an amount of Rs.8,284,880/- was still outstanding on account of excess/irregular payment of profit on investment made by customers at different centers under administrative control of RDNS Sukkur.

Audit is of the view that non-recovery/adjustment of amount outstanding against depositors on account of excess payment of profit was lapse on the part of management and violation of above rules.

The irregularity was pointed out vide OS-04 dated.27.03.2023 to justify the position, but no reply was received till the finalization of report.

Audit recommends that outstanding amount regarding excess payment of profit on investment may be recovered/adjusted from investors under intimation to Audit.

12.5.8 Non-recovery on account of non-deduction/less deduction of tax on profit & Zakat -Rs.9.774 million

Section 151(1)(d) of Income tax ordinance 2001, requires that where a banking company or a financial institution pays any profit on any bond, certificate, debenture, security or instrument of any kind , the payer of the profit shall deduct tax at the rate 15% of amount exceeding 5 lac (30% in case on non-active tax payer) as reduced by the amount of Zakat, if any, paid by the recipient under the Zakat and Ushr Ordinance, 1980 (XVII of 1980), at the time the profit is paid to the recipient.

As per rule No.35 of Mahana Amadni Rules 1983, the depositor shall repay in lumpsum any payment made by mistake or overpayment received by him.

In terms of para 7.2 (I)(ii)(a) of national savings accounting procedures given in Handbook vol-II, it shall be the joint responsibility of officer/official and the centre in-charge/authorized officer, to effect recoveries from the customers.

The management of Regional Directorate of National Savings, Sukkur provided a statement showing different recoveries against depositors relating to audit period 2009-10 to 2021-22 outstanding up to March 2023. Accordingly, detail of recovery on account of non-deduction/less deduction of tax on profit and zakat is as under:

S#.	Recovery of	Amount
1	WHT on Profit	8,522,835
2	Zakat	1,251,182
	Total	**9,774,017**

The audit observed that an amount of Rs. 9,774,017/- was still outstanding on account of non-deduction/less deduction of withholding tax on profit and zakat against customers at different centers under administrative control of RDNS Sukkur.

Audit is of the view that non-recovery/adjustment of amount outstanding against depositors on account of non-deduction/less deduction of tax on profit and zakat was lapse on the part of management and violation of above rules.

The irregularity was pointed out on 27.03.2023, but no reply was received till the finalization of report.

Audit recommends that outstanding amount regarding non-deduction/less deduction of tax on profit & zakat may be recovered/adjusted from depositors under intimation to Audit.

12.5.9 Unverified payment to nominees of deceased depositors – Rs. 15.740 million

Section 4 of Government Savings Bank Act, 1873 states that a depositor may, in such manner and form as may be prescribed by rules of the Government Savings Bank, make nomination conferring upon any person or persons the right to receive on the death of depositor the whole or any part of the deposit standing to his credit.

The Management of Regional Directorate of National Savings, Sukkur provided death case register of deceased depositors from 01.01.2017 to 20.12.2022 of NSC-III Sukkur wherein an amount of Rs.15,740,000 was paid against deceased depositors.

Audit observed that above payments were made without any entry in relevant columns of nominee, transfer and cheque no. against names of deceased depositors as shown in death case register. Furthermore, no acknowledgment was obtained from the recipient of the amount.

Audit is of the view that in the absence of record of payments made to nominees, audit could not verify the authenticity of disbursement of payments.

The irregularity was pointed out on 30.03.2023, but no reply was received till finalization of the report.

Audit recommends that matter may be enquired to verify payments made to genuine nominees of deceased depositors and acknowledgement by them in respect of all centers.

Regional Directorate National Savings, Karachi

12.5.10 Public money placed at risk Rs.18,714.423 million

CDNS Islamabad letter No. 1(17)ADMN-IV/2016-VOL-I dated 29.04.2021 states that the insurance coverage for the cash in transit through National Savings Treasury Vans is Rs. 180 million.

The management of Regional Directorate of National Savings, Karachi receives cash from the State Bank of Pakistan on a daily basis for payment to different clients during the audit period 2021-2022.

The audit observed that the cash ceiling limit of Rs. 360 million was not complied with by the management as in a number of cases cash amounting to Rs. 18,714.423 million over and above the prescribed ceiling was received by the management.

Audit is of the view that retention of cash beyond ceiling/insurance coverage is held irregular and might be at risk of loss/robbery etc. as no insurance can be claimed against the excess amount.

The matter was reported to the management vide audit memo No.01 dated 17.07.2023 and No.02 dated 14.04.2023 to justify the matter, but no reply was received till the close of the audit.

Audit recommends that either the cash ceiling limit be observed in letter and spirit or may be enhanced as per requirement.

12.5.11 Loss due to Dacoity and embezzlement not yet recovered - Rs. 47.431 million

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

The incidents of dacoity, embezzlement, fraud and forgery etc. had occurred in different National Saving Centers located in the Karachi Region over a period of four decades. The total amount involved in all such cases was Rs. 23,307,702/- as detailed below. Out of this, a sum of Rs. 7,367,579/- (31.61% of the principal amount) has been recovered either by the management through departmental proceedings or from the Insurance Company.

Amount involved in Embezzled, Fraud, Dacoity	Amount Recovered till June 2022	Amount Outstanding	Recovery%
23,307,702	7,367,579	15,940,123	31.61%

Similarly, during review of record and Internal Audit Report of RDNS Hyderabad for the period 2016-17, it was noted that a fraud, forgery and embezzlement of Rs.31.49 million was pointed out in a few branches of National Savings Centers.

NSC Code	Name of Centre	Recoveries other than Dacoity and Embezzlement	Looted and Embezzled	Total Outstanding Recoveries
HD-03	NSC Digri	350	0	350
HD-04	NSC Gari Khata	650	0	650
HD-05	NSC Gurunagar	62429	0	62,429
HD-07	NSC Hali Road	0	32,456	32,456
HD-08	NSC Hussainabad-I	10,229	0	10,229
HD-10	NSC-II Latifabad	2,739	0	2,739
HD-13	NSC-I Mirpur Khas	69,668	37,000	105,668
HD-18	NSC Qasimabad	30,950	0	30,950
HD-20	NSC Sakrand	0	42,145	42,145
HD-23	NSC Sambara Tower	737,957	29,663,618	30,401,575
HD-26	Tando M. Khan	14,500	567,206	581,705
HD-29	NS Treasury	0	200,000	200,000
HD-30	DDO RDNS	21,013	0	21,013
Total		**949,495**	**30,542,425**	**31,491,917**

Audit observed that a sum of Rs. 15.940 million (61% of the principal amount) was still outstanding at the close of the fiscal year 2021-22 from National Saving Centers located in the Karachi Region. Besides, there was no evidence on record to show that the whole amount of loss had been recovered from the Insurance Company or the departmental action had been finalized against the officials involved. Further, the management could not recover the embezzled/ looted amount from RDNS Hyderabad concerned persons till the closing of audit.

Audit is of the view that non-recovery of outstanding amounts even after lapse of four decades **since** 1980 and embezzled amount from the concerned is negligence on the part of the management and loss to government.

The irregularity was reported to the management on 17.04.2023 for National saving Centers in Karachi regions and on 27.03.2023 for RDNS Hyderabad regarding recovery and details of the cases but no reply received.

Audit recommends that the amount may be recovered from the concerned persons besides fixing responsibility on the person at fault.

CHAPTER 13

HIGHER EDUCATION COMMISSION

13.1 Introduction

Higher Education Commission (HEC) was set up through an Ordinance in September, 2002 to facilitate the development of indigenous universities to be world-class centers of higher education, research and development.

To address the challenges of higher education a comprehensive strategy has been defined by HEC 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.

ATTACHED DEPARTMENTS/ AUTONOMOUS BODIES

- All Public-Sector Universities

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY 2022-23) Rs. in million	Revenue/Receipt Audited (FY 2022-23) Rs. in million
1	Formations	27	21	90,380.549	9,723.400
2	Assignment Accounts (Excluding FAP)	37	6	34,943	
3	Authorities / Autonomous Bodies etc. under the PAO	21	0		
4	Foreign Aided Project (FAP)	2	2	1,980.852	

13.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Higher Education Commission for the financial year 2022-23 was Rs. 113,413.91 million, out of which the Division expended an amount of Rs. 113,098.89 million. Grant-wise detail of current and development expenditure is as under:

(Rs. In million)

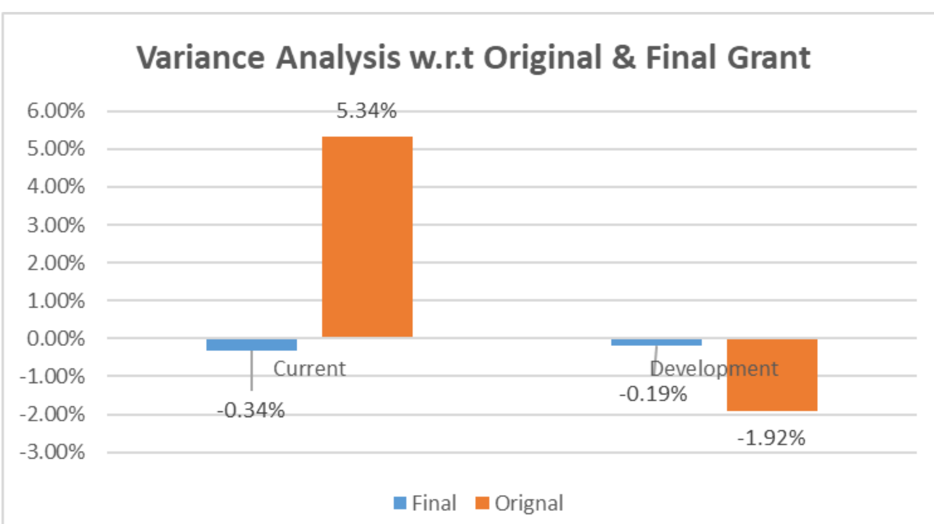
Grant No	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
37	Current	66,025.00	3,960.00	0.00	69,985.00	69,750.77	-234.23	-0.34%
103	Development	44,178.91	0.00	-750.00	43,428.91	43,348.12	-80.78	-0.19%
	Total	**110,203.91**	**3,960.00**	**-750.00**	**113,413.91**	**113,098.89**	**-315.02**	**-0.52%**

Audit noted that there was an overall saving of Rs.315.02 million, which was mainly due to saving 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. 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, bifurcating total allocation into current, development and charge expenditure, it was observed that, in case of development grant, there was 1.92% of saving w.r.t original grant which was finally reduced to saving of 0.19% w.r.t Final Grant and in case of current grant 5.34% excess was finally reduced to 0.34% saving.



13.3Classified Summary of Audit Observations

Audit observations, amounting to Rs. 3,231.579 million, were raised in this report during the current audit of **Higher Education Commission**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	**-**
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	16.25
B	*Procurement related irregularities*	98.53
C	*Management of account with commercial banks*	105.92
D	*Recovery*	1,609.10
E	*Internal Control*	455.16
4	Value for money and service delivery	**-**
5	Others	946.62

13.4 Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2010-11	5	5	4	1	80
2011-12	25	0	0	25	-
2012-13	17	0	0	17	-
2013-14	44	39	15	29	38
2014-15	6	6	5	1	83
2015-16	22	22	8	14	36
2016-17	51	10	3	48	30
2017-18	72	44	18	54	41
2018-19	60	15	3	57	-
2019-20	21	3	0	21	-
2020-21	39	0	0	39	-
2021-22	48	1	0	48	-
2022-23	49	0	0	49	-
Total	**459**	**145**	**56**	**403**	-

13.5AUDIT PARAS

Higher Education Commission

13.5.1 Non-Utilization of funds released under IPFP/SRGP - Rs. 248.917 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 fund allotted to spending units are expended in the public interest and upon objects for which the money was provided.

Rule 170-B (7) of Federal Treasury Rules states that no money shall be drawn from the assignment account unless it is required for immediate disbursement.

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

Clause 14 of the Policy on Interim Placement of Fresh PhDs (IPFP) Phase-II states that the duration of IPFP placement will be one year from the date of joining.

The management of Higher Education Commission (HEC), Islamabad released research grants amounting to Rs 272.869 million for 344 Start Up Research Grant Program (SRGP) under IPFP during March – April 2021.

Audit observed that:

i. Out of 344 research grants/proposals, only 26 projects involving Rs 23.952 million could be completed by June, 2022.
ii. Research grants for 247 projects amounting to Rs 248.917 million released from Assignment Account were neither utilized nor refunded by the researchers/institutes/ universities.
iii. Cheque Numbers and Dates of release(s) of research grants for fifty (50) projects involving the amount of Rs 43.214 million were not available with HEC.

iv. University Name, Title of Research Proposal, Cheque Numbers, Amounts, Dates of release(s) of research grants for 21 projects/proposals were not available with HEC.

Audit is of the view that non-utilization of research grants within a one-year period and retention of unutilized research grants released from Assignment Account under IPFP/SRGP was irregular.

Audit is also of the view that funds were drawn from Assignment Account merely to park in bank accounts of researchers/institutes/universities without any immediate need.

Audit recommends retrieval of unutilized research grants and depositing same into the Federal Consolidated Fund (FCF) immediately.

13.5.2 Unauthorized drawl of funds from Assignment Account and retention thereof in bank accounts- Rs. 101.042 million

Rule 170-B (7) of Federal Treasury Rules states that no money shall be drawn from the assignment account unless it is required for immediate disbursement.

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

The management of Higher Education Commission (HEC), Islamabad drew funds amounting to Rs 36,635.991 million from Assignment Accounts, incurred expenditure / released funds amounting to Rs 36,534.949 million and retained an amount of Rs 101.042 million during the financial year 2021-22, as per following details:

S.	Account No.	Account Description	Receipt	Expenditure / Release	Balance Amount (Rs)
1	270345-5	Recurring Grant - Promotion of Research IUAA	15,940,000,000	15,845,411,613	94,588,387
2	2167-7	PSDP Grant	20,695,991,000	20,689,537,373	6,453,627
		TOTAL	**36,635,991,000**	**36,534,948,986**	**101,042,014**

Audit observed that the funds drawn from Assignment Accounts which were not required for immediate disbursement were retained in the bank accounts.

Audit is of the view that drawl of funds from the Assignment Accounts without any immediate need and deposit/retention thereof in bank accounts was irregular.

Audit recommends discontinuation of irregular practices besides depositing of drawl amount into Federal Consolidated Fund (FCF) immediately.

13.5.3 Unauthorized appointment of Contingent Paid Staff in BPS - 6 to 17 - Rs. 16.248 million

In terms of Para 81(j) of General Financial Rules (Volume-I) contingent expenditure may be incurred on hiring/appointment of contingent staff (part time employees such as Sweepers, Farashes, Malis, etc.,).

The management of Higher Education Commission (HEC), Islamabad incurred an expenditure of Rs. 70.070 million on payment of salaries to three hundred and three (303) Contingent Paid Staff (CPS) appointed/engaged during the financial year 2021-22.

Audit observed that out of 303, thirty-nine (39) Contingent Paid Staff (CPS) were appointed/engaged in BPS-6 to BPS-17 and expenditure of Rs. 16.248 million was incurred on payment of their salaries.

Audit is of the view that appointment of Contingent Paid Staff (CPS) in BPS-6 to BPS-17 and incurrence of expenditure on payment of their salaries in violation of provisions of the General Financial Rules was irregular.

Audit recommends discontinuation of irregular practice, fixing responsibility for misuse of authority and appointment on regular basis, if so required.

13.5.4 Non-Recovery of scholarship amount from defaulters - Rs 1,557.547 million

Para 1 of minutes of the 30th meeting of National Scholarship Management Committee (NSMC) states that the scholars may be held for the breach of agreement. If it fails in any of the following states: 1.1: withdrawal from course of study; 1.2: non-response during the study period; 1.3: MS completed but failed to seek PHD admission; 1.6: refuse to serve the bond period after completion of approved course of study; 1.19: failed to submit the required progress reports or comprehensive reports within specific period.

Para 2 of the minutes of the 30th meeting of National Scholarship Management Committee (NSMC) states that in case of breach of agreement, the scholars shall be bound to pay the HEC a penalty at the rate of 25% beside compensate the HEC by making a refund of total expenditure amount including travel cost, etc.

The management of Higher Education Commission (HEC), Islamabad awarded foreign scholarships. Detail is as under:

S.No	Project Name	Awarded	Completed	Studying	Canceled	Absconder
1	Overseas Scholarship Phase-II	1876	1383	82	341	70
2	HRDIUESTP PH-I	1245	756	425	45	19
3	Master leading to PHD	165	56	106	3	0
4	Academic and research linkages	761	167	594	0	0
5	PH-D Scholarship program under PAK-US knowledge corridor	409	8	396	1	4
6	Overseas scholarship Phase-III	597	594	0	3	0
7	Post Doctoral Phase-III	163	95	67	1	0
8	Law Graduate program for Baluchistan	13	7	6	0	0
9	Full bright scholarship Phase-III	92	0	92	89	3

Audit observed that the following scholars were absconders/defaulters and did not return to Pakistan to serve in different universities after completion of their education as per agreement:

S. No	Project Name	Absconder	EUR	US	GBP	CAD	AUD	AIR Fare	Total (Rs.)
1	Overseas Scholarship Phase-II	70	2,770,522€ (2,770,522*300= 831,156,600	264,890 $ (264,890*300= 79,467,000	498,279(£) (498,279 *350= 174,397,650	26,845$ 26,845*200=5,369,000	552,574 $ (552,574 *300=165,772,200	7,784,061	1,263,946,511
2	HRDI UESTP PH-I	19	888,416€ (888,416*300 =266,524,800					2,302,051	268,826,851
3	PHD Scholarship PAK-US Knowledge corridor	5		55,949$ (55,949 *300=16,784,700				281,250	17,065,950
4	Full bright scholarship Phase-III	3	9002€ (9002*300=2,700,600		3806(£) (3806*350=1,332,100		12,251$ (12,251*300=3,675,300		7,708,000
Grand Total									**1,557,547,312**

Audit is of the view that non-recovery from defaulted scholars indicates the wasteful and unstructured spending of taxpayers' money.

The management replied that HEC at the time of scholarship award, sign a deed of agreement with every scholar on agreed terms and conditions before the scholarship award. In case, the scholar violates any terms and conditions written in the agreement during course of study or refused to abide by after completion of study, HEC follow the Standard Operating Procedures (SOPs) duly approved by National Scholarships Management Committee (NSMC). Efforts are being made to recover funds/public/taxpayers' money from defaulters as early as possible which are permissible under the law.

The reply is not satisfactory as documentary evidence in support of the reply was not provided.

Audit recommends that efforts should be made to recover the public money from the defaulters or guarantors as the case may be.

13.5.5 Irregular expenditure on repair of office buildings - Rs. 39.064 million

Para 192 of GFR (Vol-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 Higher Education Commission (HEC), Islamabad incurred an expenditure of Rs. 39.064 million on repair of buildings/civil works during the financial year 2022-23, as per following details:

(Amounts in Rupees)

S.	Electrification Plumbing and Other Infrastructure	Office Buildings R&M	Other Civil Works Construction of Building & Structure	Total
1	8,104,076	1,565,292	29,395,104	**39,064,472**

Audit observed that the expenditure on repair of buildings/civil works was incurred without making departmental regulations.

Audit is of the view that the expenditure incurred without framing departmental regulations was irregular.

The management replied that the expenditure was incurred by following PPRA regulations through an open competitive bidding process and framework agreements as per relevant PPRA rules. All the codal formalities were met while awarding the tender and expenditure thereof. HEC Executive Director, being the PAO of the organization, is fully authorized by HEC Commission to sanction all expenditure within budget in connection with implementation of HEC projects. Moreover, HEC is also in the process of getting approval of its departmental regulations/SOP's for civil works.

The reply is not satisfactory as HEC incurred expenditure without framing its departmental regulations/SOP for civil works and without technical approval of estimates by a competent Engineer.

Audit recommends that the management should either frame rules or get the works executed from a civil works organization/Deptt. besides regularization of the expenditure.

13.5.6 Non adjustment of advances - Rs. 84.287 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.

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

The management of Higher Education Commission (HEC), Islamabad paid advances amounting to Rs. 84,287,674 to its employees and universities during FY 2022-23.

Audit observed that advances were neither adjusted nor refunded till the close of the financial year.

Audit is of the view that non-adjustment of advances in violation of provisions of Federal Treasury Rules was irregular.

The management replied that the advances are paid for the recurring activities and are in process of adjustment accordingly. Out of Rs. 84.287 million advances, Rs. 36.731 million has already been adjusted, the remaining advances amounting to Rs. 47.556 million, mostly issued to HEIs are in process of adjustment. Although the expenses have already been incurred the adjustment procedure takes time. All concerned divisions/sections have been directed to submit adjustments of advances at the earliest.

The reply is not satisfactory as management did not provide complete details of adjustment of Rs. 36.731 million as claimed in the reply and remaining balance of Rs. 47.556 million is still outstanding.

Audit recommends that adjustment of outstanding amount may be made, besides providing complete detail adjusted amount.

Pakistan Study Centre, Jamshoro

13.5.7 Non-recovery of outstanding fee from the students and University of Sindh – Rs. 11.253 million

Para 26 of GFR Volume-I states that it is the duty of department Controlling Officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

Further Para 28 of GFR Vol-I "No amount due to Government should be left outstanding without sufficient reason, and where any dues appear to be irrecoverable the orders of competent authority for their adjustment must be sought".

Pakistan Study Centre, Jamshoro provided list of students who were studying in different batches of MA and BS programs during financial year 2022-23.

Audit observed that the Centre did not recover the outstanding fees of Rs. 5.622 million from students. Similarly, in some cases the University of Sindh collected fee from the students on behalf of the Center but retained the amount in its own account. Details are as under:

(Rupees)

S. No.	Defaulter	Programs	Year of Admission	Outstanding amount
1	Students	BS-II	2022	1,526,550
2		BS-III	2021	1,962,100
3		BS-IV	2020	2,063,400
4		MA-Final	2022	70,400
5	University of Sindh	MA-merit	2022	903000
6		BS-merit		3495900
7		BS-Self		540900
8		BS-Special Self		675900
9		BS-SU Employees		14600
Total				**11,252,750**

Audit is of the view that non-recovery of Rs. 11.253 million in time from students and University of Sindh was a serious lapse on the part of management as the Centre was already facing an acute shortage of funds.

The irregularity was pointed out vide memo No.02 dated 06.09.2023 to justify the position, but no reply was received till the finalization of report.

Audit recommends that the outstanding fee may be recovered deposited into the Centre's account under intimation to audit.

Federal Urdu University of Arts Science and Technology , Karachi

13.5.8 Irregular expenditure of Need Based Scholarship amount – Rs. 40.321 million

Rule 12 of General Financial Rules 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 fund allotted to spending units are expended in the public interest and upon objects for which the money was provided.

The management of FUUAST, Karachi received Rs. 40.321 million from HEC on account of Need Based Scholarship in the Askari Bank Account No.0861650501457.

Audit observed that the management utilized the amount of Need Based Scholarship in recurring expenditure instead of granting scholarships to needy students. Moreover, the management did not provide a record for total funds received through need-based scholarship.

Audit is of the view that utilization of funds of need-based scholarship in incurring regular expenditure is irregular.

Management was requested on 28.09.2023 but no reply was received till finalization of the report.

Audit recommends that the matter may be investigated at the highest forum against the person(s) who violated the government rules.

13.5.9 Non-adjustment/Non-recovery of advances amounting to Rs.16.281 million

Rule 668 of Federal Treasury Rules Volume-I, states that, "advances granted under special orders of the competent authority to officers/officials 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 account supported by vouchers or by refund as may be necessary."

Rule 11.8 of TA Manual states, "TA Advances should be adjusted through TA bill immediately on return to headquarters or on 30th June, whichever is earlier. A Second Advance cannot be allowed until the previous advance has been adjusted. If a Government servant has been paid an advance for a particular journey, the TA bill for that journey will not be admitted in audit unless the advance drawn for the purpose is properly adjusted".

Rule 666 (b) of Federal Treasury Rules Volume-I, states that, "An advance must be adjusted on or before the close of the financial year.

The management of Federal Urdu University of Arts, Science and Technology Karachi granted TA/DA and Miscellaneous advances amounting to Rs. 16.281 million up to June 2023.

Audit observed that the advances were neither recovered nor adjusted from the concerned employees up to 30.06.2023.

Audit is of the view that non adjustment of TA/DA/Miscellaneous Advances since long has resulted in blockage of public funds and shows financial indiscipline in the university.

An audit memo No.01 dated 25.09.2023 was issued to the management for clarification but it was replied that the management has recovered only Rs.0.455 million leaving outstanding of Rs.15.826 million, but no evidence of recovery was shown to audit.

Audit recommends that the advances may be recovered from the concerned employees and deposited into government treasury.

13.5.10 Non-recovery of Outstanding Rent from National Bank of Pakistan – Rs. 4.879 million

Rule 26 of GFR Volume-I states that it is the duty of the departmental Controlling Officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

Rule 28 of GFR Volume-I "No amount due to Government should be left outstanding without sufficient reason, and where any dues appear to be irrecoverable the orders of competent authority for their adjustment must be sought".

The management of FUUAST, Karachi rented out 5400 sq ft building to National bank of Pakistan @ Rs. 225 per sq ft amounting to Rs. 1,215,000.

Audit observed that the management had not recovered the rent from National Bank of Pakistan amounting to Rs. 4.879 million.

Audit is of the view that the University sustained loss of above amount due to non-recovery of outstanding rent.

An audit memo No.16 dated 28.09.2023 was issued for clarification but no reply was received till the closing of audit.

Audit recommends that the outstanding rent may be recovered from the NBP.

Shaikh Zayed Islamic Centre (SZIC), Karachi

13.5.11 Non-recovery of house rent ceiling from the unauthorized employees of SZIC & Others – Rs. 8.394 million

As per rule 25(4) of Accommodation Allocation Rules, 2002, "In case an accommodation is occupied or retained without legitimate allotment or is trespassed, the Estate Office shall charge rent at the rates given below from the occupant for the period of unauthorized occupation or retention:

(a)in case of unauthorized retention beyond legally allotted period, rent equivalent to one rental ceiling of the category of his entitlement or the category of the house under occupation, whichever is more, shall be charged for each month for the entire period of unauthorized occupation.

(b)in case of trespassing or unauthorized occupation, rent equivalent to two rental ceilings of the category of his entitlement or the category of the house occupied, whichever is more, shall be charged for each month for the entire period of unauthorized occupation.

The management of the SZIC, Karachi is maintaining 22 houses in its Residential Colony.

The audit observed that the management recovered only Rs. 1.413 million instead of Rs.9.807 million in accordance with their entitlement of house ceiling resulting in less recovery of Rs.8.394 million.

Audit further observed that House No. A-1 and No. C-1 measuring 500 sq. yards and 240 sq. yards respectively had been occupied by the officers of the non-entitled departments and rent paid by them is Rs. 84,000 (Rs.7,000 x 12) and Rs.54,000 (Rs.4500 x 12) respectively during 2022-2023 instead of charging double rental house ceiling as per entitlement or category of house, whichever is higher in disregard of above (b) rule

Six retired employees of the Centre continue to occupy the houses without the approval of competent authority. They are not even paying monthly rent in accordance with the above rule (a)

Audit is of the view that due to non-recovery from the unauthorized retired employees and others, the Centre sustained a loss of income Rs. 8.394 million and presently serving employees also could not avail the residential facility.

The management replied that notices were being issued from time to time for eviction of house to the retired staff and deduction from the retired staff had been made from the monthly pension according to the rental house ceiling as per their grades.

Audit recommends that fruitful efforts may be made to vacate government property from illegal occupants and recover the outstanding amount at the earliest.

National Skill University, Islamabad

13.5.12 Irregular appointments of ninety (90) officers/officials on regular basis and 73 officers/officials on contract basis

Establishment Division letter No. F.53/1, 2008-SP dated 16.01.2015 states the Mechanism to Ensure Merit Based Recruitment in the Ministries/ Divisions /Sub-ordinate Offices/Autonomous/Semi-Autonomous Bodies/ Corporations/ Companies /Authorities.

The initial screening of the applicants would be conducted by the centralized Screening test to be carried out by a Testing Agency which would be hired by the Administrative Ministries/ Divisions in consultation with the Establishment Division. Top 05 (five) candidates would be short listed for interview for each post to be filled through fresh recruitment,

The short-listed applicants as a result of screening test would be interviewed after verification of academic/ professional credentials and testimonial. The Departmental Selection Committee (DSC) constituted vide Rule 2(e) of the Civil Servants (Appointment, Promotion, and Transfer) Rules 1973 would adjudge the applicant on the following criteria for selection in term of %.

Test %	Interview %
70%	**30%**

The management of National Skill University advertised posts on 07.02.2020, 23.08.2020, 24.11.2020, 24.01.2021, 01.10.2021, 01.01.2022, 20.03.2022 and 10.052023 for appointments in different grades on regular and contract basis. The appointments were made by adopting 50% criteria for interview and 25% each for academic and written test.

Audit observed as under:

i. Complete detail of candidates who applied for the posts was not available from record provided to audit.
ii. Record reveals that few appointments in BPS-19 to BPS-21 were made directly through interview basis without conducting written tests.

iii. Record pertaining to skill test and its results was not found available on record.

iv. Details of candidates who applied for the posts and the list of top five candidates who were called for interview were not available on record.

v. Complete list of shortlisted candidates for appointment from BPS-01 to BPS-18 submitted to NTS to conduct written test was not found available on record.

vi. National Testing Service conducted the written test BPS-01 to BPS-18 but NTS report of test qualified candidates was not found available on record.

vii. The management of NSU did not frame its statutes, rules and regulations, therefore, Government rules for appointment should have been followed.

Audit is of the view that appointments without following Establishment Division's instructions and other codal formalities were irregular.

Management did not reply.

Audit recommends that matter may be inquired to fix the responsibility for irregular appointments.

13.5.13 Non-preparation and approval of statutes from Senate, non-provision of Rules and Regulations by National Skill University and incurring of an expenditure of Rs. 946.621 million

Section 28 of the National Skill University Act, 2018 states that the Authorities and the other bodies of the University may make rules, to be published in the official Gazette consistent with this Act; statutes or regulations for any matter relating to the affairs of the University which have not been provided for by this Act, or that is not required to be regulated by Statues for Regulations, including rules for the conduct of business.

The management of NSU, Islamabad incurred an expenditure of Rs. 946,621,587 as detailed below:

(Rupees)

S, No.	Financial Year	Expenditure from Recurring/ own source.	Expenditure from Development	Total expenditure
1	2017-18	-	6,797,042	6,797,042
2	2018-19	-	4,377,964	4,377,964
3	2019-20	3,520	27,893,931	27,897,451
4	2020-21	8,333,086	127,554,843	135,887,929
5	2021-22	27,621,642	257,326,971	284,948,613
6	2022-23	116,751,361	369,961,227	486,712,588
			Total	**946,621,587**

Audit observed as under:

i. The management of NSU incurred expenditure without any approved statutes.

ii. Management of NSU appointed several officers/officials on contract and on regular basis in the last five years and paid salaries without statutes.

iii. Management established Muridke campus without statutes.

Audit is of the view that non preparation of statutes, rules/regulations and incurring of expenditures, making appointments and establishing other campuses was in violation of the NSU Act, 2018.

Management did not reply.

Audit recommends that responsibility may be fixed for incurring of expenditure without preparation and approval of rules and statutes from Senate.

13.5.14 Wasteful expenditure on hiring of consultant firm for development of Business Plan for National Skill University - Rs. 9.998 million

Para 10 of GFR states that every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety. Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

The management of National Skill University (NSU), Islamabad signed consultancy contract agreement with Consultant (Pvt) Ltd Lahore on 15.01.2018 for development of business plan and made payment of Rs. 9,998,532. The firm submitted its final report on 05.09.2018.

Audit observed that the report was not utilized for the establishment of National Skill University, Islamabad. Therefore, expenditure on consultancy was wasteful.

Management did not reply.

Audit recommends that matter may be inquired into, and responsibility may be fixed.

Allama Iqbal Open University, Islamabad

13.5.15 Irregular appointment of ninety nine (99) employees without observing provincial/regional quota

Cabinet Secretariat Establishment Division Notification No F.53/l/2008- SP dated 22.10.2014, for recruitment in Ministries/Divisions/Attached Departments/ Subordinate Offices/ Autonomous Bodies/semi-Autonomous envisages that vacancies as per the Provincial/ Regional quota etc. shall be advertised through widely published National/Provincial/Regional newspapers.

The management of AIOU Islamabad appointed 99 employees on regular and contract basis during 2022-2023, as per following details:

S.No.	Designation	PBS	No. of employees
1	Assistant Professor	19	6
2	Deputy Controller	18	1
3	Deputy Registrar	18	1
4	Deputy Regional Director	18	1
5	Asst. Controller of Exams	17	1
6	Assistant Registrar	17	2
7	Horticulture Officer	17	1
8	Assistant Treasurer	17	1
9	Assistant Libertarian	17	1
10	Assistant Regional Director	17	3
11	Assistant Manager	17	1
12	Research Assistant	16	3
13	Technical Store Officer	16	1
14	Assistant	15	8

15	Data Entry Operator	14	5
16	Accounts Assistant	14	2
17	Transport Supervisor	13	1
18	UDC	11	14
19	Dispenser Dresser	9	1
20	LDC	9	37
21	Chowkidar	2	2
22	Sanitary Worker	2	6
	Total		**99**

Audit observed as under:

i. The appointment of 99 officers/officials was made without observing Provincial/Regional/Male/ Female/Disabled Quota.
ii. The merit list based on tests administered to applicants was not shown to audit.
iii. Scrutiny test / exam papers were not shown to Audit to check the authenticity of marks obtained in merit list.
iv. The primary criteria of scrutiny was not observed before taking exam/scrutiny test.
v. The recruitment was neither made on the recommendation of the Selection Board nor with the approval of the Executive Council as required by the AIOU Act 1974.

Audit is of the view that appointment of employees without observing Provincial/Regional/Male/Female/ Disabled Quota is violation of Government rules. The appointments are irregular and unauthorized due to non-observance of the prescribed quota. The process of recruitment is doubtful and unauthentic due to the non-provision of access to the record of recruitment.

The management did not reply till finalization of the report.

Audit recommends that matter may be inquired into, and responsibility be fixed for the irregularity besides making future appointments through open competition and observing all codal formalities.

Bahria University, Islamabad

13.5.16 Irregular expenditure without calling open tender - Rs. 16.201 million

According to Rule 12(1) of Public Procurement Rules 2004, procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani Rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time.

Rule-10 ibid further states that any terms, specifications, standards, features, characteristics and requirements prescribing the technical or quality characteristics shall be generic in nature and shall not include reference to brand name, model number, catalogue number, name or origin of the country or similar classification.

The management of Bahira University, Islamabad executed contract agreement with M/s Islamabad Industrial & Trading Corporation, Karachi for supply, installation and commissioning of two (02) Vertical Transportation Units consisting of Hyundai's Korea-made elevators at total cost of Rs. 14,660,500 for the project titled "New Academic Block Bahira University, Islamabad". The final payment of Rs. 16,201,580 was made to the firm vide voucher No.100001-02-27 dated 06.02.2020.

Audit observed as under:

i. The expenditure was incurred on supply, installation and commissioning of two elevators without calling open tender as required under the PPRA Rules, 2004.
ii. Supply Order for two 1000 Kg Hyundai lifts (Chinese origin) was issued vide Para-4 of Minutes-25 for which no quotation was received. The elevators were not imported from original manufacturer i.e. M/s Hyundai South Korea.
iii. As per the contract agreement the total cost of elevators with local installation was Rs. 15,960,580 (Rs. 14,660,580 + 1,300,000), whereas the additional payment of Rs. 241,000 was made to the supplier without any claim/invoice, which resulted in an overpayment.

iv. No installation and commissioning report of elevators was enclosed with the final bill of the firm due to which the Audit could not verify the actual date of supply, installation and commissioning of the elevators.

Audit is of the view that the expenditure was incurred without open competition in violation of PPRA Rules, 2004 which is irregular.

The management replied that procurement of 02 Hyundai elevators was done on proprietary basis under PPRA Rule 42c(ii). A Technical Committee was formed by the Rector for purchase of lift. Quotations were called from three firms, i.e. M/s DWP Technologies Pvt Ltd which was authorized distributor of Sanyo Japan, M/s Horizon Elevator Engineers which was authorized distributor of HD-Fauji and M/s IITC Islamabad, the authorized distributor of Hyundai Elevators. After technical scrutiny by the Committee, M/s IITC Islamabad was selected as the only authorized sole / exclusive agent of Hyundai Elevators. The Technical Committee recommended Hyundai Brand because lifts of same brand are installed at different locations in BU while considering available trained staff and maintenance activities. Payment of Rs 241,000 was made to the firm after obtaining approval from the Rector.

The reply is not cogent as the University was required to float open tender without mentioning brand name of the elevators.

Audit recommends fixing of responsibility on the persons at fault besides regularization of expenditure from the Finance Division.

13.5.17 Irregular purchase of Air Conditioners without calling open tender - Rs. 4.783 million

Rule 12(1) of Public Procurement Rules,2004 states that procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani Rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time.

Rule-10 ibid further states that any terms, specifications, standards, features, characteristics and requirements prescribing the technical or quality characteristics shall be generic in nature and shall not include reference to brand name, model number, catalogue number, name or origin of the country or similar classification.

The management of Bahria University Islamabad incurred an expenditure of Rs. 4,783,200 on purchase of 55 wall-mounted invertor ACs for new building of Innovation and Commercialization Centre building from M/s DWP Technologies (Pvt) Ltd. The payment was made to the firm vide Voucher No.100001-09-59 dated 20.09.2019.

Audit observed that the expenditure was incurred without calling open tender as required under PPRA Rules, 2004.Thus the University was deprived of the benefit of competitive rates.

Audit is of the view that incurring expenditure on purchase of ACs without observing PPRA Rules, 2004 is irregular.

The management replied that procurement of ACs for ICCB building is in accordance with PPRA Rule 42c (ii). Gree Brand was recommended by the technical committee because of standardization and ease of subsequent maintenance as its ACs are already installed at different locations on same Purchase Order rates. Issuance of work order was on proprietary basis as M/s DWP is the exclusive agent / dealer of Gree Brand A/Cs in Pakistan.

The reply is not convincing as Rule 10 of PPRA Rules, 2004 states that any terms, specifications, standards, features, characteristics and requirements prescribing the technical or quality characteristics shall be generic in nature and shall not include reference to brand name, model number, catalogue number, name or origin of the country or similar classification. Therefore, the purchase of Gree air conditioners from authorized dealer and without calling open tender is violation of PPRA Rules, 2004.

Audit recommends fixing of responsibility on the persons at fault besides regularization of expenditure from the Finance Division.

Quaid-i-Azam University, Islamabad

13.5.18 Irregular procurement without open tender - Rs. 28.482 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.

The management of Quaid-e-Azam University (QAU), Islamabad incurred an expenditure of Rs. 28,481,767 on procurement of various items from different vendors / firms during financial year 2022-23.

Audit observed as under:

i. Expenditure was incurred through quotations by splitting up sanctions to avoid calling of open tender(s).
ii. No open tender was floated to get the benefit of competitive rates as required under PPRA Rules, 2004.

Audit is of the view that expenditure was incurred by splitting up of sanctions to expenditure to avoid open calling of open tender. Therefore, audit holds the expenditure as irregular.

Audit recommends discontinuation of irregular practice besides fixing of responsibility for the irregularity.

Karakoram International University, Gilgit

13.5.19 Irregular appointment of members of the Syndicate and Academic Council

Clause 19(1)(c) of KIU Order, 2008 states that three professors from diverse departments, who are not members of the Senate, (are) to be elected by the University Teachers in accordance with the procedure to be prescribed by the Senate.

Clause 19(3) of KIU Order, 2008 states that as regards the three professors described in clause 19(1)(c) the Senate may, as an alternative to elections, prescribe a procedure for proposal of a panel of names by the Representation Committee set up in the terms given in clause 23. Appointment of persons proposed by the Representation Committee may be made by the Senate on the recommendation of the Vice-Chancellor.

Clause 23 of Karakoram International University Order, 2008 states that there shall also be a Representation Committee constituted by the Senate through Statute for the recommendation of persons for appointment to the Academic Council in accordance with the provisions of clause 21(2).

The KIU provided the list of Syndicate members which included only one professor i.e. Dr. Sher Wali Khan, Professor (Tenured Faculty), KIU, Gilgit from diverse departments as member of Syndicate. Further, the KIU Senate vide Notification No.KIU-Adm-1(1)/2020/43835 dated 08.04.2021 appointed the following members of Academic Council i.e. five members representing the departments and three principles of affiliated colleges:

S#	Name of Member
Five Members Representing the Departments	
1.	Dr. Akbar Khan, Biological Sciences
2.	Dr. Sajjad Ali, Chemistry
3.	Dr. Sadaruddin Qutoshi, Educational Development
4.	Dr. Kifayat Ullah, Economics
5.	Dr. Fazal Wahab, Physics
Three Principles of Affiliated Colleges	
1.	Principal, Government Degree College for Boys, Gilgit
2.	Principal, Fatima Jinnah Women Degree College, Gilgit
3.	Principal, Boys Degree College, Muhammad Abad, Danyore Gilgit

Audit observed that the above member of the Syndicate was appointed without recommendations of Representation Committee duly constituted by the Senate and the remaining two Members (Professors) were yet to be appointed. Furthermore, members of the Academic Council were also appointed without recommendations of Representation Committee duly constituted by the Senate.

Audit is of the view that appointment of members of the Syndicate and Academic Council without the recommendations of Representation Committee was irregular.

The management did not reply till finalization of the report.

Audit recommends that the irregularity be regularized from the competent forum.

13.5.20 Non-recovery/adjustments of long outstanding advances - Rs. 15.623 million

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

The management of Karakorum International University (KIU), Gilgit provided a list of temporary advances amounting to Rs. 15,623,746 paid to 65 officers/officials on various occasions including research projects as per detail provided.

Audit observed as under:

i. Reasons for the grant of temporary advances are not known to Audit.
ii. The said officers/officials have not submitted adjustment accounts of the temporary advances of Rs. 15.623 million till July 2023.
iii. No action or recovery was initiated against the said officers/officials by the Finance Department of KIU.

Audit is of the view that non-adjustment/recovery of advances is lapse on part of the management.

The management did not reply till finalization of the report.

Audit recommends that irregular practice be stopped forthwith besides immediate adjustment/recovery of the outstanding advances.

National University of Modern Languages Islamabad

13.5.21 Irregular expenditure on civil works without obtaining Technical Sanctions - Rs. 81.638 million

Para-56 of CPWD Code states that for each individual work proposed to be carried out, a properly detailed estimate must be prepared for the sanction of competent authority; this sanction is known as the technical sanction to the estimate to be obtained before the construction of the work is commenced. It indicates that the proposals are structurally sound and that the estimates are accurately calculated and based on adequate data. Such sanction will be accorded by the authorized officer of the Public Works Department.

The management of National University of Modern Languages, Islamabad incurred an expenditure of Rs. 81.638 million on execution of civil works and repairs of office buildings during financial year 2021-22.

Audit observed that the expenditure was incurred without obtaining Technical Sanctions by an authorized/competent engineer of Pak. PWD.

Audit is of the view that Technical Sanction can only be accorded by an authorized Engineer of the Pak PWD who has the competency to check the authenticity of the drawing designs and detailed estimates of civil work/building.

The management replied that expenditure was incurred on civil works for uplifting of university buildings and hostels giving better environment to faculty, staff and students after approval of competent authority. Furthermore, NUML University, Islamabad is an autonomous body, therefore, obtaining of technical sanction from Pak PWD is not required at this level. Technical Sanction of civil work and repair of office building has been obtained from the competent authority (Rector NUML) as per SOP's of Civil Work of University.

The reply is not convincing as the management of NUML is not empowered to grant Technical Sanction by overriding the General Financial Rules.

Audit recommends fixing of responsibility for non-obtaining of Technical Sanction from the Pak. PWD besides observing the rules in future.

Sheikh Zayed Islamic Centre, University of Punjab

13.5.22 Irregular expenditure due to non-transparent selection of visiting faculty - Rs.4.380 million

Cabinet Secretariat, Establishment Division Notification No. F.53/1/2008-SP, dated 22.10.2014 for recruitment in Ministries/Division/Attached Departments/Sub-Ordinate Officers/Autonomous Bodies, Semi-Autonomous bodies envisages that vacancies as per the provincial/Regional quota etc. shall be advertised through widely published National / Provincial /Regional newspapers.

Management of Sheikh Zayed Islamic Centre, University of Punjab, Lahore made appointments of visiting faculty for various disciplines during the financial year 2022-23. The details are given below.

Sr. No.	Name of Teacher	Date of Appointment	Date of Termination	Total Months	Total Days	Amount
1	Dr. H. A. Qayum	15-09-2022	30-06-2023	9	15	228,400
2	Habib Ur Rehman	15-09-2022	31-01-2023	4	16	42,000
3	Sohail Rafiq	15-09-2022	31-01-2023	9	15	170,800
4	Dr. H. A. Basit	15-09-2022	31-01-2023	9	15	205,600
5	Dr. Samina Sadia	15-09-2022	31-01-2023	9	15	84,000
6	Dr. Khalid Mahmood	15-09-2022	31-01-2023	9	15	124,000
7	Bilal Mustafa	15-09-2022	31-01-2023	9	15	355,800
8	M. Sohail	15-09-2022	31-01-2023	9	15	334,400
9	Tayyaba Razzaq	15-09-2022	31-01-2023	9	15	405,600
10	Dr. Asma Ali	15-09-2022	31-01-2023	9	15	426,000
11	Abdur Rehman Sajid	15-09-2022	31-01-2023	9	15	103,400
12	Maria Maqsood	15-09-2022	31-01-2023	9	15	213,600
13	Maria Ali	15-09-2022	31-01-2023	9	15	201,600
14	Syeda Fakhra Naseem	15-09-2022	31-01-2023	9	15	216,000
15	Prof. Dr. M. Abdullah	15-09-2022	31-01-2023	9	15	182,000
16	Mahnoor Saif	9/2/2023	30-06-2023	4	21	39,600
17	Dr. Razia Noor	15-09-2022	31-01-2023	9	15	324,000
18	Ms. Saima Yousaf	15-09-2022	31-01-2023	9	15	214,800
19	Sarwar Khan	9/2/2023	30-06-2023	9	15	84,000
20	Imran Malik	15-09-2022	31-01-2023	4	16	54,000
21	Dr. Mubashar Hussain	9/2/2023	30-06-2023	9	15	137,200
22	Dr. Muhammad Ijaz	15-09-2022	31-01-2023	4	16	72,000
23	Dr. Nauman Anwar	15-09-2022	31-01-2023	4	16	25,200
24	Mirza Imran	9/2/2023	30-06-2023	4	21	60,000
25	Ms. Shaheen	9/2/2023	30-06-2023	4	21	30,000
26	Ms. Rumaisa Mariam	9/2/2023	30-06-2023	4	21	45,600
		Total				**4,379,600**

Audit observed that:

i. Management made appointments without advertisement of vacancies in the print media.
ii. The requisite selection criteria, i.e. educational qualification, experience, age limit were not prepared for short listing of the candidates.
iii. The minutes of the notified selection committee for short listing and selection of suitable candidates were not maintained.

iv. Selection without following the requisite procedure was irregular and non-transparent.

Audit is of the view that appointment of faculty without advertisement and without following prescribed procedure was irregular and non-transparent.

The management did not reply.

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

CHAPTER 14

HOUSING AND WORKS DIVISION

14.1 Introduction

Following functions have been assigned to the Ministry of Housing and Works as per Rules of Business, 1973 amongst the other functions:

i. Acquisition and development of sites, construction, furnishing and maintenance of Federal Government buildings, except those under the Defence Division.

ii. Provision of Govt owned office accommodation and residential accommodation for officers and staff of the Federal Government.

iii. Coordination of Civil Works Budget.

iv. Execution of Federal Government works.

v. 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.

vi. Land and buildings belonging to the Federation wherever situated, and revenues derived therefrom.

vii. Administration of the Federal Government Lands and Buildings (Recovery of Possession) Ordinance, 1965.

viii. Matters relating to the National Construction (Domestic) Limited.

ix. Administrative control of the National Housing Authority.

ATTACHED DEPARTMENTS/ AUTONOMOUS BODIES

1. Estate Office.
2. National Housing Authority
3. Office of the Director General, Pakistan Public Works Department.

Sr. No.	Description	Total No.	Audit ed	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY 2022-23) Rs. in million
1	Formations	2	1	382.477	-
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

14.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Housing and Works Division for the financial year 2022-23 was Rs. 7,160.11 million, out of which the Division expended an amount of Rs.4,791.73 million. Grant-wise detail of current and development expenditure is as under:

(Rupees in million)

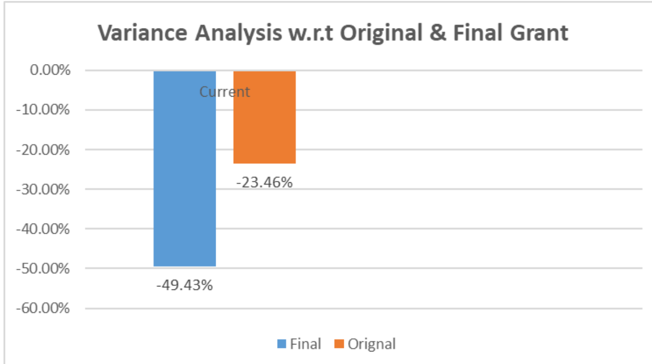
Grant No	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
50	Current	5,915.84	1,274.22	-29.95	7,160.11	4,791.73	-2,368.38	-49.43%

Audit noted that there was saving of Rs. 2,368.38 million, which was mainly due to saving 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, bifurcating total allocation into current expenditure, it was observed that there was 23.46% of saving w.r.t original grant which was increased to 49.43% w.r.t final grant.



14.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 8,058.41 million, were raised in this report during the current audit of **Housing and Works Division**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	
B	*Procurement related irregularities*	
C	*Management of account with commercial banks*	7,000.000
D	*Recovery*	108.945
E	*Internal Control*	949.468
4	Value for money and service delivery	
5	Others	

14.4Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2011-12	3	3	2	1	67
2012-13	1	1	0	1	-
2015-16	1	1	0	1	-
2017-18	2	2	0	2	-
2019-20	1	1	0	1	-
2021-22	7	7	6	1	86
2022-23	12	0	0	12	-
Total	**27**	**15**	**8**	**19**	-

14.5AUDIT PARAS

Ministry of Housing and Works

14.5.1 Unauthorized release of funds in commercial bank accounts of M/s Akhuwat Islamic Microfinance without obtaining approval of Accounting Procedure from Finance Division - Rs. 7.00 billion

Article 02(2.13) of the Agreement executed between Ministry of Housing and Works, Islamabad and M/s Akhuwat Islamic Microfinance (AIM) on 20.11.2019 for disbursement of interest free loans for Low-Cost Housing Schemes under Naya Pakistan Housing Authority Programme states that the AIM shall maintain two separate bank accounts: one for disbursement of loan and second for deposit of recovery of loan installments at head office level. However, the AIM may use its additional/subsidiaries bank accounts for disbursements and recoveries to ensure strong internal controls.

Article 02(2.14) of ibid agreement further states that the AIM shall reconcile main Recovery and Disbursement accounts (head office level) with the bank on a monthly basis within 30 days.

The Ministry of Housing and Works approached the Finance Division for vetting of the draft agreement before its finalization. In response, the Finance Division vide U.O No. 2(30) DFA(H&W)/2018-19 dated 27.07.2019, inter alia, raised observations on Article 02 (2.13, 2.14, 2.15, and 2.16) of the draft agreement as under:

Article No.	Remarks
2 (2.13)	• Detailed accounting procedure with regards to withdrawal of public money from the Federal Consolidated Fund and payment to the beneficiaries through AIM must be approved from Finance Division. Specifically, instead of commercial bank accounts for deposit/use of public money, payments to the beneficiaries through operation of lapsable assignment account is recommended in view of constitutional and codal provisions. For receipt of repayments of loan and further revolving the amounts, a fund account under the head of account "G-Liabilities" be opened under the public account for the project.
2.14, 2.15 2.16	• The allocated funds will be released by the Authority in the Assignment Account of AIM as per the agreed strategy whereas subsequent disbursement of amount to end-users will be in installments through crossed cheques.

	• The amount repaid by the beneficiaries as per the Amortization Schedule will be deposited in the public account which is non-lapsable and revolved as per requirements. • The trail of flow of funds from GoP to Akhuwat and onward disbursal to the eligible borrowers and backwards may be captured with a robust reporting reconciliation and monitoring regime.

The Ministry of Housing and Works released funds amounting to Rs. 7.00 billion in commercial bank accounts of M/s Akhuwat Islamic Microfinance (AIM) during financial year 2019-20 to 2020-21 as under:

S.No.	Cheque No.	Date	Amount (Rs.)
1	7663670	07.01.2020	1,000,000,000
2	7703968	05.03.2020	1,000,000,000
3	7890872	26.06.2020	1,000,000,000
4	8022609	12.02.2021	500,000,000
5	8225504	22.04.2021	1,500,000,000
6	8404497	04.06.2021	2,000,000,000
Total			**7,000,000,000**

The profit earned by the AIM since inception till 30.06.2023 was as under:

S.No.	Bank Account No.	Amount (Rs.)
1	20058447820155	58,621,546
2	20058447820178	22,462,301
3	50097918093052	14,974,096
4	50097918092852	5,179,930
Total		**101,237,873**

Audit observed as under:

i. The Ministry of Housing and Works released funds amounting to Rs. 7.00 billion in commercial bank accounts of M/s Akhuwat Islamic Microfinance (AIM) without obtaining approval of Accounting Procedure from Finance Division.

ii. The insertion of articles in Agreement regarding release of funds in bank accounts of AIM was not in accordance with the advice of Finance Division. Thus, undue favour was extended to M/s Akhuwat Islamic Microfinance in this regard.

iii. M/s Akhuwat Islamic Microfinance (AIM) did not reconcile main recovery and disbursement accounts as required under Article

02(2.14) of the Agreement as no Monthly Reconciliation Statement for the financial years 2019-20 to 2022-23 was provided to Audit.

Audit is of the view that release of funds amounting to Rs. 7.00 billion by the Ministry of Housing and Works in commercial bank accounts of M/s Akhuwat Islamic Microfinance (AIM) without obtaining approval of Accounting Procedure from the Finance Division was unauthorized.

The management replied that the funds were released with the concurrence of the Finance Division. The Service Agreement executed between M/o Housing and Works and M/s Akhuwat Islamic Microfinance (AIM) was approved by the Federal Cabinet in its meeting held on 22.10.2019. As per Article 2.13 of the Service Agreement the AIM shall maintain two separate Bank Accounts: one for disbursement of loan and second for deposit of recovery of loan installments at head office level. However, the AIM may use its additional / subsidiaries' bank accounts for disbursements and recoveries to ensure strong internal controls.

It is evident that the service agreement was approved by the Federal Cabinet in its meeting held on 22.10.2019 and it placed no restriction to release funds in Commercial Banks. As per agreement clause 2.14, the AIM shall reconcile main recovery and disbursement accounts (Head Office level) with the bank on a monthly basis within 30 days. However, all monthly reconciliation statements of disbursement and recovery accounts are available with AIM in its Head Office. If Audit requires, the same may be demanded for further submission to Audit.

The reply is not convincing. Nothing was explained about approval of accounting procedure before the release of funds. Funds were released in bank accounts of the AIM despite observations of Finance Division.

Audit recommends holding of inquiry against the persons at fault besides getting approval of Accounting Procedure from the Finance Division.

14.5.2 Unauthorized collection of management fee by M/s Akhuwat Islamic Microfinance - Rs. 949.468 million

Rule 19(ii) of GFR (Volume-I) states that as far as possible, legal and financial advice should be taken in the drafting of contracts and before they are finally entered into.

Rule-19(v) of GFR (Volume-I) states that no contract involving an uncertain or indefinite liability or any condition of an unusual character should be entered into without the previous consent of the Ministry of Finance.

Ministry of Housing and Works, Islamabad executed an Agreement with M/s Akhuwat Islamic Microfinance (AIM) on 20.11.2019 for the disbursement of interest-free loans for Low-Cost Housing Schemes under the Naya Pakistan Housing Authority Programme. The Agreement, inter alia, contained the following articles regarding recovery of the Management Fee from the borrowers:

Article-2(2.22) states that the AIM will receive Management Fee as mentioned in clause 3.4(i) of Article-3 from borrowers along with each instalment amount over the repayment period.

Articles-3.4(i) states that management fee will be received from the borrower @ 4.49% per annum on total disbursed amount.

Prior to execution of the agreement, the Ministry approached the Finance Division for vetting of draft Agreement. In response, the Finance Division vide U.O No.2(30) DFA (H&W)/2018-19 dated 27.07.2019 raised observations on Article 02(2) and 3.4(i) of the draft Agreement as under:

Article No.	**Remarks**
2.22	• The spirit of the project is disbursal of interest-free micro-lending, whereas, AIM would be paid for its management fee. Payment of management fee should be through an arrangement at head office level, in the light of disbursed amount, duly verified through bank outflows. • AIM should not enter into any installment structure with borrowers for sake of management fee. Payment of management, at head office level, will eliminate the confusion at borrowers' level and minimize potential for exploitation.
3.4(i)	• Management fee to be claimed from the authority, based on verified disbursed amount after due audit. Collection of management fees must not be made from the borrower by AIM or his sub-contractor.

M/s Akhuwat Islamic Microfinance (AIM) disbursed total loan of Rs. 1,1470,476,374 to applicants and collected Management Fee of Rs. 949,468,568 from the loanees up to 30.06.2023.

Audit observed that despite issuance of advice by Finance Division, the Ministry of Housing and Works did not make any arrangement for the collection of the Management Fee at the head office level after verification through bank and due audit. The Ministry allowed M/s Akhuwat Islamic Microfinance (AIM) to collect Management Fee of Rs. 949.468 million from the borrowers by setting aside the observation /advice of the Finance Division.

Audit is of the view that insertion of Article 2(2.22) and Articles 3.4(i) in the agreement regarding collection of management fee without the approval of the Finance Division is unauthorized.

The management replied that a meeting of Technical / Financial Advisor Committee on Low-Cost Housing under Naya Pakistan Housing Programme was held on 02.08.2019 in the Ministry of Housing and Works to discuss Finance Division's observations / recommendations on the draft Service Agreements between the Government of Pakistan and AIM. The meeting was also attended by the Joint Secretary, Finance Division. The observations/ recommendations of Finance Division were discussed. It was observed and agreed by all the participants that the recommendations were already in-built in the Operational Manual and were implicitly part of the draft agreement. With respect to Article 2.22, it was decided in the meeting that the management fee would be paid by the borrower. With respect to Article 3.4(i), it was decided in the meeting that since AIM was not demanding any Mobilization Advance, therefore, the same stood not relevant.

The reply is not convincing. The agreement was executed by setting aside the observation / advice of the Finance Division. No mechanism was devised at Ministry level for collection of the Management Fee.

Audit recommends that Ministry of Housing and Works should make necessary arrangements for collection of management fee instead of M/s Akhuwat Islamic Microfinance as per the advice of the Finance Division.

14.5.3 Non-deposit of markup into Government Account by M/s Akhuwat Islamic Microfinance - Rs. 90.362 million

Article-2(2.16) of the agreement dated 20.11.2019 executed between Ministry of Housing and Works and M/s Akhuwat Islamic Microfinance (AIM), Lahore states that the AIM shall remit (after deducting bank charges or applicable taxes, if any) the mark-up earned from the bank deposits of main Disbursement and Recovery accounts relating to the project to the Authority as and when demanded.

The Ministry of Housing and Works released funds amounting to Rs. 7.00 billion in commercial bank accounts of M/s Akhuwat Islamic Microfinance (AIM) during financial year 2019-20 to 2020-21 for Low-Cost Housing Scheme.

As per M/s Akhuwat Islamic Microfinance (AIM)'s letter No.CR-2023-00131 dated 15.07.2023 the markup of Rs. 101,237,873 was earned by the AIM on bank deposits as under:

(Rupees)

S. No.	Bank Account No.	Profit Earned since inception till 30.06.2023
1	20058447820155	58,621,546
2	20058447820178	22,462,301
3	50097918093052	14,974,096
4	50097918092852	5,179,930
Total		**101,237,873**

Out of the total markup of Rs. 101,237,873 the AIM deposited an amount of Rs. 10,875,000 into Government account vide cheque No. 25502158 dated 03.12.2021. Thereafter, no further amount of markup was deposited till 30.06.2023 by the company.

Audit observed as under:

i. M/s Akhuwat Islamic Microfinance (AIM) did not deposit the remaining markup of Rs. 90,362,872 into Government Account as per provision of the Agreement.
ii. Ministry of Housing and Works never asked the AIM to deposit the balance amount of mark up of Rs. 90.362 million into Government account which was retained outside the Public Exchequer for period of more than one and half year.

Audit is of the view that due to non-deposit of mark up of Rs. 90.362 million, the public exchequer was deprived of its due receipt, besides violation of the provision of Agreement by M/s Akhuwat Islamic Microfinance.

The management did not reply.

Audit recommends recovery of balance amount and deposit the same into Government account.

14.5.4 Irregular allotment of Federal Lodge-II Shami Road Peshawar to Office of Provincial Election Commissioner and non-recovery of rent thereof - Rs. 18.583 million

Rule-04 of Allotment of Semi-Permanent Accommodation in Federal Government Hostel Rules, 2019 states that Accommodation (except 48-Family suits) shall be allotted on semi-permanent basis to the Federal Government employees, holding substantive posts in BS-17 and above on regular basis, for the period and within the quota as specified.

Ministry of Housing and Works Islamabad vide letter No.F.10(2)/2020-Policy dated 22.07.2020 allotted Federal Lodge-II, Shami Road, Peshawar to Office of the Provincial Election Commissioner KPK, Peshawar and executed lease agreement w.e.f. 20.07.2020 for period of three years at monthly rent of Rs. 511,000. Ministry of Housing and Works further directed the Pak. PWD to take over the items relating to bedding and other accessories and safely store at Federal Lodge-I or for disposal before handing over the possession of building to the allottee.

The allottee department was required to make payment of monthly rent for the period w.e.f. 20.06.2020 to 30.06.2023 into Government Account as under:

(Rupees)

S.No.	Period	Rent per month	Rent recoverable
1	20.06.2020 to 30.06.2020	511,000	187,366
2	01.07.2020 to 30.06.2023 (36 months)	511,000	18,396,000
Total			**18,583,366**

Audit observed as under:

i. The allotment of Federal Lodge-II, Shami Road, Peshawar to Office of Provincial Election Commissioner for office accommodation was violation of Allotment of Semi-Permanent Accommodation in Federal Government Hostel Rules, 2019.

ii. Office of the Provincial Election Commissioner did not deposit the rent of the said building amounting to Rs. 18.538 million.

iii. The whereabouts of items taken over from Federal Lodge-II by Pak. PWD was not known to Audit.

iv. Handing over / taking over reports signed by the Pak. PWD and representative of Office of Provincial Election Commissioner, KPK Peshawar were not available in the Ministry. Therefore, Audit could not verify actual date of possession of the building by the allottee organization.

Audit is of the view that the allotment of Federal Lodge-II was made in violation of the above quoted rules. Due to non-recovery of outstanding rent the public exchequer was deprived of its due receipt.

The management did not reply.

Audit recommends recovery of outstanding rent besides taking appropriate action against the people responsible for the lapses.

CHAPTER 15

KASHMIR AFFAIRS AND GILGIT BALTISTAN DIVISION

15.1 Introduction

As per Schedule II [Rule 3 (3)] Distribution of Business among the Divisions read with Schedule III [rule 4(4)] Rules of Business 1973 (As amended up to 1st December, 2021) following main business have been assigned to the Division amongst the other functions.

1. Policy, Planning and Development for Gilgit-Baltistan.
2. Co-ordination with the Government of Gilgit-Baltistan and Gilgit-Baltistan Council.
3. Co-ordination with the Azad Government of the State of Jammu and Kashmir and the AJ&K Council.
4. Matters relating to the Settlement of Kashmir dispute, other than those falling within the purview of the Foreign Affairs Division.
5. Administration of Jammu and Kashmir State Property in Pakistan.
6. Processing of development schemes reflected in the PSDP of M/o Kashmir Affairs and Gilgit-Baltistan at the level of CDWP and ECNEC.
7. Co-ordination between the Federal Government Organizations and the Government of Gilgit-Baltistan and the Gilgit-Baltistan Council.
8. Mainstreaming population factor in development planning process, in Azad Jammu and Kashmir and Gilgit-Baltistan.
9. Management and distribution of Zakat and Ushr in Azad Jammu and Kashmir and Gilgit-Baltistan and the related and ancillary matters including distribution setup and monitoring and auditing thereof.

<u>ATTACHED DEPARTMENTS / AUTONOMOUS BODIES</u>

i. Administrator Jammu and Kashmir state properties Lahore.
ii. Gilgit Baltistan Council
iii. AJK Council

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY 2022-23) Rs. in million
1	Formations	3	2	178.319	
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

15.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Kashmir Affairs and Gilgit Baltistan Division for the financial year 2022-23 was Rs. 1,267.27 million, out of which the Division expended an amount of Rs.1,259.87 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

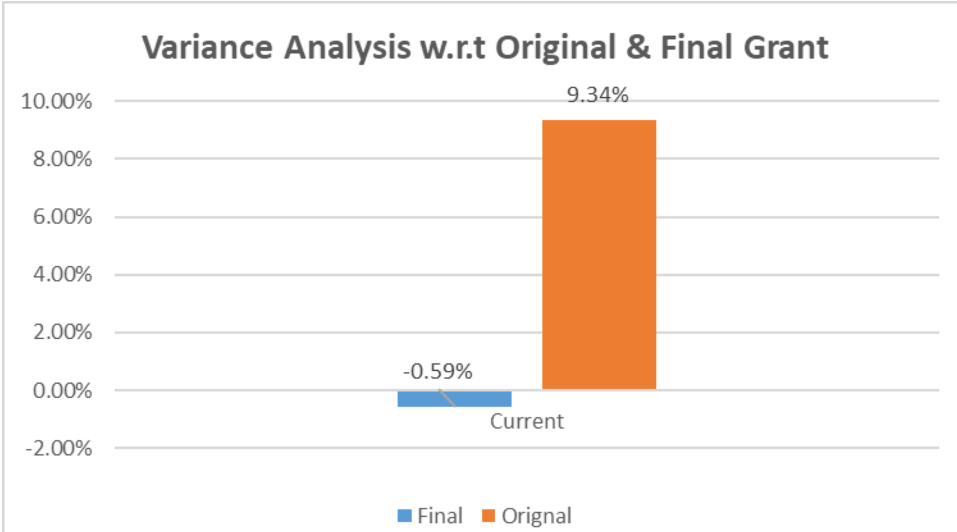
Grant No	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
63	Current	1,142.16	147.91	-22.80	1,267.27	1,259.87	-7.40	-0.59%

The audit noted that there was an overall saving of Rs.7.40 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, it was observed that, in the case of current grant, there was 9.34% excess w.r.t original grant which was finally become 0.59% saving w.r.t final grant.



15.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 105.59 million, were raised in this report during the current audit of Kashmir Affairs and Gilgit Baltistan Division. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	
B	*Procurement related irregularities*	
C	*Management of account with commercial banks*	6.946
D	*Recovery*	35.637
E	*Internal Control*	48.049
4	Value for money and service delivery	
5	Others	14.959

15.4 Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2011-12	4	4	2	2	50
2014-15	1	0	0	1	-
2016-17	5	0	0	5	-

2018-19	9	0	0	9	-
2019-20	10	0	0	10	-
2022-23	1	0	0	1	-
Total	**30**	**4**	**2**	**28**	**-**

15.5AUDIT PARAS

Ministry of Kashmir Affairs & Gilgit-Baltistan

15.5.1 Irregular maintenance of Special Purpose Funds - Rs. 6.946 million

Section 32(1) of Public Finance Management Act, 2019 states that if monies have been appropriated by the National Assembly for a fund established under any law or with the approval of the Federal Government, the Finance Division shall notify rules or regulations and issue directives for the management and control of such a fund. Any statutory instrument shall-

i. State the purposes for which the special fund has been established.
ii. Identify the principal accounting officer responsible for its operations; and
iii. Specify that the cash balances of such funds shall form part of the Public Account of the Federation.

Section 32(2) of Public Finance Management Act, 2019 states that where the Federal Government is satisfied that either:

i. The purposes for which any special fund was established have been fully served; or
ii. It is in the public interest to wind up a special fund, it shall notify dissolution of the said special fund and any credit balances in such fund shall be transferred to the Federal Consolidated Fund. An evaluation report and regulation of such funds shall be notified by the Finance Division.

The management of Ministry of KA&GB is maintaining following funds:

i. Prime Minister's Welfare Fund for grant of stipends to the students from State of Jammu and Kashmir under NBP Account No.

3001108033; an amount of Rs 6,946,187 was disbursed during 2021-22.

ii. The Prime Minister's Welfare Fund for J & Kashmir Refugees through NBP under Account No. 4001131873; an amount of Rs 300,000 was disbursed during 2021-22.

Audit observed that rules and regulations for the management and control of Funds were not approved / notified by the Finance Division.

Audit also observed that no record was available regarding creation of these Funds before promulgation of PFM Act, 2019.

Audit is of the view that maintenance of Funds without approval of rules and in the absence of record relating to approval/creation thereof was irregular.

The management replied that in the compliance of the O.M No. WR-4(2)/83 dated 08.08.1984, the Bank account titled ''Prime Minister's Welfare Fund'' at NBP, "S" Block, Pak Secretariat, Islamabad was opened on 30.08.1992 for granting the stipends to the students of AJ&K & Refugees completing all the codal formalities. After the lapse of 30 years the record is not available because the record falls in "C" Category of record, under which the record is maintained only for 03 to 09 years vide retention schedule of the Secretariat Instructions. The matter will be taken up with the Finance Division in the light of Section 32 of PFM Act, 2019.

The reply is not relevant as rules / regulations governing the funds do not fall in C category of record. The fund is being operated without approved rules / regulations which is an irregularity.

Audit recommends that rules and regulations for the management and control of these Funds be framed and approved from Finance Division.

Special Audit of Jammu and Kashmir States Property, Lahore

15.5.2 Illegal construction of residential society 'Jammu and Kashmir Garden'

Rule 3B (2) of Jammu & Kashmir (Administration of Property) Rules, 1961 states that if the tenant desires to change the purpose of tenancy due to change in category or nature of land because of urbanization or development and to use the agriculture land or residential properties for residential or commercial purposes and to make construction thereon accordingly he shall apply to the Administrator.

Rule 3B(3) of Jammu & Kashmir (Administration of Property) Rules, 1961 states that on application under sub-rule (2) the Administrator may grant the permission subject to the following conditions, namely:- a) In case of change of use from agricultural to commercial due to urbanization, a committee comprising of the Administrator, Administrative Officer (Admin) and Patwari of the Office of the Administrator shall determine the magnitude of the area that has to be converted with the approval of the Management Committee of the J&K State Property. Provided that property up to a maximum of one kanal may be allowed to be used for commercial purpose and the rest of holding should be surrendered to the department

The J&K State Property have 2325 Acres land situated at villages of Sultan-Pura and Rehman-Pura, Jalo, Lahore. Land measuring 156 Kanal under Khata No. 16 and 63 situated at village Rehmanpura, Lahore. The land was under the tenancy of Mst. Zahida Begum and Mr. Ali Hassan & Humayun Jahangir.

Audit observed as under:

i. An illegal society namely 'Awan Garden' was established at Khasra No. (509, 661, 665, 659, 660, 662, 666, 667, 511, 512, 513 and 508) 10.01.2019.

ii. As per Note of Deputy Secretary, Mst Shumail (Zahida Begum) and others had given their consent and commitment on 10.05.2019 during the hearing of the case by the Rent Enhancement committee to restore the land to its original position within 4 weeks, and that the land was only used for agriculture purpose without changing the status of the land.

iii. As per affidavit submitted by Mst Zahida Begum she had sold the land to Mr. Waseem Ahmed Khan and received the amount.

iv. The land measuring 100 Kanal was transferred in the name of Mr. Waseem Ahmed on 22.07.2017 and 56 Kanal 8 Marla to Mr. Muhammad Shafiq without changing the status of land as agricultural land, as per commitment of the original lessees.

v. The new lessees, i.e. Mr. Waseem Ahmed and Mr. Muhammad Shafiq applied for change of status of the land as almost 100 Kanal land was already developed as a housing scheme due to which the management changed the status of the land and changed the name of the society from 'Awan Garden' to 'Jammu and Kashmir Garden'.

vi. On new agreements, official stamp of 'Jammu Kashmir Garden' was affixed dated 11.02.2021.

Audit is of the view that giving legal status to an illegal housing society without the approval of the Management Committee was unauthorized.

The management replies that land measuring 156 kanal bearing khasra Nos. 508 to 513, 600, 661, 662, 666 to 667 situated at Village Rehmanpura was under tenancy of Mst. Zahida Begum, Ali Hassan and Humayun Jahangir @ Rs. 120/- per/acre/annum. On receipt of information regarding unauthorized construction of houses by the illegal occupant in the name of Awan Garden immediate action was taken by demolishing the construction with the help of local administration in January, 2019. However, an illegal occupant namely Imran Mir obtained status quo from the court of law. It may also be noted that the illegal occupant filed four cases against the department on this issue in different courts of law. The legal branch of this office had got the status quo vacated from the concerned court and the department is still vigorously pursuing the case related to the said property.

Later on, tenancy of above land was changed in favor of. M/s Waseem Ahmad Khan & Muhammad Shafique w.e.f. 01.07.2019 @ Rs. 7,000/- per/acre/annum vide agreement dated 22-07-2019, resulting in an increase in the Government revenue from Rs.2,400 to Rs.137,244/- per annum on restoring to its original status, i.e. agricultural land, besides depositing of transfer fee amounting to Rs.50,000/- Later, on the request of the tenants the status of the land measuring 100-kanals was changed from Agriculture to Residential @ Rs.56,000/- per acre/annum amounting to Rs.700,000/- and rest of 56-Kanal remains on agriculture status.

During DAC meeting held on 12.06.2023 and 21.06.2023 it was informed that a fact-finding inquiry had been conducted by the Ministry which has established that change of land use and consequent contracts were without any lawful authority and were therefore without any legal effect. The inquiry report therefore, recommended criminal and administrative proceedings. The DAC recommended that the fact-finding inquiry report may also be shared with the Audit.

The DAC further recommended that the illegal residential units or the so-called housing society namely Jammu & Kashmir Garden may be demolished along with cancellation of lease agreements. It was also recommended that criminal and departmental proceedings may be taken to their logical end within the next two months. The DAC recommended that subject Para may be placed before the PAC for final decision.

Audit recommends that the decision of the DAC may be implemented.

15.5.3 Illegal sale of property of four (04) Kanal at Sultanpura

Rule 3B (2) of Jammu & Kashmir (Administration of Property) Rules, 1961 states that if the tenant desires to change the purpose of tenancy due to change in category or nature of land because of urbanization or development and to use the agricultural land or residential properties for residential or commercial purposes and to make construction thereon accordingly he shall apply to the Administrator.

Rule 3B(3) of Jammu & Kashmir (Administration of Property) Rules, 1961 states that on application under sub-rule (2) the Administrator may grant the permission subject to the following conditions, namely:- a) In case of change of use from agricultural to commercial due to urbanization, a committee comprising of the Administrator, Administrative Officer (Admin) and Patwari of the Office of the Administrator shall determine the magnitude of the area that has to be converted with the approval of the Management Committee of the J&K State Property.

Provided that such property shall be up to a maximum of one Kanal may be allowed to be used for commercial purpose and the rest of holding should be surrendered to the department.

The Administrator, J&K State Property awarded tenancy of land situated in Khasra No. 2-min, 3-min and 17 mint mouza Sultanpura, Lahore to M/s Mian Imtiaz Ali & Mian Zaheer-ud-din Babar on 23.08.2001 as per following details:

i. Kanal 12 Marla (Commercial) @ Rs. 1,800 per Kanal per month
ii. Kanal 18 Marla (Residential) @ Rs. 400 per Kanal per Annum

Audit observed as under:

i. Out of total land 4 Kanals were sold by Mr. Mian Imtiaz Ali (one of the owners) @ Rs. 400,000 to Mr. Rashid Ali on 15.08.2008.
ii. The lease was transferred to Mr. Rashid Ali without any permission from the other owner, i.e. Mian Zaheer-din Baber. As per the statement of rent collector Mian Zaheer-ud-Baber disowned the property but in the original file there is no proof of this statement.
iii. Mr. Rashid Ali purchased the remaining land from different persons and total land was transferred in the name of Mr. Rashid Ali by the Administrator, J&K State Property.

Audit is of the view that original lessee sold the land illegally and the management transferred the land in the name of new tenant illegally without the approval of the Management Committee.

The management replied that M/s Mian Imtiaz Ahmed and Zaheer-ud-Din Babar submitted an application on 15.08.2001 and stated that an area of 5-Kanal and 10-Marla of government land was under the occupation of encroachers. They requested that the said land may be allotted to them for rent and they will get the land vacated from the illegal occupants.

The Administrator considered their application and allotted an area measuring 3-Kanal and 18-Marla on rent @ Rs.1800/- per kanal per annum. Now the department is receiving income from this land @ Rs. 333,475/- per annum. It is worth mentioning that Government of Pakistan had imposed complete ban on sale of J&K State properties since 1986.

The DAC held on 12.06.2023 and 21.06.2023 recommended the management to cancel tenancy and ensure fresh leasing on the basis of competitive bidding. The DAC also recommended departmental proceedings against the delinquents.

Audit recommends that the decision of the DAC may be implemented.

15.5.4 Illegal construction on agricultural land Property No. 109

Rule 3B (2) of Jammu & Kashmir (Administration of Property) Rules, 1961 states that if the tenant desires to change the purpose of tenancy due to change in category or nature of land because of urbanization or development and to use the agricultural land or residential properties for residential or commercial purposes and to make construction thereon accordingly he shall apply to the Administrator.

Rule 3B(3) of Jammu & Kashmir (Administration of Property) Rules, 1961 states that on application under sub-rule (2) the Administrator may grant the permission subject to the following conditions, namely:- a) In case of change of use from agricultural to commercial due to urbanization, a committee comprising of the Administrator, Administrative Officer (Admin) and Patwari of the Office of the Administrator shall determine the magnitude of the area that has to be converted with the approval of the Management Committee of the J&K State Property.

Provided that such property shall be up to a maximum of one kanal may be allowed to be used for commercial purpose and the rest of holding should be surrendered to the department

Administrator vide Notice dated 27.11.2020 states that Mr. Mian Abbas was making illegal construction on agricultural land of this office land situated at mouza Rehmanpura, Lahore.

On 05.02.2021 Mr. Abbas Ali admitted that he had started construction of the boundary wall and House at Property No. 109 and requested to change the status from agricultural to residential purpose.

The management entered into agreement dated 30.03.2021 with Mr. Mian Abbas with the condition for use of land only for residential purpose and to allow raising of superstructure on the land in form of residential units, fix and realize the rent thereof, and also transfer the lease-hold rights in accordance with the procedure.

Audit observed as under:

i. Mr. Mian Abbas Ali started construction of house on agriculture land but instead of cancellation of lease and further lease through open competition the management changed the status of the agricultural land to favor Mr. Mian Abbas in violation of rules.

ii. On 25.08.2021 the change of status from agriculture to residential was cancelled but the property was further divided into 18 units which were transferred in the name of new tenants by the Administrator before 25.08.2021 and 6 units were transferred after 25.08.2021.

Audit is of the view that change of status of property by Administrator without the approval of the Management Committee was unauthorized.

The management replied that Administrator J&K State Property was authorized to change the status of property from agricultural to residential as per rule 3B (2) and 3B (3) of J & K Administration of Property Rules, 1961. The matter of changing the status of the said land is pending with the Joint Secretary, KA & GB for a final decision.

The DAC held on 12.06.2023 and 21.06.2023 recommended early completion of the appeal process. The DAC also recommended reversal of all transfers after the cancellation. The DAC further recommended action against the persons responsible for transfer of property after the cancellation.

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

15.5.5 Illegal sale of property No.65, Sultan-Pura

Rule 3B (2) of Jammu & Kashmir (Administration of Property) Rules, 1961 states that if the tenant desires to change the purpose of tenancy due to change in category or nature of land because of urbanization or development and to use the agricultural land or residential properties for residential or commercial purposes and to make construction thereon accordingly he shall apply to the Administrator.

Rule 3B(3) of Jammu & Kashmir (Administration of Property) Rules, 1961 states that on application under sub-rule (2) the Administrator may grant the permission subject to the following conditions, namely:- a) In case of change of use from agricultural to commercial due to urbanization, a committee comprising of the Administrator, Administrative Officer (Admin) and Patwari of the Office of the Administrator shall determine the magnitude of the area that has to be converted with the approval of the Management Committee of the J&K State Property.

Provided that such property shall be up to a maximum of one kanal may be allowed to be used for commercial purpose and the rest of holding should be surrendered to the department.

Property No 65 (8 Marla commercial) was allotted to Mr. Mia Imtiaz Ali in which he sold shop No 21 on 3.2.2006 to Mr. Kismat Zada at amount Rs. 90 per Marla and development charges Rs. 100,000; Shop Nos. 25 and 26 dated 30.4.2006 to Mr. Muhammad Ramzan at amount Rs. 200 per Marla and development charges Rs. 200,000; and on 06.04.2006 shop No 24 to Mr. Abid Tanveer at Rs. 90 per marla and development charges Rs. 140,000 with all rights of further construction. Mr. Abid Tanveer on 07.02.2008 again sold shop No 24 to Mr. Shahbaz Ahmad at Rs. 240,000.

Mr. Muhammad Ramzan on 10.9.14 sold shop no 25 and 26 to Mr. Muhammad Shafiq-ur-Rehman at Rs. 350,000 each; Mr. Muhammad Shafiq-ur-Rehman on 5.12.2015 further sold the same shops to Mr. Sayeed Ahmed Rs. 700,000 each. Mr. Muhammad Ramzan dated 18.3.2017 sold shop to Mr. Usman Butt at Rs.700,000 with all rights of use and further construction.'

The audit observed that property was divided into 13 shops/units and sold at market value without approval from lessor i.e. M/s Jammu and Kashmir State Properties, Lahore in violation of rules and agreement and without approval from the Management Committee.

Audit is of the view that division of property and further selling at market rate and payment of nominal amount of rent to Jammu and Kashmir State Properties, Lahore put significant loss to public exchequer.

Audit is also of the view that instead of agreements with new tenants the lease with the original lessee should be canceled as provided in the agreement as the lessee cannot sell the property to anyone.

The management replied that M/S Mian Imtiaz Ahmed and Zaheer-ud-Din Babar submitted an application on 15.08.2001 and stated that an area of 5-Kanal and 10-Marla of government land was under the occupation of encroachers. They requested that the said land may be allotted to them for rent and they will get the land vacated from the illegal occupants.

The Administrator considered their application and allotted an area measuring 3-Kanal and 18-Marla on rent @ Rs. 1800/- per kanal per annum. Now the department is receiving income from this land @ Rs. 333,475/- per annum. Zaheer-ud-Din Babar and Mian Imtiaz Ahmed constructed the shops from their own pocket and rented them out to the different persons receiving the cost of structure. After the death of above tenant, sitting tenants of shops requested the department that they were willing to pay the rent to the department on the condition that tenancy of shops may be transferred to them.

The DAC held on 12.06.2023 and 21.06.2023 recommended cancellation of the tenancy and holding of inquiry for fixing the responsibility.

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

15.5.6 Illegal award of tenancy and further transfer of property No. 104

Rule 3B (2) of Jammu & Kashmir (Administration of Property) Rules, 1961 states that if the tenant desires to change the purpose of tenancy due to change in category or nature of land because of urbanization or development and to use the agricultural land or residential properties for residential or commercial purposes and to make construction thereon accordingly he shall apply to the Administrator.

Rule 3B(3) of Jammu & Kashmir (Administration of Property) Rules, 1961 states that on application under sub-rule (2) the Administrator may grant the permission subject to the following conditions, namely:- a) In case of change of use from agricultural to commercial due to urbanization, a committee comprising of the Administrator, Administrative Officer (Admin) and Patwari of the Office of the Administrator shall determine the magnitude of the area that has to be converted with the approval of the Management Committee of the J&K State Property.

Provided that such property shall be up to a maximum of one kanal may be allowed to be used for commercial purpose and the rest of holding should be surrendered to the department.

On 27.11.2020, the Administrator served notice to Mr. Zaheer Khan S/o Faqir Muhammad Khan that he had illegally occupied the agricultural land measuring 21 Kanal 9 Marla situated at Mouza Sultanpura, Lahore. On 19.11.2020, Mr. Zaheer Khan applied for allotment of 21 Kanal 9 Marla as he had the possession of the said land. On 14.12.2020 Patwari of the Area reported that the land is vacant and nobody had physical possession of the land. On 08.01.2021, the land was leased to Mr. Zaheer Khan for residential purposes only as per orders of the Administrator.

The management entered into agreement dated 19.01.2021 that land of 17 Kanal was allotted for Residential/Commercial purpose and allowed Mr. Zaheer Khan to construct residential/commercial units on the department land and fix and realize the rent, and also transfer the lease-hold rights in accordance with the procedure. On 28.06.2021, Mr. Zaheer Khan applied for change of status of 12 Marlas from residential to Commercial. Rent Collector submitted the proposal for change of residential land to commercial land on which the Rent Inspector objected that: 'How does the law of the department allow in this regard to make residential land to commercial?' but the Administrator approved the proposal of rent collector on 09.07.2021.

Audit observed as under:

i. The land should be allotted on the basis of an open auction as Mr. Zaheer Khan was not in possession of the land at the time of allotment as per reports and order of the Administrator.
ii. The tenant sold almost 16 Kanal to 10 different persons and the management changed the tenancy in the name of new lessees illegally.
iii. The land was allotted for residential purpose only as per orders of the Administrator but at the time of agreement commercial purpose was also included illegally.
iv. After observing the mistake in the agreement, the management again entered into two new agreements with Mr. Zaheer Khan, one for 17 Kanal (Residential) and 12 Marla (Commercial) on 11.03.2022 and 10.03.2022, respectively.

Audit is of the view that allotment of land and change of status without approval of the Management Committee and further transfer was illegal and without any law.

Audit is also of the view that lessee was given undue favor at the cost of the government.

The management replied that the land measuring 17 kanal situated at Sultanpura, Lahore, was lying vacant. Irrigation Department, Government of Punjab and Anti-Narcotics Force time and again tried to illegally occupy the above land. Furthermore, there was also a dispute regarding ownership of subject land between the Irrigation Department, Govt. of Punjab and J&K State Property.

In order to safeguard the valuable property of the government from illegal encroachers, it was leased out to Mr. Zaheer Khan on his own request and in the best interest of the department. Furthermore, the Irrigation department filed an appeal before the Commissioner Lahore for ownership of land which was contested by the department, and it was decided in favor of J&K State Property.

On 08.01.2021, on the request of the tenant, the status of the above land changed from agricultural to residential as per the J&K State Property Rules 1961. The department entered into agreement with Mr. Zaheer Khan and allotted him an area measuring 17 Kanal on rent for residential purpose @ Rs.600/- per Marla per annum which comes to Rs.204,000/- per annum.

On 28.06.2021, Mr. Zaheer Khan applied for change of status of 12 Marlas from residential to commercial and agreed to pay the rent at commercial rate of Rs.1,094/- per Marla per annum, which was accepted.

The land was rented out in line with Rule 3B (2) and 3B (3) in the interest of the department for raising its income from the piece of land which was lying vacant and to protect Government land from illegal occupation.

The DAC held on 12.06.2023 and 21.06.2023 recommended that documentary evidence for legal transfer of tenancy as per rules may be shared with the Audit.

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

15.5.7 Illegal construction on agricultural land Property No. 111

Rule 3B (2) of Jammu & Kashmir (Administration of Property) Rules, 1961 states that if the tenant desires to change the purpose of tenancy due to change in category or nature of land because of urbanization or development and to use the agricultural land or residential properties for residential or commercial purposes and to make construction thereon accordingly he shall apply to the Administrator.

Rule 3B(3) of Jammu & Kashmir (Administration of Property) Rules, 1961 states that on application under sub-rule (2) the Administrator may grant the permission subject to the following conditions, namely:- a) In case of change of use from agricultural to commercial due to urbanization, a committee comprising of the Administrator, Administrative Officer (Admin) and Patwari of the Office of the Administrator shall determine the magnitude of the area that has to be converted with the approval of the Management Committee of the J&K State Property.

Provided that such property shall be up to a maximum of one kanal may be allowed to be used for commercial purpose and the rest of holding should be surrendered to the department.

Administrator vide Notice dated 27.11.2020 states that Mr. Nazar Iqbal Bawa was making illegal construction of the agricultural land of this office land situated at Mouza Sultanpura, Lahore.

On 22.03.2021 Mr. Nazar Iqbal admitted that he had started construction of plots at Property No. 111 and requested to change the status from agriculture to Residential purpose and requested to transfer the Khata 34 Kanal 11 Marla in the name of Nazar Iqbal, 3 Kanal 10 Marla in the name of Liaqat Ali and 4 Kanal in the name of Tasleem Iqbal. The Administrator, J&K on 08.04.2021 approved the request of Mr. Nazar Iqbal.

The management entered into agreements dated 08.04.2021 with all three persons with the condition for use of land only for residential purpose and allow to raise superstructure on the land in the form of residential units, fix and realize the rent thereof, and also transfer the lease-hold rights in the accordance with the procedure.

Audit observed that Mr. Nazar Iqbal started construction of plots illegally on agricultural land but instead of cancellation of lease and further lease through open competition, the management changed the status of the agricultural land in favor Mr. Nazar Iqbal in violation of rules and without approval of the Management Committee.

Audit also observed that as per ‘khata register’ of J&K State Property the land is still being used as agricultural land.

The management replied that property No. 111 is in the tenancy of Mr. Nazar Iqbal Bawa who sought permission for construction of superstructure and admitted raising the rent to Rs. 259,125/- instead of Rs. 519/- per annum. The tenancy of 34-Kanal 11-Marla was transferred to Nazar Iqbal, 3-Kanal 10-Marla to Liaqat Ali and 4-Kanal to Tasleem Iqbal @ 7,000/- per Kanal per annum in the light of Rule 3B (2) and 3B(3). The tenancy has been transferred in the interest of the department.

The DAC held on 12.06.2023 and 21.06.2023 recommended to cancel the tenancy as per observation of audit and inquiry be conducted to fix the responsibility.

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

15.5.8 Non-recovery of arrears from defaulters at Village Purab – Rs. 27.012 million

Section 5(c) of J&K State Property Ordinance, 1961 states that any sum due, whether as rent or otherwise, in respect of any of the aforesaid properties, if not paid within the time specified by the Administrator, shall be recoverable as arrears of land revenue.

The Administrator, J&K State Property rented out agriculture land of village Purab to 60 tenants during 2016.

Audit observed that an amount of Rs. 27.012 million was not recovered from 41 tenants.

Audit is of the view that non-recovery of rent amount was irregular and deprived the department of the benefit of its due receipts.

The management replied that the matter was referred to District Collector Sheikhupura for recovery of arrears of ‘lagan’ amounting to Rs. 27.012 million from the contractors of Village Purab, Tehsil Muridke, District Sheikhupura.

District Collector Sheikhupura has repeatedly been requested for the recovery of arrears of lagan, but no positive response has been received so far.

The DAC held on 12.06.2023 and 21.06.2023 recommended that efforts may be made to recover the outstanding amount as per law. The audit also requested to share the efforts made by the department for recovery of arrears.

Audit recommends that arrears should be recovered and deposited into the government account.

15.5.9 Illegal encroachment on agricultural land at Sultanpura and Rehmanpura

Rule 3(d) of Jammu & Kashmir (Administration of Property) Rules, 1961 states that the Administrator may, for any purpose connected with, or incidental to, the administration and management of the property;- (a) Enter into any transaction or agreement; (b) Execute any contract or document or other instrument; (c) Receive and give full and effectual discharge for or in respect of any property or any money received or liabilities incurred; (d) Take necessary steps, having regard to the provisions of Sub-Section- (3) of Section-3, for taking possession and assuming control of any property, for summarily evicting any person in unauthorized construction on any property;

The J&K State Property have 2325 Acres land situated at villages of Sultanpura and Rehmanpura, Jallo, Lahore.

Audit observed that out of total land of 2325 acres there was encroachment on 361 Kanal at Sultanpura and 118 kanal 10 Marla at Rehmanpura.

Audit is of the view that due to non-monitoring of land the encroachment occurred.

The management replied that this office requested the Deputy Commissioner Lahore to take legal action against the illegal occupants and illegal construction may be demolished through local Administration. The local administration along with the field staff of this office carried out a complete survey of illegal constructions but no further action has been taken in this regard so far.

The DAC held on 12.06.2023 and 21.06.2023 directed that all encroachments may be removed using all available resources including district administration and law enforcement agencies.

Audit recommends that all encroachment should be removed as per the provisions of the Ordinance.

15.5.10 Irregular release of Security at village Purab - Rs 7.500 million

Clause 14 of Lease Agreement the security/CDR amount of Rs. 750,000 deposited by the lessee at the time of bidding with the lessor will be retained till expiry of lease.

The management of Jammu and Kashmir State Properties, Lahore leased 10 lots at village Purab, Tehsil Muridke, District Sheikhupura at C.D.R amounting to Rs. 750,000 each lost to following lessors. Details are as under:

Sr.No	Lesser	Lot No. (A-K-M)
1.	Nabi Ahmad S/o Khursheed Ahmad	1 (51-2-15)
2.	Zulfiqar Ali S/o Wakeel Ahmad	2 (87-01-03)
3.	Muhammad Asif S/o Muhammad Yousaf	3 (89-04-17)
4.	Usama Qamar S/o Qamar-ul-Zaman	4 (94-00-11)
5.	Imran Ali S/o Riaz	5 (81-03-05)
6.	Rehmat Ali S/o Gulzar Ahmad Khan	6 (94-06-00)
7.	Mahmood Ahmad S/o Mushtaq Ahmad	7 (94-00-04)
8.	Rana Khalil-ur-Rehman S/o Nawab	8 (86-03-13)
9.	Syed Iqbal Hussain Shah S/o Bashir Shah	9 (79-03-12)
10.	Muhammad Sohail S/o Muhammad Jameel Khan	10 (78-03-00)

Audit observed that management released security deposit amounting to Rs. 7,500,000 (750,000 x 10) to lessee before completion of contract period of 3 years.

Audit is of the view that release of security deposit before completion of contract period was unauthorized.

The management replied that the said lots were leased out and received C.D.R amounting to Rs. 750,000 against each lot as security to different lessees. The contractors of village purab submitted an application stating that due to financial crises they were not in position to deposit the amount of lagan and requested to adjust the security deposit in the lagan.

The Deputy Administrator who was working as Administrator on a current charge basis allowed them to adjust the C.D.R.

The DAC held on 12.06.2023 and 21.06.2023 directed to conduct an inquiry to fix the responsibility.

Audit recommends that the matter may be inquired into to fix the responsibility and outcome may be shared with the Audit.

15.5.11 Illegal sale and change of status of agricultural land into commercial land – Rs. 25.000 million

Rule 3B (2) of Jammu & Kashmir (Administration of Property) Rules, 1961 states that if the tenant desires to change the purpose of tenancy due to change in category or nature of land because of urbanization or development and to use the agricultural land or residential properties for residential or commercial purposes and to make construction thereon accordingly he shall apply to the Administrator.

Rule 3B(3) of Jammu & Kashmir (Administration of Property) Rules, 1961 states that on application under sub-rule (2) the Administrator may grant the permission subject to the following conditions, namely:- a) In case of change of use from agricultural to commercial due to urbanization, a committee comprising of the Administrator, Administrative Officer (Admin) and Patwari of the Office of the Administrator shall determine the magnitude of the area that has to be converted with the approval of the Management Committee of the J&K State Property.

Provided that such property shall be up to a maximum of one kanal may be allowed to be used for commercial purpose and the rest of holding should be surrendered to the department.

Muhammad Asif Khan S/o Muhammad Sadiq Khan constructed dairy farm on agricultural land 8 kanal 15 Marla Khasra No. 1863, Sultanpura in 2011.

Mr. Asif Khan sold the land to Mr. Amir Kamal Raja at a cost of Rs. 25.000 million on 13.10.2015.

Mr. Nusrat Kamal Raja, father of Mr. Amir Kamal Raja applied that he had the physical possession of agriculture land and running a dairy farm and requested to change the status of the agriculture land to residential land.

Administrator, J&K vide order dated 26.03.2021 allowed the change of status of agricultural land into residential land without considering that the state land cannot be sold to another person. Instead of cancellation of the lease the status of the land was changed from agricultural to residential without the approval of the Management Committee.

Audit is of the view that agriculture land which was already used for commercial purpose and change of its status from agriculture to commercial was unauthorized.

Audit is also of the view that selling of J&K State property was not covered under any rule which should be cancelled and re-leased through open auction.

The management replied that the tenant, Mr. Amir Kamal Raja, applied for a change in use of land from agriculture to residential. Administrator, J&K vide order dated 26.03.2021 allowed the change of status of agricultural land into residential land in line with rule 3B (2) and 3B(3) of J& K (Administration of Property) Rules, 961.

The DAC held on 12.06.2023 and 21.06.2023 recommended that relevant records be shared with the Audit.

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

15.5.12 Non-recovery of arrears from tenants – Rs. 8.625 million

Section 5(c) of J&K State Property Ordinance, 1961 states that any sum due, whether as rent or otherwise, in respect of any of the aforesaid properties, if not paid within the time specified by the Administrator, shall be recoverable as arrears of land revenue.

Administrator, J&K State Property rented out its property to different tenants at Lahore.

The audit observed that an amount of Rs. 8.625 million was not recovered as rent from the tenants.

Audit is of the view that non-recovery of rent deprived the department of the benefit of its due receipt.

The management replied that accumulation of arrears and their recovery was a continuous phenomenon. Concerned field staff have been strictly directed to recover the arrear up to 30.06.2023 failing which strict action will be taken against them. It is worth mentioning here that the amount of Rs. 6.397 million has been recovered out of the above-mentioned amount. As soon as the arrears are fully recovered, the audit will be informed accordingly.

The DAC held on 12.06.2023 and 21.06.2023 recommended that the recovery of remaining amount be ensured on priority.

Audit recommends that arrears should be recovered, and notices should be issued to defaulter for ejectment from the property.

15.5.13 Loss due to non-deduction of tax on advertisement - Rs. 15.549 million

Section 153(1) states that every prescribed person making a payment in full or part including a payment by way of advance to a resident person or (a) for the sale of goods; (b) for the rendering of or providing of services; (c) on the execution of a contract, other than a contract for the sale of goods or the rendering of or providing services, shall at the time of making the payment, deduct tax from the gross amount payable (including sales tax, if any) at the rate specified in Division III of Part III of the First Schedule.

The management of Jammu and Kashmir State Property, Lahore incurred an expenditure on advertisement during 2018-22. Details are as under:

(Rupees)

Sr .No	Year	Amount Rs.
1.	2018	234,935
2.	2019	9,565,339
3.	2020	35,271,375
4.	2021	35,953,044

5.	2022	16,161,580
Total		**97,186,273**

Audit observed that the management paid advertisement charges without deducting tax amounting to Rs. 15.550 million.

Audit is of the view that due to non-deduction of tax amounting to Rs. 15,549,804 the government was deprived of the benefit of its due revenue.

Audit is also of the view that the suppliers were favored by not deducting tax from payments.

The management replied that the amount mentioned by the audit team had been miscalculated. On total expenditure of Rs. 74,904,632 an amount of Rs. 3,181,568 @ 4.5% was deducted as income tax.

The reply was not accepted because audit objected to non-deduction of sales tax on service only.

The DAC held on 12.06.2023 and 21.06.2023 directed that the record of payment by the Ministry and deduction of the sales tax be shared with the Audit.

Audit recommends that amount may be recovered and deposited into Government Treasury and matter may be inquired to fixed responsibility.

15.5.14 Irregular execution of development project 'Construction of Muridke Road, Sheikhupura' - Rs. 14.959 million

Planning and Development Division letter No. 21(2-Gen) PIA/PC/2004 dated 18.12.2004 states that the autonomous organizations whether commercial or non-commercial having Board by whatever name called, should be competent to sanction their development schemes with 100% self-financing with no government guarantee and involving less than 25% foreign exchange / foreign assistance. A Development Working Party should be constituted by each organization and notified to consider and approve their self-financed projects. The Development working party should be headed by the Chairman/Head of the Organization and among others, should include representatives of the Planning and Development

Division, Finance Division and the concerned Ministry/Division each not below the rank of Joint Secretary.

The DDWP meeting held on 20.02.2018 approved the development scheme titled ‘Rehabilitation/Construction of Metaled Road from Village Purab to Kot Pindi-Das Tehsil Muridke, Sheikhupura 2.3 KM’ at a cost of Rs. 14.959 million.

The Administrator, Jammu and Kashmir State Property, Lahore awarded a contract to M/s Chaudhary Enterprises for “Rehabilitation/construction of Metaled Road from village to Kot Pindi Das Muridke Road, Sheikhupura” on 30.03.2018.

Audit observed as under:

i. There was no member from the Planning Division in DDWP meeting in violation of the instruction of the Planning Division.
ii. The road which was constructed was not the property of the J&K State Property.
iii. The work was carried out by a contractor not registered with Pakistan Engineering Council.
iv. The work was executed without any technical sanction of estimates.

Audit is of the view that expenditure on a property not owned by J&K State Property, without approval from the delegated forum and construction by a non-registered contractor was unauthorized.

The management did not reply till finalization of the report.

Audit recommends matter may be inquired to fix the responsibility.

CHAPTER 16

MINISTRY OF INDUSTRIES AND PRODUCTION

16.1 Introduction

As per Schedule II [Rule 3 (3)] Distribution of Business among the Divisions read with Schedule III [rule 4(4)] Rules of Business 1973 (as amended up to 23rd April, 2019) following main businesses have been assigned to the Division:

1. National industrial planning and coordination.
2. Industrial policy.
3. Employment of foreign personnel in commercial and industrial enterprises.
4. Federal agencies and institutions for:
   i. promoting industrial productivity.
   ii. promoting of special studies in the industrial fields; and
   iii. testing industrial products.
5. Keeping a watch, from the national angle, over general price trends and supply position of essential commodities; price and distribution control over items to be distributed by statutory orders between the provinces.
6. Import and distribution of white oil.
7. Explosive (excluding the administration of Explosive Substances Act, 1908) and safety measures under the Petroleum Act, 1934 and Rules made thereunder.
8. Prescription and review of criteria for assessment of spare parts and raw materials for industries.
9. Administrative, financial, operational, personnel and commercial matters of Pakistan Garments Corporation.
10. Ghee Corporation of Pakistan Limited, and Pakistan Edible Oils Corporation Limited.
11. National Fertilizer Corporation, Lahore.
12. Development of Industries (Federal Control) (Repeal) Ordinance, 1979.
13. Economic Reforms (Protection of Industries) Regulation, 1972.
14. All matters relating to state industrial enterprises, especially, in basic and heavy industries, namely:
    a) State Engineering Corporation, Karachi.
    b) State Cement Corporation, Lahore.

c) Automobile Corporation, Karachi.
d) State Petroleum Refining and Petrochemical Corporation, Karachi.
e) Federal Chemical and Ceramics Corporation, Karachi.
f) Pakistan Steel Mills Corporation, Karachi.
g) Pakistan Industrial Development Corporation (PIDC).

ATTACHED DEPARTMENTS/ AUTONOMOUS BODIES

i. Department of Explosives.
ii. Pakistan Industrial Technical Assistance Centre, Lahore
iii. Engineering Development Board

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY 2022-23) Rs. in million	Revenue/Receipt Audited (FY 2022-23) Rs. in million
1	Formations	10	2	84.693	-
2	Assignment Accounts (Excluding FAP)	2	2	251.328	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

16.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Industries and Production Division for the financial year 2022-23 was Rs. 50,067.18 million, out of which the Division expended an amount of Rs. 50,024.09 million. Grant-wise detail of current and development expenditure is as under:

(Rs. In million)

Grant No	Type of Grant	Heads	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
52	Current	Industries and Production Division	33,631.42	16,411.04	-57.67	49,984.79	49,944.64	-40.14	-0.08%
53	Current	Financial Action Task Force (FATF) Secretariat	79.72	7.00	-4.32	82.40	79.44	-2.96	-3.72%
	Current Total		**33,711.14**	**16,418.04**	**-61.99**	**50,067.18**	**50,024.09**	**-43.10**	-0.09%

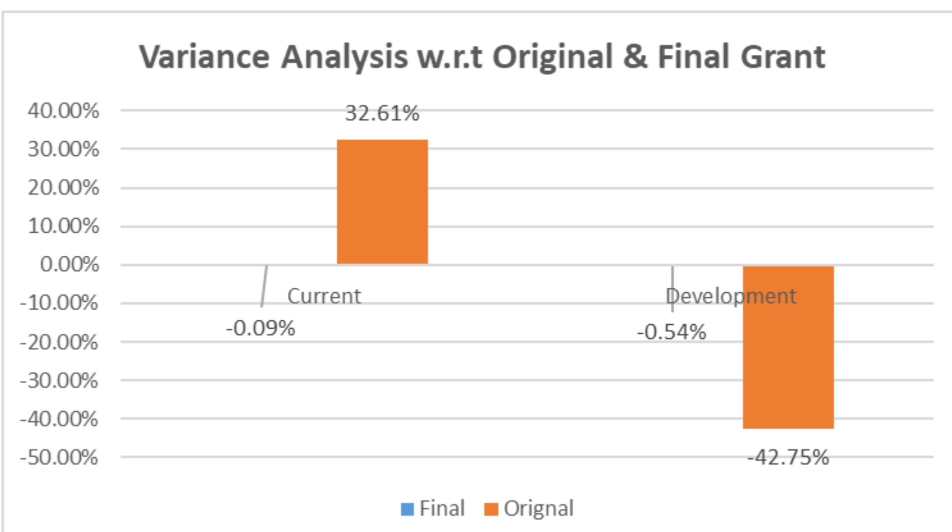
129	Development	Industrial Development (Capital Outlay)	2,850.00	.00	-842.69	2,007.31	1,996.48	-10.83	-0.54%
	Total		**36,561.14**	**16,418.04**	**-904.69**	**52,074.49**	**52,020.56**	**-53.93**	**0.10%**

Audit noted that there was an overall saving of Rs. 53.93 million due to saving in Current and 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. 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, bifurcating total allocation into current, development and charge expenditure, it was observed that, in case of development grant, there was 42.75% of saving w.r.t original grant which was finally reduced to 0.54% w.r.t final grant and in case of current grant 32.61% excess was finally reduced to 0.09% saving.



16.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 170.13 million, were raised in this report during the current audit of **Ministry of Industries and Production**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	9.56
B	*Procurement related irregularities*	9.031
C	*Management of account with commercial banks*	146
D	*Recovery*	
E	*Internal Control*	
4	Value for money and service delivery	
5	Others	5.541

16.4 Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2010-11	3	3	1	2	33
2012-13	2	0	0	2	-
2013-14	5	0	0	5	-
2014-15	5	5	0	5	-
2015-16	1	1	1	0	100
2016-17	12	0	0	12	-
2018-19	4	4	0	4	-
2019-20	6	1	0	6	-
2020-21	2	0	0	2	-
2021-22	1	0	1	0	-
Total	**41**	**14**	**3**	**38**	-

16.5 AUDIT PARAS

Engineering Development Board (EDB) Islamabad

16.5.1 Unauthorized payment of Pay & Allowances to the CEO, EDB without obtaining approval of extension from the Prime Minister - Rs. 9.560 million

Para 04 of the Establishment Division's O.M No. 1/3/2020-E-6 dated 22.06.2020 states that the appointment in MP Scale shall initially be for a period of three (03) years which will be extended to two (02) years on annual basis subject to satisfactory performance evaluation of the incumbent by the Performance Evaluation Committee provided in Schedule -II.

Para-5 of ibid further states that annual extension in the contract will also be given by the Prime Minister on the recommendations of Performance Evaluation Committee.

Mr. Raza Abbas Shah was appointed as Chief Executive Officer, EDB, (MP-I Scale) vide Establishment Division's Notification No.1/70/2019-E-6 dated 17.12.2019 for a period of two years. The officer assumed the charge of the post w.e.f. 19.12.2019. The two years' tenure of the officer expired on 18.12.2021. Ministry of Industries and Production vide letter No. F1(1)/2014-LED-4 dated 21.04.2022 allowed Mr. Raza Abbas Shah to continue working as CEO, EDB and draw salary till appointment of a regular CEO. The management of EDB made a payment of Pay & Allowances amounting to Rs. 9,560,213 to the officer.

Later on, the officer was also appointed as regular CEO, EDB vide Establishment Division's Notification No.1/70/2019-E-6 dated 26.01.2023 and he assumed the charge of the post on 27.01.2023 for a further period of two years.

Audit observed that the Ministry of Industries & Production did not obtain approval of the Prime Minister for extension of period of the CEO, EDB in MP-I Scale w.e.f. 19.12.2021 to 26.01.2023 after completion of all codal formalities as required under Management Position Scale Policy, 2020 issued by the Establishment Division. Therefore, the payment of Pay & Allowances of Rs. 9.560 million made to the said officer was unauthorized.

Audit is of the view that the approval of extension granted by the Ministry of Industries and Production in violation of Policy of the Establishment Division is irregular.

The management replied that Mr. Raza Abbas Shah, CEO, EDB was appointed in MP-I Scales vide Establishment Division's Notification dated 17.12.2019 for a period of two years, he joined EDB on 19.12.2019 and he completed his tenure on 18.12.2021. The agenda for extension in the contract of the CEO, EDB with performance rendered during the contract period, was taken up with the Board of Management in its 50th meeting held on 17.12.2021. The Rules of Business of EDB delegate all the administrative and financial power to the Chairman to run the affairs of the Board within the budgetary allocation approved by the government. The Chairman in consideration of his performance and to ensure continuity in framing/implementing policies recommended an extension in the contract period of the CEO subject to approval of the government. EDB took up the case of extension in the contract period case accompanied by the performance of the CEO with the Ministry. Ministry vide letter No.F.No.1(1)/2014-LED-IV dated 21.04.2021 provided that Mr. Raza Abbas Shah be allowed to continue working as CEO, EDB and draw salary till the appointment of a regular CEO. Pay and Allowances were released consequent to the extension order by the Ministry/Government.

The reply is not cogent because the extension was granted without the approval of the Prime Minister who is the competent authority for MP Scales.

Audit recommends holding of inquiry to fix the responsibility for the lapse besides getting ex-post approval of the Prime Minister for extension in period of the CEO, EDB.

16.5.2 Unauthorized payment of insurance premium to M/s EFU Life Assurance Ltd. - Rs. 5.541 million

As per Rule-17 of EDB Employees Contribution Provident Fund Modified Rules, 2010 a withdrawal of any amount by employees shall not be allowed by the Trustee, except on special grounds in the following circumstances, or a similar nature: "To pay premium on policies of insurance on the life of the subscriber or his wife, provided that policy is assigned to the Trustee of the fund and deposited with them."

The management of Engineering Development Board (EDB), Islamabad paid Rs. 5,541,112 to M/s EFU Life Assurance Ltd. on account of insurance premium of 24 employees and its renewal as under:

(Rupees)

S. No.	Particular of Payment	Invoice No & Date	Cheque No.& date	Amount
1	Payment of Insurance Premium	No. NIL dated 24.09.2020	76819365 dt.29.09.2020	2,770,556

2	Premium Renewal	No. NIL dated 27.07.2021	19493636 dt. 20.09.2021	2,770,556
Total Rs.				**5,541,112**

In addition to the above payments, these 24 employees were also provided insurance coverage by the Federal Employees Benevolent and Group Insurance Fund and their monthly group insurance contribution was being sent to Federal Employees Benevolent and Group Insurance Fund regularly.

Audit observed as under:

i. The EFU Life Assurance Policies of employees were neither assigned to the Board of Trustees nor it was their obligation to pay insurance premium of 24 employees amounting to Rs.5.541 million to EFU Life Assurance Ltd. out of EDB Employees Provident Fund.
ii. The selection of M/s EFU Life Assurance Ltd. was made without obtaining open competition as required under Public Procurement Rules, 2004.
iii. The payment was made to EFU Life Assurance Ltd. without any written agreement containing terms and conditions.

Audit is of the view that payment of insurance premium in violation of above said rules is unauthorized.

The management replied that the insurance policies were assigned to the Fund. The Board of Trustees made all the payments of premium since 2013 on the request of the employees complying to the Rules 17.5 and 18.4 of the EDB Employees Contributory Provident Fund Modified Rules, 2010. In 2013, the Board of Trustees and employees of the organization took presentations from M/s State Life Insurance Corporation and EFU Life Assurance Limited. M/s EFU Life Assurance Limited quoted a better policy and was selected after completing all the codal formalities and to the satisfaction of the employees of the organization. The original policies in which all the terms and conditions are mentioned are in the safe custody of the Secretary, Board of Trustees, Contributory Provident Fund. Moreover, all the codal formalities was completed in 2013. EDB Employees Contributory Provident Fund is a recognized Provident Fund of the organization managed by the Board of Trustees duly approved by the Income Tax

Commissioner. The Fund was established back in 1980 and since then it has continued in compliance with the provisions of the Trust Deed.

The reply is not convincing. Nothing was explained about registration of the said employees with Federal Government Employees Benevolent and Group Insurance Fund for insurance coverage. The employees were extended double benefit.

Audit recommends holding of inquiry to fix responsibility besides regularization of expenditure from the Board.

National Productivity Organization (NPO)

16.5.3 Irregular printing of books from M/s PASTIC - Rs. 9.031 million

Financial Management and Powers of Principal Accounting Officer Regulations, 2021 states that printing at a press other than a Press of the Printing Corporation of Pakistan should be undertaken only if the Principal Accounting Officer is satisfied that it is in public interest to do so and record a certificate to that effect.

Rule 12(1) of Public Procurement Rules, 2004 states that procurement over five hundred thousand Pakistani rupee and up to the limit of three million Pak rupees shall be advertised on the authority's web site 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 National Productivity Organization (NPO), Islamabad called three quotations for printing of 100,000 booklets and the work amounting to Rs. 9,031,315 was awarded to M/s PASTIC.

Audit observed that:

i. That printing from a press other than Printing Corporation of Pakistan was carried out in violation of FMP Regulations, 2021 and without observing Public Procurement Rules, 2004.
ii. No certificate from the PAO regarding printing of booklets from a press other than PCP was obtained.

Audit is of the view that expenditure on printing of booklets from M/s PASTIC is irregular.

The management replied that NPO followed PPRA Rule 42(C)(VI) which allowed a procuring agency may utilize the alternative methods of procurement of goods, services and works through direct contracting method. Procuring agency shall only engage in direct contracting if the following conditions exist “when the price of goods, services or works is fixed by the government or any other authority, agency or body duly authorized by the Government, on its behalf. As the M/s PASTIC, Ministry of Science & Technology is a department of Federal Government. M/s PASTIC has been assigned role by Government of Pakistan for information, dissemination of related documents and therefore, department assigned the task to M/s PASTIC.

The reply of the department was not acceptable as printing of booklets was carried out in violation of FMP Regulations, 2021 and without observing Public Procurement Rules, 2004.

Audit recommends that the irregular practice be discontinued and irregularity be got condoned from the competent authority.

CHAPTER 17

INFORMATION TECHNOLOGY AND TELECOMMUNICATION DIVISION

17.1.1 Introduction

As per Schedule II [Rule 3 (3)] Distribution of Business among the Divisions read with Schedule III [rule 4(4)] Rules of Business 1973 (As amended up to 23rd April, 2019) following main businesses have been assigned to the Division amongst the other functions.

Preparation of an overall integrated plan as well as formulation of policy for the development and improvement of Information Technology & Telecommunications Division, including related infrastructure, in Pakistan.

i. Co-ordination with the Provincial Governments, autonomous bodies, private sector, international organizations and foreign countries in respect of information technology and telecommunications.
ii. Human resource development in the field of information technology and telecommunications.
iii. Promotion of information technology applications.
iv. Providing guidelines for the standardization of software for use within the Government.
v. Planning, policy making and legislation covering all aspects of telecommunications excluding radio and television and issuance of policy directives.
vi. Matters relating to Pakistan Computer Bureau, Pakistan Software Export Board and the Electronic Government Directorate.
vii. All matters relating to National Telecommunication Corporation (NTC), Telecommunications Foundation (TF), Special Communications Organization (SCO), Virtual University (V.U) and Electronic Certification Accreditation Council.
viii. The administration of the Prevention of Electronic Crimes Ordinance 2007, and the rules made there under.
ix. Safeguard interest of Government of Pakistan in entities having public shares or government equity like PTCL, USF Co & ICT R&D Co.

x. Federal Government functions in regard to Pakistan Telecommunication Authority (PTA) and Frequency Allocation Board (FAB).

ATTACHED DEPARTMENTS/ AUTONOMOUS BODIES

i. National Information Technology Board

ii. COMSATS (Inter-Islamic Network for Information Technology)

iii. Virtual University

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY 2022-23) Rs. in million	Revenue/Receipt Audited (FY 2022-23) Rs. in million
1	Formations	55	3	10,690.917	1,550.367
2	Assignment Accounts (Excluding FAP)	2	0	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	2	0	-	-
4	Foreign Aided Project (FAP)	1	1	373.272	-

17.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Information Technology and Telecommunication Division for the financial year 2022-23 was Rs.13,516.64 million, out of which the Division expended an amount of Rs. 16,236.89 million. Grant-wise detail of current and development expenditure is as under:

(Rs. In million)

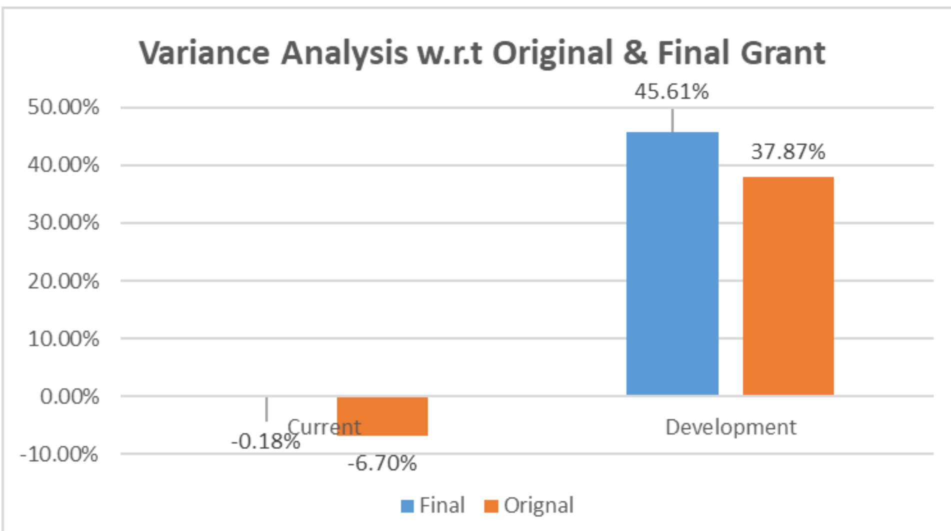
Grant No	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
56	Current	8,047.87	.00	-525.71	7,522.16	7,508.51	-13.65	-0.18%
111	Development	6,330.70	.00	-336.22	5,994.48	8,728.37	2,733.89	45.61%
Total		**14,378.57**	**.00**	**-861.92**	**13,516.64**	**16,236.89**	**2,720.24**	**20.13%**

Audit noted that there was an overall excess of Rs.2,720.24 million due to excess in Developments 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, bifurcating total allocation into current and development expenditure, it was observed that, in case of development grant, there was 37.87% of excess w.r.t original grant which was finally increased up to 45.61% excess w.r.t final grant and in case of current grant 6.70% saving was finally reduced to 0.18%.



17.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 1,057.501 million, were raised in this report during the current audit of **Information Technology And Telecommunication Division**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	

2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	
B	*Procurement related irregularities*	576.934
C	*Management of account with commercial banks*	
D	*Recovery*	319.568
E	*Internal Control*	108.999
4	Value for money and service delivery	
5	Others	

17.4Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2010-11	2	2	2	0	100
2011-12	10	0	0	10	-
2014-15	1	0	0	1	-
2016-17	5	0	0	5	-
2018-19	3	0	0	3	-
2019-20	11	0	0	11	-
2020-21	2	0	0	2	-
2021-22	5	0	0	5	-
Total	**39**	**2**	**2**	**37**	-

17.5 AUDIT PARAS

National Information Technology Board (NITB)

17.5.1 Loss due to non-supply of IT items - Rs. 28.15 million

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

Rule 38B of Public Procurement Rules, 2004 states that the procuring agency shall consider a single bid in goods, works and services if it has financial conformance in terms of rate reasonability.

A Development Project (PSDP) titled “Smart Office” was approved by Departmental Development Working Party (DDWP) on 16.09.2020 under the administrative control of Ministry of Information Technology for a period of 36 months with the total original cost of Rs. 572.80 million. The implementation period of the project was 30 months.

The management of the project floated a tender for Enterprises Level Communication & Collaboration Unified Platform & E-Office Mobile Applications. Three bids were received. The Technical Committee in its meeting held on 10.11.2020 opened the technical bids and rejected two bidders on technical basis and only one vendor M/s TelcoNet Services (Pvt) Ltd was qualified for financial bid. The financial bid was opened on 29.02.2021. M/s TelcoNet Services (Pvt) Ltd was the only bidder in the financial bid.

Later on, the Ministry of Information Technology & Telecommunication took following decisions in its meeting held on 20.07.2022.

- The contract/Agreement with existing vendor M/s TelcoNet Services will be terminated as per terms and conditions of agreement, in consultation with Legal Wing of MOIT, NITB will take vendor on board to avoid any litigation or hindrance in the project.
- The procurement of software will be re-tendered in which technical and financial terms will be updated in view of best interest of NITB and avoid OEM related issues in future. The RFP shall be prepared in due consultation with Member-IT in line with the recommendation of the Planning Division.
- PMU shall be restored to complete the project activities by March, 2023 in compliance with Planning Division decision.

In the light of instructions received from Ministry of Information Technology & Communication, the NITB took following decision in its meeting with Project Director (TelcoNet Services Pvt Ltd) held on 03.09.2022 under the chairmanship of DG (PMO):

- Amount of Rs. 28.15 million already paid to the vendor shall be returned by the vendor.

- The vendor shall hand over the already developed Lot-II (Development of e-Office Mobile Version immediately).
- NITB shall clear the Lot-II payment of Rs. 15.75 million as per the signed agreement.
- The vendor shall adjust the Lot-II payments in the already paid amount of Rs. 28.15 million.

Audit observed as under:

i. The management purchased items without financial conformance in terms of rate reasonability.
ii. The tender for purchase of above items was floated without proper planning & PC-1 was submitted to Ministry of Planning Development & Special Initiatives without proper consultation with IT experts.
iii. The management failed to recover overpayment of Rs. 28.15 million from M/s TelcoNet Services Pvt Ltd as decided in the meeting held on 03.09.2022.
iv. The management failed to receive Lot-II (Development of e-Office Mobile Version) costing Rs. 15.75 million as decided in the meeting held on 03.09.2022.
v. Financial bid of Development of e-Office Mobile APP (Lot-II) shows Rs. 14.999 million whereas at the time of agreement the management had agreed to pay Rs. 15.749 million.
vi. Project activities were required to be completed by March, 2023, however, after lapse of considerable time the status of completion of project is unknown and no record has been presented to Audit regarding its current status.

Audit is of the view that management of NITB failed to properly plan and execute the project. Further, the management of Smart Office did not recover the overpayment of Rs. 28.15 million from vendor till date.

The management replied that within one month the recovery procedure will be initiated. Moreover, the vendor’s Bank Guarantee of Rs. 30.2 million is in the custody of NITB.

The reply is not acceptable as the management failed to properly plan and execute the project. Further, overpayment of Rs. 28.15 million has not so far been recovered.

Audit recommends recovery of overpayment of Rs. 28.15 million after the adjustments (if any) from M/s TelcoNet Services Pvt Ltd.

17.5.2 Irregular procurement of IT Equipment without establishing fair competition - Rs. 44.658 million

Rule 38B of PPRA Rules, 2004 "Single responsive bid in goods, work and services" states that:

- The procuring agency shall consider single bid in goods, works and services if it:
  (b) is not in conflict with any provision of the Ordinance.

  (c) conforms to the technical specifications.

  (d) has financial conformance in terms of rate reasonability.

The management of National Information Technology Board, Islamabad (NITB) incurred an expenditure of Rs. 44.658 million for Purchase of Software & Repair of Software during financial years 2021-23. Detail is given below:

Sr#	Cost Centre	Head of Account	Amount (Rs)	Vender	Financial Year
1	IB-3251	A09202-Software	17,614,707	D-Tech & Consultancy (pvt) Ltd	2022-23
2	IB-3251	A09202-Software	14,094,864	GlowBug Technologies Pvt	2022-23
3	IB-3251	A09202-Software	6,998,355	IGATE Solution	
4		A13702-Repair of Software	5,950,517	GBM Pakistan Ltd	2021-22

Audit observed as under:

i. The management approved single bids at the time of evaluation and made purchases at single quoted prices without financial conformance in terms of rate reasonability.

ii. The management did not establish fair competition for procurement and deprived the government of the benefits of fair competition.

Audit is of the view that expenditure incurred without financial conformance in terms of rate reasonability is irregular.

The management replied that it is mandate of NITB to provide assistance on governance to all Federal Government Ministries/Divisions/Departments etc. For provision of uninterrupted assistance, the NITB needs to procure software for which process was initiated and in instant case where single bidder was involved, the price reasonability has been checked from previous order issued to this firm of the same items and found reasonable.

The reply was not accepted as procurement was made in violation of Public Procurement Rules, 2004.

Audit recommends that irregularity may be got regularized from competent forum.

17.5.3 Irregular renewal of contract period without advertisement of posts - Rs. 222.115 million

The standard terms and conditions of contract employment issued by the Establishment Division vide O.M.No.10/52/95.2 dated 18.07.1996 as amended from time-to-time state that the period of contract should not exceed two years and the post should be advertised.

The management of National Information Technology Board (NITB), Islamabad made an agreement with M/s ALM Outsourcing Services Pvt Ltd on 16.01.2020 for hiring services of different IT professionals for a period of two years to develop customize, re-utilize existing code using contemporary software development platforms, tools, frameworks, languages and process application/services, mobile application and desktop application. The contract period was extended up to 30.06.2024. The amount of Rs. 222.115 million was paid to M/s ALM Outsourcing Services Pvt Ltd during the financial years 2021-22 and 2022-2023.

Audit observed that:

i. The agreement was extended for a period of further two years w.e.f. 23.01.2022 to avoid the advertisement of the posts.
ii. The services of professionals were hired without provision of posts in New Item Statement (NIS).
iii. The professionals hired in different positions did not meet the minimum qualification and experience fixed for the positions.
iv. The task completion reports of professionals were not available on record.

Audit is of the view that the contract was extended for more than two years to avoid the advertisement of the posts in the press is irregular.

The management replied that the contract was extended as a stopgap arrangement till the finalization of Employees' Service/Recruitment Rules under Sections 19, 20(2)(c) of the recent enactment of the National Information Technology Board Act, 2022 and under Rule 3(2) of Civil Servant (Appointment Promotion and Transfer) Rules 1973. The said task is awarded to M/s ALM Outsourcing (Pvt.) Ltd. after completion of all PPRA processes.

The reply is not cogent because contract cannot be extended beyond two years.

Audit recommends irregularity may be condoned by the Competent Authority.

Virtual University of Pakistan, Lahore

17.5.4 Non-transparent procurement of desktop computers & laptops – Rs.252.746million

Para 4 of PPRA 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 2(c) (x to xii) of annexure 4 to a summary for the Economic Coordination Committee of the Cabinet No NG (11)-12 (64)/14-LNG- Interim –Pt dated 25th Feb-2014 states that the Secretary Law emphasized that in a case where there is a single bidder the same should be more calculative, vigilant and diligent as there are more chances of higher and non-competitive price. It is therefore imperative that the quote by the single bidder needs to be examined rationally keeping in view the precedents, market conditions, international best practices and interest of the people.

Management of Virtual University of Pakistan, Lahore floated a tender No.VU-22-23/04/683 as "Single Stage Two Envelope Bidding Procedure" for the procurement of Desktop Computers, Computer Workstations & Laptops in which two bidders participated as per following details:-

Item No.	Description	Quantity	M/S Bahria Enterprises Systems & Technologies	M/S ASMD
1a	All-in-One (AIO) Computer Systems	110	Technically non-Compliant	Did not quote
1b	All-in-One (AIO) Computer Systems	300	Technically non-Compliant	Did not quote
2	Desktop Computer Systems without LED's	250	Technically non-Compliant	Technically non-Compliant
3	Workstation Computers	4	Technically non-Compliant	Did not quote
4	Laptops	8	Technically Compliant	Did not quote

Audit observed that:-

i. Non-quoting of any technical specification by M/s ASMD indicates that there was collusion between M/S ASMD & M/S Bahria Enterprises Systems & Technologies.
ii. The financial proposal of M/S ASMD was returned unopened.
iii. The Technical evaluation committee relaxed the technical specifications for items 1 to 3 above in favor of M/S Bahria Enterprises Systems & Technologies after opening of bid.
iv. The proposal of sole financial bidder M/S Bahria Enterprises Systems & Technologies was accepted despite being technically non-compliant at following rates:-

Item No.	Description	Quantity	Rate Per Unit (Incl of Taxes) Rs.	Total Amount/ Rate (Rs)
1a	All-in-One (AIO) Computer Systems	110	368,277	40,510,470
1b	All-in-One (AIO) Computer Systems	300	417,753	125,325,900
2	Desktop Computer Systems without LED's	250	310,406	77,601,500
3	Workstation Computers	4	1,524,938	6,099,752
4	Laptops	8	400,995	3,207,960
Total Amount				**252,745,582**

v. Hence tender for an amount of Rs.252,745,582/- was awarded to technically non-compliant and sole financial bidder instead of re-bidding.

Audit is of the view that:

i. The technical evaluation committee relaxed the technical specifications for items 1 to 3 contained in tender documents after opening bid.
ii. Undue favor was granted to M/s Bahria Enterprise Systems & Technologies by awarding contract despite it being a technically non-compliant bidder.
iii. Tender was awarded in violation of instructions of Economic Coordination Committee of the Federal Cabinet.

The reply was not furnished by the department.

Audit recommends investigating the matter for fixing responsibility.

17.5.5 Non-recovery of dues from students - Rs.200.160 million

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

Management of Virtual University of Pakistan, Lahore failed to recover dues from students amounting Rs.200.160 million during financial years 2021-22 & 2022-23.

Audit observed while scrutinizing the fee record that heavy amounts of fees were outstanding against students.

Audit is of the view that action of the management showed weak controls regarding collection of Campus dues from the students.

The reply was not furnished by the department.

Audit recommends that the dues may be recovered from the students at the earliest and deposited into government treasury under intimation to audit.

17.5.6 Non-deduction of tax from the private campus owners (PVCs) on account of payment of share - Rs.160.999 million

Para 2 of Revenue Division DO No. 1(1)/CH/FBR/19 dated 28-8-2019 states that "Federal Government, any development authority, other body corporate or institution established under a federal law, a corporation, company or a regulatory authority set up, owned and controlled either directly or indirectly by the Federal Government is required to withhold tax inter alia on payments on account of contracts executed".

Management of Virtual University of Pakistan, Lahore entered into service provider contract for establishment of virtual campuses and made payment of the share to the concerned campus owners. The detail of payments made to the PVCs and tax recoverable is given as under:

(Rupees)

S.N	Financial Year	Head of Accounts				
		PVC Tuition Fee Share	PVC Exam Share	PVC Prospectus Share	Total Payment	Tax amount (Rs.) @ 7.5%
1	2021-22	880,138,963	62,667,725	5,759,100	948,565,788	71,142,434
2	2022-23	1,077,847,279	105,588,525	14,708,400	1,198,084,204	89,856,315
	Total					**160,998,749**

Audit observed that the University did not withhold income tax @ 7.5% amounting to Rs.160.999 million on the shares paid to the service providers for the period 2021-22 & 2022-23.

Audit is of the view that non-deduction of tax amounting Rs.160.999 million from the vendors deprived the Government of its due revenue.

The reply was not furnished by the department.

Audit recommends affecting the recovery of income tax after proper investigation besides fixing the responsibility.

17.5.7 Non-recovery of outstanding dues - Rs.119.408 million

Rule 26 of GFR Vol-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.

Management of Virtual University of Pakistan, Lahore entered into service agreements with the various organizations during the financial year 2021-22& 2022-23. The amount of Rs.119.408 million was outstanding against the following organizations. The detail is given as under:

(Rupees)

Sr. No	Name of Organization	Outstanding Amount
1.	Federal Investigation Agency (FIA), Islamabad	26,100,000
2.	Institute of Chartered Accountants of Pakistan (ICAP)	18,811,278
3.	National Institute of Technology Board (NITB)	1,150,299
4.	Digi Skills Training Program 2.0 (IGNITE)	37,412,848
5.	Digi Skills Training & Support Program for Southern Baluchistan (Phase-1)	35,933,236
	Total	**119,407,661**

Audit observed that:

i. The concerned agency/organization did not clear the outstanding dues by the target dates.
ii. The management did not take effective steps for recovery of outstanding dues.
iii. The reasons for non-payment by the agency / organization concerned were also not clarified in the audit.

Audit is of the view that the Government sustained a loss of Rs.119.408 million due to non-recovery of outstanding dues.

The reply was not furnished by the department.

Audit recommends investigating the matter for fixing responsibility and to make concrete efforts for early recovery of the outstanding dues.

17.5.8 Mis-procurement of janitorial services – Rs.29.265 million.

The technical evaluation criteria for janitorial services tender documents clause 1 states that “minimum (ten) 10 years of operational experience is required (& company less than 10 years of operational experience will not be considered)

The technical evaluation criteria for janitorial services tender documents clause 2 states that “A bidder not meeting the 70% pass marks limit will be rejected in Technical Evaluation.”

Management of Virtual University of Pakistan, Lahore floated a tender No. VU/22-23/08/622 as "Single Stage Two Envelope Bidding Procedure" for hiring of Janitorial Services. The following bidders participated:-

Sl.	Name of Bidder	Total	Marks
1	M/s Advanced Management & Maintenance Services Pvt Ltd	100	68
2	M/s One Source Maintenance Pvt Ltd	100	93
3	M/s Ali Brothers Pvt Ltd	100	77
4	M/s Adan Kiani Enterprises Pvt Ltd	100	78
5	M/s HRSG Pvt Ltd	100	55
6	M/s Outsiders Pvt Ltd	100	93

Audit observed that:

i. M/s Advanced Management & Maintenance Services Pvt. Ltd and M/s HRSG Pvt. Ltd failed to secure 70% marks to secure the contract.

i. As per the comparative statement (technical) it was revealed that M/s Adan Kiani Enterprises Pvt. Ltd was established in 2016 (only six years old at the time of awarding of contract), hence did not qualify for the competition.

ii. However, M/s Adan Kiani Enterprises was awarded contract for Janitorial Services by the management of VU.

iii. An expenditure of Rs.29,265,377/- has been incurred up till 30.06.2023.

Audit is of the view that the management granted undue favor to the vendor by violating the clause of its tender documents which tantamount to mis-procurement.

The reply was not furnished by the department.

Audit recommends investigating the matter for fixing responsibility.

CHAPTER 18

INFORMATION AND BROADCASTING DIVISION

18.1 Introduction

As per Schedule II [Rule 3 (3)] Distribution of Business among the Divisions read with Schedule III [rule 4(4)] Rules of Business 1973 (As amended up to 23rd April, 2019) following main business have been assigned to the Division amongst the other functions.

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 the 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 the newspaper 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; and
c. Pakistan Electronic Media Regulatory Authority.

(ii) Matters relating to-

a. The Pakistan Television Corporation; and
b. Omitted vide SRO NO.48(1)/2016 dated 26.01.2016.
c. Shalimar Recording and Broadcasting 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.

<u>ATTACHED DEPARTMENTS/ AUTONOMOUS BODIES</u>

1. Press Information Department.
2. Directorate of Electronic Media and Publication.
3. Implementation Tribunal for Newspaper employees.
4. Central Board of Films Censor, Islamabad.
5. Federal Land Commission
6. Pakistan Electronic Media Regulatory Authority
7. Audit Bureau of Circulation

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY 2022-23) Rs. in million	Revenue/Receipt Audited (FY 2022-23) Rs. in million
1	Formations	68	4	9,654.422	-
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

18.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Information & Broadcasting Division for the financial year 2022-23 was Rs. 14,835.36 million, out of which the Division expended an amount of Rs. 14,968.26 million. Grant-wise detail of current and development expenditure is as under:

(Rs. In million)

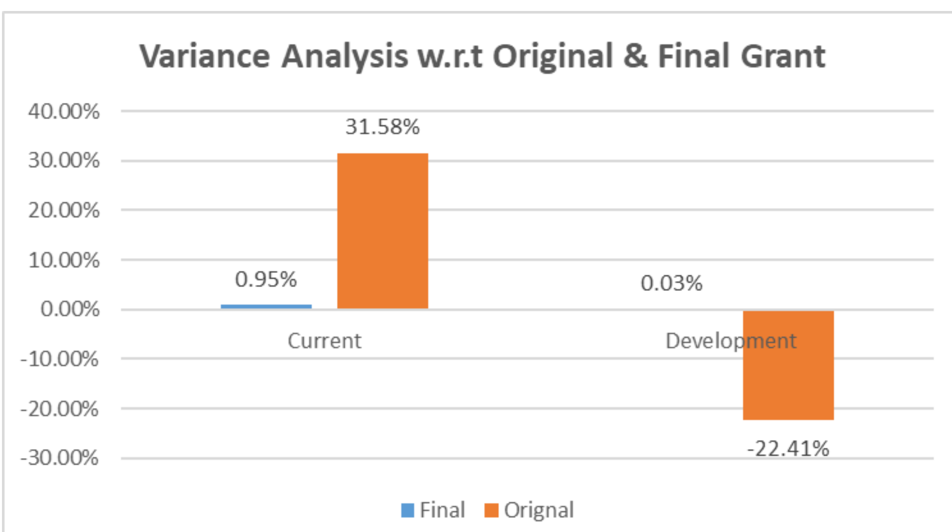
Grant No	Type of Grant	Heads	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
54	Current	Main	2,822.33	3,438.40	-19.75	6,240.98	6,399.44	158.46	2.48%
55	Current	Misc	6,674.00	881.60	-49.48	7,506.13	7,480.20	-25.93	-0.35%
	Current Total		**9,496.34**	**4,320.00**	**-69.23**	**13,747.11**	**13,879.64**	**132.53**	**0.95%**
110	Development	Dev	1,332.57	.00	-244.32	1,088.25	1,088.62	.37	0.03%
	Total		**10,828.91**	**4,320.00**	**-313.55**	**14,835.36**	**14,968.26**	**132.90**	**0.89%**

Audit noted that there was an overall excess of Rs.132.9 million due to excess 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. 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, bifurcating total allocation into current, development and charge expenditure, it was observed that, in case of development grant, there was 22.41% of saving w.r.t original grant which finally became 0.03% excess w.r.t final grant and in case of current grant 31.58% excess was finally reduced to 0.95% excess.



18.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 5,733.77 million, were raised in this report during the current audit of **Information And Broadcasting Division**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	
B	*Procurement related irregularities*	1398.313
C	*Management of account with commercial banks*	
D	*Recovery*	2545.41
E	*Internal Control*	1,790.05
4	Value for money and service delivery	
5	Others	

18.4 Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2010-11	2	2	0	2	-
2011-12	2	0	0	2	-
2012-13	18	0	0	18	-
2013-14	17	17	0	17	-
2014-15	7	0	0	7	-
2015-16	4	4	3	1	75
2016-17	11	4	0	11	-
2017-18	5	1	0	5	-
2018-19	10	10	5	5	50
2019-20	24	0	0	24	-
2020-21	21	0	0	21	-
2021-22	2	0	0	2	-
2022-23	7	0	0	7	-
Total	**130**	**38**	**8**	**122**	-

18.5 AUDIT PARAS

Press Information Department, Islamabad

18.5.1 Use of Supplementary Grant within Press Information Department (PID), Islamabad-Rs. 1,790.045 million

Para 13 (viii) (c) of the New System of Financial Control and Budgeting, 2006 states that the funds obtained through Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In Current Expenditure, demands for Supplementary Grants/Technical Supplementary Grants shall not be made, except in extraordinary circumstances for which full justifications shall have to be furnished to the Financial Adviser/Finance Division with reason as to why the additional expenditure could not be foreseen at the time of submission of proposals for budget provision.

The Economic Coordination Committee (ECC) of the Cabinet considered the summary dated 21st November 2022, submitted by the Ministry of Information & Broadcasting regarding "Allocation of Budget to Launch Comprehensive Media Awareness Campaign on Government's Flood related initiatives, Programs and Projects and Rs. 50.000 head of account A03919 Payment to other for services rendered" and approved allocation of funds to the tune of Rs. 2.00 billion in favor of the Ministry of Information & Broadcasting through Supplementary Grant for Current Financial year 2022-23.

Press Information Department (PID) received a Supplementary Grant of Rs. 1,950,000,000 under Head of account A03907-Advertising & Publicity for campaign on government's flood related initiatives.

Audit observed that out of Rs. 1950.000 million only Rs. 159.955 million was utilized for the intended media campaign and the remaining amount of Rs. 1790.045 million was spent on unspecified expenditures in violation of the ECC and Cabinet decision.

Audit is of the view that use of the Supplementary Grant indicates significant irregularities as Rs. 1,790.045 million was diverted from the intended media campaign, constituting a breach of financial regulations.

Management did not reply till finalization of report.

Audit recommends that responsibility may be fixed for the irregularity.

Pakistan Electronic Media Regulatory Authority

18.5.2 Loss due to delay in the grant of various licenses to provisionally successful bidders - Rs. 1,393.575 million

Section 22 of PEMRA Amendment Act, 2007 states that the Authority shall take a decision on the application for a license within one hundred days from the receipt of the application.

Rule 09(5) of the Pakistan Electronic Media Regulatory Authority Rules, 2009 states that the Authority shall, within one hundred days from the date of its receipt, take decision on the application for grant of a license subject to clearance from the Ministry of Interior.

Item No. 5 of the Minutes of the 155th Authority Meeting held on 28.02.2020, the Authority, unanimously, decided that the following should be added as a provision to Rule 9(5) of PEMRA Rules, 2009:

a) Provided that if the security clearance from the Ministry of Interior is not received within sixty days from the receipt of the application by the Ministry, final thirty days shall be provided to the Ministry of Interior to decide the pending application.
b) Provided further that in the event, no final response is received within the extended thirty days, the application may be presented before the Authority for decision which shall in compliance to Section 22 of the PEMRA Ordinance, 2002 decide the application for grant of license accordingly.

The management of PEMRA awarded Provisional Licenses to 17 successful bidders (15 licenses to provisionally successful bidders on 03.05.2019 and 02 licenses to provisionally successful bidders on 11.10.2018) amounting to Rs 1,639,500,000 and 15% earnest money of the total bid price amounting to Rs. 245,925,000 was retained by PEMRA from these 17 successful bidders.

Audit observed that:

i. Those 17 selected bidders were not granted licenses despite lapse of more than 44 months (three years and eight months) in violation of Section 22 of the PEMRA Ordinance, 2002 as amended by PEMRA Amendment Act 2007, Rule 09(5) of the PEMRA Rules, 2009 and Item No. 5 of the Minutes of the 155 Authority Meeting held on 28.02.2020.
ii. The public exchequer was deprived of the remaining 85% of Applicable License Fee (ALF) revenue amounting to Rs 1,393,575,000 due to non-clearance of security from Ministry of Interior.

Audit is of the view that non-grant of licenses caused loss to the public exchequer and was a serious lapse on the part of Ministry of Interior as grant of license could not be pended for indefinite period of time.

The management did not reply till finalization of the Report.

Audit recommends that responsibility may be fixed for non-granting of licenses as per PEMRA Ordinance, Rules and Minutes of the Authority meeting.

18.5.3 Non-recovery of outstanding dues from M/s Shahzad Sky Pvt Ltd - Rs. 2,469.298 million

Clause 7 of the Terms and Conditions for the Direct-To-Home (DTH) license provides fee structure payable by the licensee. As per this clause, the licensee shall pay a fixed annual fee of Rs 10 million to the Authority. A late payment fee @ 5% per month, up to a maximum of 15%, for the late payment of annual fee shall be payable.

Clause 7.1 of the Terms and Conditions for the Direct-To-Home (DTH) license states that the licensee shall deposit with the Authority a bank guarantee equal to 10% of the Applicable License Fee as a performance guarantee from any bank of AA+ (Long Term Rating) and A+ (Short Term Rating), which shall remain with the Authority for the entire duration of this license.

Clause 2.3 of the Terms and Conditions for the Direct-To-Home (DTH) License states that the Licensee shall launch the DTH service within one year of grant of license.

The Authority issued DTH license to M/s Shahzad Sky Pvt (Ltd) Islamabad on 11.02.2019 with a bid price of Rs. 4,898 million. The remaining license fee was to be recovered from licensee @ Rs. 244.900 million on an annual basis in 10 equal installments.

The management of PEMRA, Islamabad was required to recover an amount of Rs. 2,469.298 million from M/s Shahzad Sky Pvt (Ltd) on account of annual installments, annual subscription, late payment surcharges up to 30.06.2023.

Audit observed as under:

i. The remaining amount regarding installments, annual subscription and late payments charges amounting to Rs. 2,469.298 million up to 30.06.2023 has not been recovered.
ii. Performance Bank Guarantee amounting to Rs. 489.800 million has not been deposited by licensee.
iii. Advance tax amounting to Rs. 979.600 million has not been recovered by the management from licensee.
iv. The licensee has not started its operation/services till September, 2023.

Audit is of the view that non-realization of outstanding dues from the licensee is a serious lapse on the part of PEMRA management which deprived the Authority/Government from its due receipts.

The management replied that audit has rightly observed about the relevant provisions of DTH license terms and conditions according to which the mentioned amount is leviable on the licensee. It is also a matter of fact that the project is first ever DTH to be launched in Pakistan requiring investment of billions of rupees for infrastructure, technology, human resources, establishment, maintenance and operationalization of the project. In line with the prevalent conditions and global scenarios, i.e. exchange rate difference, Covid-19, the PEMRA Authority had rightly extended one year to the licensee for launching of its operations. If the successful bidders remain unsuccessful to launch their licensed services for one or other reasons, then in light of the provisions of the law and approved process of the Authority, the other participant would be invited into the process subject to receipt of security clearance from Ministry of Interior. Whereas the matter of Advance Tax is subjudice in the Honorable Islamabad High Court.

The management has accepted the viewpoint of audit.

Audit recommends that matter may be investigated under intimation to audit.

18.5.4 Non-recovery of fines imposed by the PEMRA on various licensees - Rs. 24.350 million

Rule 5 of Pakistan Electronic Media Regulatory Authority Rules, 2009 states that the License shall be granted for a period of five, ten or fifteen years subject to payment of fee as set out in Schedule-B.

Rule 8(2) Pakistan Electronic Media Regulatory Authority, 2009 states that every licensee shall follow the specified timeline relating to the payment of any dues of the Authority.

Section 29(6) of Pakistan Electronic Media Regulatory Authority Ordinance, 2002 as amended by PEMRA Amendment Act 2007 states that the authority may, after the licensee has been given reasonable opportunity to show cause, impose fine up to one million rupees on a licensee who contravenes any of the provisions of this Ordinance or the rules or regulations made there under.

The Pakistan Electronic Media Regulatory Authority imposed fines amounting to Rs 24.350 million on various licensees during 2022-23.

Audit observed that the fine imposed had not been recovered from the licensees.

Audit is of the view that non-recovery of fines is a lapse on the part of the management which deprived the Government of its due receipts.

The management replied that out of the total amount of fine imposed, Rs. 1.9 million had already been recovered, case of Rs. 9.2 million is sub-judice and recovery of remaining amount of Rs. 13.25 million was actively pursued.

The management has accepted the audit observation.

Audit recommends that amount be recovered from concerned at the earliest.

18.5.5 Non-collection of outstanding license Fees - Rs. 51.762 million

Section 29-A of the Pakistan Electronic Media Regulatory Authority (Amendment) Act, 2007 states that all dues including outstanding license fee, annual renewal fee or any other charges including fine as imposed by the Authority shall be recoverable as arrears of land revenue.

The management of PEMRA issued licenses under various categories during the financial year 2022-23.

The audit observed that the management did not recover outstanding dues amounting to Rs. 51.762 million in violation of Section 29-A of the Pakistan Electronic Media Regulatory Authority (Amendment) Act, 2007, as per following details:

S. No.	Category	Amount (Rs.)
1	Cable TV	23,508,492
2	Satellite TV	20,200,000
3	FM Radio	4,131,500
4	Landing Rights	3,922,500
Total		**51,762,492**

Audit is of the view that non-recovery/collection of outstanding fees is lapse on the part of PEMRA which deprived the Government of its due receipts.

The management replied that PEMRA is actively perusing recovery of outstanding dues. The amount of Rs. 13.924 million has been recovered up to 31.08.2023. PEMRA is vigorously perusing the recovery and the remaining amount i.e. Rs. 37,838,992 will be recovered soon. It is an ongoing process.

The management has accepted the audit observation.

Audit recommends that outstanding dues may be recovered immediately.

<u>Note:</u> The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 12.5.7 having financial impact of Rs. 46.747 million. Recurrence of same irregularity is a matter of serious concern.

18.5.6 Irregular expenditure on internet services - Rs. 4.738 million

As per Para-11 of Policy for Internet, Intranet, Websites and E-mail in Federal Government Organizations issued by Cabinet Division, "Following guidelines are provided on provision and use of Internet facilities to Government Organizations:

a. The Internet connection should be taken from the National Telecommunications Corporation (NTC), where available.
b. The regions in Pakistan where NTC has not established its infrastructure yet, Government offices in those regions can acquire Internet connections from their local ISPs. The choice of the local ISP should be based on the ranking of ISPs done by Pakistan Telecommunication Authority (PTA).

As per Rule 12 of Public Procurement Rules, 2004 "procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani Rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time."

The management of Pakistan Media Regulatory Authority (PEMRA), Islamabad incurred an expenditure of Rs. 4.738 million on internet charges from M/s Nayatel Pvt Ltd, Islamabad during 2022-23.

Audit observed as under:

i) The acquiring of internet services from the M/s Nayatel Pvt Ltd Islamabad, a private operator other than NTC, is in violation of instructions issued by the Cabinet Division. NTC was never approached for issuance of NOC and for getting to rank of ISPs before installation.

ii) The expenditure was incurred without calling open tender thus the Government exchequer was deprived of the benefit of competitive rates.

Audit is of the view that incurrence of expenditure on internet services acquired from M/s Nayatel Pvt Ltd in violation of the instructions issued by the Cabinet Division and without open competition was irregular.

The management replied that PEMRA acquired the services of M/s PTCL and M/s Nayatel in addition to M/s NTC to provide uninterrupted internet services to its monitoring setup.

The reply was not accepted as instructions issued by the Cabinet Division were violated and services were acquired without open competition.

Audit recommends that matter may be taken up with NTC for issuance of NOC regarding using internet services of M/s PTCL and Nayatel.

18.5.7 Non-receipt of Annual Gross Advertisement Revenue from licensees Satellite TV Channels

Rule 17 of the Pakistan Electronic Media Regulatory Authority Rules, 2009 states that the licensee shall maintain proper accounts, as required by the applicable laws, and shall cause to be carried out the audit of its accounts by one or more auditors who are chartered accountants within the meaning of the Chartered Accountant Ordinance, 1961 (X of 1961) and shall submit the audited financial statements to the Authority not later than three months of the closing date of its financial year.

Schedule - B of the Pakistan Electronic Media Regulatory Authority Rules, 2009 states that annual gross advertisement revenue (ranging from 5% to 7.5% of the Annual Gross Advertisement Revenue) shall be realized from the licensees of Satellite TV Channels.

The management of PEMRA was required to ensure the receipts of 5% to 7.5% of the Annual Gross Advertisement Revenue from the licensees of Satellite TV channels along with audited financial statements.

Audit observed that:

i. Duly audited annual Financial Statements were not submitted to PEMRA by the licensees in violation of Rule 17 of the Pakistan Electronic Media Regulatory Authority Rules, 2009.
ii. PEMRA did not receive 5% to 7.5% of the Annual Gross Advertisement Revenue from the licensees of Satellite TV Channels.

Audit is of the view that PEMRA was deprived from its due receipts due to non-realization of the Annual Gross Advertisement Revenue from the licensees of Satellite TV Stations since formulation of the Rules from the year 2009 to 2022.

The management replied that STV licensees are required to pay 5% to 7.5% of annual gross advertisement revenue depending upon their license category. As a matter of fact, Pakistan Broadcasters Association had obtained stay order against PEMRA on the payment of Gross Annual Advertisement Revenue from the Honorable Sindh High Court vide its order dated 17.12.2009. The honorable Sindh High Court had suspended the notices issued by PEMRA and disposed of the matter against PEMRA. Against the court order, PEMRA filed a review petition with Honorable Supreme Court of Pakistan. The Court on 24.05.2019 has disposed of the appeals of PEMRA with the direction to PEMRA to proceed against the licensees under PEMRA Rules 2009. Accordingly, notices have been issued to licensees for recovery of Gross Annual Advertisement Revenue (GAAR) under Rule-17 of PEMRA Rules, 2009. The notices of PEMRA were subsequently challenged by Pakistan Broadcaster Association (PBA) in Islamabad High Court, which has issued a stay order.

Audit recommends that matter may be taken up with Honorable High Court for recovery.

CHAPTER 19

MINISTRY OF INTER PROVINCIAL COORDINATION

19.1 Introduction

As per Schedule II [Rule 3 (3)] Distribution of Business among the Divisions read with Schedule III [rule 4(4)] Rules of Business 1973 (As amended up to 23rd April, 2019) following main business have been assigned to the Division amongst the other functions.

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 concern.
3. Discussions of policy issues emanating from the provinces which have administrative or economic implications for the country as a whole.
4. All Secretarial work for the Council of Common Interests and their committees.
5. Any other matter referred to the Division by a Province or any of the Ministry or Division of the Federal Government.
6. Malam Jabba Resort Ltd.
7. Pakistan Veterinary Medical Council Islamabad.
8. Inter Board Committee of Chairmen, Islamabad.
9. Medical, nursing, dental, pharmaceutical, para-medical and allied subjects; -
   i. education abroad; and
   ii. Educational facilities for backward areas and for foreign nationals, except the nomination of candidates from Federally Administered Tribal Areas for admission to Medical College.
10. Legislation covering all aspects of sports affairs and matters ancillary thereto.
11. Administrative control of Board established for the promotion and development of sports under the Sports (Development and Control) Ordinance, 1962.
12. Pakistan Sports Board (PSB).
13. Pakistan Cricket Board (PCB).
14. Dealing and agreements with other countries and international organizations in matters relating to Youth Exchange Programs (External).
15. National Internship Program.

16. National Volunteer Movement.
17. Paralympics.
18. Gun and Country Club.
19. Federal Land Commission.
20. International Organizations and agreements relating to tourism.

ATTACHED DEPARTMENTS/ AUTONOMOUS BODIES

i. Department of Tourist Services in Islamabad.
ii. Pakistan Cricket Board
iii. Pakistan Sports Board.
iv. Guns & Country Club
v. Pakistan Veterinary Medical Council, Islamabad.

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY 2022-23) Rs. in million
1	Formations	25	5	14,965.547	21,431.382
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

19.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Inter Provincial Coordination Division for the financial year 2022-23 was Rs.3,650.80 million, out of which the Division expended an amount of Rs.3,524.35 million. Grant-wise detail of current and development expenditure is as under:

(Rs. In million)

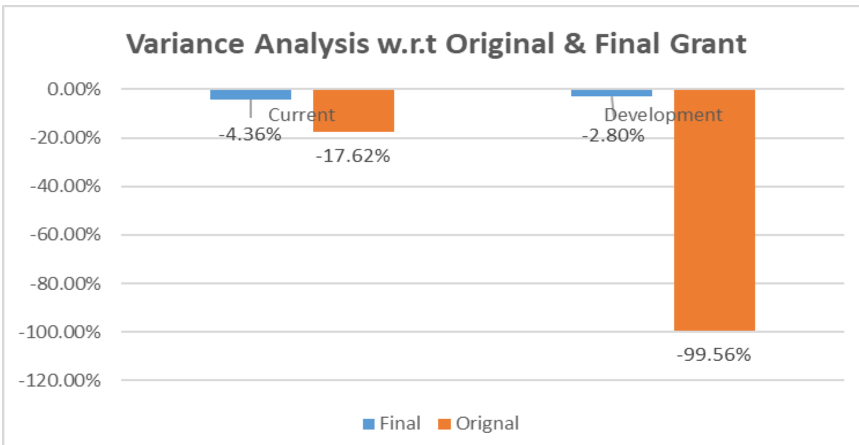
Grant No	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
62	Current	2,098.62	10.00	-246.57	1,862.05	1,784.28	-77.77	-4.36%
113	Development	3,472.42	.00	-1,683.68	1,788.74	1,740.07	-48.67	-2.80%
Total		**5,571.04**	**10.00**	**-1,930.24**	**3,650.80**	**3,524.35**	**-126.45**	**-3.46%**

Audit noted that there was an overall savings of Rs. 126.45 million, which was mainly due to savings in both 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. 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, bifurcating total allocation into current and development expenditure, it was observed that, in case of development grant, there was 99.56% of saving w.r.t original grant which was finally reduced to 2.80% w.r.t final grant and in case of current grant 17.62% saving was finally reduced to 4.36%.



19.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 2,981.954 million, were raised in this report during the current audit of **Ministry Of Inter Provincial Coordination**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	22.808
B	*Procurement related irregularities*	8.62
C	*Management of account with commercial banks*	841.252
D	*Recovery*	42.775

E	*Internal Control*	2031.736
4	Value for money and service delivery	
5	Others	34.763

19.4Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2010-11	7	7	1	6	14
2011-12	5	5	0	5	-
2012-13	11	0	0	11	-
2013-14	11	2	1	10	50
2015-16	6	6	5	1	83
2016-17	29	0	0	29	-
2017-18	5	0	0	5	-
2018-19	29	0	0	29	-
2019-20	13	0	0	13	-
2020-21	57	0	0	57	-
2021-22	10	10	0	10	-
2022-23	28	0	0	28	-
Total	**211**	**30**	**7**	**204**	-

19.5 AUDIT PARAS

Pakistan Sports Board

19.5.1 Unauthorized maintenance and operation of Staff Welfare Fund – Rs. 11.165 million

General Financial Rule 25 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.

Section 5 of Sports (Development and Control) Ordinance, 1962 states that the Board may make rules and regulations for carrying its objects into effect.

Serial No. 11(16) of Schedule-II of Rule 3(3) of Rules of Business, 1973 has assigned the Finance Division to frame rules on pay and allowances, retirement benefits, leave benefits and other financial terms and conditions of service.

Pakistan Sports Board (PSB), Islamabad is maintaining a Staff Welfare Fund jointly contributed @ 2% of basic pay of the employees and @ 2% by PSB from government budget. An additional 10% share from PSB's receipt is also contributed to be part of the fund. A bank account No. 4171228734 is being maintained with National Bank Pakistan, Aabpara Branch, Islamabad with a balance of Rs. 11,164,969 as on 30.06.2023.

Audit observed that maintenance and operation of Staff Welfare Fund was a violation of PSB Ordinance. The contribution from receipt and government budget without the approval of the Finance Division was contrary to Rules of Business, 1973.

Audit is of the view that maintenance and operation of Staff Welfare Fund with the contribution from government budget / receipt without the approval of the Finance Division is unauthorized.

DAC in its meeting held on 18.01.2024 directed to formulate their rules regarding operation of Staff Welfare Fund and to also get Ex-post Facto approval of the expenditure in question from the Board for the operation of the Fund.

Audit recommends that this irregular practice should be discontinued forthwith besides fixing of responsibility.

19.5.2 Unauthorized grant-in-aid to non-affiliated sports organizations – Rs. 13.800 million

Article 7(xxxix) of Constitution of the Pakistan Sports Board, 2022 states that the Board shall have the function to give grants-in-aid and subsidies from time to time to the national games and sports organizations affiliated to the Board.

Article 20(9) of Constitution of the Pakistan Sports Board, 2022 states that only the duly recognized or affiliated national sports federation shall be entitled to financial grant as admissible.

Pakistan Sports Board (PSB), Islamabad disbursed an amount of Rs.13,800,000 as advance on account of grant-in-aid to M/s Sports in Pakistan, Karachi during financial year 2022-23. Details are as under:

(Amount in Rs.)

Sl. No.	Description / Purpose	Cheque No.	Dated	Amount
1.	Official sponsor of 67th National Track Championship, 2022	B-234106	08.11.2022	4,800,000

2.	Organization of Karachi Duathlon Season–III, 2023	B-356706	19.06.2023	9,000,000
Total				**13,800,000**

Audit observed that:

i. M/s Sports in Pakistan, Karachi is neither a sports body nor an affiliated sport federation / association with PSB. Instead it is an event organizer of art, entertainment and recreation activities.
ii. M/s Sports in Pakistan, Karachi was official sponsor of 67th National Track Championship, 2022 being conducted / organized by Pakistan Cycling Federation.

Audit is of the view that granting of Board funds to non-affiliated sports federation / associations was violation of PSB Constitution, and unauthorized.

DAC in its meeting held on 18.01.2024 directed that the para may be placed before the PAC.

Audit recommends recovering the amount and depositing it into government treasury besides fixing of responsibility.

Pakistan Cricket Board (PCB) including PSL-7 & 8

19.5.3 Unauthorized Payment of Meeting and Daily Allowances to the Members of BOG - Rs 16.386 million

Regulation 2 (C) of the Regulation for PCB Board of Governor's Entitlements states that the BOG Member shall be entitled to payment of following daily allowances when required to travel outside of Lahore on official duty, the Chairman shall be entitled to Daily Allowances as detailed below:

a) Domestic PKR. 10,000 per day (For outstation only)
b) International (Worldwide) US$ 300 with accommodation to be arranged by PCB.
c) International (UK) US$ 400 with accommodation to be arranged by PCB.

Regulation 2(D) of the Regulations for PCB Board of Governor's Entitlements states that in the event any BOG Member is required to participate in meetings, as member of any PCB Committee, they will be paid a Committee

Member Allowance amounting to PKR 10,000 (Pakistan Rupees Ten Thousand only).

The Pakistan Cricket Board paid Meeting and Daily Allowances amounting to Rs.11,725,000 @ Rs. 25,000 and Rs. 10,000 to the following Members of BOG/ Management Committee during the financial year 2022-23 as detailed below:

(Amount in Rupees)

Names of Member of BOG/MC	Meeting Allowance	Daily Allowance	Total Allowances
Mr. Shakil Ahmad Shaikh	2,700,000	1,560,000	**4,260,000**
Mr. Muhammad Haroon Rashid Dar	2,675,000	1,030,000	**3,505,000**
Mr. Aizad Sayid	He was paid meeting and daily allowances for 116 days from 23.01.2023 to 18.06.2023 (25,000*116+10,000*116) – Rs. 100,000 as meeting allowance for actual five meetings		**3,960,000**
Mr. Najam Sethi	2,650,000	2,010,605	**4,660,605**
		Total	**16,385,605**

Audit observed that only five meeting of the BOG were held on 23.12.2022, 31.12.2022, 13.03.2023, 13.06.2023 and 14.06.2023 during December, 2022 to June, 2023 whereas the above-mentioned members were paid meeting and daily allowances for the entire month of February (28 Days), March (31 Days), April (30 Days) and June (18 Days). Similarly, Mr. Aizad Sayid, member Management Committee from Lahore was paid meeting and daily allowances @ Rs.25,000 and Rs.10,000 respectively. Payment of the daily allowance amounting to Rs 1,060,000 to Mr. Aizad Sayid was also not admissible to local member who did not travel outside Lahore to attend meeting of Management Committee.

Audit further observed that meeting allowance was claimed @ Rs25,000 instead of Rs.20,000 resulting over payment of Rs.1,655,000 to Mr. Shakil Ahmad Sheikh, Mr. Muhammad Haroon Rashid Dar, and Mr. Aizad Sayid

Audit is of the view that payment of Meeting and Daily Allowances over and above the prescribed period and at higher rates was unauthorized which resulted in the loss of Rs.11.725 million to the Board.

The management replied that BOG was replaced with Management Committee with executive powers that enhanced the rates of TA/DA.

The reply was not accepted because payment was irregular. Furthermore, TA/DA should not be a source of income.

DAC in its meeting held on 18.01.2024 directed to recover the excess amount paid under intimation to Audit.

Audit recommends that an inquiry may be conducted for unauthorized payment of meeting and Daily Allowances and the overpaid sums recovered.

19.5.4 Irregular appointment of Legal Advisors without concurrence of Law Division - Rs.22.808 million

Para (v) of Ministry of Law, Justice and Human Rights policy guidelines for nominations/recommendations for appointment of legal advisors and engagement/placement of advocates on the panel of advocates of various department issued vide letter No F.6/1/2013-LA dated 03.06.2015, every Government department or Semi Government or Public Corporate Body shall seek concurrence of the Law, Justice and Human Rights Division for engagement of lawyer where professional fee exceeds Rs 300,000. In such a case, the concerned Department will send a Panel of at least three Advocates for selection of one of them along with proposed professional fee for approval of the Law, Justice and Human Rights Division. Any failure in doing so will render the engagement of Advocate/Counsel etc. void and no ex-post facto approval will be allowed.

The Pakistan Cricket Board appointed following Law firms/ lawyers and paid an amount of Rs. 22,807,937 as legal charges during the financial year 2022-23. Details are as under:

Sr. No.	Name of Law firm/ Lawyer	Amount Rs.
1	Rizvi & Rizvi	17,852,437
2	M/s Justice Retired Fazal-e-Miran Chauhan	2,600,000
3	M/s Justice Faqir Khokhar	1,100,000
4	M/s FGE Ebrahim Hossain	1,255,500
	Total	**22,807,937**

Audit observed that the Law firms/ Lawyers were appointed without seeking concurrence of the Law, Justice and Human Rights Division for their engagement.

Audit is of the view that appointment of Law firms/Lawyers without concurrence of the Law, Justice and Human Rights Division was irregular, and payment of professional fee was unauthorized.

The management replied that individual payments made to lawyers are less than Rs. 300,000 in one instance and thus they do not fall under the purview of binding imposed by Ministry of Law and Justice.

DAC in its meeting held on 18.01.2024 directed to submit the case to Ministry of Law and Justice through Ministry of IPC for exemption from the above-mentioned restriction.

Audit recommends that responsibility may be fixed for irregular appointment of Legal Advisors without concurrence of Law and Justice Division.

19.5.5 Non-Distribution of Income realized from PSL-8-Rs 1,993.122 million

As per agreements signed for holding PSL-8 matches income realized from such tournaments/matches is distributed in prescribed ratio between PCB and Franchises.

The management of PCB incurred an expenditure of Rs.1,361.312 million against total income realized in Central Pool Revenue of Rs.3,354.435 million resulting in saving of Rs. 1,993.122 million in the event of PSL-8 during the financial year 2022-23.

Audit observed that savings worth Rs. 1,993.122 million was still lying undistributed between PCB and PSL franchises as no evidence of disbursement was produced to Audit.

Audit is of the view that non-distribution of Income realized from PSL-8 despite completion of the events and closing of financial year was a lapse on the part of local management.

The management replied that currently the financial statements pertaining to PSL-8 are being scrutinized. The amount would be distributed among franchises as soon as the final income after expenses is realized.

DAC in its meeting held on 18.01.2024 directed to finalize the accounts and distribute the amount among the franchises at the earliest.

Audit recommends that the decision of the DAC may be implemented.

19.5.6 Irregular insurance of property from a private insurance company - Rs. 9.238 million

Section 166(3) of the Insurance Ordinance, 2000 states that all insurance business relating to any public property, or to any risk or liability appertaining to any public property, shall be placed with the National Insurance Company Limited (NICL) under Ministry of Commerce only and shall not be placed with any other insurer.

Finance Division's U.O F.No.4 (1)/Coord-1/2022 dated 12.09.2022 emphasises the implementation of Section 166 (3) of the Insurance Ordinance, 2000.

PCB entered into an agreement with M/s Atlas Insurance Limited for the Assets insurance amounting to Rs. 9,238,100 @ Rs. 2,309,525 per quarter for the financial year 2022-23.

Audit observed that agreement was made with M/s Atlas Insurance Limited instead of NICL in violation of the Insurance Ordinance, 2000.

Audit is of the view that the insurance of the Property/ Assets from a private insurance company was irregular.

DAC in its meeting held on 18.01.2024 directed to initiate insurance agreement with NICL or process the case for exemption from the concerned Ministry.

Audit recommends that responsibility may be fixed for the irregularity.

Pakistan Veterinary Medical Council (PVMC)

19.5.7 Non-observance of limitation on annual admissions

Regulation 11 of the Pakistan Veterinary Medical Council (Accreditation and Equivalence) Regulations, 2015 states that number of annual admissions in an institution shall be determined and decided by the Committee after inspecting the facilities available in accordance with these regulations. The maximum number of students allowed in the morning session may not exceed one hundred and twenty-five and in the evening, session may not exceed seventy-five. The Council may, however, increase the upper limit commensurate with available resources on recommendations of the Committee. The decision of the Committee shall be binding on the institution. Disregard of the committee's decision will render the institution liable to action under the Act and regulations made thereunder.

The record of Doctor of Veterinary Medicine (DVM) undergraduate registered students with PVMC revealed that 2415 students have been admitted in the 10 institutes/colleges all over Pakistan during financial year 2022-23.

Sr.#	Name of Institution	Morning			Evening		
		Enroll	Allowed	Excess	Enroll	Allowed	Excess
1	University of Veterinary & Animal Sciences, Lahore	128	125	**03**	75	75	**-**
2	University of Agriculture, Faisalabad	128	125	**03**	75	75	**-**
3	Sindh Agriculture University, Tandojam	154	125	**29**	75	75	**-**
4	Riphah College of Veterinary Sciences, Lahore	165	165	**-**	116	110	**06**
5	Peer Mehar Ali Shah, Arid Agriculture University, Rawalpindi	82	60	**22**	48	50	**-**
6	Bahauddin Zakariya University, Multan	54	60	**06**	47	40	**07**
7	College of Veterinary & Animal Sciences, Jhang	81	60	**21**	59	40	**19**
8	Gomal University, D.I.Khan	82	60	**22**	**-**	**-**	**-**
9	University of Agriculture, Peshawar	95	125	**30**	**-**	**-**	**-**

10	University of Poonch, Rawalakot	68	50	**18**	**-**	**-**	**-**
Total		**1037**	**955**	**118**	**495**	**465**	**32**

Audit observed that 150 students were given admission over and above prescribed authorization by the PVMC as approved in Accreditation and Equivalence Regulations, 2015.

Audit is of the view that council did not observe the above-mentioned regulations and excess admissions were irregular and unauthorized.

The management replied that as pointed out by the Federal Audit F.Y 2022-23, PVMC will ensure that in future all the Institutions/Colleges/Universities, providing veterinary education will be instructed to strictly adhere to the allowed enrollment of students in the morning and evening sessions. The instructions issued to the Institutions/Colleges/Universities will be shared with Federal Audit.

The management has accepted the viewpoint of Audit.

DAC in its meeting held on 18.01.2024 directed to strengthen their regulatory role and to initiate strict action against transgressing institutions and impose penalty on the analogy of PMDC and other regulatory bodies.

Audit recommends that responsibility may be fixed for unauthorized admission over and above prescribed limit.

19.5.8 Loss due to non-realization of outstanding fees from registered graduates - Rs. 42.775 million

Section-9(4) of the Pakistan Veterinary Medical Council Regulations, 2000 states that the Council may receive registration and renewal fee, from veterinary, Animal Husbandry Graduates and institutions, benefactions and contributions from the Federal Government, Provincial Governments and private persons and bodies and proceeds of sales of report.

The management of PVMC, Islamabad maintained a register of DVM Registration and Collecting Registration/ Renewal Fee received from Veterinary/

Animal Husbandry Graduates. As per record, there are 19500 DVM registered with the Council out of which 5941 registrations are expired and need to be renewed.

Audit observed as under:

i. The management did not take any action for renewal fee and fine where registration validity had expired which resulted in the loss of Rs.42,775,000 to the Council.
ii. The Council did not devise any mechanism for timely registration, renewal and collection of fees.
iii. The Council was deprived of its due receipts of Rs.42.775 million on due time.

The management replied that the matter will be placed in the forthcoming Council meeting. In future the veterinarians will be reminded for renewal of their registration with PVMC, in this way, PVMC will increase its resources/earnings.

The management accepted the viewpoint of Audit.

DAC was not convened till finalization of this report.

Audit recommends that responsibility for the lapse may be fixed, and the outstanding fees and fines recovered.

Special Audit of Guns and Country Club, Islamabad

19.5.9 Unknown whereabouts / encroachment of 38.727 Acres of the Club land

Clause 3(b) of M.L. Regulation No.63 (CDA Byelaws) states that “encroachment” means illegal occupation of land or procuring its allotment in any unauthorized manner or by illegal means and includes the use of any land otherwise than in accordance with the terms of its lease, license or allotment.

Clause 6 of M.L Regulation No.63 (CDA Byelaws) states that if the authority is satisfied that any land given on lease to any person is not being used for the purpose within the meaning of the rules of the Capital Development Authority, it may cancel the lease and acquire the possession of such land without paying any compensation to the lessee.

As per 2(3) of Resolution No. F-4/1/2010-PCB/GC dated 30.09.2002 as amended on 29.01.2011 of Ministry of Minorities, Culture, Sports, Tourism & Youth Affairs through which Gun & Country Club was established states that the Club shall be located adjacent to Pakistan Sports Complex, Islamabad spanning on area of 72 Acres of land.

CDA Chairman gave presentation to the PAC on the Gun Club and stated that a land of 145 acres was allotted to Pakistan Sports Board (PSB) in 1977 and the total cost of the land was Rs.736,600 at the rate of Rs.5,060 per acre. He said in the year 2000, the 9th SAF Games were proposed to be held in Islamabad and steering committee was constituted which reserved 44 acres for shooting ranges at the PSB out of allocated 145 acres of land.

As per SUO MOTU CASE No.14 of 2011 date of hearing 09.07.2018 it was stated that 'we would also like to highlight that the resolution dated 30.09.2022 upon which the club has placed reliance to justify its occupation of approximately 37 acres of land in its possession is neither a deed of transfer nor a deed or document of lease or license'.

Further letter No. GCC/MANCOM/2021 dated 31.08.2021 of the Gun & Country Club addressed to the Financial Advisor / Member, CDA states that the land measuring 33.273 acres is allotted to the Gun and Country Club with retrospective effect.

The Gun and Country Club, Islamabad was provided a land of 72 Acres by the Pakistan Sports Board for running a Gun Club.

Audit observed as under:

i. The actual land as per resolution required to be under possession of the Gun and Country Club, Islamabad was 72 Acres, but 33.273 acres of land was retained by the Club.
ii. As per CDA, Islamabad 72 acres of land was provided to the Club and Property Tax of the same was claimed. But before the Honorable Supreme Court of Pakistan the Gun & Country Club accepted that approximately 37 acres of land is in possession of the Club without any deed of transfer nor a deed or document of lease or license.

iii. The Gun & Country Club accepted before the Honorable Supreme Court of Pakistan that approximately 37 acres of land is allotted to the Gun and Country Club however, as per letter addressed to the Financial Advisor / Member, CDA it was stated that the land measuring 33.273 acres is allotted to the Gun and Country Club which is further reduced by 3.727 acres than the actual land in possession of the Club.

Audit is of the view that the whereabouts of the 38.727 acres of land were not known, which was required to be under the possession of the Gun & Country Club. Further, no documents were available with the club which led towards the encroachment of land of the club.

The management replied that the matter has been put-up with CDA and the concerned Ministry. Two meetings have been conducted in this regard. The CDA is being approached for lease of the land.

Management accepted the view of Audit.

Audit recommends looking into the matter under intimation to Audit.

19.5.10 Non-deposit of excess balances in Sports Endowment Fund Account - Rs. 480.087 million

Section 8 of the Gun Club Resolution, 2002 states the income of the Club, howsoever, derived shall be applied to discharge all its liabilities and applied towards maintenance upkeep and improvement in the quality of service, the general ambiance and facilities extended by the Club to its members and the excess amount, if any, shall be deposited in Sports Endowment Fund.

The Gun and Country Club, Islamabad was established through a Resolution No. F-4/1/2002-S-II dated 30.09.2002 published on 18.11.2002 under Ministry of Minorities, Culture, Sports, Tourism and Youth Affairs and transferred to Ministry of Inter Provincial Coordination subsequently. The Club generated income amounting to Rs.166,448,164 and Rs.229,424,714 and retained balances of Rs.384,092,260 and Rs.480,086,737 during financial year 2021-22 and 2022-23 respectively. Details are as under:

(Amount in Rupees)

Sr. No.	Account No.	Bank Name.	Account Type	Balance as on 30.06.2023
1.	01940060002501	Faysal Bank	Current	1,297,167

2.	0010064100060019	Allied Bank	Business Account	11,205,015
3.	0010064100060031	Allied Bank	PLS Account	467,107,251
4.	01941450002504	Faysal Bank	Saving Account	383
5.	00351002493543	Bank Alfalah	Saving Account	116,225
6.	00351002493248	Bank Alfalah	Saving Account	360,696
Total Rs.				**480,086,737**

Audit observed that:

i. As per the Gun Club Resolution, 2002 all the excess amount after upkeep and improvement expenditures was meant to be deposited into Sports Endowment Fund but the fund was not created and maintained.

ii. The Gun & Country Club did not make rules of Endowment Fund to be presented by the Administrator to the Federal Government for approval.

iii. The excess amount of Rs.480,086,737 during financial year 2022-23 was retained in bank accounts which was required to be deposited in Sports Endowment Fund.

iv. The Gun & Country Club did not provide the bank statement of account at Faysal Bank, account No.0113-1490 at Blue Area Islamabad.

Audit is of the view that as per the Gun & Country Club Resolution the excess balances were required to be deposited in Sports Endowment Fund after approval of its rules and procedures from the Finance Division.

The management replied that the Endowment Fund was created and GCC was depositing the funds in the said account. In 2014 the then management of Gun and Country Club decided to merge the accounts to use fund for operational expenses. Merged accounts are also called Sports Endowment Fund Saving accounts. The account is to be used for Promotions of Sports, organizing sports events and Shooting Competitions with the operational/expenditure account.

The reply of the management is not acceptable as the Endowment Fund was not created as per the requirement of the Club's Act.

Audit recommends creating Endowment Fund under intimation to Audit.

19.5.11 Investment of funds without competition – Rs.350.00 million

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

The Gun & Country Club, Islamabad invested an amount of Rs.350.00 million in Allied Bank account No.0010064100060019 during financial year 2022-23.

Audit observed as under:

i) Competitive bidding process was not carried out.
ii) There existed no in-house professional treasury management functions.
iii) Investment Committee was not constituted.
iv) Qualified investment management staff were not employed.
v) The services of professional fund managers approved by SECP were not obtained.

Audit is of the view that the investment made without in-house professional treasury management function and competitive bidding process was irregular and unauthorized.

The management replied that we have provided sufficient details of investment funds, to the Auditor.

The reply of the management is not cogent as the management invested an amount without competition.

Audit recommends inquiry to fix responsibility besides stopping the practice.

19.5.12 Non-payment of Property Tax - 32.000 million

Clause 89 (1) of the Islamabad Capital Territory Local Government Act, 2015 states that the property tax, under this Act, shall be collected by Metropolitan Corporation.

As per 2(3) Ministry of Minorities, Culture, Sports, Tourism & Youth Affairs Resolution No. F-4/1/2010-PCB/GC dated 30.09.2002 as amended on 29.01.2011 through which Gun & Country Club was established states that the Club shall be located adjacent to Pakistan Sports Complex, Islamabad spanning on area of 72 Acres of land.

The same was also stated by CDA before the honorable Supreme Court of Pakistan stated that 72 acres of land was occupied by the Gun & Country Club since, 2002.

CDA Chairman gave presentation to the PAC on the Gun Club and stated that a land of 145 acres was allotted to Pakistan Sports Board (PSB) in 1977 and the total cost of the land was Rs. 736,600 at the rate of Rs.5,060 per acre. He said in year 2000, the 9th SAF Games were proposed to be held in Islamabad and steering committee was constituted which reserved 44 acres for shooting ranges at the PSB out of allocated 145 acres of land.

Further letter No. GCC/MANCOM/2021 dated 31.08.2021 of the Gun & Country Club addressed to the Financial Advisor / Member, CDA states that the land measuring 33.273 acres is allotted to the Gun and Country Club with retrospective effect.

The Gun & Country Club (GCC), Islamabad occupied 72 acres land of CDA from 2002 to date. Metropolitan Corporation Islamabad/CDA vide No. MCI/DDG/(Rev)/(G&CC)/2021/400 dated 17.06.2021 informed that payment on account Property Tax amounting to Rs.32.00 million has been accumulated against Gun & Country Club from July 2004 to June 2021 and DAC in its meeting directed to recover the outstanding dues from Gun & Country Club, Islamabad on account of Property Tax on or before 30.06.2021 to avoid embarrassment before PAC.

Audit observed that the long outstanding amount of property tax i.e. 2004 to 2021 was required to be paid without any delay but the same amount is still payable even after passing of one year after receiving final notice from Metropolitan Corporation Islamabad/CDA.

Audit is of the view that non-payment of property tax deprived the Government treasury from its due receipts and lapse on the part of club.

The management replied that the matter of land occupied by GCC is sub-judice in the Honorable Supreme Court of Pakistan vide Court Order dated 31.07.2023. The matter of land is under consideration with Ministry of Inter Provincial Coordination (IPC), Islamabad in the light of directions of Honorable Supreme Court of Pakistan. Since the matter is undecided, it is requested that we may wait till the final outcome and settlement by the Honorable Supreme Court of Pakistan and other relevant authorities in the matter.

The management accepted the viewpoint of Audit.

Audit recommends resolving the issue of property tax under intimation to Audit.

19.5.13 Keeping of arms and ammunitions without licenses and without inspection

As per Rule 18 of Chapter-III of Pakistan Arms Rules 2023, institutional arms license may be issued to:

a) a company registered under the company's law for provision of security services,

b) a company or legal entity partially or fully owned by the Federal Government, a Provincial Government or Government of Gilgit-Baltistan and Azad Jammu and Kashmir,

c) institute of Government established by law, and

d) corporations or companies established under the Companies law which require licenses for security of their premises.

Rule 19(1) of Chapter-III of Pakistan Arms Rules 2023 states that the Minister and the Secretary of the Interior Division or Special Secretary of the

Interior Division duly authorized by the Secretary thereof may allow NPB or PB arms licenses as the case may be to an institution as defined in rule 18.

The Gun & Country Club retained 07 Shot Guns, 13 .22 Pistols & Rifles and 14 Pistol for target shooting.

Audit observed that:

i. The arms were retained without licenses.
ii. The Technical Committee for arms and ammunitions was not constituted.
iii. Certificates of originality of arms and ammunition were not available.
iv. Periodic inspection reports and fitness certificates of arms were not available.
v. Details of repair and maintenance were not available.
vi. Details of replacement and disposed of arms and ammunition were also not maintained.

Audit is of the view that retention of arms and ammunition without licenses is a serious lapse on the part of the club.

The management replied that the Licenses of all arms of the club have been processed. Shooting technical committee has been constituted for the said purpose.

The management accepted the viewpoint of Audit.

Audit recommends looking into the matter and get arms & ammunitions licensed from the Ministry of Interior.

19.5.14 Non-Reconciliation/misappropriation of membership fee

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

The Gun and Country Club, Islamabad was required to submit and reconcile its collected membership fee, collect fee in cheques instead of cash, ensure timely submission of membership fee, etc. Some of the instances noted by Audit are as under:

i. A letter was issued to Mr. Sikandar Khan for submission of membership fee on 01.08.2022 and membership card was issued on 20.06.2023 without any fee submission details in file.

ii. Mr. Shoaib Qaisrani, Membership No.1346 was asked to submit Rs.1.00 million as membership fee which was received on 17.08.2022, however a letter was issued on same date a letter of Rs. 0.4 million was placed in the file against the membership fee.

iii. Another member Ms. Rida Noor, Membership No.1312 submitted 0.4 million for membership, but there was 0.1 million outstanding against her.

iv. Mr. Farhan Qamar, Membership No.1304 submitted 3 cheques amounting to Rs.1.00 million but only an amount of Rs. 0.4 million was deposited while 0.6 million is still outstanding.

v. Col. Rtd Mr. Nauman Aziz, Membership No.1240 submitted 0.4 million in cash as membership fee to Assistant Manager Admin, while only Rs.0.2 million was deposited.

vi. Mr. Abdul Waheed, Membership No.1283 submitted cheques for Rs. 1.3 million and the only amount of Rs.0.8 million was deposited.

vii. The widow of Mr. Sadiq, Membership No. 1095, was asked to submit Rs.0.4 million as membership transfer fee and the same amount was deposited in the Club account against the rules.

viii. Mr. Haroon K. Hashmi, Membership No.1301 has an outstanding amount of Rs.0.6 million, on demand he stated that the amount was given in cash to Assistant Manager Admin.

Audit is of the view that misappropriation in deposit of membership fee and transfer of membership with unlawful fee is a serious lapse on the part of club.

The management replied that an inquiry has been conducted by MC members has recommended to impose penalty of dismissal from service on Mr. Yasir Javaid (Ex M Admin) and Mr. Muhammad Asghar (Ex-Assistant Manager Admin). Moreover, a process of reconciliation is underway and a report will be sent to law enforcement agencies for recovery of pilfered amounts.

The management accepted the viewpoint of Audit.

Audit recommends inquiry to fix the responsibility besides recovery.

Audit also recommends strengthening of internal financial controls to avoid such instances in future.

19.5.15 Irregular payment to the contractor for repair of building, construction work and upholstery - Rs.8.620 million

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

The Gun and Country club, Islamabad incurred expenditure of Rs.2,465,802 during financial year 2021-22 and Rs.3,886,341 during financial year 2022-23 on repair of building and construction work. Further expenditure on paint work of building and shooting ranges amounting to Rs.1,423,628 and upholstery amounting to Rs.845,200 was also incurred during financial year 2022-23.

Audit observed that the work was awarded without open competition and estimates of the work to be executed.

The management replied that the said repair of building, construction work and upholstery were performed through prequalified vendors in different time frames as per time-to-time requirement generated by the respective departments. The procurement was under Rs.500,000 as per the rules of GCC the amount lower than Rs.500,000 will not be advertised on any platform.

The reply of the management is not acceptable as no details of prequalification of vendors were provided to Audit. Further, no approved procurement rules of the Club were provided to Audit.

Audit recommends stopping the practice besides inquiry to fix the responsibility.

CHAPTER 20

MINISTRY OF INTERIOR

20.1 Introduction

As per Schedule II [Rule 3 (3)] Distribution of Business among the Divisions read with Schedule III [rule 4(4)] Rules of Business 1973 (As amended up to 23rd April, 2019) following main business have been assigned to the Division amongst the other functions.

1. Internal security; matters relating to public security arising out of dealings and agreements with other countries and international organizations.
2. Preventive detention for reasons of State connected with defence, external affairs or the security of Pakistan or any part thereof; and for reasons, connected with the maintenance of public order or the maintenance of supplies and services essential to the community; persons subjected to such detention.
3. Nationality, citizenship and naturalization.
4. Admission of persons into, and expulsion of persons from Pakistan, including:

a) policy regarding entry, exit and sojourn of foreigners and aliens; and (b) regulation of movement in Pakistan of persons not domiciled in Pakistan.

5. Admission of persons into, and departure of persons from Pakistan.
6. Policy regarding censorship; prescription of books and publications in consultation with the Education Division, where necessary.
7. National Database and National Data Warehouse for issuance of National Identity Cards, Pakistan Origin Cards and Aliens Registration Cards.
8. Security measures for the Federal Secretariat and Subordinate Offices.
9. Pardons, reprieves, respites, remissions, commutation, etc. (excluding personnel belonging to the Armed Forces), issuance of warrant of execution of death sentence.
10. Police Commission and Police awards.
11. Policy coordination of, and higher training in Civil Defence and A.R.P. matters.
12. Pakistan Flag, Coat of Arms, monograms, seals etc.; Standard Time for Pakistan; public holidays; Gazette of Pakistan.

13. Warrant of Precedence; celebrations and ceremonial parades (other than those of Armed Forces); action to be taken on the death of high officials; civil uniform rules.
14. Coordination of policy matters relating to the Police.
15. Coordination of anti-smuggling measures.
16. Matters relating to Federal Police Forces, their establishment etc.
17. Administrative Control of the Civil Armed Forces (i.e. Frontier Corps including Baluchistan Constabulary and Frontier Constabulary) Rangers and Coast Guards.
18. Arms Act jurisdictions to Federal areas.
19. Border incidents and disputes.
20. Permission to Government servants to visit India.
21. Political asylum, Genocide.
22. Surrender of criminals and accused persons to Government outside Pakistan.
23. Special studies of penal reforms in the context of national mores and requirements; coordination of reforms by the provinces and provisions of facilities for professional and technical training of jail staff, at home and abroad; and dealing with such items pertaining to prisons, etc., as are embodied in the Federal and Provincial Subjects.
24. Protection and maintenance of non-Muslim shrines in Pakistan and pilgrimages from India.
25. Administrative Control of National Police Academy.
26. All Administrative matters relating to the Federal Investigation Agency.
27. Investigation and prosecution of cases falling under the Schedule appended to the Federal Investigation Agency Act, 1974.
28. To act as National Central Bureau to keep liaison with the INTERPOL.
29. Anti-Corruption laws, except the National Accountability Ordinance, 1999 35. Islamabad Capital Territory Administration.
30. Advocate General (ICT), Metropolitan Corporation Islamabad, Capital Development Authority.
31. Management and distribution of zakat and Ushr in Islamabad.

ATTACHED DEPARTMENTS/ AUTONOMOUS BODIES

i. Directorate General of Immigration and Passports.

ii. Directorate General of Civil Defence.
iii. Pakistan Rangers, Lahore.
iv. Pakistan Coast Guards.
v. Frontier Corps, Khyber Pakhtunkhwa.
vi. Frontier Corps, Baluchistan.
vii. Chief Commissioner, Islamabad Capital Territory.
viii. Pakistan Rangers Sindh (South), Karachi.
ix. Federal Investigation Agency.
x. Frontier Constabulary, Khyber Pakhtunkhwa.
xi. Gilgit Baltistan Scouts.
xii. Central Jail Staff Training Institute.
xiii. National Police Foundation.
xiv. National Alien Registration Authority
xv. National Database and Registration Authority
xvi. National Police Academy
xvii. National Counter Terrorism Authority
xviii. Capital Development Authority

(Rupees in Million)

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY 2022-23) Rs. in million
1	Formations	243	65	175,753.339	20,533.312
2	Assignment Accounts (Excluding FAP)	3	3	352.471	
3	Authorities / Autonomous Bodies etc. under the PAO	2	2	1,682.633	693.129
4	Foreign Aided Project (FAP)				

20.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Interior Division for the financial year 2022-23 was Rs. 240,995.26 million, out of which the Division expended an amount of Rs. 233,263.48 million. The Division had five current and one development grant. Grant-wise detail of current and development expenditure is as under:

(Rs. In million)

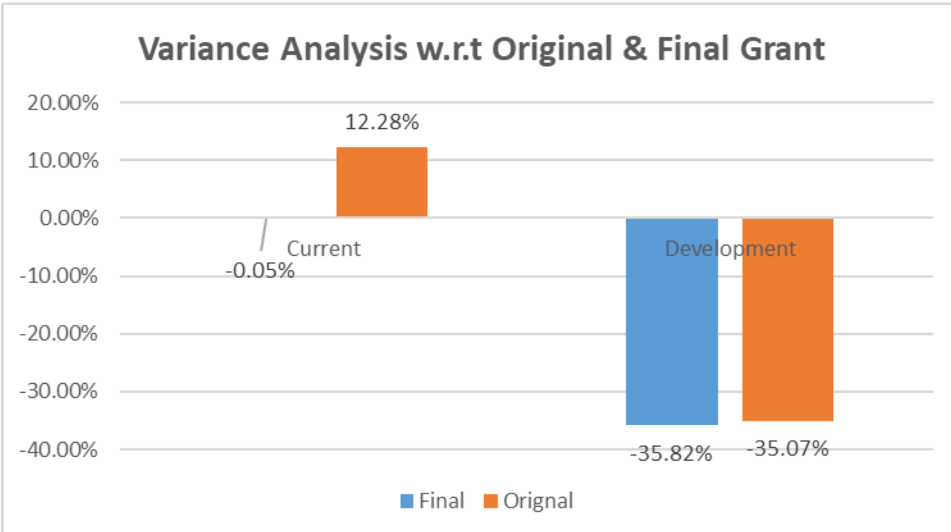
Grant No	Type of Grant	Heads	Original Grant	Suppl Grant	Surr (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
57	Current	Main	12,040.87	6,825.78	-630.17	18,236.48	14,649.43	-3,587.05	-24.49%
58	Current	Misc	6,614.00	2,773.20	.00	9,387.20	9,714.64	327.44	3.37%
59	Current	ICT	13,978.59	1,150.10	-56.87	15,071.82	15,117.02	45.20	0.30%
60	Current	Civil Armed Forces	162,669.54	13,992.76	-10.47	176,651.84	179,763.77	3,111.93	1.73%
61	Current	NCTA	268.89	110.65	-27.18	352.36	351.79	-.58	-0.16%
589	**Total**		**195,571.89**	**24,852.50**	**-724.69**	**219,699.70**	**219,596.63**	**-103.06**	**-0.05%**
108	Development	Dev	21,048.72	1,817.18	-1,570.33	21,295.56	13,666.84	-7,628.72	-35.82%
	Total		**216,620.60**	**26,669.67**	**-2,295.01**	**240,995.26**	**233,263.48**	**-7,731.78**	**-3.31%**

Audit noted that there was an overall saving of Rs.7,731.48 million, which was mainly due to saving 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. 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, bifurcating total allocation into current, development and charge expenditure, it was observed that, in case of development grant, there was 35.07% of saving w.r.t original grant which was finally increased to 35.82% w.r.t final grant and in case of current grant 12.28% excess was finally became 0.05% saving.



20.3Classified Summary of Audit Observations

Audit observations, amounting to Rs. 31,615.359 million, were raised in this report during the current audit of **Ministry Of Interior**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	243.23
3	Irregularities	
A	*HR/Employees related Irregularities*	15,907.47
B	*Procurement related irregularities*	12,523.94
C	*Management of account with commercial banks*	42.00
D	*Recovery*	363.62
E	*Internal Control*	1,722.46
4	Value for money and service delivery	
5	Others	812.63

20.4Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2010-11	9	9	3	6	33
2011-12	21	0	0	21	-
2012-13	46	13	3	43	23
2013-14	19	19	13	6	68

2014-15	38	0	0	38	-
2015-16	5	1	1	4	100
2016-17	46	46	15	31	33
2017-18	58	58	26	32	45
2018-19	48	22	17	31	77
2019-20	65	40	17	48	43
2020-21	65	0	0	65	-
2021-22	97	10	4	93	40
2022-23	73	0	0	73	-
Total	**590**	**218**	**99**	**491**	-

20.5 AUDIT PARAS

Interior Division (Main)

20.5.1 Whereabouts not known of 1,985 Arm Licenses – Rs. 10.921 million

General Financial Rule 11 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 Ministry of Interior, Islamabad provided a statement obtained from NADRA which showed that NADRA issued 46,465 Arm Licenses and collected an amount of Rs. 422,374,000 on behalf of the Ministry of Interior during financial year 2022-23.

Nos. of Arm Licenses issued			Receipt (Rs.)
NPB	PB	Total	
30,656	15,809	46,465	422,374,000

However, Ministry of Interior, Islamabad provided detail / information regarding issuance of Arms Licenses during 2022-23. Detail is as under:

Sl. No.	Description	Nos. of Arm Licenses			Amount (Rs.)
		NPB	PB	Total	
1.	Cases of purchased and entry of weapon	7,435	10,312	17,747	280,017,500
2.	Arm License issued to retired Forces personnel	667	321	898	3,912,500
3.	Renewal Cases	23,005	5,327	28,332	141,519,000
4.	Institutional Licenses	1,058	314	1,372	7,261,000
5.	Cases for transfer / restoration / cancellation	44	57	101	584,750
Total		**32,209**	**16,331**	**48,450**	**433,294,750**

Audit observed as under:

i) Aforementioned information shows variation of 1,985 (48,450 – 46,465) Arm Licenses between NADRA and Ministry of Interior.

ii) Management did not provide record of Arm License fee amounting to Rs. 10,920,750 (Rs. 433,294,750 – Rs. 422,374,000).

Audit is of the view that due to absence of any mechanism of Arm Licenses reconciliation between Ministry and NADRA, variation of 1,985 Arm Licenses (amounting to Rs. 10,920,750) was arising, which leads to non-realization of receipt.

The management did not reply till finalization of report.

PAO was informed on 03.01.2024 but DAC was not convened till finalization of the Report.

Audit recommends fixing of responsibility for non-reconciliation and less deposit of arm license fee into government treasury.

Excise and Taxation Department, ICT, Islamabad

20.5.2 Loss due to Non-collection of GST – Rs. Rs. 43.866 million

Rules 3 of Sales Tax Act, 1990 states that subject to the provisions of this Act, there shall be charged, levied and paid a tax known as sales tax at the rate of 17% of the value of (a) taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him; and (b) goods imported into Pakistan, irrespective of their final destination in territories of Pakistan.

The management of Excise and Taxation Department, Islamabad issued vehicles number plates to the owners at the rate of Rs. 800 per number plate. Details are as under:

S. No	Financial Year	Total No. Plates Issued	Amount without Sales Tax	Rate of Sales Tax	Amount with Tax
1	2018-19	75974	60,779,200	17%	10,332,464
2	2019-20	36318	29,054,400	17%	4,939,248
3	2020-21	63031	50,424,800	17%	8,572,216

4	2021-22	94762	75,809,600	17%	12,887,632
5	2022-23 up to 13.02.2023	36963	29,570,400	17%	5,026,968
6	14.02.2023 to 30.06.2023	14632	11,705,600	18%	2,107,008
				Total	**43,865,536**

Audit observed that the number plates were issued without charging sales tax from the owners of the vehicles in violation of Rule.

Audit is of the view that due to non-collection of GST amounting to Rs. 43.866 million the government was deprived of benefit of its due revenue.

The management did not reply till finalization of the report.

PAO was informed on 05.12.2023 but DAC was not convened till finalization of the Report.

Audit recommends that the amount may be recovered from the owners and deposited into the government treasury.

20.5.3 Loss of revenue due to incomplete record of Hotels' capacity

Section 12(1) of Bed Tax and amendments under Finance Act of 1965 **(**as amended in Finance Act 2019) states that there shall be levied and collected in prescribed manner from all the Hotels, having at least twenty-five (25) lodging units (means number of Beds), a Bed Tax at the rate of five percent (5%) of invoice or bill excluding Sales Tax and other applicable Taxes.

Further, at the time of registration applicants provide the details of lodging units in the prescribed forms.

The management of excise and Taxation department, Islamabad collected bed tax amounting to Rs. 484,975,847 during 2022-23. Details are as under:

(Amount in Rupees)

Sr. No	Hotels in ICT	Total Bed Tax
1	M/s. Islamabad Hotel	19,037,243
2	M/s. Miraj Hotel, Islamabad.	1,194,765
3	M/s. Hotel Margalla (Pvt) Ltd	29,788,849
4	M/s. Atlas Hotel, Islamabad.	299,588

5	M/s. VIRIDI Hotels, Islamabad.	2,955,622
6	M/s. Islamabad Serena Hotel	254,029,712
7	M/s. Ramada Hotel	34,553,528
8	M/s. Roomy Signature	29,228,014
9	M/s Islamabad Marriot Hotel	113,888,526
	Total	**484,975,847**

As per registration record of Department of Tourism Services under Ministry of IPC there are 120 hotels operating in ICT. Category-wise detail is as under:

Hotel Level	**Number**
5 star	2
4 star	2
3 star	8
2 star	10
1 star	98
Total	**120**

Audit observed that:

i. Out of 120 hotels, the management only collected tax from nine (09) hotels.

ii. The management neither had the basic information about the bed capacity and month wise room rent collected by hotels nor the annual financial statement showing the month-wise revenue statements of hotels.

Audit is of view that due to incomplete record of hotels, less bed tax was realized causing loss to the public exchequer.

The management did not reply till finalization of the report.

PAO was informed on 05.12.2023 but DAC was not convened till finalization of the Report.

Audit recommends that details about the tax collected may be provided to audit and tax may be collected from the remaining hotels in the light of their annual financial statement and occupancy record.

20.5.4 Non-deposit of due bed tax – Rs. 6.598 million

Para 26 of GFR Volume-I states that subject to any special arrangement that may be authorized by competent authority with respect to any particular class of receipts, it is the duty of the departmental controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the public account.

Audit observed that as per statement provided by ETO, bed tax collected during year 2022-23 was Rs. 524,587,074 whereas bed tax manual register showed Rs. 517,989,535. There was a difference of Rs 6,597,539.

Audit is of the view that due to the difference in two documents the actual amount of collection could not be ascertained.

The management did not reply till finalization of the report.

PAO was informed on 05.12.2023 but DAC was not convened till finalization of the Report.

Audit recommends that matter may be inquired to fix responsibility.

20.5.5 Less recovery of professional tax from establishments – Rs. 12.430 million

Section 11 of Finance Act, 2019 states that the professional tax is recoverable from Establishment with employees exceeding 25 @ Rs 5,000 annum and Recruiting Agencies -Rs 10,000/- annum.

Section 11 of Finance Act, 2019 states that the professional tax is recoverable from Establishment with capital exceeding PKR 50 million but not exceeding PKR 100 million @ Rs 35,000 annum.

Excise & Taxation Office, Islamabad registered and collected professional tax from following institutions/establishments during 2022-23. Details are as under:-

(Amount in Rupees)

Establishments	Nos of establishment Registered for Tax collection	Collected Tax Amount Rs.
Educational Establishment	8	168,000
Recruiting agencies	5	50,000
Food Business	4	9,000
Pharmaceuticals companies and private hospitals	12	378,000
Travel agencies and Tour Guides	7	11,000
Total		**616,000**

Audit observed that management did not collect professional tax from following un-registered establishments. Details are as under:

(Amount in Rupees)

Establishments	No' of Establishment Un-registered	Due Tax Amount Rs.
Educational Establishment	752	3,760,000
Recruiting agencies	167	1,630,000
Food Business	292	1,460,000
Pharmaceuticals companies and private hospitals	61	2,170,000
Travel agencies and Tour Guides	682	3,410,000
Total		**12,430,000**

Audit is of the view that due to incomplete registration exact amount of tax due i.e. the principal professional tax amount with arrears cannot be calculated or recovered.

The management did not reply till finalization of the report.

PAO was informed on 05.12.2023 but DAC was not convened till finalization of the Report.

Audit recommends that proper record of establishments in ICT be maintained to realize the ascertained amount of collection and prevent loss to the exchequer.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 14.5.37 having financial impact of Rs. 3.905 million. Recurrence of same irregularity is a matter of serious concern.

Federal Investigation Agency (HQ), Islamabad

20.5.6 Mis-procurement due to award of contract to 2nd lowest bidder in violation of PPRA Rules- Rs 27.50 million

Rule 36(b) of Public Procurement Rules, 2004 states that (viii) after the evaluation and approval of the technical proposal the procuring agency, shall at a time within the bid validity period, publicly open the financial proposals of the technically accepted bids only. The financial proposal of bids found technically non-responsive shall be returned un-opened to the respective bidders, (ix) the bid found to be the lowest evaluated bid shall be accepted.

Management of Inter Border Management System (IBMS) Islamabad purchased 200 Lenovo V50t Desktops from M/s Mega Plus amounting to Rs. 30,310,400.

Audit observed that M/s IBL Unisys quoted Rs. 27.539 million without tax and M/s Mega Plus quoted Rs. 30.310 million without tax. While calculating the bid price, the management added GST @ 17% in the bid of M/s Unisys and GST @ 5% in the bid of M/s Mega Plus due to which the bid of M/s Unisys who was the lowest bidder exceeded from bid of M/s Mega Plus.

Audit is of the view that award of work to 2nd lowest bidder was mis-procurement and violation of PPRA Rules.

PAO was informed on 03.01.2024 but neither reply was furnished nor DAC convened till finalization of the Report.

Audit recommends that inquiry may be held to fix the responsibility for mis-procurement and amount may be recovered.

20.5.7 Wasteful expenditure on hiring of staff - Rs 6.00 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.

Management of Inter Border Management System (IBMS) Islamabad paid Rs. 6.00 million to Virtual University for conduct of test for recruitment/hiring of staff for the IBMS Phase-II.

Audit observed that expenditure was incurred for conducting test for recruitment, but no recruitment was made till November, 2023 and project is also near to its completion in June, 2024.

Audit is of the view that expenditure without availing its benefits was wasteful and loss to Government. Further, the efficiency and effectiveness of the project without required staff could not be achieved.

PAO was informed on 03.01.2024 but neither reply was furnished nor was DAC convened till finalization of the Report.

Audit recommends that staff should be recruited to achieve the project objectives.

20.5.8 Irregular payment of office building rent - Rs 12.544 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.

FIA, Zone Islamabad hired office building at Qaiser Waseem Plaza, Madni Chowk, G13/3 Islamabad 3rd floor covered area 9324Sq.ft for the period 16.01.2021 to 31.12.2022 and 2nd floor covered area 9145Sq.ft for the period 18.6.2021 to 28.02.2022 from M/s Muhammad Gulistan Khan and paid rent amounting to Rs. 12,544,000.

Audit observed that:

i. Payment was made without agreement.
ii. Payment was made without the revision of the agreement and without the approval of the competent authority.
iii. At the time of payment the owner was not alive
iv. Accommodation of building and payment of rent was made without approval from Ministry of Finance
v. Payment was made to other than owner.

Audit is of the view that payment without approval and without agreement, to third party, was irregular and unauthorized.

PAO was informed on 03.01.2024 but neither reply was furnished nor was DAC convened till finalization of the Report.

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

Gilgit Baltistan Scouts, Gilgit

20.5.9 Irregular procurement without open competition in DBDP– Rs.22.25 million

As per Note ‘e’ to the MOU signed between WAPDA and Gilgit-Baltistan Scouts, Gilgit all purchases shall be made in accordance with the provision of Public Procurement Rules.

Rule 12(1) of Public Procurement Rules, 2004 states that procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani 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.

Gilgit-Baltistan Scouts purchased arm & ammunition amounting to Rs. 37.483 million for Diamer Bhasha Dam Project during 2022-23.

(Amount in Rupees)

Messer	Items Purchased	Amount
Shibli Electronic Pvt Ltd	Night vision sights	22,250,000

Audit observed that the items were purchased without open competition and the amount was given in advance without receipt of items.

Audit is of the view that purchases without open competition deprived the government of the benefit of the competitive rates. Audit is also of the view that advance payment without the approval of the Finance Division was unauthorized.

The management replied that Night Vision Sights have been procured from M/S Shibli Electronic Pvt (Ltd) which is the Original Equipment Manufacturer (OEM) of items in Pakistan.

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

The DAC in its meeting held on 12.12.2023 directed that documentary evidence of the sole OEM in respect of Shibli Electronics be verified.

Audit recommends that responsibility may be fixed for the irregularity.

20.5.10 Irregular purchase of medical & Lab equipment without specification - Rs. 53.533 million

Rule 38 b (1) of PPRA, 2004 states that the procuring agency shall consider single bid in goods, works and services if it meets the evaluation criteria, ensures compliance of specifications and other terms & conditions expressed in advertisement or bid solicitation documents, is not in conflict with any provision of the Ordinance, and conforms to the technical specifications, has financial conformance in terms of rate reasonability.

GB Scouts, Gilgit procured medical and lab equipment for 116 wings during 2022-23. Details are as under:

(Amount in Rupees)

Messer	Description of items	Quantity	Rates Rs.	Amount
Zeem Enterprises	X-Ray Machine Toshiba	1	10,584,028	10,584,028
	Motorized bed	15	225,000	3,375,000
	Patient bed	15	95,500	1,432,500

	CBC Test Machine	2	953,500	1,907,000
	Suction Machine	5	91,500	457,500
	Surgical Table complete (japan)	1	1,550,000	1,550,000
	ECG Machine (Japan)	2	530,000	1,060,000
	Anesthesia Machine (Germany)	2	3,550,000	7,100,000
	Dental Unit with Hydraulic Chair complete	1	3,560,000	3,560,000
	Ventilator Machine	5	995,000	4,975,000
	Dialysis Machine (Germany)	1	1,283,500	1,283,500
Nadir & Sons Enterprises	VHF Handheld Micro set	40	128,000	5,120,000
	VHF static base with extra cable	2	900,000	1,800,000
	VHF Mobile base with extra cable	2	760,000	1,520,000
	EFT 101	10	55,000	550,000
	Acid for battery	300	450	135,000
	DC wire Coil (90ms/coil)	4	660,000	2,640,000
	Dc Search Lite	20	12,000	240,000
	AC Search Lite	35	14,000	490,000
	HP Laser printer	1	2,258,000	2,258,000
	Elect wire 7/36 (coil)	8	7,500	60,000
	Solar Panel 180 w	20	33,000	660,000
	Bty 120 AH 12 v	20	32,800	656,000
	Stabilizer 10000 w	4	30,000	120,000
Total				**53,533,528**

Audit observed that technical specifications of all the items were neither mentioned in tender documents nor specified during the award of contract and in the contract agreement.

Audit is of the view that procurement without technical specification was unauthorized and a violation of the rules.

The management of GB Scouts replied that medical & laboratory / Signal Equipment have been purchased for 116 Wing during FY-2022/23. Specifications of the items were issued to participating firms along with Invitation Tender (IT).

The reply was not accepted because specifications of items were neither mentioned in tender nor in bidding documents.

DAC in its meeting held on 12.12.2023 directed that documentary evidence may be verified within two weeks.

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

20.5.11 Non-Deduction of 5% House Rent Charges

According to Fundamental Rule 45A, all employees shall pay 5% of their running Basic Pay to Government from the date of allotment of Government accommodation / availing hiring facility.

Under rule 26 (1) of Accommodation Allocation Rules 2002, a government servant who is allotted government accommodation shall pay 5% as rental charges. This implies that the employees in possession of official accommodation are not entitled to draw house rent allowance.

The management of Gilgit-Baltistan Scouts maintained official accommodation in its garrison and wings headquarters and houses and flats were allotted to the officers/officials of Gilgit-Baltistan Scouts.

Audit observed that 5% House Rent Charges was not deducted from the salary of the employees who were allotted official accommodation.

Audit is of the view that non-deduction of House Rent Charges was irregular.

The management of GB Scouts replied that maintenance of allotted houses is being done by the concerned officers/officials at their own expenses as budget for Repair & Maintenance work is not being allocated to this organization. Hence, deduction of 5% house rent from the officers/officials is not justified. However, House Rent Allowance is being deducted from the monthly salary of officers/officials directly by AGPR (SO) Gilgit

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

DAC in its meeting held on 12.12.2023 directed that recovery shall be made by the allottees.

Audit recommends that the amount may be calculated, recovery initiated and deposited into the government treasury.

Islamabad Food Authority

20.5.12 Unauthorized constitution of Islamabad Food Authority

Section 3(1) of Islamabad Capital Territory Food Safety Act, 2021 states that the Government shall, by notification in the official Gazette, establish the ICT Food Authority to carry out the purposes of this Act.

The Supreme Court of Pakistan vide its judgment dated 18.08.2016 in Civil Appeals No. 1428 to 1436 of 2016 (Mustafa Impex Case), vide Para 84, inter-alia, decided/concluded as under:

> (ii) The Federal Government is the collective entity described as the Cabinet constituting the Prime Minister and Federal Ministers.
>
> (iii) Neither a Secretary, nor a Minister and nor the Prime Minister are the Federal Government and the exercise, or purported exercise, of a statutory power exercisable by the Federal Government by any of them, especially, in relation to fiscal matters, is constitutionally invalid and a nullity in the eyes of the law.

Chief Commissioner, Islamabad vide Notification No. 11(4)/Admin/2022 dated 08.09.2022 constitute Islamabad Food Authority.

Audit observed that the Authority was established by Chief Commissioner, Islamabad without the approval of the Federal Government in violation of the Judgment of the Supreme Court of Pakistan.

Audit is of the view that Chief Commissioner, Islamabad cannot enjoy those authorities which cannot be exercised by Prime Minister of Pakistan.

The management replied that IFA has been constituted with the approval of Chief Commissioner ICT as the President of Pakistan has conferred executive authority of Federation to Administrator for Islamabad Capital Territory vide Order No. 18 of 1980.

The reply was not accepted because approval of Federal Government was required as per judgment of Supreme Court of Pakistan.

DAC in its meeting held on 27.12.2023 directed to submit case for obtaining clarification from Law Division.

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

20.5.13 Unauthorized appointments without approved service rules & regulation and without approval of the Board

As per Establishment letter No. F.No.6/4/96-R-3 dated 02.11.2021 stated that all autonomous bodies/Corporations/Organizations, etc. need to be submit its draft rules for approval to the competent authority as specified in their respective Act/Ordinance. However, these service rules are required to be submitted to Establishment Division for vetting/concurrence.

The management of Islamabad Food Authority appointed 17 Officers/Officials on Project Pay Scales during 2022-23. Details are as under:

S. No.	Name	Designation	PPS
1	Dr. Tahira Siddiqui	Deputy Director operation	8
2	Muhammad Kashif Hussain	Dairy Specialist	7
3	Imran Khan	Food Safety Officer	7
4	Khurram Kabir	Food Safety Officer	7
5	Nafeesa Kirn	Food Safety Officer	7
6	Mahnoor Syed	Public analyst	7
7	Muhammad Shahbaz Arshad	Veterinary Specialist	7
8	Ibrahim Jamil	Assistant Food Safety Officer	6
9	Nayab Rao	Assistant Food Safety Officer	6
10	Hafiz Muhammad Shahbaz Anwar	Assistant Food Safety Officer	6
11	Junaid Ashraf	Assistant Food Safety Officer	6
12	Muhammad Naeem Zubairi	Inspector	5
13	Azaz Safdar	Inspector	5
14	Zubair Abbas	Inspector	5
15	Muhammad Bilal	Lab Assistant	5
16	Hassan Aziz	Lab Assistant	5

Audit observed as under:

i. The management appointed the employees without framing Service Rules regarding terms and conditions of the service of its employees.
ii. As per record, Note 51 of File states that HR Committee prepared results of Interview and Written Test and submitted its recommendations. However, in Note 53 the Chief Commissioner/Chairperson, IFA directed to re-interview without any justification.
iii. Minutes of the HR Committee which recommends the appointment of the Employees were only signed by two members. The Minutes are still unsigned as on 11.07.2023 by the Chairman of the Committee and four other Members whereas appointment letters were issued in the month of February, 2023.
iv. The appointments were made without approval of the Board.
v. Employees were appointed under the Islamabad Food Authority whereas payment of Pay and Allowances were made from AGPR under regular budget from Federal Consolidated Fund.

Audit is of the view that appointments without any Service rules and without approval from the Board were a serious lapse on the part of the management.

The management replied that regulations have been framed and notified. Approval of the HR committee of the Board has been obtained prior to appointment. Re-interview was not conducted rather the results were re-analyzed due to inclusion of Deputy Commissioner in the HR Committee.

DAC in its meeting held on 27.12.2023 directed to get Board approval, Minutes of HR Committee meeting verified from Audit, Service Rules shall be framed as a regulation without rules has no legal standing. DAC further directed departmental fact-finding inquiry to probe the matter of reasons for re-interview and issuance of appointment orders without approval of the HR Committee and submission of report within two weeks.

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

Pakistan Rangers (Sindh)

20.5.14 Non-deduction of Income tax on IS Duty Allowance – Rs. 133.895 million

Section 12(1) of Income Tax Ordinance, 2001 states that Any salary received by an employee in a tax year, other than salary that is exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head "Salary". (2) Salary means any amount received by an employee from any employment, whether of a revenue or capital nature, including — (a) any pay, wages or other remuneration provided to an employee, including leave pay, payment in lieu of leave overtime payment, bonus, commission, fees, gratuity or work condition supplements.

Section 149 of Income tax ordinance 2001, states that every person responsible for paying salary (including honorarium/cash reward paid to an employee) shall, at the time of payment, deduct tax from the amount paid at the following rates:

Taxable Income Rs.	Tax Applicable 2022-23
Up to 600,000	0%
600,001-1,200,000	2.5 % of the amount above Rs. 600,000
1,200,001-2,400,000	Rs.15,000 + 12.5 % of the amount above Rs. 1,200,000
2,400,001-3,600,000	Rs 165,000 + 20 % of the amount above Rs 2,400,000
3,600,001-6,000,000	Rs 405,000 + 25 % of the amount above Rs 3,600,000
6,000,001-12,000,000	Rs 1,005,000 + 32.5% of the amount above Rs 6,000,000
Above 12,000,000	Rs. 2,955,000 + 35% of the amount above Rs 12,000,000

Serial No. 39A of Second Schedule of Section 53 of Income Tax Ordinance States that any amount paid as internal security allowance, compensation in lieu of bearer allowance, kit allowance, ration allowance, special messing allowance, SSG allowance, Northern Areas compensatory allowance, special pay for Northern Areas and height allowance to the Armed Forces personnel.

Pakistan Rangers (Sindh) paid an amount of Rs. 2,677.902 million to its officers and official as Internal Security Duty Allowance during 2022-23.

Audit observed that Internal Security Duty Allowance was not exempted from Income Tax for Civil Armed Forces, but the management did not include the amount in the gross annual income of officers and official of Rangers due to which Income Tax amounting to Rs. 133.895 million @ 5% of the total amount was not deducted.

Audit is of the view that non-deduction of income tax on ISD Allowance was irregular and deprived the government from the benefit of its due revenue.

The management replied that Internal Security Duty Allowance is linked with daily allowance, which is paid at the rate of half daily per day in lieu of performing Internal Security Duty. Daily allowance is a nontaxable allowance. Similarly, the income tax on Internal Security Duty Allowance is also exempted.

Further, the exemption of income tax on Internal Security Duty Allowance was allowed after detailed discussion between AG Sindh Karachi & AGPR sub office Karachi vide Accountant General Sindh letter number. CAA-II/P.R-IS Duty /2020 /21 /355 dated 21 May 2023. Moreover, the income tax on Internal Security Duty Allowance has been exempted vide General Headquarters AG branch PPA Dte Rawalpindi letter number. 4636/006/IT Cell-XSP2TSA dated 05 August 2022.

The reply was not accepted because neither Accountant General Sindh nor AGPR is competent to grant exemption on Income Tax.

Audit recommends that amount may be recovered and deposited into Government Treasury.

20.5.15 Unauthorized payment of IS duty allowance to 43 Wing - Rs 64 million

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

Finance Division O.M. No. F.No.11(5)-R-I/2008-192 dated 22.04.2009 states that Internal Security Allowance is admissible to all those personnel of Civil Armed Forces who are deployed on internal security in the field in the requisition by the Federal/Provincial Governments and the cost would be borne by the requisitioning authority.

Pakistan Rangers (Sindh) paid an amount of Rs. 64 million to the officers / officials of 43 Wing during 2022-23.

Audit observed that 43 Wing was deputed with CPEC and was not deployed on internal security duty requisitioned by Government of Sindh.

Audit is of the view that as internal security allowance authorized for troops deputed on internal security and payment of such allowance to others was irregular and unauthorized.

The management replied that all Pakistan Rangers (Sindh) setups including 43 Wing are performing internal security duties on national / international events, religious procession/ gathering, Sports, IDEAS, Census, Election, Polio Campaign and other Internal Security duties. 43 Wing is also drawing pay and allowances from Pakistan Rangers (Sindh).

During verification of records the management did not provide any record in support of the reply.

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

20.5.16 Doubtful execution of work – Rs. 131.356 million

Rule 23 of Public Procurement Rules, 2004 states that procuring agencies shall formulate precise and unambiguous bidding documents that shall be made available to the bidders immediately after the publication of the invitation to bid.

Para 208 of Central Public Works Account (CPWA) Code states that payments of all work done otherwise than by daily labour and for all supplies are made on the basis of measurements recorded in Measurement Books (MBs) in Form 23 in accordance with rules.

HQ Pakistan Rangers Sindh incurred expenditure on repair and maintenance work on its buildings amounting to Rs.131,356,000 through tenders during 2022-23.

Audit observed as under:

i. The management just mentioned the name of work to be executed without any quantity to be executed in the bidding documents.
ii. Bidding documents did not contain any information like detailed estimates to be executed, i.e. distemper, flooring, lighting, plumbing, etc.
iii. The contractors quoted lump sum rates without mentioning item wise rates and without knowing the quantum of work to be executed.
iv. Payments were made without any detailed measurement entered in MB.

Audit is of the view that without mentioning the quantities/specification of work executed the authenticity of the expenditure could not be ascertained.

Audit is of the view that the bidding process without precise and unambiguous bidding documents creates doubts about the whole process which needs to be addressed.

The management of Pakistan Rangers Sindh, Karachi replied that all procedural requirements were fulfilled as per PPRA rules such as:

a. Tender document issued to applied firm and specification of work required to carried out also provided for bids.
b. Advertisement published in newspapers and uploaded in PPRA website in which it was mentioned that details of works can be obtained from Headquarters Pakistan Rangers (Sindh).
c. According to specification and quantities given to contractors, they quoted the rates. However, they only mentioned final rates of work without details. The Procedure will be adopted in future as observed by audit.
d. Pakistan Rangers (Sindh) concluded Lump Sum contracts with different contractors basing on covered areas. Therefore, Measurement books are required to be maintained as one time measure.

The reply indicates that the management has accepted the audit observation regarding execution of work without any detailed estimates and without any measurement.

Audit recommends that responsibility may be fixed for the irregularity.

20.5.17 Non-deduction of Sales Tax on Services from contractor – Rs. 17.076 million

Rule 3 of Sindh Sales Tax on Services Act, 2011 states that, the provisions of this chapter shall apply to a person required to be registered under the Sindh Sales Tax on Services Act, 2011 and "taxable services" means the services listed in the Second schedule to the Sindh Sales Tax on Services Act, 2011.

Services provided or rendered by persons engaged in maintenance and cleaning services at S. No. 9822.2000 or rendered by specified persons or businesses under First Schedule of Sindh Sales Tax on Services Act, 2011 are liable to pay SST @13%.

HQ Pakistan Rangers Sindh incurred expenditure on repair and maintenance work during 2022-23 amounting to Rs.131.356 million.

Audit observed that sales tax on services at rate of 13% was not deducted from contractors amounting to Rs. 17.076 million.

Audit is of the view that non-deduction of sales tax on services deprived the government from the benefit of its due revenue.

The management of Pakistan Rangers Sindh, Karachi replied that this department executed works out of Federal Budget and 7.5% Income tax has been recovered overall from contracts executed with different firms. No services have been taken from the Govt of Sindh, therefore no Sindh Sales tax was included in the contracts.

The reply was not accepted because the non-deduction of Sales Tax on Services was a violation of rules.

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

20.5.18 Doubtful award of repair and maintenance work of official building and residence – Rs. 7.5 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.

Pakistan Rangers (Sindh), Works Section Thar Rangers awarded a work for repair and maintenance of official and residential building at a cost of Rs. 7,589,730 to M/s AH Engineering & Construction Service, Hyderabad on 10.05.2023 with a completion period up to 15.06.2023.

Audit observed as under:

i. The contract agreement was signed on 15.06.2023 which was the completion date.
ii. As shown in the official file, 5% Share will be deducted by M/s Afnan Transport & Co from Total Amount (Rs. 7,589,730 x 5% = Rs. 379,486) who was not a contractor
iii. Completion certificates were printed on the letter head of the contractor by the management.
iv.

Audit is of the view that completion of work within one day is not humanly possible and the 5% share given to M/s Afnan Transport & Co creates further doubts about the whole process.

The management replied that the contract was awarded to M/S A.H Construction on 10 May 2023. Payment was made according to the Contract Agreement. Contract Agreement was signed on 10.05.2023 but date was wrongly written as 15.06.2023. The documents having details as 5% share is not a legal document as it is not possible to give amount to any other contractor who is not contracted as evident in contract agreement executed with M/S A.H Construction and cheques were also issued in favor of the firm.

The reply was not accepted because the contract agreement was signed on 15.06.2023 and 5% share to be given to M/s Afnan Transport & Co was written in the official file.

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

20.5.19 Irregular award of repair & Maintenance work of (SIGN) without open tender – Rs.10.696 million

Rule 12(2) of Public Procurement Rules, 2014 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.

Pakistan Ranger Sindh, HQ Karachi incurred expenditure on repair and maintenance of machine and equipment (SIGN) from Internal Security Budget amounting to Rs. 10,696,000 during 2022-23.

The audit observed that the work was awarded to M/s Azam Enterprises without open competition.

Audit is of the view that award of work without open tender/bidding was a violation of PPRA rules due to which the government was deprived of from the benefit of competitive rates.

The management replied that it is pertinent to mention that communication equipment is operationally deployed at borders and being used by troops on internal security duties round the clock. Tender for Repair / maintenance cannot be called since time limits laid down for bidding process cannot be met in short time required to keep the equipment functional round the clock. Equipment cannot be kept faulty for a long duration and is repaired in minimum time. This repair work is considered as an operational emergency and covered under relaxation available vide Para 2g Public Procurement Rules 2004 Emergency)

The reply is not acceptable, as the management accepted in their reply that repair work should be awarded without calling of open tender.

Audit recommends that responsibility may be fixed for the irregularity.

20.5.20 Irregular payment of service charges – Rs. 24.742 million

Para-397 of Federal Treasury Rules states that, as a general rule, and subject to such exceptions as may be authorized by the Government, no payment can be made to a contractor, except for work actually done or supplies actually received.

As per the Technical Proposal submitted by National Radio Telecommunication Corporation, all the base station installations will be made by Sindh Rangers Personnel. NRTC could perform testing of a base station installed by Sindh Rangers.

Pakistan Ranger Sindh, HQ Karachi paid an amount of Rs. 24.742 million to M/s NRTC for Installation and Commissioning during 2022-23.

Audit observes that installation work was performed by Pakistan Rangers Sindh, but the contractor charged an amount of Rs. 24,742,485 as installation and commissioning charges. Details are as under:

Description	Installation Chargers Rs
P-25 LMR Base/Mobile/Handheld Radio sets	19,150,034
P-25 BTS/Repeater/Microwave Radio Link/LMR Base/ Mobile Handheld Radio Sets	5,592,451
Total	**24,742,485**

Audit is of the view that payment without rendering services was unauthorized which needs to be recovered and deposited into the government treasury.

The management replied that as per technical proposal (Brochure) submitted by M/S NRTC, installation and commission will be carried out by Pakistan Rangers (Sindh) for which payment was also made to M/S NRTC. Said proposal was not final/ signed/ approved and not related to Budget under Head A09601-Plant and Machinery (Signals), nor unit price/ estimate cost of equipment mentioned in Technical Proposal (Brochure).

The reply is not acceptable, as no documentary proof was provided during verification as mentioned in their reply.

Audit recommends that responsibility may be fixed for the irregularity.

20.5.21 Whereabouts of receipts from candidates not known – Rs 8.558 million

Para 26 of GFR Volume-I states that subject to any special arrangement that may be authorized by competent authority with respect to any particular class of receipts, it is the duty of the departmental controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the public account.

Pakistan Rangers Sindh, HQ Karachi conducted recruitment of troops during 2022-23. During the process 17,116 candidates appeared and registered.

During the Audit it was revealed that Rs.500 were collected from each candidate for initial registration by the management amounting to Rs. 8,558,000 (17,116 x 500) but its whereabouts was not produced to Audit. Further as per instructions collected amount should have been deposited in a bank account maintained in Askari Bank of Pakistan.

Audit is of the view that retention of receipts and non-maintenance of complete record was irregular and unauthorized.

The management replied that due to non-availability of budget for recruitment process, the collected fee was utilized for necessary expenditure during process of recruitment all over Pakistan.

The reply is not acceptable, as it is evident from the statement provided by the management that 17,116 candidates reported to the Centre for physical test for which the collected fee comes to Rs.8.558 million (17,116 x 500), whereas management only realized fee of Rs.2.279 million (for 4,465 x 500). Moreover, the same collected amount was utilized in recruitment expenses instead of depositing into the Government treasury.

Audit recommends that amount may be deposited into Government Treasury.

20.5.22 Irregular payment of electricity and gas bill of Sec, HQ, Indus Ranger commander

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.

Audit observed that electricity and gas bills of Indus House allotted to Sector Commander Indus Rangers were paid from government budget.

Audit is of the view that payment of utility charges on behalf of an officer from the government budget was irregular and unauthorized.

The management replied that the premises of Indus House is situated at Staff Colony Shaheed Benazir Abad (Nawab Shah), the same building is being utilized as senior officer mess. Sec Commander IR is residing without family as bachelor, because his family is residing in Karachi and paying their utility bills from own expenses. IS Coy / Administration staff and guards/troops are deployed in an adjacent building where the electricity meter has not been installed and these troops are also using the electricity from the meter of said Indus House (Senior Officer Mess).

The reply was not accepted because Indus Rangers was not deployed on internal security duty, therefore, payment of electricity bills from Internal Security Funds cannot be justified.

Audit recommends that the actual amount may be recovered from the occupant and deposited into the government treasury.

20.5.23 Unauthorized payment of electricity bills of Rangers Residential Accommodations – Rs. 31.795 million

Para 12 of GFR 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.

Pakistan Rangers (Sindh) incurred an expenditure of Rs. 31.795 million on electricity during April 2023 to June, 2023 on following addresses:

(Amount in Rupees)

S. No.	Consumer No	ADDRESS	Apr,2023	May,2023	Jun,2023	Total
1	LD489664	8- RANGER OFFICER FLATS AT PECHS , BLOCK 6 TIPU SULTAN	27,718	41,502	104,576	173,796
2	LB 442276	RANGERS RESIDENTAIL ACCOMODATION & SHADI HALL SEC 15-A, BUFFER ZONE KARACHI	25,477	24,400	87,103	136,980
3	AP035055	FLAT NO 135 STSTE BANK STAFF QUARTER, BLOCK A, NORTH ANZIMABAD	173,891	174,684	329,859	678,434

4	LB 285463	OFFICCER FAMILY FLATS , BLOCK -B NORTH NAZIMABAD	19,770	19,462	29,302	68,534
5	LB 463773	STREET 6 BLOCK 17 DAWOOD ENGINEERING HOSTEL	220,177	266,847	763,574	1,250,598
6	BL 000083	KARACHI OMNI BUS SERVICE	533,484	712,977	1,920,070	3,166,531
7	AL 052107	Flat NO b19, REGAL CHOWK	58,487	119,155	181,868	359,510
8	AL 052089	FLAT NO B17, REGAL CHOWK	21,114	24,297	52,396	97,807
9	AL 052108	FLAT NO 20, REGAL CHOWK	13,049	20,181	43,328	76,558
10	AL 052025	BLOCK 1 B , REGAL CHOWK	43,373	50,092	128,401	221,866
11	BL 002559	DG RANGERS , KDA OFFICER COOPERATIVE SOCIETY	1,093,804	1,560,363	4,024,289	6,678,456
12	LB 299617	RANGER FORCE COMPLEX AND SWIMMING POOL	371,239	439,673	1,099,618	1,910,530
13	BL 007175	SHOOTING CLUB	301,464	312,722	763,453	1,377,639
14	AL 158317	METHARON HOSTEL ZIAY-U- DIN ROAD	391,773	457,847	1,241,072	2,090,692
15	AL 011448	DAWOOD COLLEGE	286,274	347,295	994,174	1,627,743
16	BL 007827	PUBLIC SCHOOL 7 COLLEGE NAZIMABAD	365,799	313,054	787,592	1,466,445
17	BL 004215	PAKISTAN BRODCASTING COOPORATION	362,139	424,967	1,286,380	2,073,486
18	BH 000101	WIRELESS NATIONAL HIGHWAY	1,406,742	1,433,703	3,070,331	5,910,776
19	BL 004192	**(CDGK)** BANGLOW FOR MT KHAN ROAD	364,639	519,555	1,544,628	2,428,822
		Total	**6,080,413**	**7,262,776**	**18,452,014**	**31,795,203**

Audit is of the view that payment of electricity for used for residential purposes from the government funding was unauthorized which needs to be recovered.

The management replied that payment was made by Energy Department Government of Sindh to Karachi Electric directly. All connections have been verified by this office and there are no Residential Connections.

The reply is not acceptable, the payment for electricity of residential areas of officers of Pakistan Rangers Sindh from Government budget is unauthorized.

Audit recommends that the amount may be recovered from the occupants and deposited into the government treasury.

20.5.24 Irregular payment of electricity bill of Ranger shooting & saddle club

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.

Finance Division O.M. No. F.No.11(5)-R-I/2008-192 dated 22.04.2009 states that Internal Security Allowance is admissible to all those personnel of Civil Armed Forces who are deployed on internal security in the field in the requisition by the Federal/Provincial Governments and the cost would be borne by the requisitioning authority.

Audit observed that Pakistan Ranger Sindh, paid electricity bills of Ranger Shooting and Saddle Club from internal security (IS) grant/budget.

Audit is of the view that payment of bills of Rangers Shooting and Saddle Club from internal security grant/budget was irregular and unauthorized.

The management replied that it is apprised that firing range / training camp established adjacent to shooting and saddle club Pakistan Rangers Sindh is for conduct of various training courses to refine training skills of troops deployed at mega city Karachi, so as to make than proficient enough to maintain law and order / internal security & to conduct operational duties. Shooting & saddle club also provides to training to enhance firing skills and riding of the Pakistan Ranges departmental troops without any charges.

The reply is not acceptable, as there is no proof in support of reply provided to audit.

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

20.5.25 Whereabouts of receipts of Ranger Shooting and Saddle Club

Para 26 of GFR Volume-I states that subject to any special arrangement that may be authorized by competent authority with respect to any particular class of receipts, it is the duty of the departmental controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the public account.

Pakistan Ranger Sindh is running Rangers Shooting and Saddle Club at Guddaph on commercial basis, but no record related to members and receipts collected and deposited in Government Treasury was provided.

Audit is of the view that retention of receipts and non-maintenance of complete record was irregular.

The management replied that it is apprised that firing range / training camp is established next to the shooting and saddle club for Pakistan Rangers (Sindh) to conduct various training courses to refine skills of troops deployed in Karachi. The aim is to make them proficient in maintaining law and order situation, internal security and performing operational duties. The shooting & saddle club offers free training to enhance firing and riding skills for Pakistan Rangers (Sindh) departmental troops, emphasizing its non-commercial nature.

The reply is not accepted because membership form for public is available on the website of the club which proves that club was running on commercial basis.

Audit recommends that a complete record may be produced.

20.5.26 Unauthorized purchase of Vehicles – Rs. 70.048 million

Finance Division vide O.M. No. F.7(1) Exp.IV/2016-340 dated 07.07.2022 imposed ban on purchase of all type of vehicles from current and development budget except utility vehicles such as ambulances, buses for educational institutions, solid waste vehicles, etc.

Pakistan Rangers Sindh, HQ Karachi incurred expenditure on procurement of UN mission vehicles and other equipment's:

Sr No	Vehicles/other	(Million) Amount Rs
1.	Toyota Hilux DC-Revo	24.848
2.	Fork Lifter	16.2
4.	Truck	29
Total		**70.048**

The audit observed that vehicles were purchased without the approval of the Cabinet and Finance Division.

Audit is of the view that purchase of vehicles without approval was irregular and unauthorized.

The management replied that the vehicles were purchased for UN Mission after receipt of special funds with approval of Ministry of Interior. Regular intimation on procurement of said vehicles have also been conveyed to Ministry of Interior and Military Operation Directorate (General Headquarters) vide our letter 1831/Wpns/Ord-LIJA2X dated 12 May 2023.

The reply is not acceptable. The vehicles were purchased without obtaining NOC from Finance and Cabinet Division is unauthorized.

Audit recommends that responsibility may be fixed for the irregularity.

20.5.27 Un-authorized purchase of Net mosquito from ineligible bidder - Rs 30.249 million

Clause 6 of Tender Documents dated 05.12.2022 states that tender should be accompanied with Call Deposit or Bank Draft or Pay Order @ 3% of total value of the tender at the rate quoted in the name of Director General Pakistan Rangers (Sindh) as Earnest Money as per following rates, otherwise tender will be ignored/rejected.

Pakistan Rangers (Sindh) awarded the contract for supply of 5,000 net mosquito folding @ Rs. 3,750 each to M/s The Chief Corporation on 22.02.2023. The total amount of the contract was Rs. 18.750 million.

Similarly, Pakistan Rangers (Sindh) awarded the contract for supply of 287,572 meter Tape Nawar @ Rs. 39.99 per meter to M/s The Chief Corporation on 28.03.2023. The total amount of the contract was Rs. 11.499 million.

Audit observed that the contractor deposited only Rs. 5,000 with the bid as earnest money which should have been Rs. 562,500 for net mosquito and deposited Rs. 2,000 only with bid as earnest money for Tape Nawar which should have been 344,970 as provided in the tender documents but instead of rejecting the bid the management awarded the contract to the ineligible bidder.

Audit is of the view that awarding work to an ineligible contractor was unauthorized.

The management replied that procurement of Net Mosquito was carried out through open tender and contract was awarded after comprehensive technical scrutiny by a special board of officers. Moreover, M/S Chief Corporation Lahore, after qualifying all technical requirements of the Force was also the lowest bidder. Thus, procurement was carried out as per Rule 36 b (9) of PPRA 2004 of the lowest quoted rates instead of calculation of Bid Security (Earnest Money). Earnest money is attached with Financial Bids that are opened on the date of awarding the contract to technically qualified bidder.

The reply was not cogent because the management accepted that earnest money was not considered during award of contract which was a violation of PPRA.

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

20.5.28 Unauthorized award of work to 2nd lowest bidder – Rs. 46.154 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.

Pakistan Rangers Sindh, HQ Karachi procured Bullet Proof Jackets plates from M/s BSF at a cost of Rs. 97,590,500 during 2022-23.

Audit observed that M/s National Radio Transmission Corporation quoted Rs. 60,143,850 for the whole procurement but the management awarded the contract to M/s BSF as per following details:

Size	NRTC Rate	BSF Rate	Difference	Quantity	Amount Rs.
	Rs.	Rs.	Rs.		
Small	40,365	63,000	22,635	100	2,263,500
Medium	60,548	116,500	55,952	657	36,760,464
Large	76,694	148,000	71,306	100	7,130,600
Total					**46,154,564**

Audit is of the view that due to award of contract at higher rate the loss of Rs. 46.154 million was incurred which needs to be recovered.

The management replied that procurement of Bullet Proof Jacket Plates was carried out through open tender after fulfillment of all codal formalities. The contract was awarded to M/S BSF Associate, Karachi being lowest in quoted rates. M/S BSF quoted rates of quantity in pairs while M/S NRTC clearly quoted in numbers.

The reply is not acceptable. The management ignored the offer of lowest bidder i.e. M/s.NRTC and awarded the work to 2nd lowest bidder i.e. M/s. BSF Associate, Karachi.

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

Pakistan Rangers (Punjab)

20.5.29 Unauthorized award of work without obtaining earnest money- Rs. 129.912 million

As per tender notice Clause 2, firms registered with the HQ Pakistan Rangers Punjab will deposit 2% and un-registered firm will deposit 5% as security in favor of Director General Pakistan Rangers (Punjab) by pay order, call deposit or bank draft which is refundable.

Pakistan Rangers Punjab incurred expenditure on procurement of goods and services during 2022-23. Details are as under:-

(Amount in Rupees)

Rv No	Contractor	Item	Tender Quantity	Qty Purchased	Rate	Amount
1	Smart Trading	Fire extinguisher		161	18,500	2,978,500
2	Smart Trading	Tape Niwar	6523	2,438	460	1,121,480
3	Apex Corporation	Parat 32"	78	78	9,500	741,000
4	Apex Corporation	Saddler set for Horses	35	14	58,000	812,000
5	Sadqal Brothers	Ground Sheet	9291	9,291	2,250	20,904,750
10	Sultan Enterprises	bandolier for G3/SMG	5326	5,326	3,200	17,043,200
13	Smart Trading	sandbags	139251	55,550	40	2,222,000
14	Smart Trading	Tape Niwar	6523	1,524	460	701,040

15	Smart Trading	Fire extinguisher 50 kg (DCP)	262	101	18,500	1,868,500
16	Apex Corporation	karahi (large)	121	49	9,500	465,500
17	Apex Corporation	saddlery set	35	9	58,000	522,000
25	Sadqal Brothers	Anti-Riot Kit	700	414	64,000	26,496,000
26	Apex Corporation	Charpoy Iron Single	5366	347	6,800	2,359,600
28	Sultan Enterprises	Shalwar Qameez Gray	4557	1,521	3,600	5,475,600
30	Sultan Enterprises	thermal suit	10756	2,000	2,400	4,800,000
33	Sadqal Brothers	Anti-Riot Kit	700	190	64,000	12,160,000
37	Sultan Enterprises	Blanket GS	21370	16,801	1,600	26,881,600
39	Smart Trading	Tape Niwar		5,128	460	2,358,880
Total						**129,911,650**

Audit observed that work was awarded to supplier/contractor without obtaining call deposit in shape of pay order or bank draft in violation of the tender documents.

Audit also observed that instead of rejecting the tender, the management accepted the tender and works were awarded to ineligible bidders.

Audit is of the view that award of work without obtaining earnest money was irregular and in violation of rules.

The management replied that earnest money in shape of CDRs was obtained for successful bidders at the time of award of work/supply order. However, during verification no such record was produced.

DAC in its meeting held on 27.12.2023 directed to provide CDRs to Audit for verification.

Audit recommends matter may be inquired to fix responsibility.

20.5.30 Doubtful purchase of POL from M/s Hassan filling station through manual slips and amount paid to PSO against fleet card - Rs.5.591 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.

Pakistan Rangers Punjab incurred expenditure on procurement of POL during 2022-23 amounting to Rs. 365,807,195.

Audit observed that that procurement of POL was made from M/s Hassan filling station whereas, the invoices were paid in cash against fleet card account no 12163471 of M/s PSO amounting to Rs 5,591,642.

(Amount in Rupees)

Bill No	**Billing Period**	**Supplier**	**Name of items**	**Quantity**	**Rate**	**Amount Rs.**
63228	1.7.22 -7.7.22	Hassan filling station	Diesel	16,800.25	277.20	4,657,030
63228	1.7.22 -7.7.22	Hassan filling station	Petrol	780.18	249.40	194,577
63233	18.8.22 - 19.8.22	Hassan filling station	Diesel	2,655.51	245.17	651,052
63233	18.8.22 - 19.8.22	Hassan filling station	Petrol	379.23	234.64	88,983
Total						**5,591,642**

Audit is of the view that payment of bills other than supplier showed that either no purchases were made, or payment was made to other vendors.

The management replied that POL was procured from M/s Hassan filling station on manual slips and payment was made through crossed cheque in the name of vendor. However, during verification no such record was produced.

DAC in its meeting held on 27.12.2023 directed the management that reconciliation with filling station & PSO shall be carried out and provided to Audit.

Audit recommends that matter may be inquired to fixed responsibility and outcomes may be shared with the Audit.

20.5.31 Irregular expenditure without open Competition - Rs. 5.628 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.

Rule 12 (1) of Public Procurement Rules, 2004 states that all procurement opportunities for over 500,000 should be advertised on the Authority's website in the manners and format specified by regulation. The procurement opportunities may also be advertised in print media, if deemed necessary by a procuring agency.

Pakistan Rangers Punjab procured spare parts for FCIs from M/s Hashim Trader Lahore amounting to Rs.5,628,961.

Audit observed that procurement was made without open tender.

Audit is of the view that expenditure without open competition was irregular and deprived Pakistan Ranger Punjab of the advantage of competitive rates.

The management replied that quotations from security cleared firms were obtained for supply of Fire Control Instruments being security item and supply order was issued to lowest bidder after completion of codal formalities.

DAC in its meeting held on 27.12.2023 directed to provide notification for declaration of FCI from Ministry of Interior as security item and other relevant record to Audit for verification within 7 days.

Audit recommends that inquiry should be initiated, and responsibility be fixed for misprocurement.

Pakistan Coast Guards

20.5.32 Irregular advance payment to M/s Paragon- Rs. 86 million

Para 397 of Federal Treasury Rules states that, as a general rule, and subject to such exceptions as may be authorized by the Government, no payment can be made to a contractor, except for work actually done or supplies actually received.

Pakistan Coast Guard incurred expenditure on procurement of 400 SMGs Chinese 7.62x39mm from M/s Paragon amounting to Rs. 86,000,000.

The audit observed that the whole amount of Rs. 86 million was paid as advance to M/s Paragon before actual receipt of weapons.

Audit is of the view that advance payment before rendering services and goods was irregular and a violation of rule.

The management replied that funds were allocated through supplementary grant on 19th June, 2023. Advance payment for supply of 400 SMGs was secured by obtaining cheque of equal amount. Supply has been completed and weapons taken on stock after post supply inspection.

Audit contended that advance payment without the approval of the Finance Division and without obtaining guarantee was not justified.

DAC in its meeting held on 12.12.2023 directed that shipment documents, inspection report, stock register and other relevant record may be verified within one month.

Audit recommends that responsibility may be fixed for the irregularity.

20.5.33 Irregular payment to M/s Abdul Latif - Rs 13.007 million

Rule 19 of Public Procurement Rules, 2004 states that the procuring agencies shall specify a mechanism and manner to permanently or temporarily bar, from participating in their respective procurement proceedings, suppliers and contractors who either consistently fail to provide satisfactory performances or are found to be indulging in corrupt or fraudulent practices. Such barring action shall be duly publicized and communicated to the Authority: Provided that any supplier or contractor who is to be blacklisted shall be accorded an adequate opportunity of being heard.

The management of Pakistan Coast Guard, Karachi paid an amount of Rs. 13.008 million to M/s Abdul Latif contractor during 2022-23.

During the audit year 2021-22 audit had objected that M/s Abdul Latif Contractor NTN Certificate No. 1512809-1 has three businesses on same NTN No. i.e. M/s Abdul Latif Contractor, M/s Shahid Latif Ghouri & Brothers and M/s Bilal Latif Contractor due to which the procurement process was not transparent which may lead to misappropriation of funds.

Audit is of the view that the same contractor, i.e. M/s Abdul Latif was again paid in the current year which the same contractor was paid again in current year which was irregular and unauthorized.

The management replied that all the three firms, i.e. M/s Abdul Latif, M/s Shahid Latif and Bilal Latif have been blacklisted and ceased to participate in the bidding in the future.

The DAC in its meeting held on 12.12.2023 directed that blacklisting orders shall be verified from Audit within two weeks.

Audit recommends that matter may be inquired to fix responsibility.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 14.5.23 having financial impact of Rs. 10.174 million. Recurrence of same irregularity is a matter of serious concern.

20.5.34 Irregular execution of agreements with all distributors – Rs. 57.466 million

Rule 36(b) of Public Procurement Rules, 2004 states that the bid shall comprise a single package containing two separate envelopes. Each envelope shall contain separately the financial proposal and the technical proposal, and the bid found to be the most advantageous bid shall be accepted.

Para 3(a) of tender documents states that tender will be opened as per single stage two envelops bidding procedure as given in the Para 36(b) of PPRA Rules, 2004.

The management of Pakistan Coast Guard procured Drugs and Medicines from different contractors during 2022-23 amounting to Rs. 57,465,691 million.

The audit also observed that an agreement was signed with all the contractors/distributors through single contract.

Audit is of the view that through single contract procurement from each supplier/distributor could not be bifurcated.

The management replied that the contract for supply of medicines was awarded to lowest bidders in compliance with PPRA Rules. A single contract with all contractors/distributors was signed due to the same terms and conditions and specification of medicines. Contract agreement for supply of specific items is being executed with individual contractors in compliance with the Audit Observation.

DAC in its meeting held on 12.12.2023 directed that individual agreements may be verified from audit.

Audit recommends that the irregular practice should be stopped besides fixing responsibility.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 14.5.23 having financial impact of Rs. 10.174 million. Recurrence of same irregularity is a matter of serious concern.

Local Government and Rural Development, Islamabad

20.5.35 Irregular retention of Contractor Security - Rs. 8.720 million

Para 399 (iii) of CPWA Code states that unclaimed securities for more than three completed years should be credited to government as lapsed deposit.

The Executive Engineer, Local Government & Rural development is maintaining accounts in Pakistan Post Office having balance of Rs. 350.377 million as on 30.6.2022.

Audit observed that contractors' unclaimed securities amounting to Rs 8.720 million were retained by the department instead of depositing into the treasury. Details are as under:

(Amount in Rupees)

Sr. No.	Scheme	Amount Rs.
1.	Street Pavement @ Ghur Srdar	81,160
2.	Construction of Nullah/pulli Hardogher	102,834
3.	Street /Sewer line @ Sihala Chaudhrian Phase-II	119,988
4.	Street Pavement @ Khadrapur	1,689,149
5.	Water Supply Scheme @ Shahpur	132,808
6.	Water Supply Scheme @ Pundori	422,502
7.	Water Supply Scheme @ Mohra Nugial	642,629
8.	Rehabilitation of Chak Khandan Syeda Road	57,500
9.	Construction of Road Chak Khnadar	40,490
10.	Street pavement @ Ghori Town	59,827
11.	Construction of road @ Talhar	1,643,014
12.	Water Supply Scheme Sihala/ Mohra Naigal	45,201

13.	Street Pavement House Malik Bashir @ Ghora Syedan	2,337
14.	Repair of Road in Area of Pindori	203,044
15.	Water supply scheme @ Kot Hathial Phase-II	42,272
16.	Street Pavement in Mohra Nagial, Humak Shikhpur & Kartana	2,377,777
17.	Construction of 6 KM Rural Roads in UC Koral Phase-II	1,057,533
	Total	**8,720,065**

Audit is of the view that retention of lapsed deposit was unauthorized.

The management did not reply.

Audit recommends that contractor's unclaimed security should be deposited into Government Treasury.

20.5.36 Irregular execution of work on road owned by Government of Punjab - Rs. 100 million

Para 12 of GFR 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 Executive Engineer awarded a work for rehabilitation up-gradation of Koral Road to M/s Irfan Developer at cost of Rs. 100 million.

Audit observed that the constructed road was under the ownership of Government of Punjab.

Audit is of the view that the fund of LG & Rd Islamabad should not be spent on the property owned by the Government of Punjab C&W department.

The management did not reply.

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

20.5.37 Excess payment for additional length of bridge - Rs. 5.251 million

Para 2.21 of B&R Code states that in cases where administrative approval for a certain sum has been accorded to a project by Government the Head of the Department concerned, should not, of his own authority and without previous reference to Government direct the Buildings and Roads Department to provide for extensive additions and alternations and thus exceed the estimated cost by, more than 5 per cent, necessitating the submission of an application for revised administrative approval.

The Executive Engineer LG & RD awarded a work for Designed Cum Construction of 85 feet bridge at Bari Imam, Islamabad to M/s Rawal Builders at a cost of Rs. 318,000 per RFT for non-scheduled items and 3.5 % above on scheduled items. Total contractual cost comes to Rs. 36.359 million and date of completion was 06.06.2022.

Audit observed that as per measurement book No 563-page no. 32 the management paid an amount of Rs. 22.418 million 63.51% of total executed work for 111 RFT bridge length. Whereas, as per technical sanction and tender documents the bridge length was 85 RFT. Hence, a quantity of 26 RFT amounting to Rs. 5.251 million was overpaid to contractor (26 RFT x Rs. 318,000 x 63.51%).

Audit is of the view that enhancement of length without technical sanction was un-authorized.

The management did not reply.

Audit recommends that an inquiry may be held to fix the responsibility besides recovery of overpaid amount from the contractor.

20.5.38 Tempering in quoted rates - Rs. 2.310 million

Rule 31(1) of Public Procurement Rules, 2004 states that no bidder shall be allowed to alter or modify his bid after the bids have been opened. However, the procuring agency may seek and accept clarifications to the bid that do not change the substance of the bid.

The Executive Engineer, LGRD awarded work installation of streetlights in Shamas colony railway roads Phase-II at the rate of Rs.177,600 for 110 streetlights.

Audit observed that the contractor installed 110 streetlights at a cost of Rs. 177,600 each whereas, as per tender document the contractor quoted Rs. 156,600 which was enhanced to 177,600 by altering the quoted rate.

Hence, an amount of Rs.2.310 million was paid in excess of the quoted rate (110x 21,000).

The management did not reply.

Audit recommends an inquiry in the matter and outcome may be shared with Audit.

20.5.39 Loss due to award of work to 2nd lowest bidder - Rs. 3.011 million

Public Procurement Rule 38 states that he bidder with the most advantageous bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity.

The management of Local Government and Rural Development, Islamabad awarded the following works to contractors amounting to Rs. 40.000 million during financial year 2022-23:

(Amount in Rupees)

Sl. No.	Name of Work	Awarded to	Awarded on	Contract Amount (Rs,)
1.	Construction of road from dispensary to culvert along with protection wall at Golra Sharif	M/s Ch. Qaiser Hayat	12.12.2022	25,000,000
2.	Rehabilitation of Railway Station Golra Road Phase–II	M/s Islamabad Enterprises	24.11.2022	15,000,000
Total				**40,000,000**

Audit observed that:

i) The management awarded the aforementioned works to the second (2nd) lowest instead of first (1st) lowest which is misprocurement.

(Amount in Rupees.)

Sl. No.	Contractor	Bidder	Estimated Cost	Bid Amount	Quoted Rate
Construction of road from dispensary to culvert along with protection wall at Golra Sharif					
1.	M/s Sidrial Associates	1st Lowest	25,000,000	14,500,000	42% Below
2.	M/s Ch. Qaiser Hayat	2nd Lowest	25,000,000	16,500,000	34% Below
Difference (2nd lowest – 1st Lowest) (A)				**2,000,000**	
Rehabilitation of Railway Station Golra Road Phase–II					
3.	M/s HUE Indoors	1st Lowest	15,000,000	8,847,105	41.01% below
4.	M/s Islamabad Enterprises	2nd Lowest	15,000,000	9,858,000	34.28% below
Difference (2nd lowest – 1st Lowest) (B)				**1,010,895**	
Difference (A + B)				**3,010,895**	

ii) Escape / denying to execution work by the First lowest bidder were not on record.

iii) Work (at Sl. No. 02) was awarded on 24.11.2022, however, the completion period was three (03) months i.e. 23.02.2023 but contract agreement was signed with the contractor on 07.01.2023 after one (01) month and fourteen (14) days.

iv) The Work Completion Certificate was neither dated nor date of completion of work was mentioned to ascertain whether the work completed as per given time or otherwise.

Audit is of the view that award of contracts to second (2nd) lowest instead of first (1st) lowest caused loss to public exchequer amounting to Rs. 3,010,895.

Neither the management replied nor was the DAC convened till finalization of this report.

Audit recommends probing the matter for fixing of responsibility.

Directorate of Immigration and Passports Southern Zone Karachi

20.5.40 Loss due to delay in deposit of Passport & Visa fees receipts by NBP into SBP - Rs.7.622 million

According to minutes of the meeting held dated 20.03.2019, under the chairmanship of Joint Secretary (Budget Implementation) Finance Division, regarding timely deposit, reporting and reconciliation of Passport fee, the representatives of DG immigration and passport highlighted the problem of non-reporting of passport receipts, less deposit, delayed reporting and incomplete reporting which contributed to delayed issuance of passports. NBP representatives on their part assured to provide better services and to improve the reporting and reconciliation regime, by developing an IT-based solution for the collection of passport fees, deposit and settlement of consolidated receipts by chest branch on a daily basis.

Rule 7 of FTR states that all money received by or tendered to Government officers on account of the revenues of the Federal Government shall without undue delay be paid in full into a treasury or into the Bank.

The management of Directorate of Immigration & Passports (Southern Zone) Karachi provided a few challans regarding consolidated receipts i.e. Passport Fee, Visa Fee amounting to Rs. 783,500,224/- as deposited by NBP into SBP.

Audit observed that NBP had deposited the amount after a lapse of 3 to 102 days instead of daily basis into SBP in violation of the above policy and government rules. As such the Government was deprived of the profit that could have been earned if the funds had been received by Government in time. From the available record, Audit calculated an estimated profit that could have been earned amounting to Rs. 7,622,921/- as per SBP Policy rates for the month of November 2022 to June 2023.

Audit is of the view that delays in the deposit of consolidated receipts amounting to Rs. 783,500,224/- million after a lapse of 3 to 102 days instead of daily basis into SBP deprived the government exchequer of its due share of profit amounting to Rs. 7,622,921/-, which was a lapse on the part of management for not pursuing the matter with NBP.

The management has not submitted a reply within given time frame and till finalization of the report.

Audit recommends that responsibility may be fixed for non-compliance of the decisions taken in the meeting of the Finance Division besides regularization of the matter.

Federal Investigation Agency, Cyber Crime Wing, Lahore Zone

20.5.41 Inordinate delay in finalization of cybercrime inquiries in violation of Standard Order of FIA (HQ)

Federal Investigation Agency (HQ), Islamabad vide letter No. FIA/ P&C/SO/2020/2652-82 dated 04.11.2020 issued Standard Order (SO) No.05/2020 containing directions and guidelines regarding verification, inquiry proceedings, investigation of cases, change/transfer of inquiry/investigation and matters connected therewith. Para 10 of the Standard Order states that (ii) the inquiry officer will restrict the scope of the probe to the extent of the issues/points approved by the 'circle in charge' and finalize the inquiry with 45 days (in case of ATHC/Cyber Crime) and 90 days (in case of inquiries of the other specialized circles).

Para-10(b) (iv) further states that "Delay in inquiry on the ground of non-availability of record by an EO shall constructed as inefficiency on the part of EO and Supervisory Officer except in enquires where action u/s 194 Cr.P.C followed by Sec.175 PPC has been taken matter reported to Zonal Directorate through supervisory officer".

Para-10(vi) states that in case enquiries are not finalized within 45 days (ATHC/Cyber Crime enquiries) and 90 days (in the enquiries of other circles), due to its complex nature, wider scope or other justifiable reasons. Zonal Director may grant an extension up to 90 days for its completion, on the basis of the sound reasons to be provided by the EO through Circle In charge.

The management of FIA Cyber Crime Wing, Lahore Zone, Lahore started 240 Enquiries of cybercrimes during financial year 2021-22. Out of total 240 Enquiries the Cyber Crime Wing finalized and submitted 36 interim challans to the Courts.

Audit observed as under:

i. Despite lapse of considerable period of more than two years total two hundred and four (204) Enquires were still pending in the Cyber Crime Wing Lahore Zone, Lahore.
ii. Due to improper monitoring no action was initiated against the concerned Enquiry Officers responsible for the delay.

Audit is of the view that Standard Order issued by the FIA Headquarters, Islamabad was not complied with. Due to non-finalization of Enquires the efficiency of concerned officers of Cyber Crime Wing is questionable.

The management did not reply.

Audit recommends inquiry to fix the responsibility for the lapse besides finalization of all pending enquiries at the earliest.

Inspector General Frontier Corps (North), Balochistan

20.5.42 Unauthorized / unjustified allocation and utilization of budget on account of Repair of Transport - Rs. 520.000 million

Rule 11of 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.

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

The management of Inspector General Frontier Crops (North) Balochistan incurred an expenditure of Rs. 520,354,470 on purchase of spare parts for vehicles during financial year 2022-23.

Audit observed that Ministry of Interior allocated funds amounting to Rs.538,705,885 to the Frontier Corps (North) Balochistan under head of repair of transport. A detailed analysis revealed that Rs.520,354,470 constituting 97% of the total allocation, were allocated and utilized by the HQFC(N) through cost centre QA2018 having only 94 vehicles out of 2,800 vehicles. The remaining Rs.18,351,415, amounting to 3% of the total expenditure, were allocated and utilized by the 11 under command corps/ units having 2,706 vehicles, with a per corps share of only 0.31 % detailed as under:

(Amount in Rupees)

Head of account	Total Allocation to FC (North)	Drawn by HQFC	Drawn by 11 Under command Corps	per Corp share
Repair of transport	538,705,885	520,354,470	18,351,415	1,668,310
	100%	97%	3%	0.31%

Audit is of the view that 97% of the total allocation was drawn and utilized by the HQFC(N), leaving only 3% for the 11 under command corps working on field, with a per corps share of 0.31% which is a substantial imbalance and unjustified distribution of funds and excess budget was allocated to HQFC than budget estimates and less budget was allocated to under command corps.

Neither the management replied nor was the DAC convened till finalization of this report.

Audit recommends proper allocation of resources along with justification of distribution to each unit/cost center on basis of actual requirement besides inquiry to fix responsibility.

20.5.43 Non-payment of insurance claims to Shuhada and injured persons of FC (North) – Rs.100.200 million

According to Clause 3.10 of the Contract Agreement, the J.S Bank will provide all FC employees having an active JS Wallet Account with insurance of PKR 600,000.

GFR-23 states 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 Inspector General Frontier Crops (North) Balochistan awarded a contract to JS bank for disbursement of pay and allowances of employee of FC (North) Balochistan. As per Agreement the J.S Bank was required to provide all FC employees having an active JS Wallet Account with insurance of PKR 600,000.

Audit observed that Rs.100,200,000 was to be paid by J.S Bank to 167 martyrs (Shuhada) but the amount was not paid by JS Bank to families of Shuhada of FC (North) Balochistan during financial year 2022-23.

Audit is of the view that non-payment of insurance by JS Bank is a violation of the agreement and non-imposition of penalty on bank is undue favor by the management.

Neither the management replied nor was the DAC convened till finalization of this report.

Audit recommends that the subject amount may be recovered from the J.S Bank and paid to families of shuhada and injured persons on priority basis.

20.5.44 Irregular hiring of services of JS Bank for disbursement of pay & allowances to 43448 FC personnel

Rule 12(2) of PPRA states that all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority 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 19(i) of GFR Vol-I states that no contract involving an uncertain or indefinite liability, or any condition of an unusual character should be entered into without the previous consent of the Ministry of Finance. The terms of a contract must be precise and definite and there must be no room for ambiguity or misconstruction therein.

The management of Inspector General Frontier Corps (North) Balochistan hired the services of J. S Bank for disbursement of pay and allowances of 43448 FC personnels. A total of Rs. 19.994 billion was disbursed through JS Bank Mobile Wallet (MW) accounts to the employees of 11 units under command corps during 2022-23.

Audit observed as under:

i. Headquarters Frontier Corps hired J.S. Bank services for disbursement of pay & allowance to employees without open competition.

ii. Hiring the services of JS Bank without competition deprived employees of better incentive packages, such as free insurance, loan facilities, complimentary ATM cards and cheque books, and lower annual charges. In contrast, previously HBL offered free ATM cards and cheque books, while J.S. Bank charges Rs.1,380 per year for each employee for ATM.

iii. Neither a branch of J.S Bank nor ATM facility was available in Sibi city.

iv. Pay and allowances were disbursed through Mobile Wallet (MW) Accounts of branchless banking instead of proper bank accounts.

v. Government employees have option to draw their salaries from any scheduled bank authorized by State Bank of Pakistan. Moreover. Government employees can change their banks for drawing salaries on their own will but have to provide NOC from previous bank branch. Neither option from employee nor NOC from previous bank was provided to audit.

vi. No details of disbursement from J.S. Bank to the employees' accounts were available on record.

Audit is of the view that hiring services of J.S Bank without open competition with less facilities and more charges without having branches at all stations. Further, management was required to obtain NOC from each employee regarding opening of account.

Neither the management replied nor was the DAC convened till finalization of this report.

Audit recommends hiring services from a well-reputed bank through open competition, offering better incentives and lower costs for employees besides inquiry to fix responsibility.

20.5.45 Unauthenticated expenditure on account of Cost of Other Store & payment through centralized system – Rs. 5,588. 303 million.

Rule 25 of GFR Volume -1 states 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 and also violation of GFR-12.

The management of Inspector General Frontier Corps (North) Balochistan incurred an expenditure of Rs. 5,588,303,280 incurred on account Cost of the Stores (A03942) during financial year 2022-23.

Audit observed as under:

i. Daily Parade state duly singed by concerned officer/ commandant of units/ wings
ii. Daily Messing Register duly singed by concerned commandant of units/ wings
iii. Feeding registers duly singed by concerned officer/ commandant of unit/ wing
iv. Ration Goshwaras duly singed by Q branch of concerned unit and wing commandants.
v. Monthly ration Returns of concerned units
vi. Line committee report of concern Wing.
vii. CRO-II for in & out status of FC personals.
viii. Detail of SOS, OSL and AWOL persons
ix. List of family man receiving dry ration
Leave Ration

Audit is of the view that due to non-availability of appropriate internal controls and pre-audit system of the records/supporting documents, the risk of misappropriation cannot be overruled, and the subject expenditure cannot be authenticated.

Neither the management replied nor was the DAC convened till finalization of this report.

Audit recommends that the practice of centralized payment for other cost centers may be stopped forthwith, and budget may be allocated/spent under the concern cost centers beside strengthen the centralized internal control for payment through their respective cost center.

20.5.46 Unjustified/rush of expenditure on account of POL to avoid lapse of funds - Rs.1,102.572 million

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

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 Inspector General Frontier Crops (North) Balochistan incurred expenditure of Rs.1,887,792,681 on account of POL charges during 2022-23. Details are as under:

Sr No	Month	Expenditure
1	July	0
2	August	54,828,778
3	September	53,246,001
4	October	51,209,151
5	November	60,849,774
6	December	96,380,799
7	January	150,764,145
8	February	58,365,471
9	March	258,006,483
10	April	1,570,039
11	May	0
12	June	**1,102,572,040**
Total Expenditure during year		**1,887,792,681**
% Expenditure in month of June		**58%**

Audit observed that the local office has incurred expenditure of Rs.1,102,572,040 on account of POL in month of June which is 58 % of total expenditure.

Audit further observed that the Logbooks, Movement register and issuance record were not available with the management to authenticate the expenditure.

Audit is of the view that the expenditure was made in the month of June just to avoid lapse of funds and non-maintenance of record is a serious lapse on the part of management.

Neither the management replied nor was the DAC convened till finalization of this report.

Audit recommends inquiry to fix responsibility besides provision of record of POL on priority basis.

Inspector General Frontier Corps (South) Balochistan

20.5.47 Unauthenticated expenditure for Cost of Other Store & payment through centralized system – Rs. 5,031.589 million

As per Rule 11of GFR Volume-I each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

Rule 25 of GFR Volume -1 states all Departmental regulations so far as they embody orders or instructions of a financial character or have important financial bearing should be made by, or with the approval of, the Ministry of Finance.

The management of Inspector General Frontier Corps (South) Balochistan incurred expenditure of Rs. 5,031,589,508 on account of Cost of the Stores (A03942) during financial year 2022-23.

Audit observed that ration bills pertaining to others/Sub-ordinate units were paid from the cost center of Headquarter FC (TB3906) through centralization, without approval of Finance Division.

Audit further observed that the following record / supporting documents of concerned units/ wings were not available in local office to verify and authenticate the subject expenditure:

i. Daily Parade state duly singed by concerned officer/ commandant of units/ wings

ii. Daily Messing Register duly singed by concerned commandant of units/ wings
iii. Feeding registers duly singed by concerned officer/ commandant of unit/ wing
iv. Ration Goshwaras duly singed by Q branch of concerned unit and wing commandants.
v. Monthly ration Returns of concerned units
vi. Line committee report of concern Wing.
vii. CRO-II for in & out status of FC personals.
viii. Detail of SOS, OSL and AWOL persons
ix. List of family man receiving dry ration
x. Leave Ration

Further, that Subject expenditure incurred on behalf of other Sub-ordinate/cost centers was not reconciled with concerned units.

Audit is of the views that while payment through centralized system the three level of pre-audit and internal controls i.e. at wing commander level, at Q Branch of Sub-ordinate Office/ Units and at Accounts branch / Account Officer and commandant level were not established besides non-maintenance of record is a serious lapse on the part of management.

Neither the management replied nor was DAC convened till finalization of this report.

Audit recommends to review the practice of centralized payment of other cost centers and to allocate/spend the budget under the concerned cost centers besides strengthening the internal control at headquarter and corp level.

20.5.48 Nonpayment of insurance claims by J.S bank to Shuhada and injured persons of FC (South) - Rs. 42.000 million

According to Clause 3.10 of the Contract Agreement, The J.S Bank will be provided all FC employees having an active JS Wallet Account with insurance of PKR 600,000.

As per Para 11of GFR Vol-I each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

The management of Inspector General Frontier Crops (South) Balochistan awarded a contract to JS bank for disbursement of pay and allowances of employee of FC (North) Balochistan. As per Agreement the J.S Bank was required to provide all FC employees having an active JS Wallet Account with insurance of PKR 600,000.

Audit observed that Rs.42,000,000 was to be paid by J.S Bank to 44 martyrs (Shuhada) and 26 in service death but the amount was not paid by JS Bank to families of FC (South) Balochistan during financial year 2022-23.

Audit is of the view that non-payment of insurance by JS Bank is a violation of the agreement and non-imposition of penalty on bank is undue favor by the management.

Neither the management replied nor was the DAC convened till finalization of this report.

Audit recommend that subject amount may be recovered from the J.S Bank and paid to families of shuhada and in service death persons on priority basis.

20.5.49 Irregular hiring of services of JS Bank for disbursement of pay & allowances to 35000 FC personnel.

Para-7 of GFR Vol-I states, unless otherwise expressly authorized by any law or rule or order having the force of law, money may not be removed from the Public Account for investment or deposit elsewhere without the consent of the Ministry of Finance.

Rule 12(2) of PPRA states that all procurement opportunities over two million Pakistani Rupees should be advertised on the Authority 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 Inspector General Frontier Corps (South) Balochistan hired the services of J.S Bank for disbursement of pay and allowances during financial year 2022-23.

Audit observed as under:

i. The management of Headquarters Frontier Corps hired J.S. Bank services for disbursement of pay & allowance to employees without open competition.

ii. Hiring the services of JS Bank without competition deprived employees of better incentive packages, such as free insurance, loan facilities, complimentary ATM cards and cheque books, and lower annual charges. In contrast, previously HBL offered free ATM cards and cheque books, while J.S. Bank charges Rs.1,380 per year for each employee for ATM.

iii. Government employees have option to draw their salaries from any scheduled bank authorized by State Bank of Pakistan. Moreover. Government employees can change their banks for drawing salaries on their own will but have to provide NOC from previous bank branch. Neither option from employee nor NOC from previous bank was provided to audit.

iv. Mobile wallet / branchless bank account was opened for disbursement of pay & Allowance of 35000 plus personal features of JS wallet account are not that of a normal bank ID/ account number as there are monthly and annual limits on it and payment of pension, commutation and GP Fund could not be processed being high in amount. Nor there is the cheque leaf drawl facility in this type of accounts.

v. JS Bank is a small and low-profile bank and pooling of all employees' salary there by compulsion is not in line with Finance Division policy. Besides, if there goes something wrong in one bank, all employees might suffer. Therefore, it is not safe and reliable to bring all employees into the pool of JS Bank, which is a comparatively small bank having limited assets.

vi. No details of disbursement from J.S. Bank to the employee's accounts were available on record.

Audit is of the view that hiring services of J.S Bank without open competition with less facilities and more charges without having branches at all stations. Further, management was required to obtain NOC from each employee regarding opening of account.

Neither the management replied nor was the DAC convened till finalization of this report.

Audit recommends hiring services from a well-reputed bank through open competition, offering better incentives and lower costs for employees besides inquiry to fix responsibility.

<u>Note:</u> The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 14.5.64. Recurrence of same irregularity is a matter of serious concern.

20.5.50 Doubtful expenditure on purchase of Drugs & medicines - Rs. 130.000 million

Rule 12 of GFR Vol-I requires 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 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.

The management of Inspector General Frontier Corps (South) Balochistan incurred an expenditure of Rs.130.000 million on accounts of purchase of drugs and medicine during financial year 2022-23.

Audit observed that:

i. Drugs and medicine were purchased for other cost center / sub-ordinate corps and payment was made from the cost center (TB3906).
ii. Purchased medicine were given to 10 other units/ corps having separate cost center.
iii. Neither demand nor requisition of the medicines from Under Command Corps/ Units were available on record.
iv. OPD slip, Doctor's prescription, and medicine issuance slips were not available.
v. Record of issuance and distribution of medicine were also not available.

vi. Various items of bulk were purchased in local purchase on higher rates.

vii. Details of patients to whom these medicines were issued were not available.

viii. The expenditure/supplied items were not reconciled with Under-Command Corps/ Units.

ix. Local purchase of medicine of Rs. 29.000 million, for emergency purposes, was made from a medical firm in Peshawar and these medicines were to be supplied to 64 wings in emergency at Balochistan located at distance of hundreds of Kilometers.

Audit is of the view that the expenditure is doubtful, and authenticity cannot be determined in absence of above record.

Neither the management replied nor was the DAC convened till finalization of this report.

Audit recommends inquiry to fix the responsibility besides stopping the centralized purchase of drugs and medicine and proper maintenance of record. Further, Medicine may be purchased by each corps/ unit on required basis.

Inspector General Frontier Corps (North) KP

20.5.51 Loss to government due to award of contract on higher rates Rs. 33.376 million

Para 38 of PPRA, 2004 states that the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity.

The Inspector General Frontier Corps (North) floated tender for the purchase of Mini TI Cameras.

Audit observed that 03 Bidders participated in the bid process and offered the following rates. The bidder at serial No-01 offered the lowest rate. However, the contract was awarded to the bidder at S.No-02.

#	Item	**Bidder No-1** Mars Network	**Bidder No-2** Super Net	**Bidder No-3** Crimson International
1	Mini TI Cameras	**Rate**	**Rate**	**Rate**
		444,600	1,456,001	1,594,593

Audit is of the view that the management was required to conduct procurement process as per PPRA Rules in a transparent and economical manner.

The procurement of the subject items at higher rates resulted in a loss of Rs.33.376 million. Details are as below.

#	Item	**Bidder No-1** Mars Network Per unit Rate	**Bidder No-2** Super Net Per unit Rate	Difference	Quantity	Amount (Rs)
1	Mini TI Cameras	444,600	1,456,001	1,011,401	33	33,376,233
					Total	**33,376,233**

The observation was issued on 14.08.2023 but no reply was received till finalization of the report.

Audit recommends that matter may be inquired for fixing responsibility.

20.5.52 Doubtful supply of Diesel to various subordinate units - Rs. 230.00million

Para 148 of GFR 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 IGFC KP North incurred expenditure of Rs.230,000,052 on account of Supply of Diesel under the head A03807-POL Charges and issued to various sub-ordinate Units during the year 2022-23. Details are as under:

S.No	Units	Quantity in Liters	Rate	Supplier	Amount in Rs.
1	Chitral Scouts	96468	280.48	Ihsan Ullah & Co	27,057,345
2	Dir Scouts	96468			27,057,345
3	Bajaur Scouts	128669			36,089,081
4	Mohmand Rifles	112546			31,566,902

5	Khyber Rifles	112546			31,566,902
6	Bara Rifles	96468			27,057,345
7	Tirah Rifles	96468			27,057,345
8	Orakzai Scouts	80390			22,547,787
Total		**820023**			**230,000,052**

Audit observed that:

1. Demand for additional diesel form the Units was not available on record.
2. Issue and Receipt Vouchers were not available on record.
3. Stock issue/received register was not available.
4. Consumption details of the above quantities of diesel were not provided.

Audit is of the view that the units were provided with sufficient resources to meet their POL requirements under the head A03807-POL. Hence supply of POL to the Subordinate Units by the Headquarter was unjustified.

Due to the above-mentioned irregularities, the audit could not ascertain the justification for issuance of the 820023 Liter Diesel, which indicates the weak financial and internal controls of the Organization.

The observation was issued to the management on 14.08.2023 but no response was received till finalization of the audit report.

Audit recommends that responsibility may be fixed besides provision of justification and documentary evidence.

20.5.53 Irregular drawls of Pay & Allowances through DDO - Rs. 250.938 million

Clause 2.3.2.8 of Accounting Policies and Procedure Manual states that ‘the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by issue of payment through direct bank transfer and cheques’.

The management of the following formations under the Headquarter Frontier Corps KP (North) incurred an amount of Rs.250,938,440 on account of salaries during the financial year 2022-23. Details are as under:

Para No of AIR	Name of Office	Description	Controlling Authority	Amount in Rs
10	Orakzai Scouts	Pay & allowances	IGFC (N) KP	76,060,420

09	Bajaur Scouts	Pay & allowances	IGFC (N) KP	61,064,936
11	Khyber Rifles	Pay & allowances	IGFC (N) KP	26,229,523
10	Tirah Rifles	Pay & allowances	IGFC (N) KP	28,993,784
09	Mohmand Rifles	Pay & allowances	IGFC (N) KP	41,683,813
05	Dir Scouts	Pay & Allowances	IGFC (N) KP	16,905,964
Total (Rs.)				**250,938,440**

Audit observed that salaries of Jawans were drawn through Drawing and disbursing officer (DDO) instead of vendor /individual bank accounts of payees.

Audit is of the view that withdrawal of salaries and operating expenses on DDO was irregular and in violation of the above stated rule.

Audit holds that the management was bound to ensure the payment of salaries through bank accounts.

The irregularity occurred due to weak financial and internal control of the Organization.

The management (s) replied that pay and allowances of recruits were drawn through DDO due to their new appointment. Furthermore, now the bank accounts are opened for all employees and salaries are routed through banks.

The management accepted the Audit observation.

Audit recommends that responsibility may be fixed besides stopping the recurring irregularity under intimation to audit.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 19.5.12 having financial impact of Rs. 1,561.0148 million. Recurrence of same irregularity is a matter of serious concern.

Inspector General Frontier Corps (South) KP

20.5.54 Irregular expenditure for the supply of ration without open tendering-Rs.205.709 million

Para 04 of PPRA 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.

The management(s) of the following formations, under the administrative control of IGFC South KP, extended the Contracts of 2021-22 for the supply of Ration for FY-2022-23, and made a payment of Rs.205,708,844 up to 06.2023. Details are as under:

Para No	Name of Formation	Description	Expenditure (Rs.)
12	Kurram Militia	A03942-Cost of Other Stores, Purchase of Ration	102,646,492
03	Bhittani Rifles		103,062,352
Total (Rs.)			**205,708,844**

Audit observed that the management modified the agreement and revised the rates w.e.f. December-2022.

Audit holds that the contractors were bound to supply the ration as per rates approved/agreed upon in the amended slip. However, the management revised the rates without calling fresh tenders and the contractors were extended undue favor.

Due to this act of the management the payment of Rs. 205,708,844 was held as irregular.

The management replied that the tender process for the supply of ration was conducted by the HQFC. The contracts were revised in light of Clause-17 of the Contract agreement and accordingly ration supply as per approved contracts and rates was ensured.

The reply of the management was not accepted as modification in rates is a violation of the PPRA Rules.

The PAO was requested on 03.01.2024 to convene the DAC but DAC was not convened till finalization of the Report.

Audit recommends that responsibility may be fixed for the pointed-out irregularity besides recovery of the loss sustained by the government.

20.5.55 Irregular drawls of Pay & Allowances through DDO - Rs. 211.238 million

Clause 2.3.2.8 of Accounting Policies and Procedure Manual states that ‘the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by issue of payment through direct bank transfer and cheques'.

The management of the following formations under Headquarter Frontier Corps KP (South) and incurred an amount of Rs. 211,237,997 on account of salaries during the financial year 2022-23. Detailed as under:

Para No of AIR	Name of Office	Description	Controlling Authority	Amount in Rs
04	Thall Scouts	Pay & allowances	IGFC (S) KP	10,869,908
11	Bhittani Rifles	Pay & allowances	IGFC (S) KP	57,881,772
11	Shawal Rifles	Pay & allowances	IGFC (S) KP	124,231,423
05	South Waziristan Scouts	Pay & allowances	IGFC (S) KP	18,254,894
Total (Rs.)				**211,237,997**

Audit observed that salaries of Jawans were drawn through drawing and disbursing officer (DDO) instead of vendor /individual bank accounts of payees.

Audit is of the view that withdrawal of salaries and operating expenses on DDO was irregular and in violation of the above stated rule.

Audit holds that the management was bound to ensure the payment of salaries through bank accounts as required under the above quoted rules.

The management (s) replied that pay and allowances of recruits were drawn through DDO due to their new appointment. Furthermore, now the bank accounts are opened for all employees and salaries are routed through banks.

The management accepted the Audit observation.

The PAO was requested on 03.01.2024 to convene the DAC but DAC was not convened till finalization of the Report.

Audit recommends that responsibility may be fixed besides stoppage of such recurring irregularity under intimation to audit.

Note: The issued was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 14.5.51 having financial impact of Rs. 5,811.840 million. Recurrence of same irregularity is a matter of serious concern.

20.5.56 Non-transparent procurement of Stationery items in violation of PPRA Rules - Rs. 8.339 million

Para 28 (2) of PPRA 2004 states that all bids shall be opened publicly in the presence of the bidders or their representatives who may choose to be present, at the time and place announced prior to the bidding. The procuring agency shall read aloud the unit price as well as the bid amount and shall record the minutes of the bid opening. All bidders in attendance shall sign an attendance sheet. All bids submitted after the time prescribed shall be rejected and returned without being opened.

Para 38 of PPRA 2004 states that acceptance of bids the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity.

The management of Headquarter Frontier Corps (South) floated the tender for Stationery and Printing items on 30.08.2022. The tenders were required to reach the quarter concerned on or before 10.30 am, 12.09.2022. Subsequently different contractors participated in the bidding process and awarded the contract to the lowest bidder i.e. Silk Route Contracting Pvt Ltd.

Audit observed that the management incurred an expenditure of Rs. 8,338,700 on the purchase of stationary items and paid to M/S Silk Route Contracting Pvt Ltd during the financial year 2022-23. Details are given below.

Amount in Rs.

Cheque No.	Date	Amount
8194770	19.10.2022	1,598,000
8703220	05.12.2022	1,654,000
8964526	17.03.2023	147,000
8965116	10.05.2023	2,645,000
8965821	14.06.2023	147,000
8965820	14.06.2023	1,910,000
8966074	27.06.2023	237,700
Total		***8,338,700***

The following irregularities were noticed.

- Minimum response time of 15 days was not given to the participants.
- Sealed envelopes were not available on record which indicates that the quotations were collected by hand in violation of the PPRA rules.
- Attendance of bidders/participants was not available on record.
- The quotations were unsigned, undated and unstamped.

In light of the above facts the procurement was held as non-transparent and irregular.

Audit holds that the management was required to conduct the procurement process in transparent manner as provided in the PPRA rules.

The management replied that the procurement was made in compliance with PPRA Rules and all other codal formalities were followed. The points raised in the audit para are noted for future compliance.

The management accepted the audit observation.

Audit recommends that responsibility may be fixed for violation of PPRA Rules.

20.5.57 Loss to government due to purchase of Uniform Articles at higher rates-Rs.46.125 million.

Para 38 of PPRA 2004 states that the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity.

Para-29 of PPRA Rules-2004 states that procuring agencies shall formulate an appropriate evaluation criterion listing all the relevant information against which a bid is to be evaluated. Such evaluation criteria shall form an integral part of the bidding documents. Failure to provide for an unambiguous evaluation criterion in the bidding documents shall amount to mis-procurement.

Para 2 (h) of PPRA Rules-2004 states that “most advantageous bid” means,- (i) a bid or proposal for goods, works or services that after meeting the eligibility or qualification criteria, is found substantially responsive to the terms and conditions as set out in the bidding or request for proposals document; and (ii) evaluated as the highest ranked bid or proposal on the basis of cost or quality or qualification or any combination thereof, as specified in the bidding documents or request for proposal documents which shall be in conformity with the selection techniques to be issued by the Authority;

The management of Frontier Corps Headquarter (South) KP floated tenders for the purchase of Uniform articles. Subsequently different rates were quoted by the participants.

The audit observed that contracts were awarded to the contractors who offered higher rates.

Audit is of the view that due to purchase of Uniform Articles at higher rates resulted in a loss of Rs.46,124,610, as shown in the statement below:

Para No	Items	Supply rate	Lowest rate	Difference	Quantity	Loss
11	Desert Shoes	5,238	4,419	1089	20,000	21,780,000
14	Jogger Shoes	2,525	1,872	653	10,000	6,530,000
18	Stitched PDC Uniform with Field Cap	3,732	3,350	382	40,000	15,280,000
20	Vest Green half Sleeves	499.99	435	64.99	39,000	2,534,610
					Total (Rs.)	**46,124,610**

Audit holds that the management was required to conduct the procurements in an economical manner as required under the above quoted rules.

The management replied that the purchases were made on the recommendation of the Procurement Board on the basis of superior and good quality.

The reply of the management was not accepted due to the fact that the superiority of the quality of the procured items was not proven through tests/trials or any other measure for assessment of the quality.

Audit recommends that responsibility may be fixed for the pointed-out irregularity.

Works Branch Frontier Corps (North) at KP

20.5.58 Irregular payment on account of WAPDA Charges-Rs.23.920 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 fund allotted to spending units are expended in the public interest and upon objects for which the money was provided.

The management of Works Branch Frontier Corps (North) at KP Peshawar paid an amount of Rs.23,920,000 on account of WAPDA Charges in the projects mentioned below, during the financial year 2022-23.

S.No	Name of Work	Contractor	Amount
1	Construction of accommodation for 2x Wing's HQs at Jamal Maya and Ghari Killi Orakzai Tribal District	M/S Atif Khan Khattak	11,960,000
2	Construction of accommodation for 2x Wing's HQs at Barai Pakdara and Mehraban Killi (Tarkho kas), Khyber Tribal District	M/S Zenith Construction & Engineering	11,960,000
Total (Rs.)			**23,920,000**

Audit observed that the subject charges were paid to the contractor instead of Service Providers i.e. TESCO/WAPDA. Furthermore, the necessary record in justification of the subject expenditure i.e. Demand Notice/ Bill of WAPDA/TESCO etc. was not available on record.

Audit is of the view that the subject charges were required to be paid to the concerned service provider i.e. WAPDA/TESCO etc. along with the provision of payment record. As the same was not done and the charges were paid to the contractor(s), the expenditure was therefore, held irregular.

Audit holds that the subject payment was unjustified.

The management was requested to furnish preliminary replies to the observation statements vide No.FG(A)/OS/2023-24/12 dated: 25.09.2023. However, no reply was furnished.

The PAO was requested on 03.01.2024 to convene the DAC but DAC was not convened till finalization of the Report.

Audit recommends that the payment of WAPDA charges may be recovered from the contractor.

Commandant Mohmand Rifles

20.5.59 Non-production of anti-smuggling cases 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 Commandant Mohmand Rifles was delegated power of customs authority as detailed below. However, no vehicles were reported to Collector Custom House Peshawar during the year 2022-23.

Despite the written request to produce the following record for audit scrutiny, the management did not produce the same.

S.No.	Name of activity
1	Anti-smuggling record
2	List of ceased vehicles and further action
3	List of ceased ammunition and further action
4	Other confiscated items

Audit is of the view that non-production of record created doubts and was violation of above rule.

Audit holds that due to non-provision of the subject record the facts were concealed and functions of the Auditor-General of Pakistan were hindered.

The management replied that no fresh case was reported during the audit period 2022-23 due to closure of border (Gorsal Gate). Secondly, anti-smuggling cell is controlled centrally from HQFC. All the records were available with HQFC.

The reply was not accepted, documentary evidence was not provided to audit.

The PAO was requested on 03.01.2024 to convene the DAC but DAC was not convened till finalization of the Report.

Audit recommends that the record may be produced for audit scrutiny besides fixing responsibility under intimation to audit.

Auqaf Directorate, Islamabad

20.5.60 Irregular expenditure out of Shrine Fund – Rs. 75.125 million

Section 2 (l) of the Islamabad Capital Territory Waqf Properties Act, 2020 states “prescribed” means prescribed by rules made under this Act.

Section 19 (1) of the Islamabad Capital Territory Waqf Properties Act, 2020 states that the Chief Administrator shall maintain a complete record of all properties under his control and management and shall keep accounts of income and expenditure of such properties including expenditure on the chief administrator and his establishment, in such manner as may be prescribed.

The management of Auqaf Directorate, Islamabad incurred expenditure of Rs. 75.125 million out of shrine funds during 2022-23.

Audit observed that expenditure was made on pay, pension, security guards services, religious functions, POL, uniforms, repair of vehicle, honorarium etc. without prescribed rules.

Audit is of the view that utilization of shrine fund without prescribed rule was irregular and unauthorized.

The management did not reply.

The PAO was requested on 03.01.2024 to convene the DAC but DAC was not convened till finalization of the Report.

Audit recommends that rules for utilization of shrine fund may be framed at the earliest.

20.5.61 Irregular appointment of skilled / unskilled workers without open competition and expenditure thereon - Rs. 24.407 million

Establishment Division O.M. No. F.531/1/2008-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 O.M. No. F-53 /1/2008-SP dated 22.10.2014 states that Administrative Ministries/ Divisions shall ensure merit and transparency in the recruitment process at all level and vacancies in posts should be filled only against the approved sanctioned strength of the said category.

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

The management of Auqaf Directorate, Islamabad appointed skilled / unskilled worker and paid Rs. 24.407 million on monthly wages basis during the financial year 2022-23.

Audit observed as under:

i. The above recruitments were made without advertisement and open competitors.
ii. The details of qualification, skills, age, job description, duty station was not provided to Audit.
iii. The domicile quota was not observed while recruitment of skilled / unskilled workers.

iv. The recruitments / appointments were made without sanctioned posts.

Audit is of the view that recruitments of skilled and unskilled workers without advertisement and non-observing the qualification, skills and age was irregular.

The management did not reply.

The PAO was requested on 03.01.2024 to convene the DAC but DAC was not convened till finalization of the Report.

Audit recommends that matter may be inquired at appropriate level for fixing of responsibility.

20.5.62 Non-recovery of rent of shop from the tenant – Rs. 6.480 million

Para 26 of GFR-26 Vol-I states that subject to any special arrangement that may be authorized by competent authority with respect to any particular class of receipts, it is the duty of the departmental Controlling officers to see that all sums due to Government: are regularly and promptly assessed, realized and duly credited in the Public Account.

The management of Auqaf Directorate, Islamabad entered into an agreement on 27.09.2012 with Mr. Iftikhar Ahmed resident of People Colony No.1, House No.B-68, Faisalabad for leased out the shop # 1 (measuring 35x35), Masjid Al Shohada, Aabpara, Islamabad @ Rs. 40,000 per month for a period of three years commencing from 27.09.2012. The lessee deposited the rent of shop for an initial period of seven months only up to 27.04.2013. The detail of total rent of shop which is recoverable from the tenant is as under:

Period	Total Rent (Rs.)	Deposited (Rs)	Outstanding (Rs.)
01.05.2013 to 30.06.2023 (140 months)	4,880,000	400,000	4,480,000
01.10.2008 to 19.01.2011 (28 months)	2,000,064	Nil	2,000,064

Audit observed as under:

i. The tenant of the shop did not deposit the outstanding rent of Rs. 4.480 million into government treasury since the last ten years
ii. The agreement signed dated 27.09.2012 indicates that tenant has also not deposited the previous rent shop for the period 01.10.2008 to 19.01.2011 amounting to Rs. 2,000,064.
iii. The shop was rented out to the tenants without calling open tender and open competition.
iv. The agreement of shop was not revised after expiry of the earlier period.
v. The management did not vacate the shop from the tenant since the default of the recovery of the rent.

Audit is of the view that non-recovery of shop rent and non-vacation of the timely occupation from the tenants after default of the rent recovery is a major lapse and negligence on the part of the management which deprived the public exchequer from its due receipt.

The management did not reply.

The PAO was requested on 03.01.2024 to convene the DAC but DAC was not convened till finalization of the Report.

Audit recommends that recovery of rent from the tenant may be made at the earliest.

20.5.63 Non-recovery of rent of leased out properties – Rs. 7.567 million

Para 26 of GFR-26 Vol-I states that subject to any special arrangement that may be authorized by competent authority with respect to any particular class of receipts, it is the duty of the departmental Controlling officers to see that all sums due to Government: are regularly and promptly assessed, realized and duly credited in the Public Account.

The management of Auqaf Directorate, Islamabad awarded the following contracts to different contractors:

S.No.	Contractor's Name	Contractor	Contract Amount (Rs)	%age	Amount (Rs.)
1.	M/s Haji Qamar and Sons, Islamabad	Live Animals	3,350,000	33%	1,105,500
2.	M/s Zain ul Abidin, Islamabad	Chillah Gah, Lohi Dandi	1,200,000	33%	396,000
3.	M/s Haji Qamar and Sons, Islamabad	Shoes Keeping	10,500,000	33%	3,465,000
4.	M/s Arshad Contractors, Islamabad	Darbar Sakhi Darvesh, Badshah Mianan Thub, Sihala	5,200,000	50%	2,600,000
Total					**7,566,500**

Audit observed as under:

i. The contractors neither deposited the above amounts of contracts on successful award of contracts nor the remaining recoveries of contracts up to October, 2023 as no record of recoveries was provided to audit.
ii. The contract agreements were also not provided to audit.
iii. The proof of deposit of income tax was also not provided to audit
iv. The terms and conditions in shoe keeping contracts clearly state that the contractor will receive five rupees of pair from visitors whereas during the visit of audit team observed that contractor was receiving twenty rupees of pair from the visitors.

Audit is of the view that non-recovery of rents put loss to public exchequer.

The management did not reply.

The PAO was requested on 03.01.2024 to convene the DAC but DAC was not convened till finalization of the Report.

Audit recommends that recovery of contract amounts may be made from the contractors and deposited into government treasury at the earliest.

Islamabad Traffic Police

20.5.64 Unnecessary delay in depositing revenue of the Government in Federal Consolidated Fund – Rs.271.116 million

Rule 32 of GFR Volume I states that it is the duty of every court or authority having the power to fine to see that the money realized reaches the treasury and that adequate precautions are taken against double refunds of fines or refunds of fines not actually paid into the treasury.

A meeting in the office of the collector FTO, Islamabad was held on 05.01.2016 regarding paper less system in Digital Driving License being issued by ITP and Electronic Challan system being introduced by the ITP in collaboration with National Bank of Pakistan and Ufone for transfer of amount to NBP through Mobi Cash and Ufone etc.

After detailed discussion on both the issues it was unanimously decided by the all participants of meeting that:-

A system/interface will be installed in the office of the FTO for reconciliation of fine money collected/ deposited on a/c of challans and it will be connected with NBP and Electronic Control Room established in ITP/HQ.

The amount being deposited on a/c of challans by violators will be transmitted quickly on same day to Govt, i.e. NBP. National Bank of Pakistan will continue to report to the FTO the receipt collected on behalf of ITP in TR-6 as per previous practice.

The management of Islamabad Traffic Police (ITP), Islamabad imposed fine on traffic violators and an amount of Rs. 271,151,715 was collected and deposited by NBP and deposited under the Head C-02638 during financial year 2022-23.

Audit observed that NBP collects fine amount on daily basis and the same was required to be deposited in Govt. Treasury immediately whereas NBP retains the fine amount for the whole month and remits the fine amount to the Govt. Treasury in last three days of month without any legitimate reasons.

Audit also observed that the management of ITP was required to report this deviation immediately as they have real time access and focal person as indicated in Article 12 of agreement, but the management of ITP was unaware about the issue for long time.

Audit is of the view that delay in depositing government revenue in Federal Consolidated Fund was irregular and against the instructions of Government/agreement.

The management replied that the zonal Chief Manager, NBP was approached regarding such delays vide ITP letter No. 1615/Admin/Traffic, dated 14-09-2020, letter No. 3955/Admin/Traffic, dated 3-11-2021 and No. 2868/Admin/Traffic, dated 01-09-2022 with the request to take the matter with Director Banking Inspection, State Bank of Pakistan & Addl. Secretary Budget, Finance Division to deposit challan amount with the treasury as per financial rules. Later on, a letter from FTO Islamabad was generated on ITP request regarding undue retention of government revenue in the Bank along with NBP's challan forms appraising the concerned to strictly advised the bank for payment of Government Receipt to Treasury.

The management accepted audit observations.

The PAO was requested on 10.01.2024 to convene the DAC but DAC was not convened till finalization of the Report.

Audit recommends that corrective measures may be taken to ensure timely deposit of the fine into government account timely instead of keeping by the bank to raise their liquidity.

Safe City, ICT Police, Islamabad

20.5.65 Non deposit of Government receipts - Rs. 23.833 million

Rule-7(1) of Federal Treasury Rules (Vol-I) states that, all money received by or tendered to Government officers on account of the revenues of the Federal Government shall without undue delay be paid in full into a treasury or into the Bank. Moneys received as aforesaid shall not be appropriated to meet departmental expenditure, nor otherwise kept apart from the Federal Consolidated Fund of the

Federal Government. No department of the Government may require that any money received by it on account of the revenues of the Federal Government be kept out of the Federal Consolidated Fund of the Federal Government.

The management of Safe City, Islamabad received an amount of Rs. 23,832,685 on account of payment of damages of Optic fiber from CDA, Islamabad during Financial year 2022-23. The detail is as under:

Sr. No.	Head of Account	Particular	Cheque No.	Amount(Rs.)
1.	A03919-Payments to other for Service rendered IB 5124	Payment of damages of Optic Fiber	00118435	3,612,583
2.			1005432835	2,226,400
3.			271053678	9,321,629
4.			1005515566	8,672,073
		Total		**23,832,685**

Audit observed that amounts received from CDA were deposited in bank account named Safe City, Islamabad (IB-5124) under head “Payment to others for service rendered” instead of Federal Consolidated Fund of the Federal Government and were utilized for departmental expenditure which was irregular and unauthorized.

Audit is of the view that non- deposit of Govt. receipt and its utilization was unauthorized.

The management replied that there is no loss in government exchequer. The rule stated in the para is applicable where revenue expected. All payments received from civic agency used in restoration of optical fibre/cameras which were damaged by civic agency. Safe City already paid ROW (Right of Way) to CDA during execution an amount Rs. 74,546,417/- (approx. 74.5 million) vide cheque NO. 7398930 dated: 15.04.2015. vide letter No. CDA/DG (A)-1 (11)/2014/1951 dated: 29.09.2014.

The reply was not satisfactory as recovery/penalty of damages are received against the payment of ROW to CDA by the government and receipt against this right is government receipt.

The PAO was requested on 03.01.2024 to convene the DAC but DAC was not convened till finalization of the Report.

Audit recommends that the irregular practice may be stopped forthwith and amount may be deposited into the treasury.

20.5.66 Non-collection of fines through e-challan -Rs. 33.577 million

Rule 26 of GFR Vol-1 states that it is the duty of the departmental Controlling officers to see that all sums due to Government: are regularly and promptly assessed, realized, and duly credited in the Public Account. They should accordingly arrange to obtain from their subordinates monthly accounts and returns in suitable form claiming credit for so much paid into the treasury or otherwise accounted for and compare them with the statements of treasury credits furnished by the Accountant General, to see that the amounts reported as collected have been duly credited in the Public Account.

The management of Safe city, Islamabad issued E-challan tickets to offenders during 01.07.2022 to 30.06.2023. Detail is as under:

Description	Quantity	Amount (Rs)
E-Challan Tickets issued	204,611	43,194,200
E-Challan Ticket Paid (Fine Received)	45,612	9,616,600
E-Challan Ticket recoverable	158,999	33,577,600

Audit observed as under:

i. There is no mechanism of early collection of fine money against E-challan tickets, hence, there are 158,999 E-challan Tickets amounting to Rs. 33,577,600 recoverable. The time value of money is a core principle of finance.

ii. Safe City, Islamabad has not integrated with data of provincial Excise and Taxation Offices (Except Islamabad and Punjab), AJK and Gilgit, hence there is no possibility to recover E-challan even at the time of renewal of registration of vehicles falling under these jurisdictions.

iii. There is no reconciliation with ETOs for ensuring that all fines issued through electronic challan are deposited in Government treasury at the time of transfer or token fee deposit of the vehicle.
iv. Copy of relevant authority to impose fine through E-Challan based on camera evidence, is not provided.

Audit is of the view that non- collection of Govt. receipt is serious lapse on the part of management.

The management replied that there is no loss in government exchequer in this para. Following special initiatives have been taken to speed up the recovery of E-Challan: an amount of Rs.11,195,400/- was collected on account of E-Challan for F.Y 2022-23.

The reply was not acceptable because the management has agreed that a huge amount is outstanding which deprives the government from its due revenue.

The PAO was requested on 03.01.2024 to convene the DAC but DAC was not convened till finalization of the Report.

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

Fisheries Department ICT

20.5.67 Non-recovery of License Fee of the Fishing Rights of Rawal Dam, Islamabad – Rs. 11.000 million

Clause I of the agreement signed by the Fisheries Department ICT and Contractor on 06.01.2017 states that the contract period for license of the fishing rights in Rawal Dam, Islamabad will be for two years, and it will start w.e.f. 06.01.2017.

Clause II of the agreement signed by the Fisheries Department ICT and Contractor on 06.01.2017 states that successful bidder M/s Younas Enterprises, Rawalpindi has deposited the 1st installment of Rs. 11.000 million of the total approved auction of Rs. 22.000 million into the government treasury.

Clause III of the agreement signed by the Fisheries Department ICT and Contractor on 06.01.2017 states that contractor will be bound to deposit the remaining payable amount of Rs. 33.000 million into government treasury as per schedule and there will be no change in the schedule. The contractor has also undertaken that he will not claim any damage in case of natural disaster or any other way in the payment schedule. In addition to the license fee, the contactor will also be bound to deposit the amount of income tax as per existing tax rates.

The management of Fisheries Department ICT, Islamabad awarded contract for license of the fishing rights in Rawal Dam, Islamabad to M/s Younas Enterprises, Rawalpindi @ Rs.22.000 million per annum for a period of two years w.e.f. 06.01.2017. The contractor had deposited the 1st installment of Rs. 11.000 million on 26.12.2016 and remaining schedule of installments was as under:

Due date of License Fee to be Deposited in the Federal Treasury	Actual date of License Fee Deposited in the Federal Treasury	Amount (Rs.)
26.06.2017	25.07.2017	11,000,000
26.12.2017	21.02.2018	11,000,000
26.06.2018	Still Outstanding	Nil

Audit observed as under:

i. The contractor has not deposited the last installment amounting to Rs. 11.000 million as per agreement in the Government treasury despite the lapse of five years.
ii. The contractor has also not deposited the income tax amounting to Rs. 1,100,000 against the last installment in the government treasury.
iii. Proof for forfeiting the security was also not available in the record.

Audit is of the view that not only the public exchequer was deprived of recovery, but the contractor has violated the contract agreement by not depositing the due amount in the federal treasury.

The management replied that the contractor has not deposited the last installment as the matter is sub-jaundice in the court.

The reply is not satisfactory because the matter was not taken seriously for recovery of the licensee.

The DAC in its meeting held on 12.12.2023 pended the para till decision by the Court.

Audit recommends that matter may be pursued vigorously at court of law and amount recovered from the contractor may be deposited in the federal treasury.

20.5.68 Financial loss due to non-leasing of Fisheries Rights of Rawal Dam, Islamabad

The main objective and function of the Fisheries Department ICT is also to auction fishing rights of public water (commercial fishing).

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 Fisheries Department ICT, Islamabad auctioned / sold through open competition the Fisheries Rights of Rawal Dam, Islamabad for the period as under:

Tenure of Agreement	Period	Rate (Per Annum) (Rs)
06.01.2017 to 05.01.2019	24 Months	22,000,000
06.01.2019 to 09.01.2022	36 Months	Nil
10.01.2022 to 09.01.2025	36 Months	53,500,000

The audit observed that period of three years from 06.01.2019 to 09.01.2022 was deprived of leasing of Fisheries Rights of Rawal Dam which resulted in financial loss to the public exchequer.

Audit is of the view that due to non-leasing of Fisheries Rights of Rawal Dam the public exchequer has suffered a financial loss.

The management replied that the Department had advertised for the Fisheries Rights of Rawal Dam, Islamabad during January, 2020, however, during the said implementation of auction and specifically on the date of auction, status quo order (Stay order) was received from the honorable District Court.

The reply is not satisfactory because neither effort was made for evacuation of stay order nor attempt was made for leasing of fisheries right of Rawal dam through open auction.

DAC in its meeting held on 12.12.2023 directed that fact finding inquiry by Ministry may be initiated and report be submitted within one month.

Audit recommends to finalize the inquiry at the earliest.

Circle Registrar Cooperative Societies Department, ICT

20.5.69 Non-availability of record of fee received from contesting candidates – Rs 4.350 million

Rule 12 of Islamabad Cooperative Societies Election Rules, 2019 states that the election Commission shall fix the fee for processing of nomination papers and to meet other expenses for holding of elections of the Society which shall not be less than Rs.10,000 for all posts.

As per list provided by Circle Registrar Cooperative Societies Department ICT, Islamabad 435 candidates contested in elections of 2017 to 2023 and collected Rs 4,350,000 on account of contest fee.

Audit observed that record of election fee collected from the contesting candidates and its expenditure was not maintained by the management.

Audit was of the view that non-maintenance of election fee record was a serious lapse on the part of management.

Management did not reply.

The PAO was requested on 03.01.2024 but DAC was not convened till finalization of the Report.

Audit recommends that matter may be inquired for fixing responsibility for non-maintenance of fee record.

Directorate General Immigration & Passport, Islamabad

20.5.70 Procurement of Air Conditioners without Need Assessment - Rs 33.442 Million

Para145 of GFR states that purchases must be made in the most economical manner in accordance with the definite requirements of the public service. Procurement should not be made much in advance of actual requirements.

Rule 04 of Public Procurement Rules, 2004 states that procurement should be made in the most economical and transparent manner.

The management of IMPASS Headquarters incurred an expenditure of Rs 119,574,000 on procurement of 600 Air Conditioners (400 Air conditioners of 1.5 tons @ Rs. 161,460 and 200 Air Conditioners of 2 Tons @ of Rs 274,950) from M/s Unique Electronics & Services Islamabad vide their Invoice No. 32 dated 10.06.2022 during the financial year 2021-22 out of development project "Up gradation of 163 RPOs & MRP facility at 49 Pakistan Missions abroad.

Audit observed the following serious irregularities.

i. As per dead stock register and physical verification report by the management, 77 Air Conditioners of 2 tons and 76 Air Conditioners of 1.5 tons were lying packed in the open premises of Regional Passport Office Rawalpindi as on 24.07.2023 without any safety measures.

Description	Stock Register	Unit Price (Rs)	Total Shortage Rs
1.5 Tons	76	161,460	12,270,960
2 Tons	77	274,950	21,171,150
		Total	**33,442,110**

ii. 153 ACs of 1.5 & 2 tons amounting to Rs 33,442,110 were still lying in the premises unutilized as on 24.07.2023 which indicates that procurement was made much in advance of actual requirements.

Audit is of the view that procurement of air conditioners much in advance without assessing the actual need is a serious lapse on the part of local management which resulted in wasteful and unjustified expenditure of Rs. 33.442 Million.

The management did not reply till finalization of the Audit & Inspection Report.

The PAO was requested on 03.01.2024 to convene DAC but DAC was not convened till finalization of the Report.

Audit recommends fixing responsibility for procurement of Air conditioners without need assessment.

20.5.71 Non-recovery of the amount of indemnity bond from the absconders- Rs 22.5 million

Para (xi) of the Establishment Division's OM No. 04.03.2016-T.IV dated 16.02.2016 states that the tenure fixed for each foreign posting shall be strictly adhered to and will not be extendable.

Para 5 of the policy of posting of IMPASS staff at Pakistan missions abroad states that posting shall be actualized after all codal formalities i.e. IB clearance, visa issuance, and issuance of no objection Certificate (NOC). All staff selected will be posted for a period of 24 months (non-extendible), which will be deemed started at the day of assumption of charge at the respective Mission. The posting shall cease at the end of 24th month automatically and pay shall stopped forthwith. An employee may be repatriated even before expiry of posting abroad with the prior approval of Director General, IMPASS.

Para 6 of the policy of posting of IMPASS staff at Pakistan Mission abroad states that all staff selected will have to submit undertaking stating that they will serve IMPASS for the minimum period of two years after their repatriation and if they fail to do so, they will have to deposit amount mentioned in the bond to IMPASS. All regular officers/officials will have to fill the indemnity bond of Rs 2,500,000 and in case of contractual employment an indemnity bond of Rs 800,000.

The management of DG IMPASS provided a list of 9 officers and officials who were posted in foreign missions during different tenures up to 30.06.2022.

Audit observed that the above said employees have not returned to Pakistan after completion of their tenure of foreign posting rather they have absconded. The audit further observed that no action has been taken against sureties or guarantors, nor the amount of indemnity bond recovered from them which comes to Rs 22.5 million.

Audit is of the view that non recovery of the of the amount of indemnity bond worth Rs 22.5 million from the absconders or no action against sureties or guarantors was lapse on the part of local management.

The management did not reply till finalization of the Audit & Inspection Report.

The PAO was requested on 03.01.2024 to convene DAC but DAC was not convened till finalization of the Report.

Audit recommends recovery of the amount of indemnity bond from the absconder or sureties or guarantors may be pursued vigorously.

20.5.72 Non-utilization of development fund of the project titled up-gradation of biometric identification - Rs 450.00 million

Para 12 of the GFR stats 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 fund allotted to spending units are expended in the public interest and upon objects for which the money was provided.

The management of IMPASS Headquarter was allocated development fund amounting to Rs. 450,000,000 for the development project titled Up-gradation of Biometric Identification for the financial year 2022-23.

Audit observed that the entire budget was either re-appropriated to some other heads of accounts or was surrendered as no expenditure was made against the budget grant for which Rs. 450.00 million was provided.

Audit is of the view that non-utilization of development fund for the purpose for which it was allocated for was lapse on the part of local management.

The management did not reply till finalization of the Audit & Inspection Report.

The PAO was requested on 03.01.2024 to convene DAC but DAC was not convened till finalization of the Report.

Audit recommends that responsibility may be fixed for non-utilization of development fund.

Land Revenue Department ICT, Islamabad

20.5.73 Non-collection of Capital Gain Tax and Advance Tax on Registration - Rs. 6.330 million

Section 236 (C)-1 of the Income Tax Ordinance, 2001 states that any person responsible for registering or attesting transfer of any immovable property shall at the time of registering or attesting the transfer shall collect from the purchaser or transferee Gain tax at the rate specified in Division XVIII of Part IV of the First Schedule.

Section-236 (K) -1 of the Income Tax Ordinance, 2001 states that any person responsible for registering or attesting transfer of any immovable property shall at the time of registering or attesting the transfer shall collect from the purchaser or transferee advance tax at the rate specified in Division XVIII of Part IV of the First Schedule.

Federal Board of Revenue vide letter No.2 (2) SA to D.G. (WHT)/2021/157424-R dated 25th July, 2022, has changed the rates of tax collection under section 236 C and 236 K of income tax ordinance 2001 through Finance Act, 2022, which states that the advance tax for filer is 2% and non-filer is 7% with effect from 01.07.2022.

The management of ADC (R), ICT Islamabad mutated land in favor of various purchasers during the financial years 2022-23.

Audit observed that, the advance tax of Rs.3,449,320 and gain Tax of Rs.2,880,720 were outstanding/pending and not collected from the concerned parties as their mutation has been issued and registry of the same has been prepared.

S.No	Financial year	Jurisdiction of Revenue office	Amount of Deed	Advance Tax (Rs)	Gain Tax in Rs.	Total in Rs.
1	2022-23	Sub-registrar Rural	37,470,000	1,525,400	956,800	2,482,200

2	2022-23	Joint Sub-registrar Urban	96,196,000	1,923,920	1,923,920	3,847,840
		Total	**133,666,000**	**3,449,320**	**2,880,720**	**6,330,040**

Audit is of the view that non-recovery of advance tax and capital gain tax was a serious lapse on the part of management which deprived the Government of its due revenue.

The management did not reply till finalization of report.

The PAO was requested on 03.01.2024 to convene DAC but DAC was not convened till finalization of the Report.

Audit recommends that due taxes may be recovered under intimation to audit.

20.5.74 Non-collection of Mutation Fee, Gain tax and Advance tax on Oral Mutation - Rs. 56.452 million

Board of Revenue, Punjab Notification No 1587-2010/1597-LR (1) dated 30.06.2010 states that the Board of Revenue, Punjab is pleased to fix mutation fee as 5 % of the value of land according to the Valuation Table notified by District Collector in respect of the land situated in the locality under the Stamp Act, 1899 w.e.f 01.07.2010 which shall be payable by the purchaser.

Section 236 (C)-1 of the Income Tax Ordinance, 2001 states that any person responsible for registering or attesting transfer of any immovable property shall at the time of registering or attesting the transfer shall collect from the purchaser or transferee Gain tax at the rate specified in Division XVIII of Part IV of the First Schedule.

Section-236 (K) -1 of the Income Tax Ordinance, 2001 states that any person responsible for registering or attesting transfer of any immovable property shall at the time of registering or attesting the transfer shall collect from the purchaser or transferee advance tax at the rate specified in Division XVIII of Part IV of the First Schedule.

Federal Board of Revenue vide letter No.2 (2) SA to D.G. (WHT)/2021/157424-R dated 25th July, 2022, has changed the rates of tax collection under section 236 C and 236 K of income tax ordinance 2001 through Finance Act, 2022, which states that the advance tax for filer is 2% and non-filer is 7% with effect from 01.07.2022.

The management of ADC (R), ICT Islamabad entered mutation of land in favor of various purchasers during the financial years 2022-23.

Audit observed that the Mutation fee, Gain tax and advance tax of Rs.56,542,071/- were pending and not collected for mutation recorded in the mutation register detail as under.

S. No	Financial year	Tehsildar/R.O	Mutation Fee Rs.	Advance Tax Rs	Gain Tax Rs	Total Amount Rs.
1	2022-23	Muzajat (Rural)	18,857,577	12,577,706	10,385,297	41,820,580
2	2022-23	Muzajat (Urban)	7,380,531	3,855,580	3,485,380	14,721,491
		Total	**26,238,108**	**16,433,286**	**13,870,677**	**56,542,071**

Audit is of the view that, non-collection of due revenue on mutation is lapse on the part of local management which deprived the Government of its due receipts.

The management did not reply till finalization of report.

The PAO was requested on 03.01.2024 to convene DAC but DAC was not convened till finalization of the Report.

Audit recommends that, the Mutation fee, gain tax and advance tax, may be recovered under intimation to audit.

12 Union Councils, Islamabad

20.5.75 Non-recovery from contractors in 12 union councils - Rs.46.973 million

Para 5 (e) of Finance Division OM No.F.3(2)/Exp/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 (PAO) is expected to ensure that adequate machinery exists for due collection and bringing any kind connected with the functions of the ministry/division(s)/ departments and subordinate offices under his control

The management of 12 Union Councils issued work orders for 18 Revenue Contract Agreements to successful bidders in 12 Union Councils of Rural Areas of Islamabad Capital Territory for the Financial Year 2021-2022.

Audit observed that an amount of Rs. 46.974 million is still outstanding. Details are as under:

.No. Ucs	Name of Union Councils	Name of Contract	Contract Amount Rs.	Received Amount Rs.	Amount Receivable Rs.
1	Union Council No.3 Malpur, Union Council No.4 Bhara Kahu (N) ,Union Council No.5 Bhara Kahu (S)	Cattle Mandi Bhara Kahu	6,100,000	2,500,000	3,600,000
2	Jnion Council No.4 Kot Hathial Bhara Kahu (N)	Sanitation in jurisdiction of the Union Council	700,000	400,000	300,000
3	Union Council No.5 Bhara Kahu (S)	Sanitation in jurisdiction of the Union Council	1,000,000	700,000	300,000
		Weekly Bazar(Budh Bazar)	5,200,000	4,650,000	550,000
4	Union Council No.9 Chirah	Toll Tax Chirah Road	470,000	401,400	68,600
5	Union Council No.10 Kirpa	Surcharge Royalty Fee, Gayra, Matti, Bricks	1,900,000	710,000	1,190,000
		Toll Tax Kirpa Road (old) Jhang Syedan	550,000	200,000	350,000
		Toll Tax Ladhiot Road Chakkiyan to Channi	650,000	0	650,000
6	Union Council No.12 Rawat	Professional Tax	15,500,000	500,000	15,000,000
		Toll TaxSheikh Pur Nazir Abad Road Rawat (Two Way)	16,000,000	0	16,000,000

7	Union Council No.13 Humak	Professional Tax	10,000,000	4,786,520	5,213,480
8	Union Council No.15 Lohi Bhar	Professional Tax	10,000,000	8,760,000	1,240,000
9	Union Council No.16 Pahg Panwal	Toll tax Pahg Panwal Road	450,000	350,000	100,000
10	Union Council No.17 Koral	Professional Tax	3,000,000	1,613,333	1,386,667
11	Union Council No.18 Khanna Dak	Professional Tax	2,500,000	2,150,000	350,000
		Parking Fee Khanna	1,100,000	725,000	375,000
		Professional Tax	550,000	530,000	20,000
12	Union Council No.23 Kuri	Professional Tax	600,000	320,000	280,000
	Total		**76,270,000**	**29,296,253**	**46,973,747**

Audit is of the view that non collection of due receipt from successful bidders of Rs.46.973 million is a serious lapse on the part of management and caused a huge loss to Local Fund of Union Councils.

The management did not reply till finalization of the report.

The PAO was requested on 03.01.2024 but DAC was not convened till finalization of the Report.

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

20.5.76 Non-recovery of withholding tax @10% on bid amount - Rs.7.653 million

The management of Metropolitan Corporation Islamabad published an advertisement for open auction of annual contracts for union councils of rural areas of Islamabad on 14.08.2022 for the Financial Year 2021-2022.

Clause 4 of the advertisement dated 14.08.2022 for open auction states that the Possession of Site of each contract over to the successful bidder subject to submission of the payment as under:-

1) Will deposit 25% of the bid value amount in advance.

2) Will deposit 10% of the bid value security in advance.
3) Will deposit 10% withholding tax of bid value of each site in advance.

The management of 17 Union Councils completed the bidding process and awarded contract to successful bidders for the collection of Revenue Receipts for the Financial Year 2021-2022 on each site in the month of September 2021.

Detail of successful bidders and highest bid amount for the F. Y. 2021-2022 is as under:-

Sr.No. Ucs	Name of Union Councils	S.No of each U.C Contracts	Name of Contract	Contract Amount Rs.	10% Withholding tax Rs.
1	Union Council No.3 Malpur, Union Council No.4 Bhara Kahu (N) ,Union Council No.5 Bhara Kahu (S)	1	Cattle Mandi Bhara Kahu	6,100,000	610,000
2	Union Council No.4 Kot Hathial Bhara Kahu (N)	1	Professional Tax	950,000	95,000
		2	Sanitation in jurisdiction of the Union Council	700,000	70,000
3	Union Council No.5 Bhara Kahu (S)	1	Professional Tax	1,200,000	120,000
		2	Sanitation in jurisdiction of the Union Council	1,000,000	100,000
		3	Weekly Bazar(Budh Bazar)	5,200,000	520,000
4	Union Council No.6 Phulgran	1	Professional Tax	700,000	70,000
5	Union Council No.9 Chirah	1	Toll Tax Chirah Road	470,000	47,000
6	Union Council No.10 Kirpa	1	Surcharge Royalty Fee, Gayra, Matti, Bricks	1,900,000	190,000
		2	Toll Tax Kirpa Road (New) 17 Meel	650,000	65,000
		3	Toll Tax Kirpa Road (old) Jhang Syedan	550,000	55,000
		4	Toll Tax Ladhiot Road Chakkiyan to Channi	650,000	65,000
7	Union Council No.11 Mughal	1	Toll Tax Miana Thub Road UC Mughal	570,000	57,000
8	Union Council No.12 Rawat	1	Professional Tax	15,500,000	1,550,000
9	Union Council No.13 Humak	1	Professional Tax	10,000,000	1,000,000
10	Union Council No.14 Sihala	1	Sihala Kak Pul Lari Ada Parking Fee (Two way)	5,100,000	510,000
		2	Toll Tax Japan Road Sihala (Two way)	3,100,000	310,000
		3	Professional Tax	2,315,000	231,500
		4	Toilet Fee Sihala Kakpul	240,000	24,000
		5	Surcharge Royalty Fee, Gaira, Matti, Bricks	460,000	46,000
11	Union Council No.15 Lohi Bhar	1	Professional Tax	10,000,000	1,000,000
12	Union Council No.16 Pahg Panwal	1	Toll tax Pahg Panwal Road	450,000	45,000
13	Union Council No.17 Koral	1	Professional Tax	3,000,000	300,000
14	Union Council No.18 Khanna Dak	1	Professional Tax	2,500,000	250,000
		2	Parking Fee Khanna	1,100,000	110,000
15	Union Council No.19 Tarlai	1	Professional Tax	400,000	40,000
16	Union Council No.20 Alipur	1	Parking Fee Lari Ada Satra meel (Two way)	1,000,000	100,000
		2	Professional Tax	550,000	55,000
		3	Cattle Mandi Jhang Syedian (Weekly)	50,000	5,000
17	Union Council No.22 Chak Shahzad	1	Professional Tax	125,000	12,500
	Total	31		76,530,000	7,653,000

Audit observed that 17 Union Councils did not collect the amount of Rs.7.653 million of withholding tax from the successful bidders neither before signing of contract and issuance of work orders nor in the later period till to date.

Audit is of the view that non-collection of withholding tax of Rs.7.653 million from successful bidders is a serious lapse on the part of management and caused huge loss to the public fund.

The management did not reply till finalization of the report.

The PAO was requested on 03.01.2024 but DAC was not convened till finalization of the Report.

Audit recommends that inquiry may be held to fix responsibility besides recovery of withholding tax from successful bidders and same be deposited into public fund with intimation to audit.

20.5.77 Illegal appointment of 166 daily wages employees in 27 union councils - Rs. 41.955 million

Para (vii) of the Establishment Division O.M. No. F.53/I/2008-SP dated 22.10.2014 states that the vacancies in each Ministry/Division /Department/Autonomous body/Corporation as per provincial/Regional quota etc. shall be advertised through widely published national /provincial / regional newspapers.

Para 27 of Financial Management and Powers of Principal Accounting Officers Regulations, 2021 states that the Finance Division shall approve appointment of contingent paid staff within the budgetary provisions and as per the instructions issued from time to time.

The management of 27 Union Councils appointed 166 daily wages staff, just on written request by the applicant without observing legal formalities on the posts of Computer Operators, Naib Qasid, sweepers etc. and made payment of Rs. 41,955,000 during 2021-2022.

Audit observed that 27 Union Councils appointed 166 daily wages employees without sanctioned posts, open competition, skill test and without observing merit policy for the Financial Year 2021-2022.

Audit further observed that receiving of pay of 27 employees were not available in pay vouchers and all payments were drawn by the respective Secretaries of the Union Councils in cash instead of direct credit facility to their respective employees' bank account, this method attracts payment to ghost employees.

Audit is of the view that appointment of 166 daily wages employees without observing legal process of appointment is irregular and unauthorized. Further Payment of salary in cash is also violation of Finance Division's instructions.

The management did not reply till finalization of the report.

The PAO was requested on 03.01.2024 to convene DAC but DAC was not convened till finalization of the Report.

Audit recommends that inquiry may be held to fix responsibility besides recovery of amount spent on irregular appointments.

20.5.78 Non-recovery of tax receipts from contractors - Rs.126.142 million

Para 5 (e) of Finance Division OM No.F.3 (2)/Exp/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 (PAO) is expected to ensure that adequate machinery exists for due collection and bringing any kind connected with the functions of the ministry/division(s)/ departments and subordinate offices under his control.

Sub Clause (1) of Clause 90 of Local Government Act 2015 states that a tax or fee levied under this Act shall be collected in the prescribed manner.

The management of 08 Union Councils awarded Tax Collection Revenue Contracts to different successful bidders in 08 Union Councils of Rural Areas of Islamabad Capital Territory during the Financial Year 2017-2022.

Audit observed that the management of Union Councils failed to recover due receipt of contract amount from successful bidders/contractors during the Financial Years 2016-2017 to 2020-2021.

Audit is of the view that non collection of due receipt amounting to Rs.126.142 million from successful bidders is loss to Public Fund of Union Councils and undue favor extended to the bidders.

The management did not reply till finalization of the report.

The PAO was requested on 03.01.2024 to convene DAC but DAC was not convened till finalization of the Report.

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

20.5.79 Un-authentic receipt from Rawat Lorry Ada parking fee Rs.39.915 million with a loss of Rs. 9.685 million

Sub Clause (1) of Clause 90 of Local Government Act 2015 states that a tax or fee levied under this Act shall be collected in the prescribed manner,

Sub Clause (2) of Clause 90 of Local Government Act 2015 states that The Government may prescribe the mode of collection of a tax, or a fee levied under this Act.

The management of Metropolitan Corporation Islamabad advertised a tender for open auction of Annual Contracts for Rawat Lari Ada Parking Fee (two way) on 14.08.2021. The process of open competition was suspended without assigning any reason. The Secretary Union Council Rawat shows an amount of Rs.39.915 million as receipt from Lari ADA Parking Fee through self-collection for the Financial Year 2021-2022.

Audit observed that the Secretary Union Council Rawat shows an amount of Rs.39.915 million as receipt from Lari ADA Parking Fee through self-collection for the Financial Year 2021-2022, without any prescribed mode of collection and did not award annual contract through open competition for the financial year 2021-

2022. The previous bid for Lari ADA Parking Fee was Rs.49.600 million for the financial year 2020-2021.

Audit is of the view that Collection of Parking Fee without prescribed mode of collection of Lari ADA Parking Fee is illegal and unauthorized, which caused a loss of Rs.9.685 million to Public Fund of UC Rawat as compared to previous year contract for the Financial Year 2020-2021.

The management did not reply till finalization of the report.

The PAO was requested on 03.01.2024 to convene DAC but DAC was not convened till finalization of the Report.

Audit recommends that matter may be investigated, and responsibility be fixed for avoiding open completion.

20.5.80 Non-Recovery of Toll Tax Java Bypass Road Rawat (Two Way) Rs.16.65 million

Sub Clause (1&2)of Clause 90 of Local Government Act 2015 states that a tax or fee levied under this Act shall be collected in the prescribed manner,

(2) The Government may prescribe the mode of collection of a tax, or a fee levied under this Act.

The management of Union Council Rawat awarded the contract of Toll Tax Java Bypass Road Rawat to Mr. Rehman Ullah S/o Syed Rasool through open competition against Rs.14.00 million for the financial year 2020-2021. Further Secretary Union council Rawat re-awarded contract against Rs.15.40 million to the same contractor with 10% increase without open competition for the Financial Year 2021-2022.

Audit observed as under:-

i. The management recovered an amount of Rs.12.75 million from the contractor out of 14.00 million during the financial year 2020-2021. The management failed to recover Rs.1.250 million from contractor for the financial year 2020-2021.

ii. Audit further observed that the management of Union Council Rawat did not recover Rs.15.40 million from the same contractor for the financial year 2021-2022.

Audit is of the view that non recovery of Rs.16.65 million from contractor is a loss to the Public Fund due to un-due favor extended to the contractor during re-award of contract and open completion was intentionally avoided.

The management did not reply till finalization of the report.

The PAO was requested on 03.01.2024 but DAC was not convened till finalization of the Report.

Audit recommends that matter may be investigated, and responsibility be fixed for avoiding open completion beside recovery of subject amount.

Deputy Commissioner's Office

20.5.81 Irregular and Uneconomical hiring of Vehicles for Escort duties - Rs. 18.104 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.

The Management of DC Office ICT, Islamabad paid an amount of Rs. 18,104,850 to M/s Abdul Wahid Tours, Islamabad on account of hiring of transport for escort duties of Judges, VVIP's, Ministers, and for other events.

Audit observed that the vehicles were hired without competition and no Logbooks and movement registers of these rented vehicles were maintained as no such record was provided. Detail of POL being provided to these vehicles was also not produced to Audit. Audit further observed that hiring of vehicles @ Rs. 9,000 per vehicle per day seems uneconomical and unjustified.

Audit is of the view that hiring vehicles without competition and in uneconomical manner was irregular.

The management did not reply.

The PAO was requested on 10.01.2024 but DAC was not convened till finalization of the Report.

Audit recommends fixing of responsibility for this lapse and following of due procurement process in future.

CHAPTER 21

MINISTRY OF MARITIME AFFAIRS

21.1 Introduction

As per Schedule II [Rule 3(3)] Distribution of Business among the Divisions read with Schedule III [rule-4(4)] Rules of Business 1973 (As amended up to 23rd April, 2019) following main business have been assigned to the Division amongst the other functions.

1. National Planning, research and international aspects of:

   i) Inland water transport; and

   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. Light-houses, including lightships, beacons and other provisions for safety of shipping.
5. Admiralty jurisdiction; offenses committed on the high seas.
6. Declaration and delimitation of major ports and the constitution and power of authorities in such ports.
7. 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.
8. Korangi Fisheries Harbor Authority, Karachi.
9. Office for promotion of Deep-Sea Fisheries Resources in Exclusive Economic Zone.
10. Fishing and Fisheries beyond territorial waters.
11. Quality Control Laboratory Karachi.

12. Marine Fisheries Research Laboratory Karachi.
13. Fisheries Training Centre/Deep Sea Fishing Vessel.
14. Oceanography and Hydrological Research.
15. Marine Biological Research Laboratory, Karachi.
16. Welfare of Seamen; seamen Hostel Karachi.

ATTACHEDDEPARTMENTS/AUTONOMOUSBODIES

i. Directorate of Maritime Fisheries, Karachi.
ii. Directorate of Dockworkers Safety, Karachi.
iii. Karachi Port Trust
iv. Karachi Dockyard Labour Board
v. Pakistan Maritime Academy Karachi
vi. Shipping Master Karachi
vii. DG Ports & Shipping Karachi.

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY 2022-23) Rs. in million
1	Formations	10	5	30,686.963	31,923.891
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	2	2	28,379.836	-
4	Foreign Aided Project (FAP)	-	-	-	-

21.2Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Maritime Affairs for the financial year 2022-23 was Rs. 4,119.59 million, out of which the Division expended an amount of Rs. 4,044.01 million. Grant-wise detail of current and development expenditure is as under:

(Rs. In million)

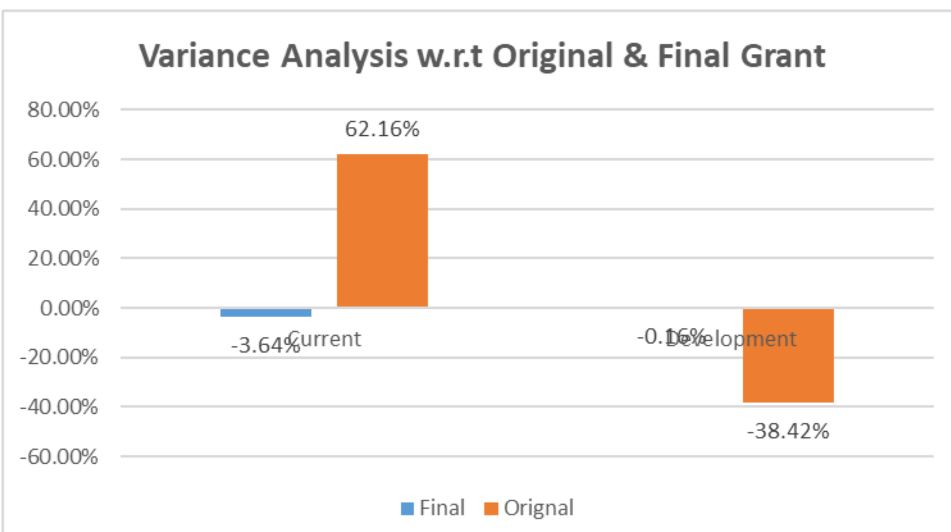
Grant No	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
70	Current	1,177.78	822.75	-18.43	1,982.10	1,909.88	-72.22	-3.64%
130	Development	3,465.38	.00	-1,327.88	2,137.50	2,134.13	-3.36	-0.16%
	Total	**4,643.15**	**822.75**	**-1,346.31**	**4,119.59**	**4,044.01**	**-75.58**	**-1.83%**

Audit noted that there was an overall saving of Rs.75.58 million, which was mainly due to saving 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. 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, bifurcating total allocation into current, development and charge expenditure, it was observed that, in case of development grant, there was 38.42% of saving w.r.t original grant which was finally reduced to 0.16% w.r.t final grant and in case of current grant 62.16% excess was finally become 3.64% saving.



21.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 81,987.556 million, were raised in this report during the current audit of **Ministry Of Maritime Affairs**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	1,863.89
B	*Procurement related irregularities*	697.11
C	*Management of account with commercial banks*	
D	*Recovery*	20,171.99
E	*Internal Control*	58,331.85
4	Value for money and service delivery	
5	Others	922.725

21.4Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2010-11	4	0	0	4	-
2011-12	8	0	0	8	-
2012-13	2	0	0	2	-
2013-14	1	0	0	1	-
2015-16	20	20	6	14	30
2016-17	2	0	0	2	-
2017-18	5	0	0	5	-
2018-19	92	0	0	92	-
2019-20	75	9	3	72	33
2020-21	47	0	0	47	-
2021-22	78	17	0	78	-
2022-23	18	0	0	18	-
Total	**352**	**46**	**9**	**343**	-

21.5AUDIT PARAS

Karachi Port Trust, Karachi

21.5.1 Non-recovery of outstanding receipt on account of Cargo Storage from TOCs – Rs. 2,040.217 million

General Financial Rule 26 states that it is the duty of the departmental controlling officers to see that all sums due to the Government are regularly and promptly assessed, realized and duly credited.

Section 84 of the Karachi Port Trust Act, 1886 states that all fees and sum due on account of property for the time being vested in the Board, and all areas of tolls, charges, rates and dues imposed under this act may be recovered, in addition to the other modes herein before provided, upon a summary proceeding before a magistrate in the manner provided in the code of Criminal Procedure, 1882 for the recovery of fines.

The management of KPT informed us about the detail of recoverable Storage Charges against unclaimed, confiscated and disputed containers. The details are as under:

(Amount in Rs.)

Sl. No.	Name of TOCs	Outstanding Dues	Balance	
			Retained in KPT D&R A/c	Recoverable
1.	KICT	1,605,004,580	18,086,100	1,586,918,480
2.	PICT	435,212,840	4,563,920	430,648,920
Total		**2,040,217,420**	**22,650,020**	**2,017,567,400**

Audit observed that:

An amount of Rs 2,040,217,420 is outstanding against TOCs on account of temporary Storage Charges of their containers outside their allocated area. Moreover, the TOCs are utilizing KPT's storage area for storage of destruction and auctionable containers without any agreement.

As per procedure in vogue, receipt of part payment from parties credited into their Deposit and Refund (D&R) Account. Till clearance of outstanding dues, amount received is kept in D&R account.

Audit is of the view that:

i. Utilization of KPT's area by the TOCs without any formal agreement was irregular & unauthorized.
ii. KPT is suffering recurring loss due to long outstanding dues from TOCs.
iii. Amount / dues received stuck in D&R Account which cannot be utilized, showing weakness of internal controls, due to which KPT is deprived of valuable revenue.
iv. Retention of outstanding dues from TOCs in D&R Account was not justified by the management.

The management replied that utilization of D&R Account is purely the domain of Accounts department, therefore the Accounts department is in better position to reply to this Audit observation. However, for the recovery of Temporary storage bills, KICT and PICT are provided facilities for accommodating the overflow volume at KPT area on temporary basis to ease out congestion at terminal for smooth operational activities of TOCs.

KPT raises bills to the PICT and KICT against temporary storage. The TOCs pay the charges regularly, however, TOCs have contended that these are auction able and destruction containers hence the temporary charges will be paid once auction process is completed by the Customs Authorities.

In order to resolve this issue KPT and TOCs have agreed to prepare the SOP for payment of temporary storage charges for Auctioned Labeled Containers which is under process.

Reply indicates that management accepted the Audit Observation.

Audit recommends recovering Storage Charges from TOCs besides expediting finalization of SOPs with TOCs for payment of temporary storage charges for auctioned labeled containers.

Note: This issue was reported earlier also in Audit Report for the Audit Year 2021-22 vide paras No. 20.5.21 and 20.5.22 having financial impact of Rs. 658.670 million. Recurrence of the same irregularity is a matter of serious concern.

21.5.2 Non-receipt of KPT share in sale proceed of disposed-off / auctioned cargo – Rs. 666.712 million

Section 201(d) of Customs Act 1969 states that balance of sale proceeds after deducting charges mention in sub-section (a), (b), (c) (i.e. expenses of sale, freight duty and taxes, and custom duty) shall be paid to custodian of goods.

General Financial Rule 26 states that it is the duty of the departmental controlling officers to see that all sums due to the Government are regularly and promptly assessed, realized and duly credited.

Section 84 of the Karachi Port Trust Act, 1886 states that all fees and sum due on account of property for the time being vested in the Board, and all areas of 406 tolls, charges, rates and dues imposed under this act may be recovered, in addition to the other modes herein before provided, upon a summary proceeding before a magistrate in the manner provided in the code of Criminal Procedure, 1882 for the recovery of fines.

The management informed that an amount of Rs.666.712 million on account of KPT Share was collected by Pakistan Customs for disbursement to KPT. Detail is as under:

(Amount in Rs.)

Sl. No.	Collectorates	Claims Period	Outstanding Dues
1.	West Wharf	From 1987 till Mar-2023	608,466,902.33
2.	East Wharf	From July-2013 till Dec-2021	58,245,589.23
Total			**666,712,491.56**

Audit observed that share of KPT collected by customs on behalf of KPT from auctioned cargo have not been recovered from Pakistan Customs.

Audit is of the view that non-collection of share of KPT collected by Pakistan Customs was a lapse on the part of management.

The management replied that as per established practice, procedures and in accordance with Customs and KPT Act, the imported goods landed at KPT and not cleared by the respective consignee within specified period are liable to present / put under auction by Customs under Section 82 of Customs Act, 1969 and Section 50 and 50-A of KPT Act, 1886. Moreover, no lot / package within the bonded premises of port can be disposed of through public auction except by the Customs under the relevant provision of Customs Act. KPT has lodged its updated claim for KPT share against sale proceeds outstanding amount from Pakistan Customs. Furthermore, KPT has served 231 reminders dated 14.10.2023 and several meetings held with Customs Authorities at various levels to accelerate the process of Sale Proceeds amount collected by them on behalf of KPT.

The management accepted the Audit Observation.

Audit recommends recovery of outstanding dues from Pakistan Customs.

21.5.3 Non-recovery of outstanding Temporary Storage Charges from TOCs – Rs. 279.843 million

Section 84 of KPT Act, 1886 states that all fees and sums due on account of property for the time being vested in the Board and all arrears of tolls, charges, rates and dues imposed under this Act, may be recovered, in addition to the other modes hereinbefore provided, upon a summary proceeding before a magistrate in the manner provided in the Code of Criminal Procedure, 1882, for the recovery of fines.

The management of KPT allotted Temporary Storage facilities to TOCs for container storage during the financial year 2022-23.

The audit observed that an amount of Rs. 279,842,600 is outstanding against TOCs for the period from 01.07.2022 to 30.06.2023:

(Amount in Rs.)

Sl. No.	Name of TOCs	Amount outstanding on A/c of Storage Charges uptill 30.06.2023
1.	M/s Pakistan International Container Terminal (PICT)	76,405,600
2.	M/s Karachi International Container Terminal (KICT)	203,437,000
Total		**279,842,600**

Audit is of the view that non-recovery of outstanding dues / Temporary Storage Charges is lapse on the part of management which deprived KPT of its due receipts on due time. Furthermore, KPT also suffering recurring loss due to long outstanding receipts from TOCs.

The management replied that TOCs is providing facilities for accommodating the overflow volume at KPT area on temporary basis to ease out congestion at terminal for smooth operational activities of TOCs. KPT raises bills to the TOCs against temporary storage facility. TOCs pay the charges regularly, however, in terms of these outstanding temporary storage charges, the TOCs have contended that these are auctionable and destruction containers hence the temporary charges will be paid once auction process is completed by the Customs Authorities. In order to resolve this issue KPT and TOCs have agreed to prepare the SOPs for payment of temporary storage charges for Auctioned Labeled Containers which is under process.

The management accepted the audit observation.

Audit recommends recovering outstanding dues under intimation to Audit.

Note: This issue was reported earlier also in Audit Report for the Audit Year 2022-23 vide para No. 16.5.10 having financial impact of Rs. 1,913.434 million. Recurrence of the same irregularity is a matter of serious concern.

21.5.4 Non-recovery of HMS Charges – Rs. 3,524.510 million

Section 84 of KPT Act, 1886 states that all fees and sums due on account of property for the time being vested in the Board and all arrears of tolls, charges, rates and dues imposed under this Act, may be recovered, in addition to the other modes hereinbefore provided, upon a summary proceeding before a magistrate in the manner provided in the Code of Criminal Procedure, 1882, for the recovery of fines.

General Financial Rule 26 states that it is the duty of the departmental controlling officers to see that all sums due to the Government are regularly and promptly assessed, realized and duly credited.

The management of KPT provided detail of outstanding Handling Marshalling and Storage (HMS) Charges against TOCs / localities of KPT (i.e. Esat Wharf, West Wharf and Old TPX Areas) amounting to Rs. 3,524,510,021 since 2004. Details are as under:

(Amount in Rs.)

Sl. No.	TOCs / Locality	Outstanding HMS Upto 30.06.2023
1.	M/s Pakistan International Container Terminal (PICT)	1,520,696,049
2.	M/s Karachi International Container Terminal (KICT)	1,785,117,209
Sub-Total (A)		**3,305,813,258**

3.	East Wharf	80,528,859
4.	KGCC	202,849
5.	Keemari	5,763,999
6.	Old TPX Area	92,959,052
7.	West Wharf	39,242,004
Sub-Total (B)		**218,696,763**
Grand Total (A + B)		**3,524,510,021**

Audit observed that the outstanding dues have not been recovered from defaulters up to 30.06.2023.

Audit is of the view that non-recovery of outstanding HMS Charges from defaulters was a lapse on the part of management of KPT.

The management replied that in pursuant to the Implementation Agreement, it was agreed that TOCs shall pay KPT Handling, Marshalling and Storage (HMS) Charges each year. Article 18 of the IA further binds the TOCs for payment of taxes levied by Federal, Provincial, Municipal or other lawful income and other taxes, duties levies or other imposition whatsoever.

The Excise and Taxation Department assessed the Leased Area, Karachi and demanded Property Tax from M/s. PICT vide 'Form PT-10' served in the year 2005 / 2006. On receipt of the same M/s PICT filed a Suit (No. 827/2007) before the Honorable Sindh High Court against the Excise and Taxation Department and others. As per the short order of the Court in 2015, the HMS Charges are being deposited to the Nazir of the Honorable Sindh High Court. KPT is fighting the legal battle in order to recover the HMS amount deposited with the Nazir.

M/s KICT held a portion of amount out of total HMS / rent on account of property tax which they deposit to Excise and Taxation department, Government of Sindh and provide the paid challan to KPT. The deduction of property tax from KPT legitimate charges is unjustified and is a violation of Implementation Agreement. KPT went into litigation and filed a suit (No. 1355/2003) in Honorable Sindh High Court for the recovery of such dues.

Reply of the management is not tenable as KPT was pursuing the recovery of HMS Charges from TOCs since 2007, but has not been able to recover any single penny.

Audit recommends recovering outstanding dues under intimation to Audit.

Note: This issue was reported earlier also in Audit Report for the Audit Year 2019-20 vide paras No. 25.5.28 and 25.5.29 having financial impact of Rs. 2,033.227 million. Recurrence of the same irregularity is a matter of serious concern.

21.5.5 Non-recovery of lease and license fees – Rs. 5,739.902 million

Section 84 of KPT Act, 1886 states that all fees and sums due on account of property for the time being vested in the Board and all arrears of tolls, charges, rates and dues imposed under this Act, may be recovered, in addition to the other modes hereinbefore provided, upon a summary proceeding before a magistrate in the manner provided in the Code of Criminal Procedure, 1882, for the recovery of fines.

The management of KPT provided a statement of outstanding dues amounting to Rs. 5,739.902 million on account of lease and license fee from various parties upto 30.06.2023

Audit observed that receipts of part payment from parties credited into their Deposit and Refund (D&R) account. Till the time, full payment is received, the amount received is kept in D&R account.

Audit is of the view that receipts are stuck in D&R account which cannot be utilized showing weakness of internal controls due to which KPT is deprived of valuable revenue. Moreover, the collection of dues in D&R account is also not justified.

The management replied that actual outstanding dues on account of lease and license receivable is as follows:

(Amount in million Rs.)

Description	Amount
Lease receivable from tenants	5,291.906
License Receivable from tenants	447.996
Total receivable	**5,739.902**
Payment kept in D&R account till 30.06.2023	3,459.967
Net Balance receivable from tenants	**2,279.935**

Net receivable on account of lease from tenants is Rs. 2,279.935 million instead of Rs. 2,986.845 million. As per procedure in vogue in KPT receipt of part payments from parties credited into their D&R Account until full payment is received. Similarly, Pay Orders and cheques are deposited / kept in D&R Account and defaulters are reminded to pay full amount. Until full payments were received, or disputes are settled, the amounts are kept in D&R Account.

The management accepted the Audit Observation.

Audit recommends recovering the outstanding dues from the defaulters. Further balance kept in D&R account may be utilized / invested instead of just keeping it in account.

Note: This issue was reported earlier also in Audit Report for the Audit Year 2022-23 vide paras No. 16.5.9 and 16.5.11 having financial impact of Rs. 5,347.428 million. Recurrence of the same irregularity is a matter of serious concern.

21.5.6 Non-recovery of outstanding dues from oil companies – Rs. 4,078.650 million

Section 84 of Karachi Port Trust Act, 1987 states that all fees and sums due on account of property for the time being vested in the Board and all arrears of tolls, charges, rates and dues imposed under this Act, may be recovered, in addition to the other modes hereinbefore provided, upon a summary proceedings before a magistrate in the manner provided in the Code of Criminal Procedure, 1882, for the recovery of fines.

The management of Karachi Port Trust (KPT), Karachi (in compliance of Board B.R. No.778 (Item No.VI) dated 30.12.2006) renewed the lease period for another twenty-five (25) years (till 30.06.2030) of various plots under occupation of allotted to Oil Companies Advisory Council (OCAC) Members at Oil Installation Area, Kemari within port with revised rates of Rs. 110 per Sq. Mt. per annum with five (5) percent compound escalation in each financial year excluding all city government and other taxes w.e.f. 01.10.2005.

The audit observed that an amount of Rs. 4,078.650 million was outstanding against following oil companies utilizing port area till June 2023 as detailed below:

Sl. No.	Oil Company	Area occupied (in Sq. Mt)	Outstanding due till 30.06.2023 (In Rs.)
1.	M/s Pakistan Refinery Limited	98,953	476,104,703
2.	M/s Caltex Oil (Pakistan) Limited	53,229	263,694,315
3.	M/s Pak Grease Manufacturing Company Limited	3,813	2,110,771
4.	M/s Shell Pakistan Limited	218,452	1,077,936,788
5.	M/s Pak Arab Refinery Limited	27,821	135,235,840
6.	M/s National Refinery Limited	122,160	625,609,581
7.	M/s Pakistan State Oil Company Limited	307,031	1,497,957,975
Total		**831,459**	**4,078,649,973**

Audit is of the view that the Trust is facing loss due to non-receiving of actual revenue and interest thereon.

The management replied that outstanding dues are piled up due to Municipal Tax which cause dispute between Oil Companies Advisory Council (OCAC) Companies and KPT.

(Amount in Rs.)

Name of Company	Outstanding / billed till 30.06.2024	Paid	Actual Outstanding
Caltex Oil	263,694,315	182,736,477	80,957,838
Pakistan Refinery Limited	476,104,703	362,567,240	113,537,463
Pak Grease Company	2,110,771	2,110,771	NIL
Shell Pakistan	1,077,936,788	761,089,794	316,846,994
Pak Arab Refinery	135,235,840	102,494,170	32,741,670
National Refinery	625,609,581	465,087,791	160,521,790
PSO	1,497,957,975	1,125,638,294	372,319,681
Total	**4,078,649,973**	**3,001,724,537**	**1,076,925,436**

Oil Companies Advisory Council (OCAC) Companies was not agreed to pay Municipal Tax @ 37.5% and pay Municipal Tax @ 7.5%. The Accounts Department raised bills rent plus Municipal Tax. Due to non-payment of Municipal Tax amount the total rent amount was lying in D&R Account, therefore, bills were not adjusted, which shows huge outstanding amount.

The management accepted the Audit Observation.

Audit recommends recovering the outstanding dues from Oil Companies and record of recovered amount be provided to Audit for verification. Further, balance kept in D&R account may be utilized / invested instead of just keeping it in account.

Note: This issue was reported earlier also in Audit Report for the Audit Year 2021-22 vide para No. 20.5.47 having financial impact of Rs. 3,197.463 million. Recurrence of the same irregularity is a matter of serious concern.

21.5.7 Non-recovery of outstanding dues from M/s K-Electric – Rs. 36.916 million

Section 84 of Karachi Port Trust Act, 1987 states that all fees and sums due on account of property for the time being vested in the Board and all arrears of tolls, charges, rates and dues imposed under this Act, may be recovered, in addition to the other modes hereinbefore provided, upon a summary proceedings before a magistrate in the manner provided in the Code of Criminal Procedure, 1882, for the recovery of fines.

The management of Karachi Port Trust (KPT), Karachi allotted the following plots in Industrial and Commercial Area of KPT land to M/s K-Electric. Detail is as under:

(Rupees)

Sl. No.	Plot No.	Rate	Area occupied (In Sq.Mt)	Outstanding due till 30.06.2023 (In Rs.)
1.	Plot No.15-E Mauripur Road Area West Wharf	75.00	6822.00	18,477,085
2.	Plot No.52-B Industrial Area West Wharf	54.73	10081.97	9,049,500
3.	Plot No.8 Miscellaneous Area M. T. Khan Road / Mai Kolachi Road	150.00	8739.39	6,007,876
4.	Plot No.14 Miscellaneous Area West Wharf	16.32	2858.00	1,523,132
5.	Plot No.12-B Miscellaneous Area M. T. Khan Road / Mai Kolachi Road	300.00	1240.00	1,288,656
6.	Plot No.2-A Industrial Area West Wharf	32.90	279.00	208,268
7.	Plot No.13-A Oil Installation Area Keamari	187.22	32.00	197,451
8.	Plot No.33 Township Area Keamari	12.20	293.00	73,431
9.	Plot No.24 Miscellaneous Area M. T. Khan Road / Mai Kolachi Road	26.55	48.00	51,796
10.	Plot No.40 Miscellaneous Area West Wharf	26.00	56.00	36,869
11.	Plot No.41 Miscellaneous Area West Wharf	26.00	24.00	1,654
Total			**30,473.36**	**36,915,718**

The audit observed that an amount of Rs. 36,915,718 was outstanding against rent of utilizing port area till June 2023.

Audit is of the view that the Trust is facing loss due to non-receiving of actual revenue and interest thereon.

The management replied that the allottee of Plot No. 15-E, Maripur Road has defaulted in payment amounting to Rs. 18,477,085. In this connection, KPT already filed a case under Section 84 against the party which is still sub-judice. Moreover, M/s K-Electric is also in dispute with KPT w.r.t. title of Plot (K-Electric obtain the Lease from KMC which is illegal and has no legal value as KPT is the owner of the land) which is also sub-judice in the court of Law. With regards to other plots mentioned in the list, it is submitted that most of the payment of plots are already received by KPT.

The management accepted the Audit Observation.

Audit recommends recovering the outstanding dues from M/s K-Electric and record of recovered amount be provided to Audit for verification.

21.5.8 Encroachment on KPT land 1,068.47 Acres - Rs. 58,175.042 million

Section 25 of Karachi Port Trust Act, 1886 states that the Board shall, for the purposes of this Act, have power to acquire and hold movable and immovable property within or without the limits of the port or city.

Para 108 of the Manual of the Estate Department of KPT states that it shall be the duty of the outdoor officials of the Estate department, or any other officials deputed under the directives of competent authority to keep vigilance over the Board Estates to prevent trespass or encroachment.

According to S.R.O No/307(KE) 91 dated 05.10.1991 Karachi Port Trust hold 140,265 Acres land within KPT limit as per following details:

Sl. No.	Area	Sq. Kilometers	Acres
1.	Land Area	34.98	8,644
2.	Back Water Sea	41.65	10,292
3.	Water Towards Sea	491	121,329
Total		**567.63**	**140,265**

Audit observed that 1,068.47 acres was unauthorized occupied / encroached by various housing colonies / department as detail given below:

Sl. No.	Location	Encroachment (In Acres)	Market Value (Rs. Per Sq.Yd.)	Amount (In Rs.)
1.	Younusabad	156.00	11,250	8,494,200,000
2.	Grax Village	31.00		1,687,950,000
3.	Muhammadi Colony / Machar Colony	406.00		22,106,250,000
4.	Intelligence School / NTR Colony	41.27		2,247,151,500
5.	Hijrat Colony	19.20		1,045,440,000
6.	Gulshan Colony / Sikandarabad	386.00		21,015,000,000
7.	Majeed Colony	10.50		571,725,000
8.	Docks Colony	18.50		1,007,325,000
Total		**1,068.47**		**58,175,041,500**

Audit also observed that following were further / additional encroachments on KPT land:

i) On KPT land Clifton Beach, the Sind Government allotted plots, a prime land.

ii) KPT owns a land of about 100 acres adjacent to NLC HQ along Mai Kolachi Bypass which is being claimed by Sindh Government.

iii) Land adjacent National Sailing Centre at Boat Basin Clifton.20 acres adjacent to the National Sailing Center at Boating Basin, Clifton is encroached by illegal parking of trailers.

iv) Land adjacent Yacht Club Manora. About 80 acres of land is occupied by Navy.

v) Eastern Backwaters. Substantial encroachment on the area.

vi) Western Backwaters.

Audit is of the view that encroachment over the costly land resulted in extensive loss amounting to Rs. 58,175,041,500 to Trust. Further, encroachment on Trust land and subsequent construction was not possible without the involvement of the KPT employees.

The management replied that port limits were notified in 1940 and 1991 and published in the Gazette of Pakistan. Due to dispute with various Government Agencies on the point of KPT limits the encroachers took advantages and occupied various back water / low lying areas by dumping garbage and other debris and created Katchi Abadies. The Katchi Abadies have surfaced on KPT lands since 1947 partition. Initially, the pace of expansion was slow, the expansion increased manifold in 1973 and gained further impetus in 1985. The main cause of the establishment of these Katchi Abadies is the provision of utility by K-Electric and SSGC which encourages encroachers and non-resolution of long outstanding issues by the Government agencies. KPT has continuously pressed the Government of Sindh not to declare the encroachers as Katchi Abadies and help KPT in the removal of these encroachments. In 2001, the then Chief Executive of Pakistan directed the organization that Katchi Abadies dwellers who have no alternate should not be summarily evicted and re-settlement plans must be developed to relocate these dwellers. Several meetings have also been held on the issue of Katchi Abadies after orders of President of Pakistan. KPT requested Government of Sindh to provide alternative land for shifting of these Abadies in compliance of orders of President of Pakistan which has not been reciprocated. It may be mentioned that none of the Katchi Abadies mentioned by audit has legal documents issued by KPT.

These are very old encroachments (pre-1970) linked to political / social / economical and cultural issues. Anti-Encroachment Department, KPT conducted several operations from January, 2019 to November, 2021 for removal of encroachment from different sites. The details of Anti Encroachment drives are as under:

Year	Total land recovered (In Sq. Yd.)	Total persons apprehended	Total vehicles apprehended	FIR Lodged
2019	106,660	38	08	23
2020	37,802	72	19	60
2021	58,320	147	52	95

In compliance of High Court Orders in C.P.No. D-1740/2011, Estate Department requested all the Utility Service Providers such as K-Electric, SSGC, KWSB to disconnect all the connections in all Katchi Abadies and no new connections shall be given to any Katchi Abadies but no compliance has been made by any Utility Agency. In this connection, KPT filed Contempt Proceedings against all Utility Service Providers for non-compliance with High Court Decision. KPT also filed C.P.No.47/2011 in the Supreme Court of Pakistan and Suit No.322/2012 High Court of Sindh at Karachi against the Government of Sindh, Board of Revenue and Others entire encroached / unauthorized allotment of KPT land as per Port Limit the Honorable High Court of Sindh granted stay order against Katchi Abadies (Board of Revenue / Government of Sindh).

Reply indicates that management has accepted Audit Observation. However, despite having order / worthy directions from the President of Islamic Republic of Pakistan, management failed to find out any way to evacuate the encroached land despite lapse of more than two (02) decades.

Audit recommends:

i) To take concrete efforts / actions to comply with worthy directions of the President of Islamic Republic of Pakistan and honorable Sindh High Court's Order (in C.P. No. D-1740/2011), without further waste of time.
ii) That PAO may inquire the matter to get the illegally occupied property vacated.

Note: This issue was reported earlier also in Audit Report for the Audit Year 2021-22 vide para No. 20.5.49. Recurrence of the same irregularity is a matter of serious concern.

21.5.9 Non-recovery of outstanding rent from Warehouses at KPT property / land – Rs. 124.872 million

Section 84 of Karachi Port Trust Act, 1987 states that all fees and sums due on account of property for the time being vested in the Board and all arrears of tolls, charges, rates and dues imposed under this Act, may be recovered, in addition to the other modes hereinbefore provided, upon a summary proceedings before a magistrate in the manner provided in the Code of Criminal Procedure, 1882, for the recovery of fines.

The management of Karachi Port Trust (KPT), Karachi allotted various warehouses up to 30.06.2023.

Audit observed that rent amounting to Rs 124,871,758 against different warehouse was outstanding till June, 2023.

Audit is of the view that due to non-recovery of outstanding rent, Trust was deprived of its due receipts.

The management replied that most of the payment of plots are already received by KPT. As per procedure, KPT filed Section-84 for recovery of dues against defaulters. Some parties went to Courts against KPT for different disputes. KPT cannot take action till the final decision of Court. Moreover, KPT filed Section 84 against the parties who defaulted in payment of KPT dues which is still sub-judice in the Court of Law.

The management accepted the Audit Observation.

Audit recommends recovering the outstanding dues and a record of recovered amount be provided to Audit for verification besides sharing detail of sub-judice cases.

21.5.10 Non-recovery of outstanding rent from KPT land – Rs. 714.073 million

Section 84 of Karachi Port Trust Act, 1987 states that all fees and sums due on account of property for the time being vested in the Board and all arrears of tolls, charges, rates and dues imposed under this Act, may be recovered, in addition to the other modes hereinbefore provided, upon a summary proceedings before a magistrate in the manner provided in the Code of Criminal Procedure, 1882, for the recovery of fines.

The management of Karachi Port Trust (KPT), Karachi allotted following plots / land situated at different areas on KPT land against which Rs 714,073,122 remained outstanding till 30.06.2023.

(Amount in Rs.)

Sl. No.	Area / location	Outstanding dues
	Residential	
1.	Mauripur Road Area West Wharf	16,372,147
2.	Township Area Kemari	14,067,829
3.	M.T. Khan Road / Mai Kolachi	2,768,591
	Commercial	
1.	Kemari	30,183,835
2.	M.T. Khan Road / Mai Kolachi	159,305,820
3.	Boat Building Yard West Wharf	127,923,905
4.	Mauripur Road West Wharf	251,607,404
5.	Plots allotted on welfare basis	4,867,175
6.	Industrial Area Building Yard, Karachi	106,976,416
	Total	**714,073,122**

Audit observed that rent amounting to Rs 714,073,122 was outstanding till June, 2023.

Audit is of the view that due to non-recovery of outstanding rent, Trust was deprived of its due revenue.

The management replied that most of the payment of plots is already received by KPT. As per procedure, KPT filed Section-84 for recovery of dues against defaulters. Some parties went to Courts against KPT for different disputes. KPT cannot take action till the final decision of Court. Moreover, KPT filed Section 84 against the parties who defaulted in payment of KPT dues which is still sub-judice in the Court of Law.

The management accepted the Audit Observation.

Audit recommends recovering the outstanding dues and a record of recovered amount be provided to Audit for verification besides sharing detail of sub-judice cases.

21.5.11 Non-recovery of outstanding rent from recreational huts at Sandspit Area Manora – Rs. 113.406 million

Section 84 of Karachi Port Trust Act, 1987 states that all fees and sums due on account of property for the time being vested in the Board and all arrears of tolls, charges, rates and dues imposed under this Act, may be recovered, in addition to the other modes hereinbefore provided, upon a summary proceedings before a magistrate in the manner provided in the Code of Criminal Procedure, 1882, for the recovery of fines.

The management of Karachi Port Trust (KPT), Karachi allotted recreational land at Sandspit Area Manora against which Rs 113,406,406 remained outstanding till 30.06.2023.

Audit observed that rent amounting to Rs 113,406,406 was outstanding till June, 2023.

Audit is of the view that due to non-recovery of outstanding rent, Trust was deprived of its due revenue.

The management replied that most of the payment of plots is already received by KPT. As per procedure, KPT filed Section-84 for recovery of dues against defaulters. Some parties went to Courts against KPT for different disputes. KPT cannot take action till the final decision of Court. Moreover, KPT filed Section 84 against the parties who defaulted in payment of KPT dues which is still sub-judice in the Court of Law.

The management accepted the Audit Observation.

Audit recommends recovering the outstanding dues and a record of recovered amount be provided to Audit for verification besides sharing detail of sub-judice cases.

21.5.12 Unauthorized payment of Monetization Allowance to KPT Officers – Rs. 46.896 million

Cabinet Division (vide letter No.6/7/2011-CPC dated 12.12.2011) issued Compulsory Monetization of Transport Facility Policy for Civil Servants in BS-20 to BS-22 with the following rates, to be implemented from 01.01.2012.

BS-22	BS-21	BS-20
Rs. 95,910	Rs. 77,430	Rs. 65,960

Para xix of Monetization of Transport Facility issued by Cabinet Division vide No.6/7/2011-CPC dated 12.12.2011, states that no officer of BS-20 to BS-22 will be entitled and authorized to use Departmental Operational / General Duty vehicles for any kind of duty.

The management of Karachi Port Trust paid an amount of Rs. 46,896,934 to the B-19 to B-20 Officers of KPT on account of Transport Monetization Allowance during the year 2022-23.

Grade	Rate (per month)	Nos. of Officers
BS-20	Rs. 98,194	06
BS-19	Rs. 87,579	55

Audit observed that:

i) The Transport Monetization Allowance was paid over and above the rates admissible by the Cabinet Division.

ii) BS-20 Officers are using official vehicles exclusively and drawing Monetization Allowance at the same time.

Audit is of the view that payment of Transport Monetization Allowance over and above admissible rates is unauthorized.

The management replied that KPT is in the process of framing its own financial rules / pay scales. The same has been approved by the Board, and the approval of Federal Government is awaited.

The management accepted the Audit Observation.

Audit recommends stopping the payment of Transport Monetization Allowance forthwith till approval of Financial Rules / Pay Scales from Federal Government besides recovery of already paid.

21.5.13 Irregular payment of Allowances to KPT Officers – Rs. 1,816.995 million

General Financial Rule 25 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.

Section 79(B) of Karachi Port Trust Act, 1886 states that notwithstanding anything hereinbefore contained or any law for the time being in force or in the terms and conditions of service, where in any case or matter not specifically provided in this Act, the provisions of the Civil Servants Act, 1973 or the rules made there under shall, as far as may be, apply to the Officers of the Port.

The management of KPT paid an amount of Rs. 1,816,994,583 in shape of following allowances to the KPT Officers during the financial year 2022-23.

S. No.	Name of Allowances	Amount (Rs.)
1.	Compensatory Allowance	104,672,605
2.	Utility Allowance	552,579,089
3.	Port Allowance	804,038,595
4.	Harbor Allowance	295,809,424
5.	Education Allowance	52,252,128
6.	HOD’s Allowance	7,642,742
Total		**1,816,994,583**

Audit observed that the aforementioned Allowances were paid to the KPT Officers over and above the allowances admissible to Federal Government employees.

Audit is of the view that the payment of aforementioned Allowances over and above the allowances admissible to Federal Government employees was irregular.

The management replied that the KPT is in process of framing its own Financial Rules / Pay Scales. The same has been approved by the Board, and the approval of Federal Government is awaited.

The management accepted the Audit Observation.

Audit recommends stopping the payment of Allowances forthwith till approval of Financial Rules / Pay Scales from Federal Government besides recovery of already paid.

21.5.14 Irregular expenditure on procurement of lubricants, greases and oil on RRC basis – Rs. 97.420 million

Rule 12(2) of Public Procurement Rules, 2004 states that all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation.

Rule 42 (c)(i) of Public Procurement Rules, 2004 the procuring agency shall only engage in direct contracting if the procurement concerns the acquisition of spare parts or supplementary services from original manufacturer or supplier provided that the same are not available from alternative sources.

The management of KPT awarded a contract to M/s Shell Pakistan Limited for purchased of lubricants, greases and oil amounting to Rs. 97,420,779 on Running Rate Contract (RRC) basis during the year 2022-23.

Audit observed that procurement was made without calling tender through press and PPRA’s website.

Audit is of the view that the Trust was deprived of the benefits of competitive rates, which is violation of PPRA Rules, 2004.

The management replied that KPT is procuring lubricants from M/s Shell Pakistan Limited being recommended by the OEM under PPRA Rule 42(c)

(Alternate Methods of Procurement) KPT Flotilla is consuming M/s Shell Pakistan Limited products satisfactorily and cannot shift to any other brand as the oils of different manufacturer to avoid the mixing with other, as various OEMs are using various additives in manufacturing of their products. Mixing of Oils may result abnormal change in viscosity level of oil which require continuous monitoring and laboratory tests which is not feasible. Integrity pact was signed with M/s Shell Pakistan Limited. Procurement was processed in the year 2020 and Contract Agreement was signed for a period of three years. Security Deposit amounting to Rs. 2,670,852 was submitted in the first year which was retained till the end of contract in 2023. The same was returned after successful completion of a three-year period.

The reply is not cogent as the management accepted that the contract was awarded without open competition.

Audit recommends that responsibility may be fixed for repeated irregularities.

Note: This issue was reported earlier also in Audit Report for the Audit Year 2022-23 vide para-No. 16.5.18. Recurrence of the same irregularity is a matter of serious concern.

21.5.15 Non-submission of audited Financial Statements since 2009-10

Section 68 of the Karachi Port Trust Act, 1886 states the accounts of the receipts and expenditure of the Board shall, twice in every year, be laid before Government, and shall be audited and examined in such manner and by such auditor or auditors as shall, from time to time, be appointed by Government.

The Financial Statements of Karachi Port Trust Karachi was last audited by Chartered Accountants firm in 2008-09.

Audit observed that:

i) Management did not get audited / certified Financial Statements for the years 2009-10 to 2022-23 from the Chartered Accountants despite government instructions contained in KPT Act, 1886.

ii) Accounts Department of KPT was not maintaining department-wise General Ledgers, Financial Statements including month-wise expenditure statement for the last five (05) years which indicates that the management is neither maintaining accounts nor laying down these accounts to the Government twice in a year which is clear deviation of Section 68 of the KPT Act, 1886.

Audit is of the view that:

i) Non-performance of the core functions by the Accounts Section is negligence on the part of the management.

ii) Audit opinion cannot be given in absence of audited Financial Statements.

The management replied that Audit for financial year 2009-10 has just been completed, and subsequent Audits for financial year 2010-11 and onwards are in process. As soon as Audits are completed, the copies will be provided to Audit, in due course.

The management accepted the Audit Observation.

Audit recommends expediting the Audits and Audit Reports be provided to Audit.

Note: This issue was reported earlier also in Audit Reports for the Audit Year 2015-16, 2020-21 and 2021-22 vide paras No. 25.4.12, 20.5.2 and 20.5.26 respectively. Recurrence of the same irregularity is a matter of serious concern.

21.5.16 Irregular hiring and payment to non-panel advocates – Rs. 23.418 million

Public Procurement Rule 20 states that the procuring agency shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

The KPT Board Resolution No. 52 dated 20.08.2003 authorized the Manager Legal Affairs (MLA) to sign plaints, written statements, Vakalatnamas i.r.o. suits filed by or against KPT in the Courts.

The management of KPT made an expenditure amounting to Rs. 23,418,750 on account of hiring of non-panel advocates during financial year 2022-23.

Audit observed that:

i) Payments were made in advance to the non-panel advocates.

ii) All these activities were performed through MLA.

iii) Non-adherence to PPRA Rules, 2004 resulted in irregular hiring of services of non-panel advocates and payment of legal fees amounting to Rs. 265.30 million up to the financial year 2022-2023.

Audit is of the view that in spite of authorizing only MLA for all affairs of hiring non-panel advocate, matter should be dealt through a committee. Further, cases have been pending in different courts for more than three decades which mostly includes cases relating to Estate Department and KPT incurred expenditure on legal charges paid to lawyers to defend the cases.

The management replied that after the 18th Amendment in the Constitution of Islamic Republic of Pakistan, the subject of services has become provincial subject and as such laws enacted by the provincial legislature are required to be followed. The lawyers claimed that they represent their clients before the court of law to get them justice, which is a noble cause, and as such their assistance is rendered to the court and therefore not a service. The law provides special protection to client and lawyer relationship and communication or consultation between them are ‘confidential’ and ‘privileged communications’. No authority or court is empowered to seek information from an Advocate about the arrangements with his clients.

Reply of the management is irrelevant as the objection was raised regarding hiring the services of non-penal of advocates instead of client and lawyer relationship.

Audit recommends inquiring the matter for hiring the services of non-penal of advocates.

Note: This issue was reported earlier also in Audit Report for the Audit Year 2021-22 vide para No. 20.5.66 having financial impact of Rs. 58.563 million. Recurrence of the same irregularity is a matter of serious concern.

21.5.17 Non-deduction of 1/5th General Sales Tax – Rs. 13.047 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 (1/5th) 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.

Rule 2(5) of Sales Tax Special Procedure (Withholding) Rules, 2007 states that the sales tax deducted at source shall be deposited by the withholding agent in the designated branch of National Bank of Pakistan under relevant head of account on sales tax return-cum-payment challan, by 15th of the month following the month during which payment has been made to the supplier.

The management of the Karachi Port Trust, Karachi (Chief Machinal and Electrical Engineer-II) made payments to following Contractors / Suppliers on procurement of different items amounting to Rs. 1,528,947,039 during financial year 2022-23. Contractors / suppliers charged 17% GST amounting to Rs. 65,234,872 in their invoices.

Audit observed that management neither withhold 1/5th of the Sales Tax amounting to Rs. 13,046,974 (Rs. 65,234,872 ÷ 5) nor deposited into designated branch of National Bank of Pakistan / government treasury.

Audit is of the view that non-deduction of 1/5th GST deprived the government of its due receipt / revenue.

The management replied that as per withholding sales tax rules under Sales Tax Act 1990, there are exceptions to withholding sales tax i.e. sales tax is not required to be withhold, under following circumstances:

(a) Supplies made by an active taxpayer as defined in the sales tax act, 1990 to another registered person.

The parties mentioned in Audit Observations are active taxpayers. Accordingly, no withholding sales tax was deducted from the payment.

Reply of the management is not tenable as documentary evidence in support of reply was not provided to Audit.

Audit recommends that documentary evidence in support of reply be provided to Audit.

<u>Note:</u> This issue was reported earlier also in Audit Report for the Audit Year 2022-23 vide para No. 16.5.14 having financial impact of Rs. 16.994 million. Recurrence of the same irregularity is a matter of serious concern.

Karachi Dock Labour Board, Karachi

21.5.18 Non-recovery of Cess from beneficiaries -Rs.1,950.039 million

GFR 28 states that "No amount due to Government should be left outstanding without sufficient reason, and where any dues appear to be irrecoverable the orders of competent authority for their adjustment must be sought."

As per Board resolution No.78 dated.05.06.1979, the KDLB levies and collects the amount of cess from different beneficiaries in the following ratio:

Agent 52%
KPT 30%
Stevedores 18%

As per Board resolution No.12 dated.08.02.2022, the KDLB management was directed to provide breakup of 1 billion payable to KDLB as reflected in accounts receivable of KDLB.

The management provided a statement showing outstanding amount of cess against different beneficiaries under the following categories during financial year 2022-23.

Category of Beneficiaries	**Amount (Rs)**
Agent	52,679,568
Stevedores	19,462,651
KPT	1,877,896,877
Total	**1,950,039,096**

Audit observed that the above amount receivable from different beneficiaries was not realized till the close of audit. Furthermore, a huge amount was receivable from KPT including long outstanding dues of Rs. 1 billion on account of Cess.

Audit is of the view that non-recovery of dues from the beneficiaries was a serious lapse on the part of management.

The management was requested on 28.09.2023 but no reply was received till finalization of the report.

Audit recommends that responsibility may be fixed for non-recovery of outstanding amount besides the amount may be recovered and deposited into KDLB account under intimation to audit.

21.5.19 Recurring financial Loss due to excess expenditure beyond income-Rs. 914.301 million

Para 23 of GFR Vol-I states that every Government officer should realize fully and 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 KDLB Karachi provided provisional income and expenditure statement for the financial year 2022-23 with comparative figures for 2021-22.

Audit observed that department reported a financial loss of Rs.914,301,140 in its income and expenditure account for the financial year 2022-23. The practice of incurring financial loss was continued from prior periods as reflected in the comparative figures for the financial year 2021-22 reported in the said statement. The management used to carry forward losses and adjust it against invested funds of KDLB. Resultantly, the funds lying in bank accounts were being depleted.

During further analysis it was observed that cost of wages and other benefits was on the higher side which contributed to recurring loss as it was more than the income realized from all sources.

Audit is of the view recurring financial loss is very alarming to cause default in payment of future liabilities by KDLB.

The management was requested on 28.09.2023 but no reply was received till finalization of the report.

Audit recommends that recurring loss may be justified to audit.

21.5.20 Irregular selection and payment to panel hospitals & Laboratories - Rs. 452.908 million

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

The management of KDLB hired outdoor and indoor services of five (5) private hospitals and three (3) laboratories and a dental clinic on its panel and incurred an expenditure of Rs.452,908,013 during 2021-22. The detail is given below:

S#.	Name of Hospital and Laboratory	Amount (Rs)
	Hospitals	
1.	Liaquat National Hospital	216,301,276
2.	Ziauddin Hospital	148,534,674
3.	Altamash Hospital	76,284,692
4.	Hashmanis Hospital	1,667,340
5.	N.I.C.V. D	2,438,549
	Laboratories	
6.	Karachi X-Ray Lab	370,760
7.	Karachi Lab Diagnostic Centre	2,435,622
8.	Seher Medical Centre	806,400
	Consultation	
9.	Dr. Inayatullah (dental Clinic)	4,068,700
	Total	**452,908,013**

Audit observed that:

i. Services of panel hospitals and laboratories/clinics were hired without open competition.

ii. Medical attendance rules of KDLB were not framed and got approved by the Board and Ministry in consultation with Ministry of National Health Services Regulation and Coordination Division.

iii. Neither patients record i.e. admission, discharge, doctor prescription, laboratory test etc. was found attached with bills nor medical bills were scrutinized and verified with the complete record of a patient as maintained by hospitals in accordance with laid down rule/procedures.

iv. Physical verification of patients from hospitals was not conducted by KDLB regarding authenticity of claims.

Audit is of the view that payment made to hospitals and Laboratories/clinics in purview of above observations was irregular.

The management was requested on 28.09.2023 but no reply was received till finalization of the report.

Audit recommends that responsibility may be fixed for non-observance of PPRA rules 2004 and relevant procedure for verification of medical claims.

21.5.21 Non-deposit of withheld amount of income tax into FBR -Rs. 121.410 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 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.

Section 153 of Income Tax Ordinance, 2001 states that every prescribed person making a payment in full or part including a payment by way of advance to a resident person or (a) for the sale of goods; (b) for the rendering of or providing of services; (c) on the execution of a contract, including contract signed by a sports person but not including a contract for the sale of goods or the rendering of or providing services, shall, at the time of making the payment, deduct tax from the gross amount payable (including sales tax, if any) at the rate specified in Division

III of Part III of the First Schedule. The same was required to be deposited into Government treasury by next day.

The management of KDLB, Karachi provided a statement showing the amount of income tax deducted from Dock Workers and staff and Suppliers/vendors for deposit into FBR during financial year 2022-23. The detail is as under:

Withheld from	**Amount (Rs)**
KDLB Dock Workers and Staff from January till June 2023	115,541,563
Suppliers/vendors	5,869,263
Total Rs.	**121,410,826**

Audit observed that the above withheld amount of income tax was lying with KDLB which was not deposited into FBR till the close of audit.

Audit is of the view that non-deposit of amount deducted on account of income tax into FBR was a serious negligence on the part of management and caused loss to public exchequer.

The management was requested on 28.09.2023 but no reply was received till finalization of the report.

Audit recommends that withheld amount of income tax may be deposited into FBR besides fixing responsibility on the person(s) at fault.

21.5.22 Estimated average Loss due to excess employment of workers beyond required strength of workers -Rs.856.401 million

As per clause (a) of Board resolution no.36 dated.18.11.2006, the required level of registered dock workers to remain on KDLB roster shall be 1700 workers.

The management of KDLB registered an average of 2861 Nos. of workers during a month during financial year 2022-23.

Audit observed that 981 workers were registered in excess of required level of workers on an average during a month, audit worked out that excess amount of average guaranteed wage of Rs.856.401 million was incurred by KDLB during financial year 2022-23 if the excess workers remained idle/unemployed by KDLB. The detail working is as under:

Particulars	Working
Average workers registered per month during 2022-23	2861 Nos.
Average unemployed workers per month during 2022-23	1630 Nos.
Average Guaranteed wage rate per month (Day Shift Rate+ Night Shift Rate)/2	(68349+77149)/2 =72749
Required Strength as per BR 36/2006	1700 Nos.
Excess Workers beyond required strength per month	981 Nos. (2861-1700)
Average Loss of Guaranteed wage paid to excess workers if remain unemployed/idle	981x72749x12= 856,401,228 **(856.401 million)**

Audit is of the view that excess number of workers beyond required level incurred average loss of guaranteed wages of Rs.856.401 million to KDLB.

The management was requested on 28.09.2023 but no reply was received till finalization of the report.

Audit recommends that excess Dock Workers may be reduced to required level as per Board resolution 2006 and in accordance with demand of stevedores for engagement of labour in loading/unloading operations.

21.5.23 Irregular local purchase of medicine– Rs 123.359 million

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

The management of KDLB incurred an expenditure of Rs 107,255,865 on account of local purchase of medicines from four panel medical stores during FY 2022-23. The details are as under:

S.No	Particulars	Amount (Rs)
1.	Platinum Medical Store	58,062,535
2.	Danish Medical Store	5,489,447
3.	AA Medicos	30,509

4.	M/s Haider Medicos	59,777,411
	Total	**123,359,902**

Audit observed that:

1. The services of the above medical stores were hired without open competition.
2. The medical attendance rules and SOPs were not framed and approved regarding procedure of medical facility availed by patients from medical store.
3. Doctors' prescription for medicine and disease against which medicines purchased were not found attached with bills.
4. Mechanism to monitor the purchase of medicines by the patients from these stores was not observed as per record. Therefore, non-existence of control mechanism provides huge opportunity of misappropriation.

Audit is of the view due to weak internal control, the authenticity of payment for medicines against actually prescribed and required could not be ascertained. Furthermore, hiring of services of medical stores without competition in violation of PPRA rules was irregular.

The management was requested on 28.09.2023 but no reply was received till finalization of the report.

Audit recommends that responsibility may be fixed besides control mechanism may devised and implemented to stop un-authenticated payments for purchase of medicine.

21.5.24 Non-recovery of outstanding dues from tenants - Rs.37.247 million

GFR 28 states that "No amount due to Government should be left outstanding without sufficient reason, and where any dues appear to be irrecoverable the orders of competent authority for their adjustment must be sought."

The management of KDLB, Karachi provided a list of outstanding dues against their tenant in respect of properties rented/leased out to different tenants up to financial 2022-23. The summary of dues is as under:

Name of Building	**No of Tenants**	**Amount (Rs)**
KDLB building	28	23,746,847
Ziauddin Hospital	1	13,500,604
Total Rs.		**37,247,451**

The audit observed that KDLB have not recovered outstanding dues from tenants to date.

Audit is of the view that non-realization of rent in time is a serious negligence on the part of management.

The management was requested on 28.09.2023 but no reply was received till finalization of the report.

Audit recommends that outstanding amounts may be recovered from tenants and deposited into KDLB account under intimation to audit.

This issue was reported earlier also in Audit Report for the Audit Year 2022-23 vide para No. 16.5.8 having financial impact of Rs. 31.299 million. Recurrence of the same irregularity is a matter of serious concern.

21.5.25 Irregular renting out of 04 KDLB properties without competition and rent received thereof -Rs.4.119 million

Clause 4(2) of the Schemes states that Board shall be a body corporate by the name aforesaid, having perpetual succession and common seal, with power to acquire, hold and dispose of property, both movable and immovable, and to contract, and shall by the said name sue and be sued.

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

The management of KDLB rented out its space in KDLB building to following four tenants during the financial year 2022-23.

S.No	Tenant Name	Area	Rent rate	Date of Agreement	Rent received during F.Y 2022-23
1.	M/s Metal Fold Fastender	3480 sq.ft	Rs. 45.00 per sq.ft per month	20.10.2022	3,105,787
2.	M/s Singularity Traders (Pvt) Ltd	550 sq.ft	Rs. 45.00 per sq.ft per month	20.09.2022	297,000
3.	M/s Wasiq & Qadeer Associates	50 sq.ft	Rs. 45.00 per sq.ft per month	20.09.2022	297,000
4.	M/s Selina Container & Logistics (Pvt) Ltd	1050 sq.ft	Rs. 40.00 per sq.ft per month	01.10.2022	420,000
				Total	**4,119,787**

Audit observed that KLDB premises were allotted to different organizations without open competition and advertisement in print media regarding space available on rent in a violation of PPRA Rules.

Audit is of the view that the allotment of office accommodation without competition was irregular and unauthorized and deprived the Board of the benefit of competitive rates.

The management was requested on 28.09.2023 but no reply was received till finalization of the report.

Audit recommends that responsibility for non-compliance of PPRA rules may be fixed on the person(s) at fault.

Pakistan Marine Academy, Karachi

21.5.26 Non-deduction of GST from M/s City Cook - Rs.6.068 million

Rules 3 of Sales Tax Act, 1990 states that subject to the provisions of this Act, there shall be charged, levied and paid a tax known as sales tax at the rate of 17% of the value of (a) taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him; and (b) goods imported into Pakistan, irrespective of their final destination in territories of Pakistan.

The management of Pakistan Marine Academy, Karachi paid an amount of Rs.41.901 million including taxes to M/s City Cook on the purchase of food and groceries items during the year 2022-2023.

Audit observed that the sales tax at the rate of 17% tax amounting to Rs.6.068 million was not deducted from the payment of M/s City Cook. Besides, Sales Tax invoices were not obtained from the supplier.

Audit is of the view that the non-deduction of sales tax is loss to public exchequer.

The management was requested on 16.08.2023 but no reply was received till finalization of the report.

Audit recommends that the amount of Sales tax may be recovered and deposited into government treasury.

21.5.27 Non-recovery of scholarship from KPT & Port Qasim Authority – Rs. 5.081 million

With reference to the Ministry of Maritime Affairs (Ports and Shipping) Letter No.5-6(10)76-PC-A/ 2019-pt dated 17.04.2023 and PMA Letter No. PMA/ CEO/ MoMA/ 2022-01 dated 31.05.2023 regarding award of need based scholarship to 10 PMA Cadets (60th Batch) to be financed from Karachi Port Trust and Port Qasim Authority. The eligibility for the grant of scholarship is essential linked to financial background and applicant's overall merits in selection for Pakistan Marine Academy (PMA). Award of scholarship would be approved by the Secretary of Ministry of Maritime Affairs (MoMA) on recommendation of scholarship Award Committee (SAC). Each year PNSC, KPT and PQA would sponsor 11 cadets, each.

The management of Pakistan Marine Academy awarded scholarship to 10 cadets of 60th batch to be financed by KPT, and Port Qasim Authority during 2022-2023.

Audit observed that the management of Pakistan Marine Academy, Karachi did not recover the scholarship amount from Karachi Port Trust and Port Qasim Authority amounting to Rs. 5.081 million.

Audit is of the view that non-payment of scholarship deprived the students of the benefit of quality education.

The management was requested on 16.08.2023 but no reply was received till finalization of the report.

Audit recommends that the outstanding amount may be recovered from the Port Qasim and KPT.

Marine Fisheries Department, Karachi

21.5.28 Wastage of public money of Rs.8.424 million

As per GFR 10(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.

During review of Stock Register of Marine Fisheries Department an Atomic Absorption Spectrophotometer was purchased of amounting to Rs.8,424,000/- from M/s Rizvi and Company on 25.05.2018 for the Development project titled Upgradation and Accreditation of Quality Control Lab (UAQCL).

Audit observed that the Atomic Absorption Spectrophotometer Machine was not installed even after the lapse of five years. It was also observed that the Chemical Laboratory of the Marine Fisheries is non-functional since two years.

Audit is of the view that the management shown negligence due to non-installation of chemical labs which is held irregular.

The management was requested on 09.06.2023 but no reply was received till finalization of the report.

Audit recommends that the inquiry may be conducted, and responsibility may be fixed on the persons found at fault.

21.5.29 Loss due to non-revision of tests rate-Rs. 16.280 million.

GFR 23 states that "Every Government officer should realize fully and clearly that the 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 contributed to the loss by his own action or negligence".

The management of Marine Fisheries Department, Karachi carried out 2793 Microbiological tests on the request of the fish exporters during the period 2021-2022.

Audit observed that Marine Fisheries Department was charging Rs. 1000 per test for microbiological tests fixed in 1998 while on the other hand PCSIR, a council under the Ministry of Science and Technology, was charging Rs. 7000 per test. The management did not enhance the rate and sustained a loss of Rs.16.280 million(2793x6000) to the public exchequer during the year 2021-2022.

Audit is of the view that non-enhancement of test rate sustained loss to the public exchequer may be justified to audit.

The management was requested on 09.06.2023 but no reply was received till finalization of the report.

Audit recommends revising the rate as per the prevailing rates and implementing the same on the exporters fee.

CHAPTER 22

NATIONAL ACCOUNTABILITY BUREAU

22.1 Introduction

The National Accountability Bureau (NAB) was established vide Ordinance No. XVIII of 1999 dated 16.11.1999 (NAB Ordinance, 1999) to eradicate corruption and hold accountable all those persons accused of such practices. NAB was also required to provide effective measures for the detection, investigation, prosecution and speedy disposal of cases involving corruption, corrupt practices, misuse/abuse of power, misappropriation of property, kickbacks, commissions, etc. with a view to a fair and just system for all.

NAB Headquarters is situated in the federal capital with five regional offices in the four provinces. The Headquarters exclusively performs policy and monitoring functions while the investigation is carried out in the Regional Offices. The Headquarters, however, retain a very limited investigation capability for very high-profile corruption cases as determined by the Chairman, NAB.

Following its mandate, NAB formulated a National Anti-Corruption Strategy (NACS) with input from international experts (supported by the DFID, UK) in 2002. The strategy contains sections on the assessment of the weaknesses of relevant institutions and the system as a whole, proposes the strategic reform agenda and the implementation plan.

The main tasks of NAB have been organized along functional lines and by arranging them into four main divisions, i.e. Operations, Prosecution, Awareness & Prevention and Human Resource & Finance Divisions.

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY-2022-23) Rs. in million
1	Formations	6	6	12,910.749	-
2	Assignment Accounts (Excluding FAP)	1	1	29,729.000	-

3	Authorities / Autonomous Bodies etc. under the PAO	**-**	**-**	**-**	**-**
4	Foreign Aided Project (FAP)	**-**	**-**	**-**	**-**

22.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the National Accountability Bureau for the financial year 2022-23 was Rs. 5,118.54 million, out of which the Bureau expended an amount of Rs. 5,117.85 million. Grant-wise detail of current expenditure is as under:

(Rs. in million)

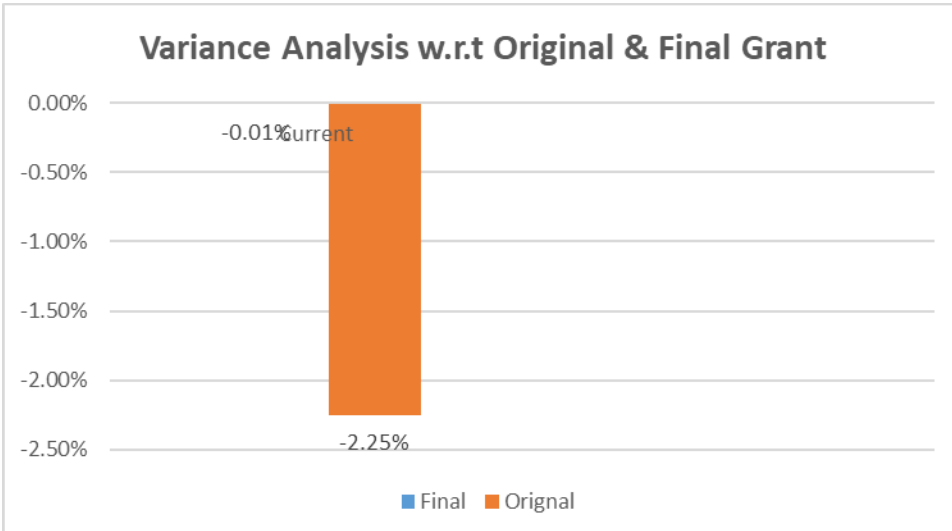
Grant No	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
68	Current	5,233.00	.00	-114.46	5,118.54	5,117.85	-.69	-0.01%

Audit noted that there was an overall saving of Rs.0.69 million in the current grant.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Rules of good governance demand that budget processes are carried out in accordance with clearly defined expectations and assumptions and a coordinated calendar of activity.

As shown in the chart below, it was observed that in case of current grant, there was 2.25% of saving w.r.t original grant which was reduced to 0.01% w.r.t final grant.



22.3Classified Summary of Audit Observations

Audit observations, amounting to Rs. 33.09 million, were raised in this report during the current audit of **National Accountability Buearu**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	5.674
B	*Procurement related irregularities*	
C	*Management of account with commercial banks*	
D	*Recovery*	
E	*Internal Control*	27.412
4	Value for money and service delivery	
5	Others	

22.4Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2011-12	3	0	0	3	-
2013-14	1	0	0	1	-
2015-16	2	0	0	2	-
2018-19	2	0	0	2	-
2021-22	15	0	0	15	-
Total	**23**	**0**	**0**	**23**	-

22.5 AUDIT PARAS

National Accountability Bureau (NAB) Karachi

22.5.1 Irregular expenditure on law charges and awarding of extension to the law personnel – Rs.27.412 million

Para 6(b) of Part I – General of Standard Operating Procedure (SOP) for Induction Procedure and Pay Scale Structure of Advisors / Consultants / Experts and Law Officers of NAB dated 02.07.2015 states that after grant of two extensions, service provider will have to take minimum six (06) months break or go through the fresh process of hiring for further services in NAB as per this SOP.

Para-9 (a) of Part II - General of Standard Operating Procedure (SOP) hiring/ procurement of services of firms/organization "advertisement in two leading daily newspapers and on the website of NAB or writing direct letters to minimum three firms/consultants.

Sub Rule (3) (a) of Rule 4 of NAB's Recovery and Rewards Rules, 2002 provides that the Chairman NAB may approve expenditure out of the NAB's Recovery and Rewards fund for hiring of legal experts, chartered accountants, investigators or interrogators, anti-corruption strategy experts, media consultants or any other person for an assignment relating to NAB's functions as per rules framed in consultation with the government.

As per rule-14(1)(g) of Rules of Business, 1973, the Law and Justice Division shall be consulted before the appointment of a legal adviser in any Division or any office or corporation under its administrative control and the Law and Justice Division will make its recommendations after consultation with the Attorney General.

The management of National Accountability Bureau (NAB), Karachi appointed Legal Consultants / Prosecutors through NAB HQ, Islamabad on monthly fee basis and salaries were paid from the head of account A03917-Law charges and incurred expenditure of Rs. 27.412 million during the year 2022-23.

Audit observed that NAB, Karachi hired the services of Lawyers for working as Legal Consultants / Prosecutors but no record of hiring process as per rules was available on record. The appointees have been working for the last few years and their contracts were continuously revising (more than two extension) in-violation of SOP.

The audit further observed that the head of account A03917-Law charges is not meant for making payments to the lawyers appointed on regular basis without any sanctioned posts and without following recruitment rules/procedures. Moreover, the management utilized a regular budget instead of meeting this expenditure from the R&R Fund after framing the rules in consultation with the Government.

In view of the above the entire expenditure incurred on law charges is treated as irregular.

The management has not submitted a reply within given time frame and till finalization of the report.

Audit recommends that irregularity may be got regularized from the Law Division.

22.5.2 Irregular appointment of experts without open competition, awarding extensions in contract - Rs. 5.674 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.

Para 6(b) of Part I – General of Standard Operating Procedure (SOP) for Induction Procedure and Pay Scale Structure of Advisors / Consultants / Experts and Law Officers of NAB dated 02.07.2015 states that after grant of two extensions, service provider will have to take minimum six (06) months break or go through the fresh process of hiring for further services in NAB as per this SOP.

Sub Rule (3) (a) of Rule 4 of NAB's Recovery and Rewards Rules, 2002 provides that the Chairman NAB may approve expenditure out of the NAB's Recovery and Rewards fund for hiring of legal experts, chartered accountants, investigators or interrogators, anti-corruption strategy experts, media consultants or any other person for an assignment relating to NAB's functions as per rules framed in consultation with the government.

The management of National Accountability Bureau, Karachi appointed Experts / Junior Experts against different monthly remuneration/fee through NAB (HQ), Islamabad. An expenditure of Rs. 5,674,000/-was incurred out of the head "payment to other for servicesrendered" during the period 2022-23. Details are as under:

(Rupees)

S.No.	Name & Designation	Date of Appointment	Total Amount Paid
1	Mr. Ramesh Kumar, Expert Revenue BPS-20	12.02.2014	2,554,000
2	Mr. Zaheer Ahmed Junior Expert-2 BPS-18	14.04.2020	1,560,000
3	Mr. Junaid Iqbal Junior Expert-2 BPS-18	23.12.2021	1,560,000

Audit observed that NAB, Karachi hired the services of Experts / JuniorExperts but record of open competition selection process was not available on record.

Audit further observed that Mr. Ramesh Kumar, Expert BPS-20 was appointed on 12.02.2014 and their contract was continuously revised (more than two extension) in-violation of SOP. Moreover, the management utilized a regular budget instead of meeting this expenditure from the R&R Fund after framing the rules in consultation with the Government. Audit further observed that the salary was increased up to 57% of above experts without approval of Finance Division any justification.

Audit is of the view that appointment of experts without advertisement and making payment from the head of account 'A03919-Payment to others for services rendered' is irregular.

The management has not submitted a reply within given time frame and till finalization of the report.
Audit recommends that expenditure may be regularized from the Finance Division.

CHAPTER 23

MINISTRY OF NATIONAL FOOD SECURITY AND RESEARCH

23.1 Introduction

As per Schedule II [Rule 3 (3)] Distribution of Business among the Divisions read with Schedule III [rule-4(4)] Rules of Business 1973 (As amended up to 23rd April, 2019) following main business have been assigned to the Division amongst the other functions.

1. Economic coordination and planning in respect of food, economic planning and policy making in respect of agriculture.
2. 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.
3. Collection of statistics regarding production, consumption, prices, imports and exports of food grains.
4. Coordination with aid and assistance agencies in respect of the food sector.
5. Pakistan Agricultural Research Council and other Federal agriculture research organizations.
6. Food and Agriculture Organization (FAO) of United Nations in respect of food.
7. Plant protection, pesticide import and standardization, aerial spray, plant quarantine and locust control in its international aspect and maintenance of locusts warning organizations.
8. Federal seed certification and registration.
9. Standardization and import of fertilizer.
10. 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.
11. Grading of agricultural commodities, other than food grains, for exports.
12. Administrative control of PASSCO.
13. Preparation of basic plan for bulk allocation of food grains and foodstuffs.

14. 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.
15. Agricultural Policy Institute.
16. (i)Animal quarantine departments, stations and facilities located anywhere in Pakistan. (ii)National Veterinary Laboratory, Islamabad.(iii) Laboratory for Detection of Drugs Residues in Animal Products at Karachi.
17. Veterinary drugs, vaccines and animal feed additives'- (i) import and export; and (ii) procurement from abroad for Federal requirements and for interprovincial supplies.
18. Livestock, poultry and livestock products'- (i) import and export; and (ii) laying down national grades.
19. Pakistan Dairy Development Company.
20. Livestock and Dairy Development Board (LDDB).
21. Fisheries Development Board (FDB).
22. Pakistan Oil-Seed Development Board (for Federal areas only).
23. International cooperation matters relating to agriculture and livestock.
24. Administrative control of the Agricultural Counselor's Office at Rome, Italy.
25. National Fertilizer Development Centre.
26. Administrative control of Pakistan Central Cotton Committee.

ATTACHED DEPARTMENTS / AUTONOMOUS BODIES

i. Animal Quarantine Department.
ii. Department of Plant Protection.
iii. Agricultural Policy Institute, Islamabad.
iv. Federal Seed Certification and Registration, Islamabad.
v. Plant Breeders' Rights Registry.
vi. Pakistan Agriculture Research Council.
vii. National Veterinary Laboratory
viii. Pakistan Dairy Development Company
ix. Livestock and Dairy Development Board
x. Fisheries Development Board

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY-2022-23) Rs. in million
1	Formations	43	10	6923.052	412.808
2	Assignment Accounts (Excluding FAP)	19	1	3,001.541	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	1	1	-	-

23.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the National Food Security And Research Division for the financial year 2022-23 was Rs.17,678.66 million, out of which the Division expended an amount of Rs.17,504.98 million. Grant-wise detail of current and development expenditure is as under:

(Rs. In million)

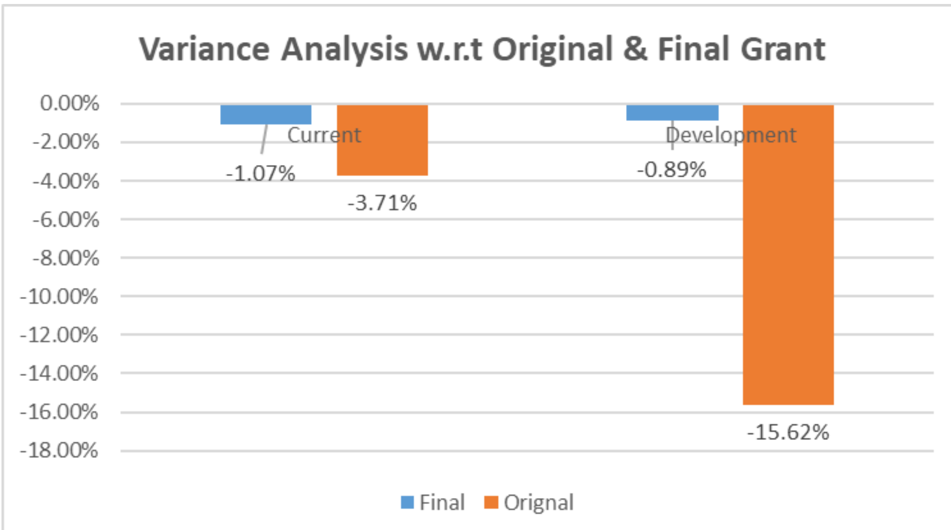
Grant No	Type of Grant	Original Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
74	Current	9,303.01	-248.60	9,054.41	8,957.56	-96.86	-1.07%
116	Development	10,129.13	-1,504.89	8,624.24	8,547.42	-76.82	-0.89%
	Total	**19,432.14**	**-1,753.49**	**17,678.66**	**17,504.98**	**-173.68**	**-0.98%**

Audit noted that there was an overall savings of Rs.173.68 million, which was mainly due to saving 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. 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, bifurcating total allocation into current, development and charge expenditure, it was observed that, in case of development grant, there was 15.62% of saving w.r.t original grant which was finally reduced to 0.89% w.r.t final grant and in case of current grant 3.71% saving was finally reduced to 1.07%.



23.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs.7,452.68 million, were raised in this report during the current audit of **Ministry Of National Food Security and Research**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	122.943
B	*Procurement related irregularities*	3,592.17
C	*Management of account with commercial banks*	90.861
D	*Recovery*	3,629.67
E	*Internal Control*	8.39
4	Value for money and service delivery	
5	Others	8.649

23.4Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2010-11	2	2	0	2	-
2016-17	2	0	0	2	-
2020-21	4	0	0	4	-
Total	**8**	**2**	**0**	**8**	-

23.5 AUDIT PARAS

National Food Security and Research, Islamabad

23.5.1 Unauthorized and non-transparent recruitment of officers on contract basis - Rs. 90.705 million

Rule-IV(c) of Endowment Fund Rules states that the selection of the project proposals (other than PECAP project) for funding within the scope of the Endowment fund will be carried through the Selection Committee as per agreement between the two governments.

Rule-IV (d) of the Endowment Fund Rule states that "a Fund Recruitment Committee (FRC) will be set up to hire staff of the fund on a competitive basis. All the recruitment/hiring of the staff will be done on competitive basis and through sufficient advertisement. A clear criterion for required qualification and experience will be established for each post in consultation with stakeholder's organizations /departments. All recruitment will be made exclusively on contract basis with no right for regularization."

The management of Endowment Fund of Ministry of National Food Security and Research, Islamabad recruited twenty-five (25) officers on contract basis and incurred an expenditure of Rs. 90,705,356 on payment of salaries during financial year 2022-23.

The Food Security Portal Dashboard (FSPD) was established in the M/o NFS&R under the Prime Minister's Initiative. As per provision of Endowment Fund Rules, the Project was to be funded out of Endowment Fund after recommendation of the Fund Selection Committee with the prior consultation of USDA Agriculture Attache in Pakistan and approval of the BoG.

Audit observed that:

i. Neither the Fund Selection Committee recommended the project for its funding out of Endowment Fund nor submitted to the Board for approval with prior concurrence of USDA Agriculture Attache in Pakistan. The incurring of expenditure without completion of formalities was unauthorized.
ii. The recruitment of officers on a contract basis was made without advertisement in newspaper, recommendation of the Fund Recruitment Committee, and approval of the Board. Thus, the recruitment was done in a non-transparent manner.

Audit is of the view that the recruitment of officers on a contract basis made in a non-transparent manner and without approval of the Board is unauthorized.

The management replied that as per direction of PM a project "Essential Agricultural Food Commodities (EAFC)" Monitoring Cell and Food Security Portal (FSP) were launched funded from EF, after fulfilling all codal formalities. BoG the supreme body of EF, granted approvals. EAFC Monitoring Cell was a substitute of PECAP and as per rule and regulations of EF approval form selection committee was not mandatory. However, Secretary M/o NFS&R being Chairman BoG and Federal Minister for NFS&R granted approval after consulting US Embassy in Islamabad. The Fund Recruitment Committee of EF as per R&R headed by the Additional Secretary (IC/P) completed this task in a fair and transparent manner.

The reply is not cogent. Neither recommendations of the Fund Selection Committee nor approval of Board was obtained for selection of the project titled "Food Security Portal Dashboard (FSPD)". The recruitment of officers was made without advertisement in newspaper, recommendation of the Fund Recruitment Committee, and approval of the Board.

Audit recommends holding of inquiry to fix responsibility on the persons at fault besides getting ex-post facto approval of the expenditure from the Board.

23.5.2 Unauthorized expenditure incurred on renovation of a room for establishment of Food Security Portal Dashboard - Rs 8.649 million

Rule 12(1) Public Procurement Rules, 2004 states that procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani Rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time.

Rule IV(c) of Endowment Fund Rules states that the selection of the project proposals (other than PECAP project) for funding within the scope of the Endowment fund will be carried through the Selection Committee as per agreement between the two governments.

Rule-IV (b) (i & ii) of Endowment Fund Rules and Regulations states that "the management of the Fund will be carried out through a Fund Management Committee (FMC). Functions and powers of FMC will be to supervise management of the Endowment Fund, income drawn from it and the expenditure in accordance with the rules and regulations approved by the Board of Governors."

The management of Endowment Fund of Ministry of National Food Security and Research, Islamabad incurred an expenditure of Rs. 7.899 million on renovation of Room No. 421 4th floor M/o NFS& R, B-block Pak. Secretariate, Islamabad.

Similarly, an expenditure of Rs. 750,000 was also incurred on purchase of wall paneling, tailing, electric wiring and furniture items for repair/maintenance of room No. 419 & 337 of Ministry of NFS&R. The payment was made to the M/s Bisma Enterprises vide Invoice No. 583 dated 12.06.2023 and Cheque No. 273704297 dated 16.06.2023 out of Endowment Fund.

The Food Security Portal Dashboard (FSPD) was established in the M/o NFS&R under the Prime Minister's Initiative. As per provision of Endowment Fund Rules, the Project was to be funded out of Endowment Fund after recommendation of the Fund Selection Committee to the Board with the prior concurrence of USDA Agriculture Attache in Pakistan.

A case for getting ex-post facto approval of total expenditure of Rs. 7.899 million was placed before BoG in its 8th meeting held on 05.08.2022.

Audit observed as under:

i. Neither the Fund Selection Committee recommended the project nor submitted to the Board for approval with prior concurrence of the USDA Agriculture Attache in Pakistan.
ii. The expenditure of Rs.8.649 million (R.7.899+ Rs.0.750) was incurred without calling open tender as required under PPRA Rules, 2004.
iii. The BoG in its 8th meeting held on 05.08.2022 did not grant the ex-post facto approval of the expenditure of Rs. 7.899 million.

Audit is of the view that the expenditure of Rs.8.649 million incurred on renovation of room for Food Security Portal Dashboard without approval of the BoG and calling open tender is unauthorized.

The management replied that National Food Security Dashboard was established in the Ministry of National Food Security and Research on the direction of Prime Minster of Pakistan to monitor Food, Prices, Food Production, Supplies and Demands for Food for the instant policy response. As the erstwhile the Government was witnessing serious issues of prices hikes and shortages of food items. So, it pressed hard to MNFSR to establish the dashboard immediately. PM presided meetings almost twice a week in this context. A room was allotted to dashboard where a cafeteria was being run at that time. The cafeteria was shifted in 24 hours and deadline for renovation of the room was given as 24 hours by the secretary MNFSR on the direction of PM office. Accordingly, the instant expenditure of 7.899 million was done to renovate the room including furniture (Chairs, Workstations, Electrification, Flooring and Paper Walling). The room is still under control of dashboard team and can be seen physically.

The repair/maintenance of Room No. 419 and 337 of EAFC Cell and Dashboard was done step by step. In the 1st instance Room No. 419 was repaired at the cost of Rs. 400,000/- and in 2nd step, Room No. 337 was renovated at the cost of 350,000/-. As the expenditures estimates of both rooms were less than 0.5 million Therefore, as per rules, 3-quotations were invited from various companies. And the lowest bids offering company was awarded work order. Furthermore, the expenditure of both rooms was approved by the 10th BoG.

The reply is not correct. Nothing was explained about the selection of the project without recommendations of the Fund Selection Committee, non-obtaining approval of the above expenditure from the Board and incurring the expenditure without calling open tender. The entire expenditure was incurred through a single invoice without calling open tender.

Audit recommends holding of inquiry to fix responsibility on the persons at fault besides obtaining ex-post approval of expenditure from the Board and avoiding such practice in future.

Federal Project Management Unit

23.5.3 Unauthorized engagement of Supervisory Consultant as Third-Party Validation Consultant – Rs. 2,682.200 million

Regulation 4 of Consultancy Services Regulations, 2010 states that the procuring agency shall not hire a consultant for an assignment in which there is a possibility of conflict of interest. If a consultant has been engaged by the procuring agency to provide goods or works for a project, it shall be disqualified from providing consulting services for the same project. Similarly, a consultant shall not be hired for any assignment which by its nature, may be in conflict with another assignment of that consultant.

Federal Project Management Unit, Islamabad entered into an agreement for Implementation Assistance, Execution, Supervision and Thirty Party Validation with National Engineering Services Pakistan (NESPAK) Private Limited JV Associated Consulting Engineer (ACE) Limited JV Rehman Habib Consultants Private Limited in association with Kasib Associates at a total cost of Rs. 2,682.1200 million on 21.09.2020. Detail of cost break up is as under:

(Rupees)

S. No.	Description	Cost
1.	Remuneration	1,468,028,554
2.	Service Charge on Reimbursable	28,390,611
3.	Sub Total Remuneration and Service Charges (1+2)	1,496,419,165
4.	Reimbursable	946,353,710
Total Cost of the Financial Proposal		**2,442,772,875**
Sales Tax @ 16% (Services Tax on Remuneration and Service Charge		239,427,066
Total including Taxes		**2,682,199,941**

Audit observed that consultant validates those schemes which were supervised by the same consultant which constitute conflict of interest.

Audit is of the view that authenticity of third-party validation could not be ascertained if the supervisory consultant and third-party validation consultant is same.

The management replied that the engagement was purely made on the basis of PC-I approved from different forums. The implementation of project execution is being administered strictly in accordance with the provision of approved PC-I.

The reply was not accepted due to conflict of interest of consultant engaged in third party validation.

Audit recommends that amount paid to consultant for third party validation may be recovered besides fixing responsibility.

23.5.4 Overpayment due to extra charging against less number of field engineers - Rs. 182.45 million

Federal Project Management Unit, Islamabad entered into an agreement for Implementation Assistance, Execution, Supervision and Thirty Party Validation with National Engineering Services Pakistan (NESPAK) Private Limited JV Associated Consulting Engineer (ACE) Limited JV Rehman Habib Consultants Private Limited in association with Kasib Associates at a total cost of Rs. 2,682.1200 million on 21.09.2020. Detail of cost break up is as under:

Audit observed that the consultant only engaged 54 field engineers up to June, 2022 instead of 115 as provided in the contract agreement. Audit also observed that in the contract agreement the consultant charged monthly POL for 115 field engineers amounting to Rs. 343.962 million whereas POL cost of 54 field engineers came to Rs. 161.513 million due to which an amount of Rs. 182.450 million was extra charged in the contract agreement as per following details:

Description	Numbers	Months	Total Months	Average Per month Rate for rental & POL	Amount Rs.
Provision as per contract	115	48	5,520	62,312	**343,962,240**

Actual Field Engineers	54	48	2,592	62,312	**161,512,704**
Difference	**61**	**48**	**2,928**	**62,312**	**182,449,536**

Audit is of the view that due to wrong estimation of human resources an amount of Rs. 182,449,536 was extra charged in the contract agreement.

Audit is also of the view that due to non-engagement of field staff the purpose of the Consultancy could not be achieved.

The management replied that as the project is a national level project locations are scattered around the country except Sindh and there are few cases, as consequence of replacement of staff with slight fluctuation. This is a continuous activity during the project execution.

The reply was not accepted being irrelevant.

Audit recommends inquiry may be held to fix responsibility and outcome may be shared with the Audit.

23.5.5 Excess charges of Sales tax on services - Rs.212.246 million

Federal Project Management Unit, Islamabad entered into an agreement for Implementation Assistance, Execution, Supervision and Thirty Party Validation with National Engineering Services Pakistan (NESPAK) Private Limited JV Associated Consulting Engineer (ACE) Limited JV Rehman Habib Consultants Private Limited in association with Kasib Associates at a total cost of Rs. 2,682.1200 million on 21.09.2020. Detail of cost break up is as under:

(Rupees)

S. No.	Description	Cost
1.	Remuneration	1,468,028,554
2.	Service Charge on Reimbursable	28,390,611
3.	Sub Total Remuneration and Service Charges (1+2)	1,496,419,165
4.	Reimbursable	946,353,710
Total Cost of the Financial Proposal		**2,442,772,875**
Sales Tax @ 16% (Services Tax on Remuneration and Service Charge		239,427,066
Total including Taxes		**2,682,199,941**

Break-up of remuneration cost as per agreement is as under:

S. No.	Description	Cost
1.	Remuneration	645,299,519
2.	Social Charges	137,993,187
3.	Overheads	542,723,928
4.	Fee	141,490,437

Audit observed that consultant charged 16% Sales Tax on remuneration and services charges amounting to Rs. 239,427,066. Whereas as per the agreement, total service charges on Reimbursable and Fee on Remuneration comes to Rs. 169,881,048 (Consultant Fee on remuneration Rs. 141,490,437 + Service Charges on Reimbursable Rs. 28,390,611) for which only Rs. 27.181 million Sales Tax @ 16% was applicable. Due to this calculation the Consultant charged additional Sales Tax amounting to Rs. 212.246 million.

Audit is of the view that charging excess sales tax was undue favor to the Consultant which may be rectified and already paid excess amount may be recovered from the Consultant.

The management replied that sales tax deduction is at bifurcated rates for each province/zone as provision of sales tax, 1990.

The reply was not accepted because the consultant charged sales tax on remuneration which was not justified.

Audit recommends amount may be recovered and deposited into Government Treasury.

23.5.6 Irregular addition of social charges and overheads in the contract - Rs. 680.717 million

Pakistan Engineering Council (Conduct and Practice of Consulting Engineers) Bye-laws, 1986 clarified that Salary Costs are defined as the costs of salaries of the partners and associates, principals, engineers, technicians, draftsmen, stenographers, survey men, clerks, etc. for the time directly chargeable to the project.

These “Salary Costs” shall include the following pays, allowances, benefits and facilities by whatever name called, paid or payable to the employee or on his behalf, in accordance with the service rules of the consulting engineer for the employees.

Federal Project Management Unit, Islamabad entered into an agreement for Implementation Assistance, Execution, Supervision and Thirty Party Validation with National Engineering Services Pakistan (NESPAK) Private Limited JV Associated Consulting Engineer (ACE) Limited JV Rehman Habib Consultants Private Limited in association with Kasib Associates at a total cost of Rs. 2,682.1200 million on 21.09.2020. Detail of cost break up is as under:

(Rupees)

S. No.	Description	Cost
1.	Remuneration	1,468,028,554
2.	Service Charge on Reimbursable	28,390,611
3.	Sub Total Remuneration and Service Charges (1+2)	1,496,419,165
4.	Reimbursable	946,353,710
Total Cost of the Financial Proposal		**2,442,772,875**
Sales Tax @ 16% (Services Tax on Remuneration and Service Charge		239,427,066
Total including Taxes		**2,682,199,941**

Break-up of remuneration cost as per agreement is as under:

S. No.	Description	Cost
1.	Remuneration	645,299,519
2.	Social Charges	137,993,187
3.	Overheads	542,723,928
4.	Fee	141,490,437
Total Cost of the Financial Proposal		**1,467,507,071**

Audit observed that consultant charged Social Charges amounting to Rs. 137.993 million in costing which were already included in the Salary Cost as provided in the Pakistan Engineering Council (Conduct and Practice of Consulting Engineers) Bye-laws, 1986.

The audit also observed that the consultant charged overhead amounting to Rs. 542.724 million in the Salary Cost of Rs. 1,467.507 million whereas the same items were charged as reimbursable amounting to Rs. 946,354 million.

Audit is of the view that due to charging of social charges and overheads separately in reimbursable extra financial burden amounting to Rs. 680.717 million was put on the government money which needs to be rectified.

The management replied that remuneration cost shall cover salary and allowances as the consultants shall have agree to pay to the personal as well as the factor of social charges and overheads based on the consultant average cost as represented by the financial statements of consultants latest three fiscal years and fee of the consultant.

The reply was not tenable as it is evident from the reply that remuneration rate already included social charges and overhead and a separate provision for these resulted in loss to the government.

Audit recommends that the contract agreement may be revises as per instructions of the Pakistan Engineering Council and already paid amount may be recovered and deposited into the government treasury.

23.5.7 Unauthorized inclusion of Salaries of Head/Members- Rs. 10.604 million

Pakistan Engineering Council (Conduct and Practice of Consulting Engineers) Byelaws, 1986 clarified that Consulting Engineer's overhead costs include the following indirect costs, which are not directly applicable to specific engagements and projects:-

i. Salaries or imputed salaries of partners and principals, to the extent that they perform general executive and administrative services as distinguished from technical or advisory services directly applicable to particular projects. These services and expenses, essential to the conduct of the business, include preliminary arrangements for new projects or assignments.

Federal Project Management Unit, Islamabad entered into an agreement for Implementation Assistance, Execution, Supervision and Thirty Party Validation with National Engineering Services Pakistan (NESPAK) Private Limited JV Associated Consulting Engineer (ACE) Limited JV Rehman Habib Consultants Private Limited in association with Kasib Associates at a total cost of Rs. 2,682.1200 million on 21.09.2020. Detail of cost break up is as under:

(Rupees)

S. No.	Description	Cost
1.	Remuneration	1,468,028,554
2.	Service Charge on Reimbursable	28,390,611
3.	Sub Total Remuneration and Service Charges (1+2)	1,496,419,165
4.	Reimbursable	946,353,710
Total Cost of the Financial Proposal		**2,442,772,875**
Sales Tax @ 16% (Services Tax on Remuneration and Service Charge		239,427,066
Total including Taxes		**2,682,199,941**

Detail of remuneration cost is as under:

S. No.	Description	Cost
1.	Remuneration	645,299,519
2.	Social Charges	137,993,187
3.	Overheads	542,723,928
4.	Fee	141,490,437
Total Cost of the Financial Proposal		**1,467,507,071**

Audit observed that consultant charged salaries, social charges, overheads and fees for the Members/Principals amounting to Rs. 10.604 million under the head remuneration in violation of the Pakistan Engineering Council (Conduct and Practice of Consulting Engineers) Bye-laws, 1986. Details are as under:

S. No.	Designation	Firm	Basic Remuneration	Social Charges	Overheads	Fee	Months	Total
1.	Head	NESPAK	557,630	151,879	929,760	133,927	3	4,419,577
2.	Regional Head	ACE	416,648	117,542	432,961	96,715	3	3,191,598
3	Director	RHC	363,600	102,535	440,917	9,0705	3	2,993,271
							Total	**10,604,446**

Audit is of the view that due to charging of salaries or imputed salaries of partners and principals the contract cost enhanced by Rs. 10.604 million.

The management replied that it is general rule in government of Pakistan that the member attending board of director meeting or board of governor meeting also pay remuneration cost of visit case to case basis. On the same analogy PBOM members are entitled to avail perks and benefit as per contract on agreed rates. Before entering into contract agreement some un-allocated man months are kept reserve so that emergent needs services required for the performance of project objective could be met. Accordingly, few man months have been allocated for PBOM members while attending regular meetings of project.

The reply was not accepted because charging of salaries or imputed salaries of partners and principals was violation of Pakistan Engineering Council (Conduct and Practice of Consulting Engineers) Bye-laws, 1986.

Audit recommends that the contract agreement may be revised as per instructions of the Pakistan Engineering Council and already paid amount may be recovered and deposited into the government treasury.

23.5.8 Unauthorized payment of rent of official Building – Rs. 8.390 million

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

The management of Federal Project Management Unit entered into an agreement for rent of official accommodation on 11.11.2020 for 15982 square feet @ Rs. 75 per square feet (Rs. 1,198,650 per month) as per following details:

S. No.	Project	Agreement Date	Cover Area	Rate	Total
1.	National Program for Improvement of Water Courses in Pakistan Phase-II	11.11.2020	10,482	75	***786,150***
2.	Water Conversation in Barani Areas of KP	11.11.2020	5,500	75	***412,500***
				Total	***1,198,650***

Audit observed that Finance Division gave approval on 10.11.2020 for execution of agreement @ Rs. 75 per square feet but the management paid one-year advance rent amounting to Rs. 14.384 million w.e.f. 01.04.2020 before the approval was granted. Hence rent amounting to Rs. 8.390 million of seven months was overpaid to the owner of the building in violation of the approval of the Finance Division.

Audit is of the view that owner of the building was given undue favor by paying him 7 months' rent which was not due.

The management replied that NPC, FPMU issued a letter to owner on 08.06.2020 in which stated that the Secretary, NFS&R was pleased to approve hiring of the building w.e.f. 01.04.2020 and case was forwarded to Finance Division for relaxation of rent and approval. Therefore, the owner was requested to hold the building till the decision of the Finance Committee on following conditions: (i) The agreement will be executed at the rent over and above the prescribed rent approved by the committee from the date of approval of the Secretary, NFS&R (ii) In case the committee does not approve the rent over and above the prescribed ceiling then this office may consider paying rent @ Rs. 60 per sq. ft. for holding the building for the period since 01.04.2020.

The reply was not accepted because payment of rent for the period which was not approved by the Finance Division was unauthorized. Further, the management paid rent for seven months of an empty building.

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

Fisheries Development Board

23.5.9 Award of contract for hiring of services and supply of miscellaneous items without observing evaluation criteria - Rs. 9.874 million

Rule 30(1) of Public Procurement Rules, 2004 states that all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding documents.

Rule 38-B of Public Procurement Rules, 2004 states that the procuring agency shall consider a single bid in goods, work and services if it-(D) has financial conformance in terms of rate of reasonability.

As per Annexure-G of tender document No.F.01-MPF-Tech (CCDP)/2022 for supply of miscellaneous items and hiring of services of a firm for Re-location of Marine Cage Farm. The evaluation criteria were as under:

S. No	Category	Points	
		Maximum	Minimum
1	Experience		
1.1	Length of total experience	30	18
1.2	Project related experience	20	12
1.3	Registration with PEC/FBR	Mandatory	
1.4	NOC about Litigation	Yes/No	
1.5	Sub Total	50	30
2.	Personnel		
2.1	Qualification of Staff	20	12
2.2	Experience of Hydrographic	20	12
2.3	Experience of Chief Diver	05	03
2.4	Experience of Hydrographic Surveyor	05	03
2.5	Sub Total	50	30

The management of the Fisheries Development Board floated a tender for supply of miscellaneous items and hiring of services of a firm for Re-location of Marine Cage Farm. Two bids were received. The Technical Committee in its meeting held on 14.11.2022 rejected one bidder namely M/s Mew Pvt Ltd on technical basis and only one vendor M/s Bahira Foundation has qualified for financial bid. The financial bid was opened on 16.11.2022.

Audit observed as under:

1. Work was awarded without observing evaluation criteria as determined by the management.
2. The Evaluation Report contained only a summary of the evaluation criteria. The committee did not consider evaluation as per tender documents of each bidder. Technical Committee rejected the technical bid of M/s Mew Pvt Ltd without cogent reasons and mentioned only ‘M/s Mew Pvt Ltd has not cleared the technical evaluation and therefore found not responsive bid.’
3. The management approved a single bid at the time of evaluation and made purchases at single quoted prices without financial conformance in terms of rate reasonability.

4. Management did not establish fair competition for procurement and deprived the government of the benefits of fair competition.

Audit is of the view that award of contract without fair evaluation of technical bid as per tender document and purchases made at single quoted prices without financial conformance in terms of rate reasonability are violations of rules.

The management replied that the Technical Evaluation Committee scrutinized the proposed bids and decided to award the contract to M/s Bahria Foundation on the basis of the vast marine experience of the organization. The committee evaluated the technical bid properly based on the experience of personnel and their qualifications. Detail mark sheets were prepared but in the minutes of the committee, a summary of the findings of the committee was included. The bid of the firm M/s Mew (Pvt) Ltd. lacks the required experience of the personnel and got zero marks in that category. As S.No.2 of the given table the minimum number was 3 to 12 for various personnel including Hydrographic, Chief Diver & Hydrographic Surveyor. However, the Bid of M/s Mew (Pvt) Ltd had no such personnel including the Hydrographic, Chief Diver, or Hydrographic Surveyor on their strength rather the C.Vs of sea dredging personnel were included. Which were irrelevant to the assignment at hand, therefore the bid was rejected based on the quality of human resources to carry out the assignment at hand. The zero number was given in the personnel category which was below the specified minimum point. Hence the Bid was rejected by the Technical Committee.

The reply is not accepted as the evaluation committee did not evaluate the bid according to tender documents in detail to determine the technical weights of bidders.

Audit recommends that matter be investigated to fix responsibility on persons at fault.

23.5.10 Unauthorized expenditure on rent of office building without completion of codal formalities - Rs. 7.133 million

As per Finance Division's OM No.F.8(69)R.14/83/2001-452 dated 18.10.2001 "in future cases of initial hiring as well as subsequent increase in rent beyond the prescribed limit should be forwarded to Finance Division (Regulation

Wing) with the approval of Secretary Incharge of the Ministry/Division concerned through respective F.A Organization supported by the following documents:-

i. Consent of the owner.

ii. Statement of space entitlement along with details of sanctioned strength of officers/officials duly approved by Works Division as per letter No.10(11)/71-WIII dated 17.08.1971.

iii. Hiring particulars on the standard format duly signed by Grade-20 officer or equivalent with complete entries.

iv. Assessment Certificate issued by Pak.PWD in accordance with specifications of the premises.

v. Authentic copy of map of the premises in question.

The management of Fisheries Development Board, Islamabad incurred an expenditure of Rs. 7.133 million on payment of rent of office buildings during financial years 2018-23 as under:

S. No.	Office	Location	Payment during 2020-21 (Rs.)
1	Pilot Shrimp Farming Cluster Development Project	Plot No.12, Orchard Scheme Murree Road Islamabad	3,274,869
2	Pilot Shrimp Farming Cluster Development Project,	House No.B-11, Block No.13-D/2, Scheme No.24 Gulshan-e-Iqbal, Karachi.	2,539,680
3	Promotion of Trout Farming in Northern Areas of Pakistan.	Plot No.12, Orchard Scheme Murree Road Islamabad	1,318,544
Total Rs.			**7,133,093**

Audit observed that the expenditure was incurred on payment of rent of office buildings without obtaining Rent Assessment Certificate from Pak. PWD, authentic copies of map, statements of space entitlement along with details of sanctioned strength of officers/officials.

Audit is of the view that the expenditure incurred on rent of office buildings without completion of codal formalities is unauthorized.

The management replied that as per PC-I the PMU of project is housed at FDB which was working in a small, rented building. A committee of FDB evaluated the building available in vicinity of the FDB office and decided to hire it. The building space and project requirement was assessed and found as per notification of Ministry of Housing and works, Federal Government for hiring of office building. For Cage Culture, the existing Sub-Office of FDB was transferred to Cage Culture Project. As the building was already in FDB use, therefore no fresh committee was established to review the suitability.

The reply was not accepted as instructions of the Finance Division were violated.

Audit recommends that the matter may be taken up with the Finance Division for regularization of the expenditure.

Pakistan Central Cotton Committee, Multan

23.5.11 Non-recovery of outstanding Cotton Cess from mills - Rs. 3,447.221 million

Section-3 of the Pakistan Cess Act, 1923 states that there shall be levied and collected on all cotton either exported from the Province of Pakistan to any place outside Pakistan or consumed in any mill in the Province of Pakistan a cess at such rate as the Central Government may fix by notification in the official gazette cotton Cess rates levied by the Federal Government were enhanced from Rs.20 to Rs.50 per bale of cotton weighting 170 kg w.e.f. 01.07.2012.

Section-9 (1 & 3) of the Pakistan Cess Act, 1923 further states that an assessment made in accordance with the provisions of Section-7 or Section 8 shall not be questioned in any court. Any sum recoverable under Section-7 may be recovered as an arrear of land revenue.

The management of Pakistan Central Cotton Committee, Multan was required to recover outstanding Cotton Cess amounting to Rs. 3,447.221 million from 195 mills as detailed below:

S. No.	Province	Period of outstanding cotton cess	Total No. of defaulter mills	Total outstanding amount (Rs.)
1	Punjab	Prior to July,2012	31	566,261,271
		July,2012 to July,2023	115	2,269,748,875
2	KPK	Prior to July,2012	4	18,277,870
		July,2012 to July,2023	8	180,657,011
3	Sind/Baluchistan	Prior to July,2012	4	103675521

		July,2012 to July,2023	33	308,600,664
Total			**195**	**3,447,221,212**

Audit observed as under:

i. The management did not recover the long outstanding Cotton Cess amounting to Rs. 3,447.221 million from 195 mills up to August, 2023.

ii. No effort was made to recover the outstanding amount of Cotton Cess as arrears of land revenue under Section-9(3) of the Cotton Cess Act,1923.

Audit is of the view that non-recovery of Cotton Cess from the defaulter mills is a loss to the Committee besides violation of the provision of the Cotton Cess Act, 1923.

The management did not reply.

Audit recommends recovery of outstanding Cotton Cess at the earliest.

23.5.12 Non-investment of surplus funds - Rs. 90.861 million

Section-14 (2) of the Pakistan Cotton Cess Rules, 1950 states that any funds not required for current expenditure may be placed in fixed deposit with any bank approved in this behalf by the Central Government or invested in the name of the Committee in any security in which trust property may lawfully be invested under the Indian Trust Act, 1882.

The management of Pakistan Central Cotton Committee, Multan invested total amount of Rs. 82,946,691 in Pakistan Investment Bond (with NBP Head Office, Karachi) for 10 years from 22.08.2007 to 22.08.2017 as detailed below:

Amount invested out of Bank Account No.	Amount (Rs.)
Main Account No.1524-8 maintained with National Bank of Pakistan PIDC House Branch, Karachi	49,978,208
GFP Account No.2702 maintained with National Bank of Pakistan PIDC House Branch, Karachi	32,968,483
Total	**82,946,691**

On maturity of the bonds after ten years, the bank refunded total amount of Rs. 90,861,484 on 22.08.2017 in PCCC Main Account No.1524-8. Out of the total disinvested amount of Rs. 90,861,484, an amount of Rs 34,059,957 was transferred to GPF current bank account No. 2977-0 (maintained with NBP, Timber Market, Multan) on 11.10.2019. The Vice President while according approval for transfer of amount directed to invest the said amount again.

Audit observed as under:

i. The management did not reinvest the surplus funds amounting to Rs. 90.861 million in violation of the provision of Pakistan Cotton Cess Rules, 1950. The directions of the Vice President were not complied with as well.

ii. Due to non-investment of surplus funds, the Committee suffered interest loss of Rs. 52.335 million (approximately) during the last six years from August, 2017 to August, 2023**.**

Audit is of the view that due to non-investment of surplus funds of Rs. 90.861 million the Committee suffered interest loss on this account.

The management did not reply.

Audit recommends holding of inquiry to fix the responsibility on the persons at fault besides investment of surplus funds forthwith.

23.5.13 Unauthorized appointments of Contingent Paid Staff without the approval of Finance Division - Rs.21.634 million

According to Finance Division's O.M.No.F.3(2) Exp.III/2006 dated 13th September, 2006 (System of Financial Control and Budgeting) "The Financial Adviser shall submit proposals for appointment of contingent paid staff to AFS(E) for approval."

Para 27 of Financial Management and Powers of Principal Accounting Officers Regulations 2021states that "The Finance Division shall approve appointment of contingent paid staff within the budgetary provisions and as per the instructions issued from time to time."

The management of Pakistan Central Cotton Committee, Multan appointed 155 Contingent Paid Staff/Daily Paid Laborers from the year 2011 to 2022. Out of total 155 CPS/DPL, eleven (11) employees were appointed as CPS/DPL after completion of 2 years contract period under Family Assistance Package.

On 08.05.2023 the management struck off 121 Contingent Paid Staff out of total 155. Year-wise detail of expenditure of Rs. 21,634,109 incurred on payment of remuneration /salary to the Contingent Paid Staff during the financial year 2017-18 to 2022-23 was as under:

Financial Year	**Expenditure**
2017-18	1,910,798
2018-19	3,248,252
2019-20	3,266,887
2020-21	4,278,479
2021-22	4,276,214
2022-23	4,653,479
Total	**21,634,109**

Audit observed as under:

i. The appointments of a total of 155 Contingent Paid Staff/Daily Paid Laborers and incurring of expenditure of Rs. 21.634 million without the approval of the Finance Division.

ii. Appointment of eleven (11) contract employees as CPS/DPL after completion of their two (2) years of contract service under the Family Assistance Package were not covered under the rules.

Audit is of the view that appointments of Contingent Paid Staff without the approval of the Finance Division and incurring of expenditure is unauthorized.

The management did not reply.

Audit recommends holding of inquiry to fix responsibility the persons at fault besides regularization of expenditure from the Finance Division.

CHAPTER 24

MINISTRY OF NATIONAL HEALTH, SERVICES, REGULATIONS AND COORDINATION

24.1 Introduction

As per Schedule II [Rule 3 (3)] Distribution of Business among the Divisions read with Schedule III [rule-4(4)] Rules of Business 1973 (As amended up to 23rd April, 2019) following main business have been assigned to the Division amongst the other functions.

1. Oversite for regulatory bodies for health services
2. National and international coordination in the field of public health
3. Population welfare program and coordination
4. Training services in all health-related fields.
5. Coordination of Vertical Health Programs including interaction with GAVI, EPI and the Global Fund for AIDS, TB, Hepatitis and Malaria.
6. Medical and health services for Federal Government employees.
7. Dealing and agreements with other countries and international organizations in the field of health, drugs and medical facilities abroad.
8. Scholarships / fellowships, training courses in health from International Agencies such as WHO. and UNICEF.

ATTACHED DEPARTMENTS / AUTONOMOUS BODIES

i. Directorate of Central Health Establishment.
ii. Federal Government Services Hospital, Islamabad.
iii. Pakistan Institute of Medical Sciences.
iv. Pakistan Medical and Dental Council.
v. Pakistan Council for Nursing.
vi. College of Physicians and Surgeons.
vii. National Councils for Tibb and Homeopathy.

viii. Pharmacy Council of Pakistan.
ix. Directorate of Central Health Establishment.
x. Drug Regulatory Authority of Pakistan.
xi. National Institute of Health.
xii. National Health Emergency Preparedness and Response Network.
xiii. Pakistan Medical Research Council.
xiv. Health Services Academy, Islamabad.
xv. Directorate of Central Warehouse and Supplies, Karachi.
xvi. Human Organ Transplant Authority.
xvii. Shaheed Zulfiqar Ali Bhutto Medical University, Islamabad.
xviii. Federal Medical and Dental College, Islamabad.
xix. Federal General Hospital, Islamabad.
xx. National Institute of Rehabilitative Medicine.
xxi. District Population Welfare Office.
xxii. Federal Government Tuberculosis Centre, Rawalpindi.

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY 2022-23) Rs. in million
1	Formations	70	17	33,584.097	5.483
2	Assignment Accounts (Excluding FAP)	11	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	8	8	3,846.423	-
4	Foreign Aided Project (FAP)	-	-	-	-

24.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the National Health Services, Regulations and Coordination Division for the financial year 2022-23 was Rs. 36,081.01 million, out of which the Division expended an amount of Rs. 35,679.19 million. Grant-wise detail of current and development expenditure is as under:

(Rs. In million)

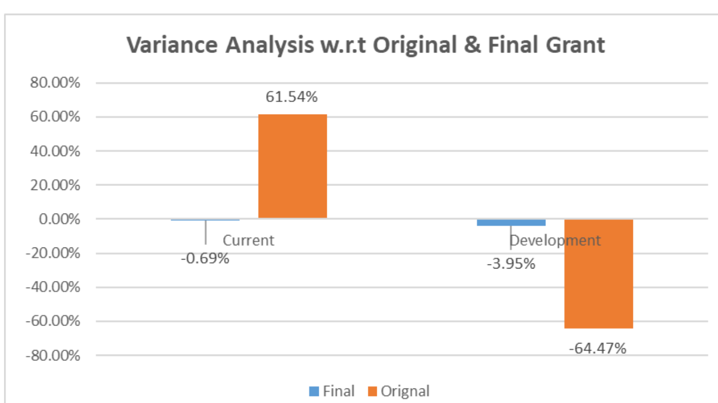
Grant No	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
76	Current	19,304.02	16,482.33	-4,385.06	31,401.28	31,184.35	-216.93	-0.69%
117	Development	12,651.00	0.00	-7,971.27	4,679.73	4,494.84	-184.89	-3.95%
	Total	**31,955.02**	**16,482.33**	**-12,356.33**	**36,081.01**	**35,679.19**	**-401.82**	**-1.11%**

Audit noted that there was an overall Saving of Rs. 401.82 million, which was due to less expenditure on 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. 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, bifurcating total allocation into current, development and charge expenditure, it was observed that, in case of development grant, there was 64.47% of saving w.r.t original grant which was finally reduced to 3.95% w.r.t final grant and in case of current grant 61.54% excess was finally became 0.69% saving.



24.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 10,553.887 million, were raised in this report during the current audit of **Ministry Of National Health, Services, Regulations And Coordination**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	160.60
B	*Procurement related irregularities*	2,277.82
C	*Management of account with commercial banks*	
D	*Recovery*	278.752
E	*Internal Control*	1,418.13
4	Value for money and service delivery	
5	Others	6,398.59

24.4Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2010-11	5	3	0	5	-
2011-12	19	0	0	19	-
2012-13	30	0	0	30	-
2013-14	27	27	8	19	30
2014-15	17	0	0	17	-
2015-16	3	3	2	1	67
2016-17	30	10	5	25	50
2017-18	18	18	9	9	50
2018-19	30	30	2	28	7
2019-20	44	8	4	40	50
2020-21	21	0	0	21	-
2021-22	31	0	0	31	-
2022-23	16	0	0	16	-
Total	**291**	**99**	**30**	**261**	-

24.5 AUDIT PARAS

Federal Medical College (FMC)

24.5.1 Non-deposit of College and Hostel fee into Government treasury - Rs. 86.197 million

Rule- 5 of Federal Treasury Rules (FTR) states that all money received on behalf of Government on account of revenues shall without delay be paid in full into Government Treasury and Government receipts should not be utilized towards expenditure.

Para 7(1) of FTR (Vol-I) states that, all moneys received by or tendered to Government officers on account of the revenues of the Federal Government shall without undue delay be paid in full into a treasury or into the Bank. Moneys received as aforesaid shall not be appropriated to meet departmental expenditure, nor otherwise kept apart from the Federal Consolidated Fund of the Federal Government. No department of the Government may require that any moneys received by it on account of the revenues of the Federal Government be kept out of the Federal Consolidated Fund of the Federal Government.

The management of Federal Medical College (FMC), Islamabad received fees amounting to Rs. 86,196,974/- from students during the period 2020-21 and 2022-23. Detail of summary of fees collected before ordinance and after the repeal of Act is as under:

Summary of FMC Receipt A/c 809-4 (NBP)			
	Description	**Amount (Rs)**	**Amount (Rs)**
FY 2020-21			
	Bank Balance as on 16-11-2020 (Before Ordinance)		68,113,232
Less	Security College (Rs 12,000@499)	5,988,000	
	Security Hostel (Rs 20,000@95)	1,900,000	7,888,000
			60,225,232
Less	Fees Deposited in Government Treasury by FMC related to students of FY 2019-20 on 23-06-2021		37,250,600
A	Lesser Fees to be deposited in Government Treasury by FMC as on 11-06-2020 (Before enactment of Ordinance)		**22,974,632**
FY 2022-23			
	Bank Balance as on 11-01-2023 (After Repeal of Ordinance)		34,939,182
Add	Receipts after repeal of Ordinance (12-01-2023 to 27-06-2023)		36,172,160

	Total Receipts during FY 2022-23		71,111,342
Less	Security College (Rs 12,000@499)	5,988,000	
	Security Hostel (Rs 20,000@95)	1,900,000	7,888,000
B	Amount to be deposited by FMC After Repeal of Ordinance		**63,223,342**
(A+B)	**Total Amount to be deposited by FMC (Students of FYs 2022-23)**	-	**86,196,974**

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

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

The management replied that an amount of Rs 31.700 million was required to be deposited into the Government Treasury instead of Rs.86.197 million as calculated by audit. Therefore, the same may be rectified after that fee is deposited in the Federal Treasury.

The reply indicates that the management has accepted the audit observation. Further, there is no documentary evidence regarding deposit of Rs. 31.700 million in treasury was produced.

Audit recommends that fees may be deposited into Government treasury immediately.

24.5.2 Un-authorized payment of Health Allowance-Rs. 36.021 million

Finance Division No. F.2 (13) R-2/2011-1006 dated 27-10-2014 states with reference to Finance Division's U.O. No. F.2(13) R- 2/2012-172 dated 27-03-2012, health allowance is admissible to the health personnel serving in Federal Government hospitals and clinics.

Finance Division No. F. No. 2(13) R-2/2011-Pt dated 15-01-2014 allowed the following special allowance for Teaching Staff of Federal Medical and Dental College, Chak Shahzad, Islamabad with immediate effect:

S. No	Designation	BPS	Teaching Allowance/month
1	Professor	20	80,000
2	Associate professor	19	65,000
3	Assistant Professor	18	55,000
4	Demonstrator	17	20,000

The management of Federal Medical College (FMC), Islamabad made payment of Health Allowance to its employees amounting to Rs 36,021,128 during financial year 2020-21 to 2022-23. Details are as under:

F.Y	Health Allowance (Rs)	Special Allowance (Rs)
2020-21	12,379,975	11,902,414
2021-22	12,127,955	10,691,612
2022-23	11,513,198	10,110,092
Total	**36,021,128**	**32,704,118**

Audit observed that Health Allowance was paid in violation of rules as FMC is neither a hospital nor a clinic.

Audit is of the view that payment of Health Allowance without the approval of Finance Division was unauthorized.

The management replied that they are eligible to get Health Allowance in the light of Finance Division (Regulation wing) letter dated 27-03-2012 & take up the case for the merger of Special allowance for FMC faculty & & non-teaching staff.

The reply is not satisfactory as Finance Division clarified that Allowance is admissible to the health personnel serving in Federal Government hospitals and clinics vide its letter dated 27-10-2014.

Audit recommends probing the matter besides recovery.

24.5.3 Irregular appointments without approved Recruitment Rules and payments made thereof - Rs. 80.350 million

Section 6 (1) (c & d) of Federal Medical Teaching Institutes Act, 2021 states that the board shall be responsible to prescribe procedures for appointment, terms and conditions of service, disciplinary matters and other service matters for the employees and creation, re-designation, up-gradation, down-gradation or abolition of posts pursuant to prior consultation with the Establishment Division where such posts may be occupied by persons in government service. Section 2 (n) of said Act states that prescribed mean prescribed by rules and regulations made under this Act.

Section 25 (1) of said Act states that the government may by notification in the official gazette, make rules for giving effect to the provisions of this Act.

Ministry of National Health Services, Regulations and Coordination issued SRO on 07-02-2020 amended the recruitment rules in respect of FMDC faculty with the concurrence of Establishment Division vide OM No. 455/14-R-5 dated 08-12-2014 and FPSC vide its letters No. F.12-46/2014-RR dated 25-08-2016 respectively. These rules explained the eligibility criteria and age limit required for each position.

Federal Medical Teaching Institutes (FMTI) appointed the following twenty-six officers including faculty members such as Professors, Associate Professors, Assistant Professors, and Demonstrators w.e.f. 24-05-2021 and onwards against the sanctioned posts of Federal Medical College (FMC), Islamabad and paid an amount of Rs 80,350,530/- to these employees from college receipt account during FY 2021-23. List of officers appointed and posted against BPS Scales are as under:

S. #	Designation	No of persons appointed	FMTI Grades	BPS Scales
1	Professor	03	Grade-13/1	20
2	Associate Professor	02	Grade-12/1	19
3	Assistant Professor	03	Grade-11/1	18
4	Demonstrator	15	Grade-09/1	17
5	Research officer	01	Grade-09/1	17
6	Asstt. Warden	01	Grade-08/1	16
7	Director Establishment	01		19

Audit observed as under:

i. The appointments of Professors, Associate Professors, Assistant Professors, Demonstrators, Asstt. Warden, etc., were made in the absence of recruitment rules.

ii. The faculty members were appointed in special grade scale (Grade-09/1 to Grade-13/1) instead the posts of the faculty members are in BPS Scales.

iii. The eligibility criteria and age limit for each position defined in the advertisement is in contrary to the eligibility criteria defined in

PMDC regulations 2018 and M/o Health SRO issued on 07-02-2020.

iv. Moreover, the record revealed that most of the officers did not meet eligibility criteria required for that specific post (age limit, number of publications, qualification & experience) at time of appointment as envisaged in PMDC Regulations 2018.

Audit is of the view that the appointments made without approved recruitment rules and without prior consultation with the Establishment Division, are held as irregular.

Management replied that draft recruitment rules were in the phase of approval from the Establishment & Finance Division, meanwhile, the FMTI Act was repealed on 11-01-2023.

Reply is not satisfactory as the appointments were made in the absence of recruitment rules/regulations. Moreover, the officers did not meet the eligibility criteria defined by PMDC regulations.

Audit recommends that responsibility be fixed for appointment in violation of Government rules and procedures.

Drug Regulatory Authority of Pakistan

24.5.4 Illegal appointment of Directors of the Authority in violation of DRAP Act

Section 4(1) of the DRAP Act, 2012 states that the Authority shall consist of a full time Chief Executive Officer (CEO) and thirteen Directors who shall be appointed by the Federal Government on the recommendation of Board, whose qualifications, terms and conditions shall be such as may be prescribed.

Honorable Supreme Court of Pakistan in its order date 09.04.2015 states that section 4 of the DRAP Act 2012 provides for composition of the authority comprising of the CEO and thirteen Directors to be appointed by the Federal Government. Upon our query as to whether the directors have also been appointed, notification dated 04.01.2013 and 21.01.2014 were produced before us where a number of officers were given additional charge as director and some were appointed on deputation. The said provision envisages permanent appointment of the Directors. The Federal Government shall within a fortnight appoint all the thirteen (13) directors on a permanent basis in accordance with section 4 of the DRAP Act 2012 and intimate to the registrar of this court.

The management of DRAP was requested to provide details of directors appointed by the Federal Government in light of Section 4(1) of the DRAP Act, 2012. In response, DRAP provided the detail of serving directors as per following:

Sr	Post of Director	Name of Officer	Notification Date
1	Pharmaceutical Evaluation & Registration	Dr. Muhammad Fakhruddin Aamir	06.02.2023 (03 months basis) (to date)
2	Quality Assurance & Lab Testing	Mr. Ajmal Sohail Asif, Addl Director	06.02.2023 (03 months basis) (to date)
3	Admin, HR & Log		06.02.2023 (03 months basis) (to date)
4	Controlled Drugs	Dr. Noor Muhammad Shah, Drug Controller	06.02.2023 (03 months basis) (to date)
5	Management Information System	Mr. Atta ur Rehman, Addl Director	29.11.2023 (03 months basis)
6	Pharmacy Services	Dr. Obaid Ullah, Addl Director	06.02.2023 (03 months basis) (to date)
7	Medical Devices & Medicated Cosmetics	Dr. Aisha Irfan, Addl Director	06.02.2023 (03 months basis) (to date)
8	Health & OTC	Mr. Manzoor Ali Bozdar, Addl Director	06.01.2023 (03 months basis) (to date)
9	Licensing Division	Mr. Muhammad Akhtar Abbas Khan, Addl Director	06.01.2023 (03 months basis) (to date)
10	Pharmacy Services	Mr. Ahmad Din Ansari, Addl Director	18.01.2023
11	Biological Evaluation & Research		18.05.2023 (02 months) 08.12.2023 (03 months basis)
12	Costing & Pricing	Mr. Aman Ullah, Cost Accountant	12.07.2013 (to date)
13	Budget & Accounts		01.06.2019 date)

Audit observed that directors were not appointed by the Federal Government, however, affairs of the DRAP are being managed through appointment of Directors on current charge by the CEO.

Audit is of the view that appointment of Directors without approval of Federal Cabinet was illegal.

Audit recommends that responsibility may be fixed for the irregularity.

24.5.5 Appointment of auditors without approval of the Auditor-General of Pakistan

Finance Division O.M. No. F. 3(1)-Inv III/80-406 dated 25.03.1981 states that in the case of autonomous bodies/corporations, where under the statutory provisions appointments are to be made by the Federal Government it has been decided:

(a) Before, submitting the name of the auditor(s) for approval to the Board of Directors, the Institution should get the approval of the Auditor-General of Pakistan.

(b) The request for approval to the Auditor-General of Pakistan should be routed through the Institution's administrative Ministry/Division.

(c) Auditor-General of Pakistan may ensure that all auditors are changed after five years.

(d) The Finance Division may be approached for relaxation of these orders only in cases of extreme nature.

The management of Drug Regulatory Authority of Pakistan, Islamabad appointed Baket Telly Mahmood Idrees Qamar Chartered Accountant of the DRAP.

Audit observed that the auditors were appointed without approval of the Auditor-General Pakistan as no such record was provided by the management of DRAP.

Audit is of the view that the appointment of auditors without approval of the Auditor-General Pakistan was irregular and unauthorized.

Audit recommends that responsibility may be fixed for irregularity.

24.5.6 Non utilization of Central Research Fund – Rs. 5,936.845 million

Section 20(2) of Drug Regulatory Authority of Pakistan Act, 2012 states that the Central Research Fund fee shall be deposited in the non-lapsable sub-account of the Authority to be utilized as per existing rules.

Rule 19(14) of Drugs (Licensing, Registering and Advertising) Rules, 1976 states that the Licensee shall, by the 30th June and the 31st December each year, whichever is immediately after the annual financial closing of the company contribute one per cent of his gross profit before deduction of income-tax towards the Central Research Fund to be maintained by the Federal Government and utilized by it in accordance with the Drugs (Research) Rules, 1978.

Rule 3 of the Drugs (Research) Rules, 1978 states that the Federal Government may utilize the Fund for conducting research, development or evaluation of a drug either itself or through a research institution working under its control or disburse it among investigators or institutions for such purposes subject to such conditions as may be specified and for that matter. It may also utilize the fund to upgrade and establish Drugs Research and testing laboratories and a unit in the Drugs Control Section, Ministry of Health for evaluation and monitoring of the research proposals and projects and management of the fund.

The Drug Regulatory Authority of Pakistan, Islamabad maintained Central Research Fund A/c No. 0010008463700024 in ABL, Civic Centre Melody Branch, Islamabad with balance of Rs 5,936.845 million was reflected in the accounts for the financial year 2022-23.

Audit observed:

i. The management did not utilize CRF for conducting research, development or evaluation of drugs.
ii. As per financial statement advance tax amounting to Rs 56,662,874 was deducted, however, the matter is still in the court for its reversal.

Audit is of the view that non-utilization of CRF for the intended purposes defeated the objective/utility of creation of the Fund.

The management did not reply till finalization of the report.

Audit recommends that responsibility may be fixed for the irregularly.

24.5.7 Non-existence of pricing policy/ mechanism for registered/enlisted medical devices, medicated cosmetics and biological drugs for animals

Section 4(1) of the DRAP Act, 2012 states that the Authority shall consist of a full time Chief Executive Officer (CEO) and thirteen Directors who shall be appointed by the Federal Government on the recommendation of Board, whose qualifications, terms and conditions shall be such as may be prescribed.

Section 4(1)(i) of the DRAP Act, 2012 states that there shall be a Director Costing and Pricing and he shall be incharge of the Division of Costing and Pricing which shall be responsible for the costing and pricing of therapeutic goods and to perform other functions connected therewith.

Section 7(u) of DRAP Act, 2012 states that the powers and functions of the Authority shall be to perform licensing, registration, pricing and appellate function thereof.

During the audit of DRAP for the financial year 2022-23, pricing mechanism for registered medical devices, medicated cosmetics and biological drugs for animals was requested. However, no pricing policy/ methodology was in existence relating to pricing of above-mentioned categories of drugs and devices.

Audit is of the view that non-existence of pricing policy mythology for registered medical devices, medicated cosmetics and biological drugs for animals is violation of DRAP Act, 2012. Furthermore, in the absence of price fixation by the Regulator, there is no mechanism to control the prices in the market.

The management did not reply till finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

24.5.8 Irregular payment on account of rent of office building without lease agreement – Rs.461.744 million

Clause 1 of the lease agreement for office building between Drug Regulatory Authority of Pakistan and M/s T.F Foundation, Islamabad states that effectiveness and payment date of rent shall commence from the date of handing over/ taking over of rented premises i.e. 20.08.2014 and agreement's three years period shall commence from that date.

Clause 2 of the aforementioned agreement states that the monthly rent of the rented premises shall be Rs.4,653,255 @ Rs.155 per Sq. Ft.

The management of DRAP, Islamabad paid an amount of Rs. 461,744,147 to M/s T.F Foundation on account of rent of office building since 20.08.2018. Detail is as under:

Sr. No	Period	Rate of rent per month	Amount paid (Rs.)
1.	20.08.2018 to 19.08.2019	206.30/ sq.ft	74,321,789
2.	20.08.2019 to 19.08.2020	226.93/ sq.ft	81,751,986
3.	20.08.2020 to 19.08.2021	249.62/ sq. ft	89,927,184
4.	20.08.2021 to 19.08.2022	274.58/ sq. ft	98,918,714
5.	19.08.2022 to 30.06.2023	302.05/ sq. ft	116,824,474
Total			**461,744,147**

Audit observed as under:

i. As per minutes of Policy Board meeting the DRAP entered into an agreement with M/s T.F Foundation, Islamabad on 25.07.2014 for acquiring 30,021 Sq. Ft area of the TF Complex building @ Rs. 155 per Sq. Ft, which was further extended for one year till 20.08.2018. However, no further agreement was made with M/s TF Foundation.

ii. The amount of Rs 461.744 million was paid after 20.08.2018 without any lease agreement.

Audit is of the view that payment on account of office rent without entering into a lease agreement was irregular and un-authorized.

The management did not reply till finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

Special Audit of Pakistan Medical and Dental Council

24.5.9 Awarding of marks to 668 candidates of MDCAT-2020 who were initially shown as absent

Section 18 (1) of the Pakistan Medical Commission Act, 2020 states that the Authority shall conduct annually on a date approved by the Council and as per standards approved by the Board a single admissions test which shall be a mandatory requirement for all students seeking admission to medical or dental under-graduate programs anywhere in Pakistan.

The management of Pakistan Medical Commission conducted MDCAT 2020 through National University of Medical Sciences (NUMS) on 15.11.2020 total 125,885 candidates applied for the test out of which 121,181 appeared in test and 67,611 were declared pass during 2020.

Audit observed as under:

1. When the first result was received from NUMS on 15.12.2020, it reflected 4704 candidates as absent.
2. However, 668 candidates of MDCAT-2020 out of 4704 candidates who were shown absent on 15.12.2020 were passed and marks were awarded to them on 17.12.2020.

The management did not reply to the observation.

Audit is of the view that variation of candidates' results at such huge level without source document challenges the whole structure of MDCAT-2020.

Audit recommends that fact finding inquiry be made, reasons for converting absent with marks be traced and responsibility be fixed.

24.5.10 Changing of MDCAT-2020 results of 125 candidates without source record

Section 18 (1) of the Pakistan Medical Commission Act, 2020 states that the Authority shall conduct annually on a date approved by the Council and as per standards approved by the Board a single admissions test which shall be a mandatory requirement for all students seeking admission to medical or dental under-graduate programs anywhere in Pakistan.

The management of Pakistan Medical Commission conducted MDCAT 2020 through National University of Medical Sciences (NUMS) on 15.11.2020 total 125,885 candidates applied for the test out of which 121,181 appeared in test and 67,611 were declared pass during 2020.

Audit observed as under:

1. MDCAT-2020 results of 125 candidates were increased / decreased from -112 marks to 132 marks without source record.

2. One mark is equivalent to 1 question and from increased/decreased data of marks raised the question mark on the accuracy and transparency of Questionnaire data bank and whole MDCAT system.
3. The variation at this large scale also creates doubts about involvement of person in financial corruption or misuse of authority/power.

The management did not reply to the observation.

Audit is of the view that variation of candidates result at such huge level without source document challenges the whole structure of MDCAT-2020.

Audit recommends that fact finding inquiry be conducted, reasons for changing in marks be traced and responsibility be fixed.

24.5.11 Enhancing marks of MDCAT-2020 results of 31 candidates from 5 marks to 132 marks

Section 18 (1) of the Pakistan Medical Commission Act, 2020 states that the Authority shall conduct annually on a date approved by the Council and as per standards approved by the Board a single admissions test which shall be a mandatory requirement for all students seeking admission to medical or dental under-graduate programs anywhere in Pakistan.

The management of Pakistan Medical Commission conducted MDCAT 2020 through National University of Medical Sciences (NUMS) on 15.11.2020 total 125,885 candidates applied for the test out of which 121,181 appeared in test and 67,611 were declared pass during 2020.

Audit observed as under:

1. Additional marks from 5 to 132 were given to 31 candidates on re-totaling during 2020-21.
2. Source data was requested on the basis of which such changes were incorporated but the same was not provided.

1. Variation in marks raised the question mark on the accuracy and transparency of Questionnaire data bank and whole MDCAT system.
2. Due to variation at this large scale, apprehension on financial corruption or misuse of authority/power in the matter cannot be overruled.

The management did not reply to the observation.

Audit is of the view that variation of candidates result at such huge level without source document challenges the whole structure of MDCAT-2020.

Audit recommends that fact finding inquiry be made, reasons for changing in marks be traced and responsibility be fixed.

24.5.12 Change of result of 51 candidates from fail to pass in MDCAT-2021

Section 18 (1) of the Pakistan Medical Commission Act, 2020 states that the Authority shall conduct annually on a date approved by the Council and as per standards approved by the Board a single admissions test which shall be a mandatory requirement for all students seeking admission to medical or dental under-graduate programs anywhere in Pakistan.

The management of Pakistan Medical Commission conducted computer based MCQ exam of MDCAT 2021 through SOAR Testing and Evaluation Platform (SMC-Private) Limited ("TEPS") on 30.08.2021 to 02.10.2021 total 194,309 candidates applied for the test and 68,723 were declared pass in MDCAT-2021.

Audit observed as under:

1) Fifty-one (51) candidates obtained 136 marks in MDCAT-2021 and were declared to fail but in review they were allowed 1 to 2 marks in which their failure status was changed to pass.
2) The said exam was conducted in computer based environment and errors changes would be minimum but the same was not true in this case and 51 candidates were awarded additional marks in review.
3) Review marking was requested from the management but the same was not provided till close of audit even after repeated reminders.

The management did not reply to the observation.

Audit is of the view that variation of candidates result without source document challenges the whole structure of MDCAT-2021.

Audit recommends that fact finding inquiry be made, reasons for changing in marks be traced and responsibility be fixed.

24.5.13 Irregular functioning of 19 Medical/Dental Colleges without recognition

Section 8 (2) (g) of Pakistan Medical Commission Act, 2020 states that the Council shall have functions and powers to grant recognition to medical and dental institutions in Pakistan which train or grant or both train and grant medical and dental post graduate qualifications and to the qualifications granted by these institutions leading to registration of the graduates of those programs to practice medicine in Pakistan as specialists.

Initial recognition framework criteria, 2019 states that recognition evaluation is performed by inspectors appointed b), PMDC to verify that a college meets the infrastructure, equipment, faculty, staff and teaching hospital requirements. In order for a college to qualify for recognition, the college must meet all of the standards as per the following: 1. the college meets its all the legal requirements 2. The College meets all the infrastructure requirements 3. The college meets at least 90%o of equipment requirements 4. The college meets at least 90% of the faculty requirements 5. The college meets at least 90ok of the teaching hospital requirements after satisfying all the above requirements, the college is recommended for a performance evaluation, after which the college will be recognized by PMDC for admitting students to the program.

The management of Pakistan Medical Council (PMC), Islamabad is regulatory body the objective of which is to provide for the regulation and control of the medical profession and to establish a uniform minimum standard of basic and higher medical education and training and recognition of qualifications in medicine and dentistry. There were 19 medical / dental colleges which were running without recognition during 2020-21 and 2021-22.

Audit observed as under:

1. These 19 Colleges were running without fulfilling the mandatory requirement of criteria set by the PMC.
2. Provisional functioning was allowed with the condition that these colleges will be re-inspected within 12 months but after August, 2019 no inspection was made, and the colleges were functioning without recognition by the PMC.
3. Various discrepancies were noted by the audit, where provisional functioning was given without fulfilling the basic requirement.

Audit is of the view that functioning of 19 colleges without recognition of PMC was irregular and unauthorized.

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

24.5.14 Irregular issuance/renewal of 421 practitioners' licenses for preceding 20 to 53 years

Section 29 (7) of the Pakistan Medical Commission Act, 2020 states that every licensed practitioner shall be responsible to maintain his license as valid and in good order. A practitioner shall not be permitted to practice in the absence of a valid license issued by the Authority.

Section 29 (9) of the Pakistan Medical Commission Act, 2020 states that every licensed medical or dental practitioner shall be required to revalidate his license every five years in the manner and on terms determined by regulations prescribed by the Council.

The management of PMC issued/renewed total 59,468 licenses to practitioners from April, 2021 onwards out of which 421 licenses were renewed for past/prior period of 20 years and more without any criteria, continues engagement certificate/undertaking, i.e., Continued Medical Education credit hours. Detail is as under:

While review the database of Practitioners audit observed as under:

1. There were 421 number of doctors whose licenses were revalidated for the past period of 20 years to 53 years (Rs. 2,000 per annum for revalidation of license).
2. Neither any proof of continued medical practice was obtained from these practitioners nor reasons for revalidation after 20 years was obtained.
3. If these practitioners were working in medical/dental side, then how they continued their practice without valid license.
4. On sample basis record of 4 practitioners who renewed licenses during 2021-22 were requested (Registration # 1091-S, 1485-S, 216-D and 701-D) who renewed their licenses after 40 years and above period. Record of only Registration # 1091-S and 1485-S were retrieved which reflected that these practitioners have never obtained full licenses instead temporary licenses for 3 months were issued and from then till now using the same, if practicing anywhere.

The management did not reply to the observation.

Audit is of the view that issuance/revalidation of above licenses after long span of 20 years and more without any verification of continued medical education hours/practice was a license to kill and irregular and against professional ethics.

Audit recommends that fact finding inquiry be made, these practitioners be monitored on sample basis to assess the risk to lives of people and responsibility be fixed.

24.5.15 Changing name of 237 candidates in MDCAT-2021

Section 18 (1) of the Pakistan Medical Commission Act, 2020 states that the Authority shall conduct annually on a date approved by the Council and as per standards approved by the Board a single admissions test which shall be a mandatory requirement for all students seeking admission to medical or dental under-graduate programs anywhere in Pakistan.

The management of Pakistan Medical Commission conducted computer based MCQ exam of MDCAT 2021 through SOAR Testing and Evaluation Platform (SMC-Private) Limited ("TEPS") on 30.08.2021 to 02.10.2021 total 194,309 candidates applied for the test and 68,723 were declared pass in MDCAT-2021.

Audit observed as under:

1) After declaration of result 237 candidates name were changed.
2) However, the online application form was filled by the candidate her/himself but changing the name of 237 candidates creates doubts.
3) There were 7 candidates whose name were totally changed like LIABA BATOOL to MOEZZA SAMEEN; RUTAAB ZAHRA to JAVERIA ALI BAIG, AMJAD HUSSAIN to MARYAM AMJAD, etc., etc.
4) Examination admission slip, CNIC, CCTV, request form, reviewers' correction evidence were requested but the same were not received till close of audit besides issuance of numerous reminders.

The management did not reply to the observation.

Audit is of the view that variation in candidates' name without source document challenging the whole structure of MDCAT-2021.

Audit recommends that fact finding inquiry be made, reasons for change be traced with evidence and responsibility be fixed.

24.5.16 Wastage of fund on purchase of IT and network equipment – Rs. 850.747 million

The Pakistan Medical Commission (PMC) Council in its 10th meeting held on 15.02.2022 decided that considering the urgency of the matter and to ensure timely conduct of the scheduled exam, the Council directed the Authority to adopt "Emergency procedures" as per PPRA rules 42 (c) (ii) and (iii) to complete the necessary procurement of equipment and all services required for the upcoming exams.

The Council further decided that the NLE, NEB and MDCAT examinations should be conducted by the Authority through a system to be developed by the Authority in-house. Authority was further directed to do all necessary preparations as needed to conduct the exam from March onwards as per schedule and the smooth flow of operations.

The management of PMC procured various IT equipment, tablets, printers, servers, networking equipment, charging machines etc., in the lights of Council decision from various vendors at cost of Rs. 850.747 million.

Audit observed as under:

1. The old management of PMC vide its 10th meeting held on 15.02.2022 decided for conducting of all examinations through in-house system and committed expenditure of Rs. 850.747 million out of which Rs. 382.703 million was paid and Rs. 468.00 million has yet to be paid.
2. Most of the equipment was received and dumped in PMC office.
3. The new management of PMC decided that the examinations were carried out through outsourcing/respective provinces.
4. The new PMC Councils reversed old council's decisions and decided not to conduct the examinations in-house.
5. Due to the said decisions the public fund amounting to Rs. 850.747 were wasted.

The management did not reply to the observation.

Audit is of the view that expenditure on equipment without any requirement/usage was irregular and against the principle of economy and efficiency.

Audit recommends that fact finding inquiry be made, wastage of public funds be made good from person (s) responsible, and responsibility be fixed.

24.5.17 Irregular engagement/hiring of SOAR TEPS – Rs. 761.666 million

Rule 16 of PPRA Rules, 2004 states that the procuring agency engaging in pre-qualification shall announce, in the pre-qualification documents, all information required for pre-qualification including instructions for preparation and submission of the pre-qualification documents, evaluation criteria, list of documentary evidence required by suppliers or contractors to demonstrate their respective qualifications and any other information that the procuring agency deems necessary for pre-qualification. The procuring agency shall provide a set of pre-qualification documents to any supplier or contractor, on request and subject to payment of price, if any. Explanation. The procuring agency shall promptly notify each supplier or contractor submitting an application to pre-qualify whether or not it has been pre-qualified and shall make available to any person directly involved in the pre-qualification process, upon request, the names of all suppliers or contractors who have been pre-qualified.

The Pakistan Medical Commission (PMC) advertised in Tribune dated 04.05.2021 Request for Proposal (RFP) for Examinations System – providing services to hold a Computer Based MCQ exam for approximately 175,000 students in August, 2021 and on annual basis. Out of 12 firms 11 firms submitted their RFP and TEPS were selected being sole qualifying firm and Agreement between PMC and TEPS was made on 02.06.2021 for 10 years and an amount of Rs. 761,665,540/- was paid to TEPS during 2021-22.

Audit observed as under:

1. There were no bidding/prequalification documents prepared by the PMC for Request for Proposal in violation of PPRA.
2. In the absence of prequalification documents, the evaluation criteria were also not prepared.
3. No documentation requirement was given by the PMC
4. TEPS was neither a registered firm in SECP nor in FBR when applied.

The management did not reply to the observation.

Audit is of the view that engagement/hiring of unregistered firm without any evaluation criteria, and bidding documents was irregular.

Audit recommends that fact finding inquiry be made and responsibility be fixed for the irregularity.

24.5.18 Irregular procurement of equipment from M/s VIPER without competitive rates – Rs. 68.309 million

Section 18 of the Pakistan Medical Commission Act, 2020 states that the Authority shall conduct annually on a date approved by the Council and as per standards approved by the Board a single admissions test which shall be a mandatory requirement for all students seeking admission to medical or dental under-graduate programs anywhere in Pakistan.

Section 20 of the Pakistan Medical Commission Act, 2020 states that the Authority shall at least twice a year as per schedule approved by the Council conduct the NLE. Passing the NLE shall be mandatory for obtaining a full license. The NLE shall be substantially based on objective computer based multiple choice questions and a practical component if determined by the Council

The management of Pakistan Medical Council (PMC), Islamabad conducted National Licensing Examination (NLE-1) in March, 2022 and various firms were engaged through by using “emergency” Rule 42 of PPRA, 2004 by the Council in its meeting held on 15.02.2022. The amount of Rs. 69.309 million was paid to M/s VIPER as per following details:

S #	Description	Quantity	Unit price	Amount
1	Viper Z10 tablet PC Quad Core processor (MTK 8168)	1,200	54,405	65,286,000
2	Charging Carts	27	105,300	2,843,100
3	Transportation charges (8" tablet)	900		180,000
			Total	**68,309,100**

Audit observed as under:

1. NLE examination was pre-determined examination as per Section 20 of the Act, 2020 which shall be conducted twice in a year, but the Council used Emergency Rule of PPRA for the said examination which was not warranted.
2. Invoice No. PI/0155 dated 09.03.2022 reflected that 1200 tablets VIPER 10" were being provided by the VIPER but transportation reflected that only 900 tablets 8" were used in examination.
3. Delivery challans reflecting that 1200 tablets 10" were received in piece meal from 12.04.2022 to 15.05.2022.
4. Delivery challans also reflected that only 22 charging carts were received in May, 2022.
5. An amount of Rs. 68.309 million was paid to M/s VIPER without competitive process.
6. The examination was held from March 26th to March 31st of 2022, and 1200 tablets VIPER 10" were shown provided on 09.03.2022 but VIPER Goods Declaration reflected that this equipment was imported on 27.04.2022.

The management did not reply to the observation.

Audit is of the view that using of emergency rule of PPRA for pre-determined activity and procurement of above items from M/s VIPER without competitive process was irregular.

Audit recommends that fact finding inquiry be made and responsibility be fixed.

24.5.19 Irregular procurement and rented equipment from M/s Ahamson without competitive rates – Rs. 15.081 million

Section 18 of the Pakistan Medical Commission Act, 2020 states that the Authority shall conduct annually on a date approved by the Council and as per standards approved by the Board a single admissions test which shall be a mandatory requirement for all students seeking admission to medical or dental under-graduate programs anywhere in Pakistan.

Section 20 of the Pakistan Medical Commission Act, 2020 states that the Authority shall at least twice a year as per schedule approved by the Council conduct the NLE. Passing the NLE shall be mandatory for obtaining a full license. The NLE shall be substantially based on objective computer based multiple choice questions and a practical component if determined by the Council.

Section 21 of the Pakistan Medical Commission Act, 2020 states that the Authority shall at least twice a year as per schedule approved by the Council conduct the NEB to assess and oversee the assessment of the knowledge, clinical skills and professional attributes of students who have partially completed a medical and dental program in a foreign institution and are seeking transfer to and admission in a medical or dental college in Pakistan. The NEB shall be substantially based on objective computer-based multiple-choice questions.

The management of Pakistan Medical Council (PMC), Islamabad conducted National Licensing Examination (NLE-1) in March, 2022 and various firms were engaged through by using “emergency” Rule 42 of PPRA, 2004 by the Council in its meeting held on 15.02.2022. An amount of Rs. 15.081 million was paid to M/s Ahamson rented equipment and procurements of items, as per following details:

S #	Description	Quantity	Amount
1	Rental Service (Networking equipment)	102	8,943,630
2	Equipment (Cameras, UPS, Batteries, etc.)	110	6,137,108
		Total	**15,080,738**

Audit observed as under:

1. NLE examination was pre-determined examination as per Section 20 of the Act, 2020 which shall be conducted twice in a year, but the Council used Emergency Rule of PPRA for the said examination which was not warranted.
2. An amount of Rs. 15.081 million was paid to M/s Ahamson without competitive process.

The management did not reply to the observation.

Audit is of the view that using of emergency rule of PPRA for pre-determined activity and procurement of above items from M/s Ahamson without competitive process was irregular.

Audit recommends that fact finding inquiry be made and responsibility be fixed.

24.5.20 Irregular advance payment and engagement for venue and invigilation facilitation without competitive rates – Rs. 122.798 million

Rule 42 (f) of Public Procurement Rules, 2004 states that a procuring agency may engage in direct contracting with state owned entities such as professional, autonomous or semi-autonomous organizations or bodies of the Federal or Provincial Governments for the procurement of such works and services, including consultancy services, which are time sensitive and in the public interest, subject to the following conditions, namely:- (i) the organization or the body to be engaged in direct contracting shall be eligible to perform the works or render the services; (ii) the organization or the body shall accomplish the work or the services including consultancy services, exclusively through its own resources without involving private sector as a partner or in the form of a joint venture or as a sub-contractor. (iii) in case there are more than one organizations or bodies eligible to perform the works or render the services, the procuring agency shall hold competition amongst them through limited tendering (notifications) without any advertisements, however, giving reasonable time for submission of their applications or proposals; (iv) the procuring agency shall devise a mechanism for determining price reasonability to ensure that the prices offered by the state owned entities are reasonable for award of the contract.

The management of Pakistan Medical Council (PMC), Islamabad engaged Inter University Consortium for Promotion of Social Sciences (IUCPSS) through direct contracting in June, 2022 for provision of venue and invigilation services for conducting of MDCAT, NEB, NRE and NLE examinations against consideration of Rs. 2,100/ per student per exam. An amount of Rs. 122,797,710/- was paid as 30% advance for proposed examination of MDCAT-2022 to be held in October/November, 2022. Total amount to be paid was Rs. 409,325,700/- for 194,917 students.

Audit observed as under:

1. The engagement of IUCPSS was made without competitive process.
2. Advance payment Rs. 122,797,710/- was made in August, 2022 but the said examination was outsourced to Universities by the new management instead of IUCPSS.
3. The said amount is still pending with IUCPSS and not returned till close of Audit i.e., November 30, 2022.

The management did not reply to the observation.

Audit is of the view that services contract with single organization without competitive process was violation of PPRA.

Audit recommends that fact finding inquiry be made, advance immediately be recovered from IUCPSS and responsibility be fixed for irregular engagement of firm.

24.5.21 Favouring NTS by allowing MDCAT registration and logistics without competitive process – Rs. 94.379 million

Rule 12(2) of PPRA, 2004 states that all procurement opportunities over three million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

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

The management of Pakistan Medical Commission made an agreement with National Testing Service (NTS) to conduct MDCAT examination 2020, on 22.10.2020. NTS shall register candidates online through online registration from its website NTS shall charge Rs. 750/- per candidate, as a test fee against all services provided by it. Detail of payment made to NTS was as under:

Description	Total Candidate Registered	Rate Per Candidate	Total Amount in Rupee
MDCAT, 2020	125,373	Rs. 750/-	94,029,750
Special MDCAT, 2020	233	Rs. 1,500/-	349,500
		Total	**94,379,250**

Audit observed as under:

1. NTS was hired without competitive process, as required in PPRA.
2. Favour was granted to NTS by allowing it business of Rs. 94.379 million at a much higher rate of Rs. 750/- per candidate.

The management did not reply to the observation.

Audit is of the view that hiring and favouring of one firm without competitive process was irregular and against PPRA Rules, 2004.

Audit recommends that fact finding inquiry be made for irregular allowing of business to single firm without competitive process and responsibility be fixed.

24.5.22 Irregular engagement of IUCPSS for provision of examination venue and invigilation facilitation without competitive rates – Rs. 17.920 million

Section 18 of the Pakistan Medical Commission Act, 2020 states that the Authority shall conduct annually on a date approved by the Council and as per standards approved by the Board a single admissions test which shall be a mandatory requirement for all students seeking admission to medical or dental under-graduate programs anywhere in Pakistan.

Section 20 of the Pakistan Medical Commission Act, 2020 states that the Authority shall at least twice a year as per schedule approved by the Council conduct the NLE. Passing the NLE shall be mandatory for obtaining a full license. The NLE shall be substantially based on objective computer based multiple choice questions and a practical component if determined by the Council.

Section 21 of the Pakistan Medical Commission Act, 2020 states that the Authority shall at least twice a year as per schedule approved by the Council conduct the NEB to assess and oversee the assessment of the knowledge, clinical skills and professional attributes of students who have partially completed a medical and dental program in a foreign institution and are seeking transfer to and admission in a medical or dental college in Pakistan. The NEB shall be substantially based on objective computer-based multiple-choice questions.

The management of Pakistan Medical Council (PMC), Islamabad conducted National Licensing Examination (NLE-1) in March, 2022 and various firms were engaged through by using "emergency" Rule 42 of PPRA, 2004 by the Council in its meeting held on 15.02.2022. An amount of Rs. 17.920 million was paid to Inter University Consortium for Promotion of Social Sciences (IUCPSS) for venue arrangements and invigilation facilitation, as per following details:

S #	City	Venue	Base Cost	OTC 20%	Total
1	Islamabad	QAU	4,173,624	713,440	4,887,064
2	Karachi	Dawood UET	3,270,238	559,015	3,829,253
3	Lahore	DUET	5,605,938	958,280	6,564,218
4	Multan	BZU	2,254,005	385,300	2,639,305
		Total	**15,303,805**	**2,616,035**	**17,919,840**

Audit observed as under:

1. NLE examination was pre-determined examination as per Section 20 of the Act, 2020 which shall be conducted twice in a year but the Council used Emergency Rule of PPRA for the said examination which was not warranted.
2. An amount of Rs. 17.920 million was paid to IUCPSS without competitive process.

The management did not reply to the observation.

Audit is of the view that using of emergency rule of PPRA for pre-determined activity and rented of venue & invigilation from IUCPSS without competitive process was irregular.

Audit recommends that fact finding inquiry be made and responsibility be fixed.

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24.5.23 Non-recovery of liquidated damages from M/s Siemens Healthcare (Pvt) Ltd – Rs.48.664 million.

Para 8 of responsibilities under Terms and Conditions of the Supply order dated 30.04.2021 states that the firm will be bound to deliver and install the equipment complete in all respects within 120 days after the establishment of LC.

Para 2 of Penalties under Terms and Conditions of the Supply order dated 30.04.2021 states that if the supplier fails to give supply and install within the stipulated period, penalty will be imposed @ 0.1% of the total value of the equipment per day subject to maximum of 10% of the value of the ordered equipment.

The management of PIMS awarded the contract to M/s Siemens Healthcare (Pvt) Ltd (Contractor) for the purchase of 1.5 Tesla Supercons Wide Bore MRI with Workstations for Radiology Department PIMS at a cost of $1.738 million. The supply order was issued on 30.04.2021 on the recommendations of Purchase Committee with the delivery time up to 04.10.2021. The management extended the delivery / commissioning of the equipment in all respects upto 16.11.2021 on the recommendations of Force Majeure Committee. The LCs were opened on 04.06.2021. Details are as under:

S.No	Purchase Item	Name of LC	Date of Establishment & confirmation of LC	Contract Value (US$)
1	Magnetom Sola	2221-040-1696-21	04.06.2021& 12.12.2022	1,604,000
2	Copper RF Cage	2221-040-1692-21	04.06.2021	29,785
3	Diesel Generator	2221-040-1693-21& 4222123ILS06008P	04.06.2021& 22.05.2023	25,400
4	Anesthesia Machine	2221-040-1694-21	04.06.2021	40,780
5	Water Chiller	2221-040-1695-21& 4222123ILS06008P	04.06.2021& 22.05.2023	38,035
				1,738,000

Audit observed that despite the extension of delivery period, the Contractor failed to deliver and install & commission the MRI machine on time, but the management did not impose the liquidated damages @ of 10% of the value of the ordered equipment amounting to Rs.48,664,000 ($173,800@Rs.280).

Audit is of the view that non-recovery of liquidated damages was undue favor to the Contractor and the delay in delivery of the said equipment deprived the general public of their basic healthcare facility.

The management did not reply.

Audit recommends imposition of liquidated damages and depositing the same into government treasury under intimation to Audit.

24.5.24 Non-recovery of liquidated damages from M/s Medeuips (Pvt) Ltd – Rs. 21.476 million (US$ 76,700).

Para 8 of Responsibilities under Terms and Conditions of the Supply order dated 30.04.2021 states that the firm will be bound to deliver and install the equipment complete in all respects within 120 days after the establishment of LC.

Para 2 of Penalties under Terms and Conditions of the Supply order dated 30.04.2021 states that if the supplier fails to give supply and install within the stipulated period, penalty will be imposed @ 0.1% of the total value of the equipment per day subject to maximum of 10% of the value of the ordered equipment.

The management of PIMS awarded the contract to M/s Medeuips (Pvt) Ltd S.M.C (Contractor) for the purchase of 128 Slice CT Scan Latest Technology True 64 detectors Based System with Workstation at PIMS at a cost of $767,000. The supply order was issued on 30.04.2021 on the recommendations of Purchase Committee with delivery within 120 days after the establishment of LC.

The Letter of Credit No.2221-040-1587-21 was issued on 21.05.2021 but the equipment was installed and handed over to the management of PIMS on 14.03.2022.

Audit observed that the Contractor failed to deliver the said equipment on time and the management of PIMS did not impose liquidated damages @ 10% of the value of the ordered equipment amounting to Rs.21,476,000 ($76,700@Rs.280) (i.e. 10% of the Contract Value).

Audit is of the view that non-recovery of liquidated damages was undue favor to the Contractor and the delay in delivery of the said equipment deprived the general public of basic healthcare facility.

The management did not reply.

Audit recommends imposition of liquidated damages and deposition the same into government treasury under intimation to Audit.

24.5.25 Non-conducting of trainings by M/s Medeuips (Pvt) Ltd for CT scan – Rs. 25.200 million (US$ 90,000)

Para 9 of Responsibilities under Terms and Conditions of the Supply order dated 30.04.2021 states that the firm will conduct;

a) Technical training to 01 Electro-medical engineer, 01 Technologist and 03 End users will be provided from the firm internationally.
b) Technical training to 02 Electro-medical engineers, 06 Technologists and 06 End users will be provided by the firm nationally (at PIMS).
c) Clinical applications training will be provided to 01 Technologist and 03 End users internationally by a clinical specialist.
d) Clinical application training will be provided to the 06 Technologists and 06 End users nationally (at PIMS) by a factory trained clinical specialist for a period of 15-days.

The management of PIMS awarded the contract to M/s Medeuips (Pvt) Ltd S.M.C (Contractor) for the purchase of 128 Slice CT scan Latest Technology True 64 detectors Based System with Workstation at PIMS at a cost of US$767,000. The financial bid contained a component for Foreign Technical and Clinical Trainings per person US$ 10,000 for each training. The CT Scan Machine was installed on 14.03.2022 and the first test was conducted on 17.03.2022.

Audit observed that the contractor failed to conduct Foreign Technical Trainings of 05 officials and Foreign Clinical Trainings of 04 officials of PIMS. The firm did not provide the training to the PIMS staff amounting to Rs. 25,200,000 (US$ 90,000 x Rs. 280)

Audit is of the view that non-conducting of training was violation of contract agreement.

The management did not reply.

Audit recommends that training cost be recovered from the contractor and deposited into government treasury under intimation to Audit.

24.5.26 Non-recovery of rent – Rs. 72.468 million

Para-28 of GFR (Vol-I) states that no amount due to Government should be left outstanding without sufficient reasons, and where any dues appear to be irrecoverable the orders of competent authority for their adjustment must be sought.

The management of PIMS, Islamabad rented out two pharmacy shops, Doctors & staff cafeteria, parking area and space for mobile tower as per detail given below:

Sr. No	Name of firm	Description	Amount
1	M/s Imran Pharmacy	Pharmacy shops	52,466,667
2	M/s Aadil Waheed & Brothers	Staff Welfare Canteen and Doctor's Cafeteria	14,126,000
3	M/s Achtung Security pvt. Ltd	Parking	3,211,666
4	M/s China Mobile	Mobile Tower	2,664,000
		TOTAL	**72,468,333**

Audit observed that the rent amounting to Rs.72, 468,333 was outstanding against the firms. It was further observed that no penalty was imposed on the Vendor for the late payment.

Audit is of the view that non-recovery of rent was a loss to public exchequer.

The management did not reply.

Audit recommends that outstanding rent plus penalty for late payment be recovered and deposited into government treasury under intimation of Audit.

24.5.27 Unauthorized expenditure on repair and maintenance of building - Rs. 17.100 million

Para 192 of GFR 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 guiding principles laid down by the Accountant General, Pakistan Revenues are reproduced in Annexure A to this chapter.

Para 184 of GFR states that Pak PWD is the only authority to execute the civil works and infrastructure of the Government organizations.

Paragraph 56 of the CPWD code states that a properly detailed estimate must be prepared for the sanction of competent authority. This sanction is known as the technical sanction and as its name indicates, it amounts to no more than a guarantee that the proposals are structurally sound and that estimates are accurately calculated and based on adequate data.

The management of Pakistan Institute of Medical Sciences (PIMS) Islamabad incurred an expenditure of Rs. 17,100,983 on account of Repair and Maintenance of building structure (residential and nonresidential) during the financial year 2022-23.

Audit observed as under:

i. The repair and maintenance of houses allotted by the Estate office was the responsibility of Pak PWD.
ii. The expenditure was incurred without departmental regulations.
iii. The work was done without obtaining technical sanction.

Audit is of the view that execution of repair and maintenance without departmental regulations and without technical sanctions was irregular.

The management did not reply.

Audit recommends that responsibility may be fixed on person(s) concerned for the irregularity.

24.5.28 Non-transparent hiring of services for Local Purchase of medicines - Rs. 18.091 million

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.

Instruction contained in Technical Evaluation Performa of Bidding document of PIMS states that the firm / bidder will not be eligible to participate if any mandatory document is missing/not available with the firm.

The management of PIMS invited tenders for the local purchase of Drug / Medicines, Surgical disposable items & implant for PIMS on annual contract basis for the financial year 2020-21 and 2021-22 vide advertisement dated 12.03.2021. Five firms were technically evaluated out of which only M/s Al-Salaeha pharmacy was technically qualified whereas two firms i.e. M/s M.M Pharmacy Rawalpindi and Pakistan Pharmacy were conditionally qualified and two firms i.e. M/s Zaniab pharmacy and M/s Al-Habib pharmacy were technically disqualified. M/s M.M Pharmacy was awarded the contract vide PIMS letter No1-45/2020-21/L.P PIMS/Purchases/PIMS dated 20.11.2021. The contract was extended twice till the finalization of the new tender. Detail of purchase of medicines from M/s M.M Pharmacy is as under:

Sr. No.	Financial Year	Amount in Rs.
1	2021-22	2,376,464
2	2022-23	15,715,141
	TOTAL	**18,091,605**

Audit observed as under:

i. The firm M/s M.M Pharmacy, Rawalpindi did not provide mandatory document i.e. valid retail drug sale license, required for technically qualification of the firm. Furthermore, the firm also failed to provide the qualification of technical qualified staff as per requirement of general instruction of bidding document.

ii. The contract was extended twice but there was no extension clause in bidding documents.

Audit is of the view that award of contract to a technically disqualified firm was a violation of terms and conditions of bidding document and Public Procurement Rules, 2004.

The management did not reply.

Audit recommends that the matter be investigated besides fixing responsibility.

24.5.29 Unauthorized payment of share to doctors and staff out of Sehat Sahulat Program–Rs. 44.226 million

Para 10 (2) of Supplementary Rules states that in cases where the fee received by Medical Officer is divisible between himself and Government, the total amount should first be paid into the Government treasury, the share of the Medical Officer being thereafter drawn on a refund bill in Form T.R.-41. In such cases a complete record of the work done and of the fees received should be kept by the Medical Officer.

Para 10 (3) of Supplementary Rules states that for Private bacteriological, Pathological and Analytical work carried out in Government laboratories and in the Chemical Examiner's Department, 40 percent of the fees should be credited to Government, the remainder (60 percent) being allowed to the Director of the Laboratory or the Chemical Examiner, as the case may be, who may divide it with his assistants and subordinates in such manner as he considers equitable.

The management of PIMS paid Rs.44,226,317on account of share to the doctors and staff out of the Sehat Sahulat Program (SSP) during financial year 2022-23. Details are as under:

Sr.No.	Component	Amount of share paid
1	Cath Lab	25,833,197
2	Electro Physics	348,000
3	Cardiac Surgery	18,045,120
	TOTAL	**44,226,317**

Audit observed as under:

i. The payment of share was made to the doctors and staff of Cardiac department which was against the spirit of SR 10 (i) & (ii).

ii. The Sehat Sahulat Program was a re-imbursement policy of government wherein the patients were not required to pay any charges for treatment, hence, the amount of share paid to doctors and staff was violation of SR 10 (i) & (ii)

iii. The payment was made without the approval of the Finance Division.

iv. The Ministry of National Health Services Regulation & Coordination vide letter 2-32/Budget/PIMS/2018-19 dated

05.08.2019 also requested that management of PIMS may ensure compliance to the conditions of Finance Division and submit requisite accounting procedure.

Audit is of the view that unauthorized payment of share without the approval of Finance Division and to the irrelevant persons was unauthorized.

The management did not reply.

Audit recommends that practice be stopped besides fixing responsibility.

24.5.30 Non-deposit of receipt into government treasury - Rs. 49.947million

FTR 7(1) states that all moneys received by or tendered to Government Officers on account of the revenues of the Federal Government shall without undue delay be paid in full into a treasury and shall be included in the Federal Consolidated fund of the Federal Government.

The management of PIMS realized receipts of Rs. 49,947,440 on account of application fee, bank profit and other incomes in the securities account No.1780-30010766690 maintained at NBP PIMS branch, Islamabad during financial year 2022-23.

Sr. No	Description	Amount
1	Application fee	1,776,000
2	Bank Profit	44,215,607
3	Other receipts	3,955,833
	TOTAL	**49,947,440**

Audit observed that the management deposited the receipt into PIMS security account instead of government treasury in violation of rules.

Audit is of the view that retention of departmental receipts after closure of financial year was irregular.

Audit recommends that government receipts be deposited into government.

24.5.31 Cash withdrawal & Deposit in Security Account without supporting documents – Rs. 1,418.130 million

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

Rule 96 of General Financial Rules (GFR) 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.

The management of PIMS maintained a security account No.1780-30010766690 at NBP PIMS branch, Islamabad during year 2018-22.

Audit observed as under:

i. The cash of Rs. 87,554,118 was withdrawn out of security accounts but the supporting record was not available.

ii. An amount of Rs. 1,330,575,806 was deposited in the security account but the record of sources of receipt was not made known.

iii. Moreover, the management to avoid the lapse of release of government funds deposited Rs. 1,200,000,000 into security account on 29.06.2022.

Audit is of the view that in the absence of supporting record the authenticity of cash withdrawal and receipts deposited could not be ascertained. Moreover, the deposit of government fund to avoid lapse is negligence on the part of management.

Audit recommends that responsibility be fixed besides provision of record to Audit for scrutiny.

CHAPTER 25

NARCOTICS CONTROL DIVISION

25.1 Introduction

As per Schedule II [Rule 3 (3)] Distribution of Business among the Divisions read with Schedule III [rule-4(4)] Rules of Business 1973 (As amended up to 23rd April, 2019) following main business have been assigned to the Division amongst the other functions.

1. Policy on all aspects of narcotics and dangerous drugs, such as production, processing, marketing, import, export and transshipment, trafficking etc., in conformity with national objectives, laws and international conventions and agreements.
2. Legislation covering all aspects of narcotics and psychotropic substances, and matters ancillary thereto, in consultation with the Ministries/Divisions, etc., concerned.
3. Bilateral and multilateral cooperation with foreign countries against narcotics trafficking and all other international aspects of narcotics including negotiations for bilateral and multilateral agreements for mutual assistance and cooperation in the field of enforcement of narcotics laws.
4. Coordination of aid/assistance from foreign countries and of narcotics control interdiction for poppy crop substitution.
5. Policy on drug education, treatment and rehabilitation of narcotics/drugs addicts and grants-in-aid to Non-Governmental Organizations (NGOs) engaged in these fields.
6. Inter-Provincial coordination on all aspects of narcotics and dangerous drugs.
7. Monitoring of the implementation of policies on all aspects of narcotics and dangerous drugs.
8. Regulation of administrative, budgetary and other matters of Pakistan Narcotics Control Board.

The Anti-Narcotics Force is an attached department of the Division.

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY-2022-23) Rs. in million
1	Formations	23	5	5602.235	-
2	Assignment Accounts (Excluding FAP)	1	1	29,729.000	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

25.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Narcotics Control Division for the financial year 2022-23 was Rs.3,831.42 million, out of which the Division expended an amount of Rs.3,862.42 million. Grant-wise detail of current and development expenditure is as under:

(Rs. In million)

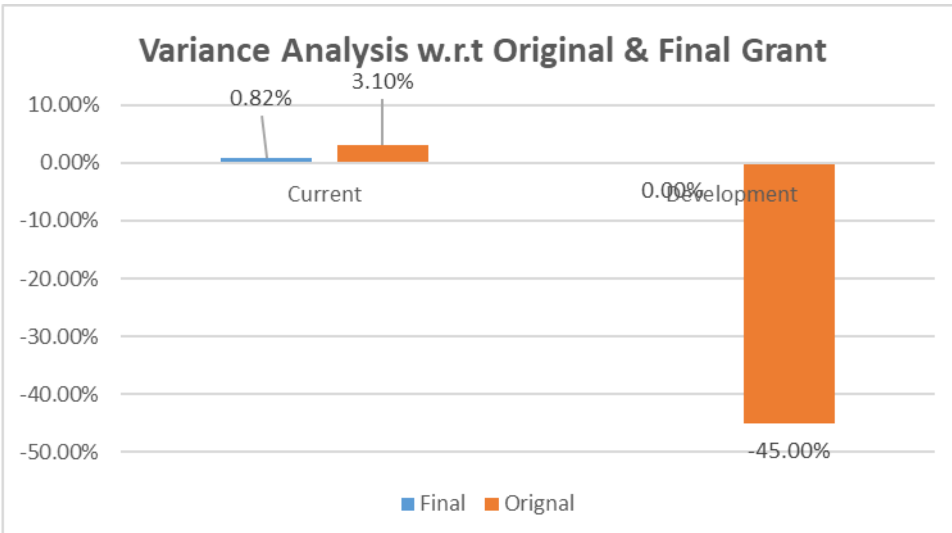
Grant No	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
71	Current	3,635.17	138.07	-56.17	3,717.06	3,747.70	30.64	0.82%
115	Development	207.92	.00	-93.56	114.35	114.35	0.00	0.00%
	Total	**3,843.08**	**138.07**	**-149.74**	**3,831.42**	**3,862.05**	**30.63**	**0.80%**

The audit noted that there was an overall excess of Rs.30.63 million, which was mainly due to excess 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. 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, bifurcating total allocation into current and development expenditure, it was observed that, in case of development grant, there was 45.00% of saving w.r.t original grant which was finally became zero w.r.t final grant and in case of current grant 3.10 % excess which decreased to 0.82%.



25.3 Classified Summary of Audit Observations

Audit observations were raised in this report during the current audit of **Narcotics Control Division**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	
B	*Procurement related irregularities*	
C	*Management of account with commercial banks*	
D	*Recovery*	
E	*Internal Control*	
4	Value for money and service delivery	
5	Others	

25.4 Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2011-12	5	5	5	0	100
2012-13	2	2	2	0	100
2013-14	6	6	5	1	83
2019-20	5	1	0	5	-
2020-21	9	0	0	9	-
2021-22	21	0	0	21	-
2022-23	3	0	0	3	-
Total	**51**	**14**	**12**	**39**	-

25.5 AUDIT PARAS

Anti-Narcotics Force (HQ), Rawalpindi

25.5.1 Non-establishment of Federal Narcotics Testing Laboratory

Section 34 of Control of Narcotic Substances Act, 1997 states that the Federal Government may, as soon as may be after the commencement of this Act, set-up a Federal Narcotic Testing Laboratory and such other institutes and narcotics testing research laboratories or notify any other laboratory or institute to be a Federal Narcotics Testing Laboratory for carrying out the purposes of this Act.

The management of ANF, HQ was requested to intimate about establishment of Federal Narcotics Testing Laboratory and appointment of government analysts. It was verbally informed that no such lab was established, and no appointments were made despite a lapse of twenty-five years.

Audit observed that non-establishment of testing laboratory is the violation of the Act.

Audit is of the view that non-establishment of the said laboratory is a failure of management.

Management did not reply.

Audit recommends that responsibility may be fixed for not establishing Federal Narcotics Testing Laboratory.

Regional Directorate of Anti-Narcotics Force Sindh Karachi

25.5.2 579 Seized/Confiscated vehicles held by Department and non-auction of 12 Seized/Confiscated vehicles.

Rule 3(1) of the Disposal of Vehicles and other articles (involved in the Narcotics cases) rules, 2013 provided that the concerned Regional Directorates, Anti-Narcotics Force or other Law Enforcement Agencies shall, after submission of challan, forward list of seized, frozen and confiscated case property or vehicles required to be auctioned to the Director General or Head of other Law Enforcement Agency for approval.

Rule 3(2) of the Disposal of Vehicles and other articles (involved in the Narcotics cases) rules, 2013 provided that the Director General Anti-Narcotics Force or Head of other Law Enforcement Agency shall, on receipt of above information or on his own motion, pass orders directing the sale of seized, frozen or confiscated vehicles and shall approve or cause the reserved price determined for each vehicle separately.

The management of Regional Directorate, Anti-Narcotics Force Sindh, Karachi provided a list of 579 vehicles of different Make and Model which have been seized/confiscated from 1994 to August 2023 and are under custody of RD ANF Karachi. The Detail position is as under:

S#.	Category of Seized/Confiscated vehicles	Nos.
	Decided By Court	
1	Ready For Auction	12
2	Decided by Court and pending for clearance from different Govt Depts i.e. Anti-Car lifting cell, Pakistan Motor Registration Authority	27
3	Returning Order vehicles	30
	Pending in Court	
3	Under Appeal in High Courts & Supreme Court Cases	96
4	Dormant Judgment Silent Cases	108
5	Under Trial	306
	Total	**579**

Audit observed that:

i. Out of such large number of seized/confiscated vehicles held by department since long, 12 Nos. of vehicles have been decided by court and finally cleared from different Govt department, but the same have not been auctioned till date.

ii. 30 Vehicles were decided by Court for returning to owners but the same have not been returned to them till date.

iii. The fate of other large number of seized/confiscated vehicles have not been decided till date which have been pending either in court or with other Government departments for clearance.

iv. During Physical verification of Vehicles, it was observed that costly latest models' vehicles were also held by departments whose condition was deteriorating with passage of time as they were parked in open area.

Audit is of the view that due to non-auction of 12 vehicles and non-clearance of vehicles from Court and Different Government Departments, their value has been declining with passage of time, which deprived the Government of its due share of receipt.

The management stated that applications have been filed in different courts, out of 4 cases the Honorable court dismissed RD ANF Sindh applications and ordered that fate of vehicle cannot be decided till the arrest of absconding accused person. While other applications are still pending in different courts. However, the court has also issued notices to the party/owner of vehicles as the fate cannot be decided were also published in newspapers but their decision is still pending in courts.

The reply did not justify the audit point of view as to why the vehicles, which are ready for auction after clearance from court and other departments, have not been auctioned. And those, which are ordered by court for either returning to owners or need clearance from other departments, have not been returned or got cleared. Furthermore, a large number of cases are still pending.

Audit recommends that vehicles decided from court may be cleared from concerned departments and those ready for auction may be auctioned. Besides, the cases of vehicles pending in court of law may be pursued rigorously to avoid further loss to the Government or the owner.

25.5.3 Non-auction and unauthorized retention/use of 04 commercial/residential forfeited properties

Rule 20 of Frozen or Forfeited Drug Assets (Administration, Management, Maintenance and Disposal) Rules, 2010 states that " Subject to the relevant provisions of any law relating to the acquisition or disposal of immovable property and also subject to the sale proceeds being credited to the Fund under section 54 of the Act, the property shall be disposed of by public auction by the committee to be nominated by the Director-General in consultation with the Administrator".

Rule 10(3) of Frozen or Forfeited Drug Assets (Administration, Management, Maintenance and Disposal) Rules, 2010, "Where any property is forfeited under the Act and possession of such property is taken by the Administrator or any member or staff or other persons authorized by the Administrator, provided to him by the Federal Government under rule 3, the Administrator may, with the approval of the Federal Government through the Director-General rent out or give on lease or on contract or for Government official use on rent to other Government Departments or handover to Ministry of Narcotics Control or the Anti-Narcotics Force without rent such property for agricultural or residential or commercial or any other appropriate purposes according to the nature of such property and in accordance with such terms and conditions to be reduced into writing subject to the approval by the Federal Government through the Director-General, till disposal of such property under the rules".

The management of Regional Directorate of Anti-Narcotics Force (ANF), Karachi provided list of confiscated properties, accordingly, following 04 residential/ commercial properties were forfeited and held by ANF Karachi.

Audit observed that the following forfeited properties are still in possession of the ANF and have not been auctioned by the management.

S.No	Detail of Asset/Property	Current Status
1.	Plot No. A-161, Block-C, Gulshan-e-Jamal Rashid Minhas Road, Karachi (240 Sq.yd)	Forfeited /in possession of ANF
2.	Shop No.2, Block-B, Gulshan-e-Jamal at FL-37 Karachi (21.97 sq.yd)	
3.	Plot No.132, Sector 35/A, Korangi Township, Karachi (512 sq.yd)	
4.	Plot No.C-145/A, Sector 35/A, Korangi Township Karachi (512 Sq.yd)	

Audit observed that:

i. The management have been utilizing the properties listed at Sr. No. 1, 3 & 4 above for their own use of Regional Directorate ANF Karachi but the approval of Administrator and Ministry Concerned through Director General was not obtained in violation of above rule.
ii. Shop mentioned at Sr. no 2 above was recommended for auction but the same have not been completed till date.

Audit is of the view that non-auction of the forfeited properties including shops and unauthorized use thereof was lapse on the part of management which deprived the Government of its due share of receipts.

The management stated that the case for utilization of Properties for official purpose as listed at Sr. No. 1,3 &4 and for auction of shop as listed at Sr. No. 2 have been sent to MNC Islamabad through ANF HQ Islamabad.

The management accepted the irregularity that the above properties are being utilized without approval of Administrator and Ministry concerned and the matter for auction of shop is still held up.

Audit recommends that the necessary approval for auction/utilization of forfeited properties may be obtained and the same may be auctioned by depositing sale proceed into Government account.

CHAPTER 26

NATIONAL HERITAGE AND CULTURAL DIVISION

26.1 Introduction

As per Schedule II [Rule 3 (3)] Distribution of Business among the Divisions read with Schedule III [rule-4(4)] Rules of Business 1973 (As amended up to 23rd April, 2019) following main business have been assigned to the Division amongst the other functions.

1. International agreements and assistance in the field of archaeology, national museums, and historical monuments were declared to be of national importance.
2. National and other languages used for official purposes.
3. Naming of institutions in the name of Quaid-e-Azam and other high and distinguished personages.

<u>ATTACHED DEPARTMENTS /AUTONOMOUS BODIES</u>

i. Quaid-e-Azam Papers Wing.

ii. Pakistan Academy of Letters.

iii. Pakistan National Council of Arts.

iv. National Language Authority, Urdu Dictionary Board and Urdu Science Board.

v. Quaid-e-Azam Academy.

vi. Aiwan-i-Iqbal and Iqbal Academy Pakistan.

vii. Quaid-e-Azam Mazar Management Board (QMMB).

viii. Quaid-e-Azam Memorial Fund.

ix. National Book Foundation.

x. Department of Libraries.

xi. Department of Archaeology and Museums.

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY-2022-23) Rs. in million
1	Formations	5	4	791.821	-
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

26.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Division for the financial year 2022-23 was Rs. 1,951.89 million, out of which the Division expended an amount of Rs. 1,921.27 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

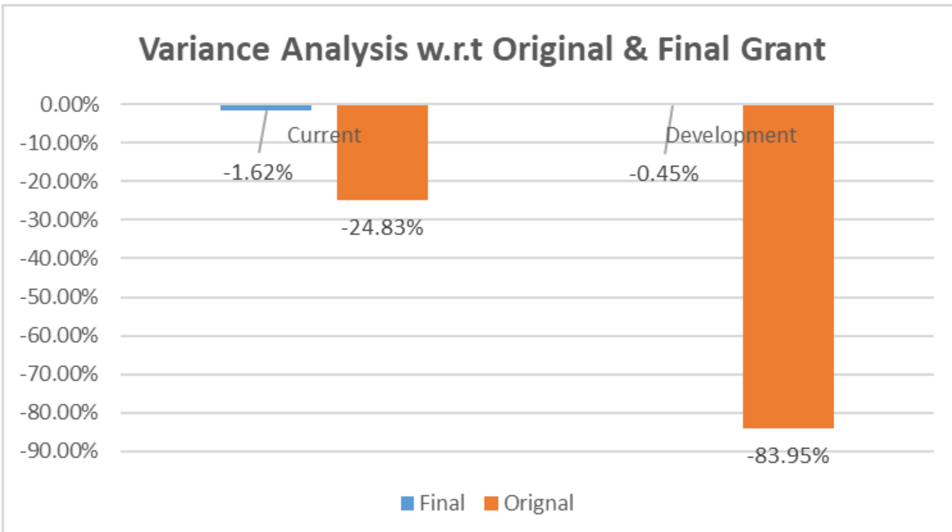
Grant No	Type of Grant	Original Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
40	Current	2,438.35	-575.12	1,863.23	1,833.01	-30.23	-1.62%
105	Development	550.00	-461.34	88.66	88.26	-.40	-0.45%
	Total	**2,988.35**	**-1,036.46**	**1,951.89**	**1,921.27**	**-30.62**	**-1.57%**

Audit noted that there was an overall savings of Rs. 30.62 million, which was mainly 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, bifurcating total allocation into current and development expenditure, it was observed that, in case of development grant, there was 83.95% of saving w.r.t original grant which was finally reduced to 0.45% w.r.t final grant and in case of current grant 24.83% saving was finally reduced to 1.62%.



26.3Classified Summary of Audit Observations

Audit observations, amounting to Rs.98.097 million, were raised in this report during the current audit of **National History And Literary Heritage Division**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	
B	*Procurement related irregularities*	5.21
C	*Management of account with commercial banks*	
D	*Recovery*	92.887
E	*Internal Control*	
4	Value for money and service delivery	
5	Others	

26.4Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2010-11	8	7	0	8	-
2011-12	5	0	0	5	-
2013-14	3	3	2	1	67
2014-15	1	0	0	1	-
2015-16	1	0	0	1	-
2016-17	6	2	1	5	50
2017-18	2	2	0	2	-
2019-20	27	0	0	27	-
2020-21	13	0	0	13	-
2021-22	10	10	3	7	30
2022-23	8	0	0	8	-
Total	**84**	**24**	**6**	**78**	-

26.5 AUDIT PARAS

Pakistan National Council of Arts (PNCA)

26.5.1 Irregular retention of government money - Rs. 92.887 million

Rules 7(1) of FTR Volume-1 states that all money received by or tendered to government officers on account of revenues of the Federal Government shall without undue delay be paid in full a treasury and shall be included in the Federal Consolidated Fund of the Federal Government. Moneys received as aforesaid shall not be appropriated to meet departmental expenditure, nor otherwise kept apart from the Federal Consolidated Fund of the Federal Government. No department of the Government may require that any moneys received by it on account of the revenues of the Federal Government be kept out of the Federal Consolidated Fund of the Federal Government.

The management of Pakistan National Council of the Arts (PNCA), Islamabad received an amount of Rs. 92.887 million on account of rent of auditorium and open space, art gallery cultural programs, etc. up to 30.06.2023. The receipts were deposited into Bank Account No.3177102789 maintained with National Bank of Pakistan, Melody Main Branch, Islamabad.

Audit observed that receipts were not deposited into the Government Treasury.

Audit is of the view that non-deposit of receipts into government treasury deprived the government from its due receipts.

The management did not reply till the finalization of the report.

Audit recommends fixing of responsibility on the persons at fault besides deposit of receipts into Federal Consolidated Fund.

26.5.2 Unauthorized expenditure on Civil Works - Rs. 5.210 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 193(4)(ii) of GFR (Volume-I) states that all estimates for such works and repairs to be carried out locally should be submitted for prior scrutiny to the Chief Engineer, Pak PWD.

The management of Pakistan National Council of Arts (PNCA), Islamabad incurred an expenditure of Rs. 5.2 million on civil works during the financial year 2022-23.

Audit observed that:

i. The expenditure was incurred on civil works/repair of buildings which was neither carried out through Pak. PWD nor was incurred departmentally by making departmental regulations as required under GFRs.
ii. The expenditure was incurred without obtaining Technical Sanctions from an authorized / competent engineer of Pak. PWD.

Audit is of the view that in the absence of approved procedure for executing civil works the expenditure incurred on civil works is unauthorized. Furthermore, due to non-maintenance of Measurement Books the actual value of work done, and the payment made for the civil works is doubtful.

The management did not reply till the finalization of the report.

Audit recommends holding of inquiry to fix responsibility besides regularization of the expenditure from the Finance Division.

26.5.3 Irregular appointments without observing PNCA Employees Service Rules, 1994

As per Clause 27 of the PNCA Employees Service Rules, 1994, appointment against various vacancies shall be made in the light of Government's instructions in respect of the maintenance of regional provincial quota and in general consideration of merit and experience.

PNCA's advertisement as approved by the Secretary, National Heritage & Culture Division the eligibility criteria for appointment of Caretaker is: "Retd. JCO/Intermediate with ten years' experience", for appointment of steno typist is: "Intermediate with minimum speed of 80/40 w.p.m. in shorthand/typing respectively. Must be computer literate", for appointment of Urdu typist is: "Matric with minimum speed of 30 w.p.m. in Urdu typing", for appointment of Driver/Dispatch Rider is: "Primary pass having valid license with 5 years of experience of driving light and heavy vehicle", and for appointment of Drivers, Dispatch Riders, Mali & Sweeper having domicile local (Islamabad). Furthermore, PNCA advertised eligibility criteria approved by the Secretary, National Heritage & Culture Division for appointment of Director, Deputy Director, Accountant, Designer and Librarian.

The management of Pakistan National Council of Arts (PNCA), Islamabad appointed twenty-one (21) officers/officials during 2022-23.

Audit observed that PNCA did not observe the rules and regulations for appointments as mentioned in advertisement duly approved by the Secretary, National Heritage & Culture Division.

Audit is of the view that the appointments made in violation of PNCA Employees Service Rules, 1994 were irregular and unauthorized.

The management did not reply till the finalization of the report.

Audit recommends holding of inquiry to fix responsibility on persons at fault.

CHAPTER 27

NATIONAL VOCATIONAL AND TECHNICAL TRAINING CENTRE

27.1Introduction

National Vocational & Technical Training Commission (NAVTTC) was established in December 2005 as an apex body for Technical & Vocational Training and is attached with the Prime Minister's Secretariat (Public). Being a federal agency for TVET, NAVTTC facilitates, regulates, and provides policy direction for skill development in Pakistan. Under the National Vocational & Technical Training Commission (NAVTTC) Act, 2011 NAVTTC is responsible for setting-up of national occupational skills standards, development of curriculum, national qualification framework, labour market information analysis, training of trainers, public private partnership and setting-up of institutional standards for TVET providers amongst the other functions:

1. National Policies, Strategies and Regulations
2. National Qualification Framework (NQF)
3. Accreditation, Certification, Skill Standards & Curricula
4. Performance Evaluation System
5. TVET Development through Public-Private Partnership
6. Labor Market Information System

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY-2022-23) Rs. in million
1	Formations	10	4	1,365.661	-
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

27.2Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the NAVTTC for the financial year 2022-23 was Rs.4,188.13 million, out of which the Division expended an amount of Rs.3,186.69 million. Grant-wise detail of current and development expenditure is as under:

(Rs. In million)

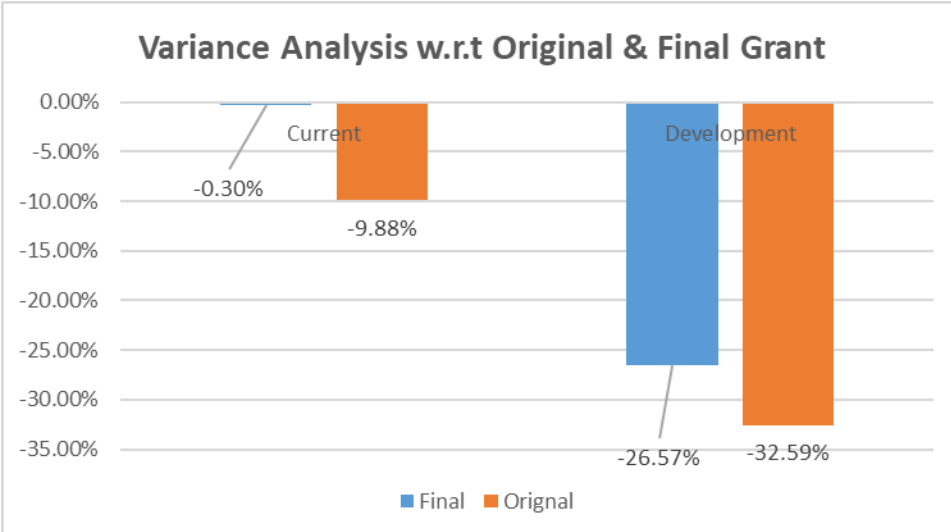
Grant No	Type of Grant	Original Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
39	Current	469.20	-45.06	424.13	422.84	-1.29	-0.30%
104	Development	4,100.00	-336.00	3,764.00	2,763.84	-1,000.16	-26.57%
	Total	**4,569.20**	**-381.06**	**4,188.13**	**3,186.69**	**-1,001.45**	**-23.91%**

Audit noted that there was an overall savings of Rs.1,001.45 million, which was due to less expenditure in current grants.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR (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, bifurcating total allocation into current and development expenditure, it was observed that, in case of development grant, there was 32.59% of saving w.r.t original grant which was finally reduced to 26.57% w.r.t final grant and in case of current grant 9.88% saving was reduced to 0.30%.



27.3Classified Summary of Audit Observations

Audit observations, amounting to Rs.16.13 million, were raised in this report during the current audit of **National Vocational And Technical Training Centre**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	
B	*Procurement related irregularities*	
C	*Management of account with commercial banks*	
D	*Recovery*	
E	*Internal Control*	
4	Value for money and service delivery	16.13
5	Others	

27.4Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2011-12	1	0	0	1	-
2013-14	1	1	0	1	-
2014-15	5	0	0	5	-
2018-19	3	0	0	3	-

2019-20	3	0	0	3	-
2020-21	3	0	0	3	-
Total	**16**	**1**	**0**	**16**	-

27.5 AUDIT PARAS

National Vocational and Technical Training Commission Karachi

27.5.1 Non-receipt of NAVTTC share from Takamol fund - Rs. 16.130 million

Article 3 of Appendix 2 of Service Level Agreement signed between Takamol for Business Service Company on and NAVTTC on 27.01.2023 states that Takamol fee will be US$ 33 and NAVTTC fee will be US$ 17 per test.

The management of NAVTTC provided a statement of funds receipt and transfer between Takamol and NAVTTC as on 30.06.2023 as per following detail:

Pak Rs. @ 287 to be sent to Takamol	Pak Rs. @ 287 to be received from Takamol	Payment due from Takamol to NAVTTC
2,012,500	18,142,400	16,129,900

The audit observed that an amount of Rs. 16,129,900 is receivable from Takamol on account of certification test services provided by the NAVTTC under the agreement with Takamol.

Audit is of the view that non- receipt of due share from Takamol is putting NAVTTC into loss.

The management did not reply till finalization of the report.

Audit recommends that matter regarding receipt of due share be expedited with Takamol management.

CHAPTER 28

PAKISTAN ATOMIC ENERGY COMMISSION (PAEC)

28.1 Introduction

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.

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY 2022-23) Rs. in million
1	Formations	27	6	5,347.726	100,485.889
2	Assignment Accounts (Excluding FAP)	2	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

28.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Atomic Energy Commission for the financial year 2022-23 was Rs.41,140 million, out of which the Commission expended an amount of Rs. 41,140 million. Grant-wise detail of current and development expenditure is as under:

(Rupees in million)

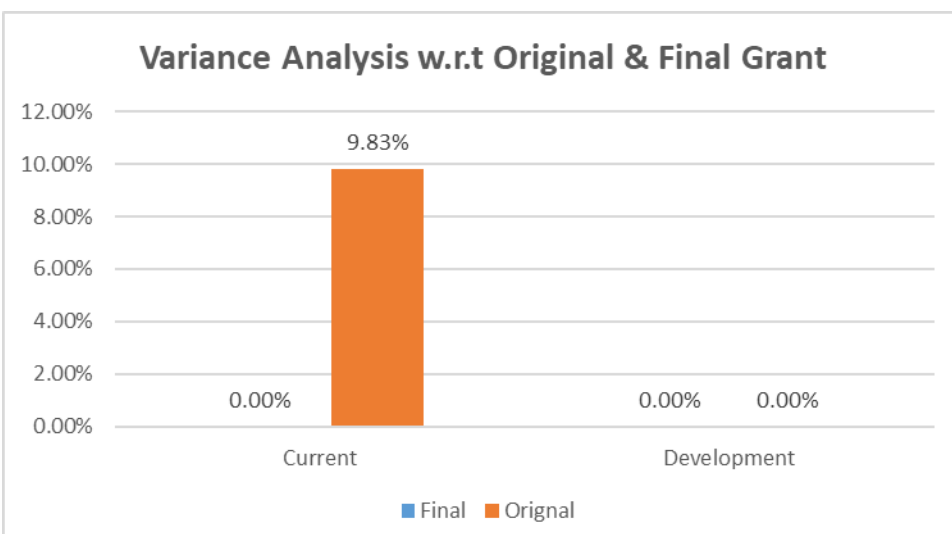
Grant No	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
7	Current	13,794.00	1,422.39	-67.00	15,149.39	15,149.39	.00	0.00%
122	Development	25,990.60	.00	.00	25,990.60	25,990.60	.00	0.00%
	Total	**39,784.60**	**1,422.39**	**-67.00**	**41,140.00**	**41,140.00**	**.00**	**0.00%**

Audit noted that there was an overall saving of Rs.8,100 million, which was mainly due to saving 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. 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, bifurcating total allocation into current and development expenditure, it was observed that, in case of current grant, there was 0% of excess w.r.t original grant which was increased to 9.83%.



28.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 77,135.663 million, were raised in this report during the current audit of **Pakistan Atomic Energy Commission (PAEC)**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	
B	*Procurement related irregularities*	70.674
C	*Management of account with commercial banks*	
D	*Recovery*	77,058.66
E	*Internal Control*	6.325
4	Value for money and service delivery	
5	Others	

28.4Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2011-12	11	0	0	11	-
2012-13	7	7	5	2	71
2013-14	3	3	3	0	100
2016-17	6	0	0	6	-
2017-18	3	3	3	0	100
2019-20	2	0	0	2	-
2020-21	9	0	0	9	-
2022-23	14	0	0	14	-
Total	**55**	**13**	**11**	**44**	-

28.5 AUDIT PARAS

KANUPP Decommissioning Project, Karachi

28.5.1 Non-adjustment of temporary advances issued to employees for different spot procurement - Rs. 23.608 million

According to Accounting Rules & Procedure 2003 of PAEC, the advances paid for spot purchases will be regularly examined and proper accounts obtained, in case the official fails to render the accounts within the fortnight from the date of receipts of advance, written reminder should be issued to the official concerned with a copy to the Department Head. If the official still fails to render the account or does not explain its non-submission, the advance may be recovered in full from his salary.

The management of KDP, Karachi incurred expenditure of Rs.23.608 million on account of purchase of different store items during the period 2020-2022. Details are as under:

(Rupees)

Period	Particulars	Amount
2020-2021	Payment of temporary advances to various employees for purchase of different items	11,946,015
2021-2022		11,662,344
	Total	**23, 608, 359**

Audit observed as under:

1. A large number of advances were paid to the employees of different sections for purchase of different items.
2. Advance payments to suppliers were not covered within any rule.
3. Adjustments were not made even after a lapse of considerable period in violation of PAEC Accounting Rules & Procedures 2003.
4. The purchases were made without calling tenders / quotations and advertisement on PPRA's website in violation of PPRA Rules, 2004.

Audit is of the view that expenditure was made in violation of PPRA rules and advances were granted for purchase of routine items which were neither sensitive nor technical in nature.

The management replied that all temporary advances were processed according to NCA delegation of power with proper financial concurrence of competent authority and no advance payments were made to suppliers in temporary advance cases. They further stated KANUPP was working with 50% manpower during 2020-21 due to COVID-19 pandemic and transfer of employees including Accounts staff, therefore process of adjustment was delayed and the items purchased were emergent and contingent nature that was procured to keep plant operational and if the course of open tender/limited tender was adopted for these purchases, with their inherent time taking procedures, plant outages would certainly be prolonged and therefore procurement through temporary advances.

The reply of the management is not acceptable as the requirement of tender in case of the above purchases is mandatory. Moreover, the adjustment of advances has not been shown to audit.

Audit recommends that the advances may be recovered/ adjusted, and responsibility be fixed for not inviting tender.

28.5.2 Non-deposit of proceeds of auction into Govt. treasury – Rs.28.434 million

Rule 8 of GFR states that it is the duty of the Department concerned to see that the dues of the Government are correctly and promptly assessed, collected and paid into the treasury.

The management of KDP, KANUPP, Karachi collected proceeds of Rs. 28.434 million on account of auction of Scrap Aluminum, Karachi during 2020-2022.

Audit observed that the management deposited the auction amount in NIDA KANUPP Account No.3097245303 dated 15.04.2021 NBP, KANUPP branch, Karachi instead of Government treasury.

Audit is of the view that the entire auction money was required to be deposited into Government account.

The management replied that that collected proceeds of Rs. 28.434 million on account of auction of scrap aluminum deposited to KANUPP account and further remitted to PAEC Headquarter, Islamabad after paying applicable tax. The reply of the management is not acceptable as the auction amount was required to be deposited into government treasury which is held unauthorized.

Audit recommends that the auctioned amount of scrap material may be deposited into government treasury.

Karachi Nuclear Power Generating Station

28.5.3 Non- Recovery of Sale proceeds of Electricity- Rs 14,717.747 million

Rule 26 of GFR Vol.1 states that it is the responsibility of every controlling officer to see that all sums due to the government are regularly and promptly assessed and realized.

The management of KNPGS, Karachi exported the electricity to M/s Central Power Purchasing Agency (Guarantee) Limited amounting to Rs 217,301,970,798 during the financial year 2022-23. Details are as under:

(Rs. in million)

S. No.	Division	Electricity Exported	Verified Amount	Recovered Amount	Outstanding Amount
1	K-2	117,577.932	98,823.480	88,674.369	4,568.637
2	K-3	99,724.039	78,655.771	73,655.771	10,149.111
				162,330.140	**14,717.747**

Audit observed the management recovered only Rs 162,330 million but amount of Rs.14,717 million is still outstanding at the end of financial year 2022-23.

Audit is of the view that non recovery of outstanding amount is loss to public exchequer.

The management was informed on 17.10.2023 but no reply was received till finalization of the report.

Audit recommends that the amount of electricity may be recovered from the M/s CPPA at the earliest.

28.5.4 Non-recovery of disallowed amount - Rs. 62,083.615 million

Rule 26 of GFR Vol.1 states that it is the responsibility of every controlling officer to see that all sums due to the government are regularly and promptly assessed and realized.

The management of KNPGS, Karachi exported the electricity to M/s Central Power Purchasing Agency (Guarantee) Limited amounting to Rs 217,301,970,798 during the financial year 2022-23.

Audit observed that CPPA disallowed an amount of Rs. 62,083.615 million which is still not recovered. Details are as under;

(Rupees)

	Period	Amount Claimed	Amount disallowed
K-2	March 2021 to June 2022	107,913,169,188	18,413,689,976
	July 2022 to June 2023	117,577,931,777	18,754,451,915
K-3	April 2022 to June 2022	20,528,562,004	3,415,841,944
	July 2022 to June 2023	99,724,039,021	21,499,631,375
Total		**345,743,701,990**	**62,083,615,210**

Audit is of the view that non recovery of disallowed amount is unjustified causing loss to public exchequer.

The management was informed on 18.10.2023 but no reply was received till finalization of the report.

Audit recommends that disallowed amount may be recovered from M/s CPPA.

28.5.5 Non-deposit of proceeds of auction into Government Treasury - Rs. 6.325 million

Rule 8 of GFR states that it is the duty of the Department concerned to see that the dues of government are correctly and promptly assessed, collected and paid into treasury.

The management of KNPGS, Karachi auctioned nine vehicles amounting to Rs. 6,325,605 during the audit period 2022-23.

Audit observed that the sales proceeds of auction have not been deposited into government treasury.

Audit is of the view that non-deposit of auction amount into government treasury is loss to public exchequer.

The irregularity was reported to the management vide audit memo No.14 dated 19.10.2023 for clarification but no reply was received till the close of audit.

Audit recommends that sale proceeds may be deposited into government treasury.

28.5.6 Non-execution of contract agreement resulted in loss of Stamp Duty from the Contractors - Rs. 11.158 million

According to Sub: 22-A of Stamp Act, it is the duty of the Competent Authority to recover the Stamp Duty and affix the same, while execution of agreement @ 0.35 paisa per hundred rupees of the value of the agreement or against tender cost.

The management of KNPGS, Karachi purchased different machinery equipment and spare parts from various suppliers/firms amounting to Rs. 3,188.267 million through work/supply orders during the financial year 2022-2023.

Audit observed that the management did not execute contract agreements of purchases and services with the suppliers/contractors which resulted in a loss of stamp duty of Rs.11,158,932 @0.35 of the contracts amount.

Audit is of the view that non-execution of contract agreement resulted in loss of stamp duty.

The management was informed on 19.10.2023 but no reply was received till finalization of the report.

Audit recommends that the amount of stamp duty may be recovered from the suppliers and deposited into government treasury.

28.5.7 Irregular spot procurement – Rs.1.153 billion

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

Sr.No.21(d), Annex-III of PAEC Delegation of Financial Powers-2010 regarding spot purchases states that, when the items are of a sensitive nature or urgently required, purchase through a purchase committee may be resorted to with financial concurrence. Necessary funds for this purpose will be drawn up by the committee in advance.

The management of KNPGS, Karachi made procurement of Rs. 1,153,417,323 of store items & accessories related to electrical, mechanical, hardware, civil works furniture and fixture, paints, diesel generator and Air-conditioners etc. during the period 2022-2023.

Audit observed the following irregularities.

i. The procured items were neither identifiable as sensitive nor of peculiar technical nature based on information shared with audit.
ii. Procurement of heavy amounts was made without open competition.
iii. In most of the cases minimum three to four months period was taken for any spot purchase which indicates that the same were not required immediately and could have been procured through competitive process.
iv. Furniture and fixtures were also procured on a spot basis which is not an urgent requirement.
v. Stationery items were also purchased through spot purchase instead of annual tender.
vi. Furniture and fixtures were purchased through spot purchase under propriety items even though furniture and fixture is not proprietary item.

Audit is of the view that spot procurement were made for routine works in violation of PAEC delegation of financial powers and PPRA Rules and therefore held irregular.

The management was informed on 19.10.2023 but no reply was received till finalization of the report.

Audit recommends that the expenditure may be regularized besides responsibility may be fixed on a person at fault.

28.5.8 Non- delivery of spare parts of Rs 34.755 million

Supply order dated 03.04.2023 issued by KNPGS in favor of M/s Noor Start states that delivery time of spare parts amounting to Rs 34.755 million was 08 weeks.

Audit observed that

i. Despite a lapse of more than 05 months the contractor did not supply the 51 spare parts of pressure gauge.
ii. The management did not approach the contractor for supply. Even the validity of quotation has expired.
iii. No Contract agreement was executed, nor security deposit was received from contractor.

Audit is of the view that non-supply of spare parts within due time is irregular.

The management was informed on 20.10.2023 but no reply was received till finalization of the report.

Audit recommends that the matter may be investigated to identify reason of lapse and fix responsibility.

Gilgit Institute of Nuclear Oncology & Radiotherapy (GINOR)

28.5.9 Non-deposit of unclaimed amount of un-presented / outstanding cheques into Treasury - Rs. 206.567 million

Item IV of the General Policy of Revised Procedure for Operation of Assignment Account of Federal Government issued by the CGA vide letter No.C-II/I-39/08-Vol-V/632 dated 24.09.2008 states that the funds in Assignment Accounts will be part of Consolidated Fund. Amounts remaining unspent at the close of the financial year will appear as saving under the respective budget grant unless surrendered in time. Unspent amounts cannot be carried forward to next financial year.

The management of Pakistan Atomic Energy Commission (PAEC), Islamabad maintained bank account No. 4018982842 at NBP Margalla Branch, Islamabad having balances along with unpresented/outstanding cheques amounting to Rs. 206,567,268 for the financial year 2017-18 to 2021-22. Details are as under:

(Rupees)

S. No.	Financial Year	Bank Balances	Unpresented / Outstanding Cheques
1.	2017-18	28,713,235	15,698,082
2.	2018-19	33,219,677	32,651,334
3.	2019-20	3,197,000	79,567,417
4.	2020-21	49,318,964	49,793,395
5.	2021-22	28,892,239	28,857,040
Total Rs.		**143,341,115**	**206,567,268**

Audit observed that the amount of un-presented, unclaimed and outstanding cheques was not deposited into Government Treasury.

Audit is of the view that non-depositing of amount into Government Treasury is a serious lapse on the part of management.

The management replied that Bank Account No. 4018982842 at NBP Margallah Branch is not an "Assignment Account", it is declared as sub-assignment account and the balance in cash book/bank book at the close of each financial year i.e. 30.06.2018 to 30.06.2022 was" NIL". Whereas the balance as per bank statement i.e. Rs. 206.567 million detailed below was due to outstanding cheques which were not presented by the claimants. These cheques were cleared in ensuing months:

(Rupees)

Sr. No	Financial Year	Unpresented/ Outstanding cheques
1	2017-18	15,698,082
2	2018-19	32,651,334
3	2019-20	79,567,417
4	2020-21	49,793,395
5	2021-22	28,857,040
Total		**206,567,268**

The management reply is not agreed to by Audit as the amount was transferred from Assignment Account No. 501-0 PAEC (Budget) to other account without any provision in the rules. Also the balances includes unpresented/uncleared cheques after closure of financial year which was required to be cleared during the financial year, and the remaining amount was to be deposited in Government Treasury without delay.

Audit recommends probing the matter to fix responsibility and put in place controls to avoid the occurrence in the future

NORI, Islamabad

28.5.10 Non-recovery of receipts from different departments - Rs. 22.301 million

Clause 3 (3.2) of tri-party agreement made between Ministry of National Health Services, Regulations & Coordination (NHSR&C), Pakistan Atomic Energy Commission (PAEC) and State Life Insurance Corporation of Pakistan (SLIC) states that PAEC will be reimbursed for expenses of services rendered on preauthorized patients on actual of treatment. A hospital is to submit expected expense/rates for the referred cases for approval before patient admission. The payment will be made to PAEC within a period of 30 days after the claim is submitted by the PAEC.

The management of NORI hospital Islamabad provided treatment to patients along with other Hospitals/Departments' patients during 2021-22.

The audit observed that an amount of Rs. 22.301 million was not recovered from various SLIC and other departments up to financial year 2021-22.

Audit is of the view that non-recovery of expenditure deprived the management of its due receipts.

The management replied that some of payments on a/c of Sehat Salulat Card have been received and a reminder of remaining amount has been issued to State Life Insurance Corporation of Pakistan. On the other hand, maximum payments have already been received and other departments on account of tests services provided on credit basis. Only a few departments' payments are pending. Reminders to pay outstanding amounts have been issued to various departments. Detail is tabulated below:

S. No.	Descriptions	Total Amount (Rs.)	Amount Received (Rs.)	Amount Outstanding (Rs.)
1	**Sehat Sahulat Card**	395,647,975	392,153,412	3,494,397
2	**Others**	18,477,250	16,234,004	2,243,246
Total		**414,125,225**	**408,387,416**	**5,737,643**

The reply was not accepted as the management did not provide documentary evidence in support of recovery made. Furthermore, a handsome amount is still recoverable.

Audit recommends recovery of the balance amount at the earliest besides provision of record relating to recovery made.

CHAPTER 29

PLANNING AND DEVELOPMENT DIVISION

29.1 Introduction

As per Schedule II [Rule 3 (3)] Distribution of Business among the Divisions read with Schedule III [rule-4(4)] Rules of Business 1973 (As amended up to 23rd April, 2019) following main business have been assigned to the Division amongst the other functions.

1. (i) Preparation of comprehensive National Plan for the economic and social development of the country; (ii) Formulation, within the framework of the National Plan, of an annual plan and an annual development program; and (iii) Recommendations concerning orderly adjustments therein in the light of new needs, better information and changing conditions.
2. Monitoring the implementation of all major development projects and programs; identification of bottlenecks and initiation of time remedial action.
3. Evaluation of on-going and completed projects.
4. Review and evaluation of the progress achieved in the implementation of the National Plan.
5. Identification of regions, sectors and sub-sectors lacking adequate portfolio of projects and taking steps to stimulate preparation of sound projects in those areas.
6. Continuous evaluation of the economic situation and coordination of economic policies.
7. Organization of research in various sectors of the economy to improve the database and information as well as to provide analytical studies which will help economic decision making.
8. Association with the Economic Affairs Division in matters pertaining to external assistance in individual projects, from the stage prior to preliminary discussion up to the stage of final signing of documents with aid-giving agencies.

9. Development of appropriate cost and physical standards for effective technical and economic appraisal of projects.
10. Coordination of Social Action Program with World Bank and other donor Agencies.
11. National Logistics Cell.
12. Administrative control of:

    (i) Economists and Planners Group; (ii) Pakistan Institute of Development Economics; and (iii) Overseas Construction Board. (iv) Omitted vide SRO 428(1) /2018 dated 04-04-2018. (v) Pakistan Planning and Management Institute (PPMI). (vi) Jawaid Azfar Computer Center (JACC).
13. The Planning, Development and Reform Division shall act as the Secretariat of the Planning Commission which is the apex planning and coordination body under the Chairmanship of the Prime Minister. The relationship between the Planning and the Planning, Development and Reform Division will be as defined in Cabinet Division's Resolution No.4-6/2006-Min.I, dated 30th October, 2013.
14. Pakistan Environmental Planning and Architectural Consultants Limited.
15. Preparation of annual programs in accordance with agreed priorities and to assign responsibilities for the execution of their component items.
16. Examination and clearance of budgetary proposals for annual statistical improvements and developments.
17. Formulation of policy regarding general statistics for Pakistan and thereof by suitably adapting the statistical system of Pakistan to conform with the policy.
18. Coordination with the Provincial and Federal Governments, Semi-autonomous bodies and international organizations on statistical bearing directly or indirectly on such subjects as trade, industry, prices expenditure, input-output accounts, flow of funds, balance of payments, etc.
19. Evaluation and introduction of standard concepts, definition classification pertaining to national statistics series.

20. Preparation and implementation of in-service and foreign programs in the fields of statistics.
21. Evaluation of efficiency computerized methods for statistical estimation.
22. Clearance of statistical projects undertaken by different organizations on a contract basis.
23. Preparation, printing and release of publications on national statistics.
24. Undertaking of national census and surveys.
25. Administration of:

i. The Industrial Statistics Act, 1942.

ii. General Statistics (Reorganization) Act, 2011.

26. Agricultural Census, Population Census, National Quinquennial Livestock Census.
27. Collection, maintenance and analyses of demographic, population and vital health statistics.
28. Compilation of labour, manpower and employment statistics for national and international consumption.
29. Periodic assessment, review and analysis of manpower resources and requirements with reference to the employment situation in the country.

<u>ATTACHED DEPARTMENT / AUTONOMOUS BODIES</u>

i. Pakistan Bureau of Statistics
ii. Pakistan Planning and Management Institute.
iii. Pakistan institute of development economics
iv. Overseas construction board
v. National fertilizer development center

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY 2022-23) Rs. in million
1	Formations	64	2	22,912.337	-
2	Assignment Accounts (Excluding FAP)	1	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

29.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Planning, Development & Reform Division for the financial year 2022-23 was Rs. 32,128.29 million, out of which the Division expended an amount of Rs. 71,026.64 million. Grant-wise detail of current and development expenditure is as under:

(Rs. In million)

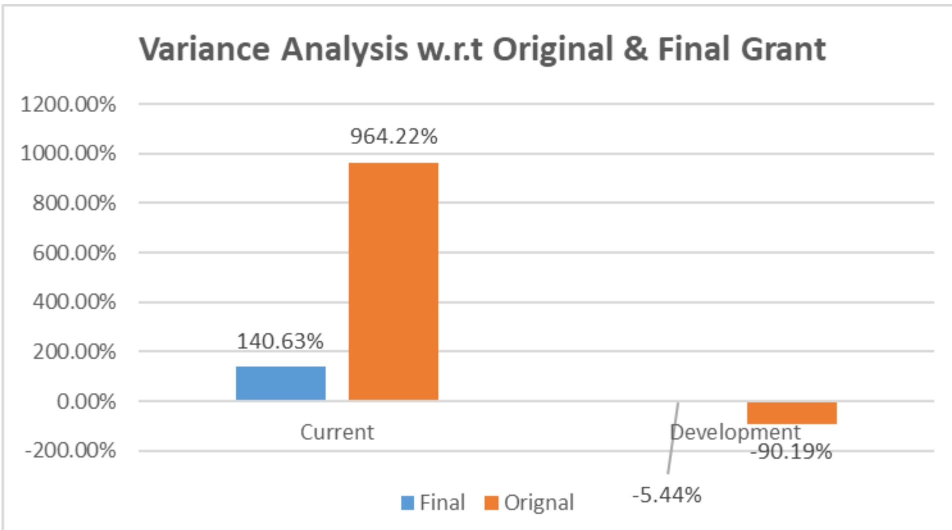
Grant No	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
79	Current Main	6,158.76	23,000.00	-1,346.43	27,812.33	66,933.16	39,120.83	140.66%
80	Current (CPEC)	131.15	.00	-125.47	5.68	5.50	-.17	-3.06%
	Current Total	**6,289.91**	**23,000.00**	**-1,471.90**	**27,818.00**	**66,938.66**	**39,120.66**	140.63%
118	Development	41,676.54	.00	-37,366.25	4,310.29	4,087.97	-222.32	-5.44%
	Total	**47,966.44**	**23,000.00**	**-38,838.15**	**32,128.29**	**71,026.64**	**38,898.34**	**121.07%**

Audit noted that there was an overall excess of Rs. 38,898.34 million, which was mainly due to saving in development and 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. 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, bifurcating total allocation into current and development expenditure, it was observed that, in case of development grant, there was 90.19% saving w.r.t original grant which was finally reduced to 5.44% w.r.t final grant and in case of current grant 964.22% excess was finally reduced to 140.63%.



29.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 8,747.63 million, were raised in this report during the current audit of **Planning And Development Division**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	21.794
3	Irregularities	
A	*HR/Employees related Irregularities*	14.4
B	*Procurement related irregularities*	-
C	*Management of account with commercial banks*	
D	*Recovery*	5.45
E	*Internal Control*	8,695.775
4	Value for money and service delivery	
5	Others	10.215

29.4 Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2012-13	12	0	0	12	-
2013-14	4	0	0	4	-
2014-15	1	1	0	1	-
2015-16	5	0	0	5	-
2016-17	8	0	0	8	-
2019-20	5	0	0	5	-
2021-22	13	0	0	13	-
Total	**48**	**1**	**0**	**48**	**-**

29.5 AUDIT PARAS

PAKISTAN BUREAU OF STATISTICS ISLAMABAD

29.5.1 Non-obtaining of adjustment accounts from districts administration - Rs. 8,695.775 million

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

As per Para-207(3) of GFR Volume-I, 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 Pakistan Bureau of Statistics, Islamabad paid an amount of Rs. 8,695.775 million to 157 district administrations as advance against the estimated expenditures on stationery, cost of other stores, hiring of vehicles & training/remuneration to field staff for 7th Population and Housing Census during the financial year 2022-23.

(Amount in rupees)

Sr. No.	Name of Province	Number of Districts	A03904-Hiring of vehicles	A03915-Payments to Government Departments for services rendered	Total Amount
1.	AJ&K	10	149,100,000	101,324,000	250,424,000

2.	Balochistan	34	430,500,000	352,608,000	783,108,000
3.	GB	10	51,240,000	33,690,000	84,930,000
4.	Islamabad	01	32,095,000	40,820,000	72,915,000
5.	KPK	35	642,460,000	716,639,000	1,359,099,0
6.	Punjab	37	1,882,475,000	2,257,824,000	4,140,299,0
7.	Sindh	30	928,900,000	1,076,100,000	2,005,000,0
TOTAL		**157**	**4,116,770,000**	**4,579,005,000**	**8,695,775,0**

Audit observed that neither detailed adjustment accounts were obtained from the concerned district administrations, nor the unspent amount (if any) was returned by them.

Audit is of the view that non-obtaining of detailed adjustment account(s) and non-retrieval of unspent amount (if any) from districts administrations is a violation of the treasury rules.

The management replied that Census Operation of Digital Census was conducted during March-May 2023 and process of payment to field staff was in progress till 30-06-2023 as the funds were provided to DCs on 18th March 2023 across the country. DCs were requested that the payment of field staff may be made after completion of field operation. It is further mention that 44% Remuneration charges of field staff are still pending with PBS which will be paid as and when Finance Division release funds. In this regard, District Administrations were busy in completion of other activities of this national task however, PBS has already asked to District Administration for provision of Adjustment of bills and unspent amount (if any).

The reply is not agreed to as the field operation has been completed but the adjustment accounts have not so far been received.

Audit recommends obtaining detailed adjustment accounts and retrieval of unspent amounts (if any) at the earliest.

29.5.2 Loss to public exchequer due to misplacement of 219 semi-rugged tablet devices - Rs. 21.794 million

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

The management of Pakistan Bureau of Statistics, Islamabad procured 126,000 Semi-Rugged Tablet Devices and Data Sims (10GB Data) from NADRA to Conduct 7th Population & Housing Digital Census during the financial year 2022-23. These devices were distributed countrywide at 495 CSCs for the National Rollout of Digital Census. Consequent upon completion of National Rollout and PES a countrywide tablet retrieval activity was initiated wherein the retrieved tablet devices were handed over to PBS from 17th August to 12th October 2023 as per detail given below:

Description	Quantity
Retrieved Tablets from CSCs	125,250
Lost Tablets	**219**
Tablets held by PBS Staff	33
Tablets held at PBS (2nd Floor Store)	369
Tablets not collected from CSCs (5X CSCs)	96
Issued to NADRA Development Team	15
Issued to ECP	10
Engineering Section	8
Total	**126,000**

Audit observed as under:

i. As per handing over/taking over report, a total of 219 semi-rugged tablet devices and Data Sims (10GB Data) amounting to Rs. 21,794,798 were reported as lost and remain unrecovered.
ii. The Pakistan Bureau of Statistics (PBS) management did not take any substantial steps to locate and retrieve these missing tablet devices.

Audit is of the view that due to misplacement/loss of these devices the public exchequer was put to loss of Rs. 21.794 million.

The management replied that Tablets were provided across the country to approximately 126,000 field staff. Tablets are being retrieved and to date 40 Tablets instead of 219 Tablet devices, have been reported snatched, stolen against which

FIRs have already been registered. Furthermore, verification process for missing Tablet Devices is under process.

The reply of the management is not acceptable as per handing over/taking over report, total 219 devices and data sims have been reported as lost.

Audit recommends inquiry to fix the responsibility besides retrieval of all missing devices.

Public Private Partnership Authority

29.5.3 Irregular Payment of Rent of Office Building Without Assessment from Pak.PWD – Rs, 10.215 million

Finance Division O.M. No. F.8(69)R.14/83/2001-452 dated 18.10.2001 states that hiring of private properties for office accommodation by the Federal Government must be supported by the following documents:

i. Statement of space entitlement along with details of sanctioned strength of officers/officials duly approved by Works Division as per their letter No. 10(11)/71-WIII dated 17.08.1971.
ii. Assessment Certificate issued by Pak PWD in accordance with specifications of premises.

Para 3 of Ministry of Housing and Works O.M. No. F.2(1)/2004/Policy dated 17.09.2004 states that after the decentralization of hiring of office accommodation, Ministry/Division/Department is competent to hire the private buildings for office accommodation as per prescribed scale, entitlement and the instructions issued by Ministry of Housing and Works. The Ministry/Division/Department will obtain the rent reasonability certificate from the Pak PWD in each and every case. The Pak.PWD shall ensure that the requirement of space is calculated by the Ministry/Division/Department in accordance with the prescribed scale laid down for various categories of officers/staff, etc.

The Public Private Partnership Authority, Islamabad established under Act No..III of 2017. Section 4 of PPPA, Act 2017 states that all contract entered into or rights acquired, and all matters and things engaged, to be done by with or for the Company, before the commencement of this Act shall be deemed to have been incurred, entered into, acquired or engaged to be done by, with or for the Authority, as the case may be.

The management of Public Private Partnership Authority, Islamabad took over the occupation of the building at House # 611, Street # 37, Sector E-11/3, National Police Foundation Housing Scheme, Islamabad after promulgation of PPPA Act, 2017 which was enforced on 27.03.2017. The detail of the payments made on account of rent of office building for the period 2018-21 is as under:\

Period	Amount (Rs.)
2018-19	3,506,580
2019-20	5,031,180
2020-21	1,677,151
Total	**10,214,911**

Audit observed that:

i. The payment of rent of office building was made without assessment from Pak.PWD

ii. The building was hired without observing the scales of office accommodation fixed by Ministry of Housing of Works.

Audit is of the view that hiring of building without observing the laid down instructions and assessment from Pak.PWD was irregular and unauthorized.

The management replied that an amount of Rs.5,031,180 was paid on account of rent of P3A building during 2019-20, which was situated in sector E-11, Islamabad. Further, Section 4 (b) of P3A Act 2017 as amended states that “all contracts entered into or rights acquired and all matters and things engaged to be done by, with or for the Company before the commencement of this Act shall be deemed to have been incurred, entered into, acquired or engaged to be done by, with or for the Authority as the case may be”. It is to mention that P3A was transformed from IPDF, a company under Section 42 of Companies Ordinance 1984. IPDF had entered into a contract with the owner of house for hiring of office building in E-11/3. The contract period was for the period from 2nd May 2018 to 1st May 2020.There was no need for rent assessment as building was hired prior to the establishment of P3A. The contracts signed during the IPDF regime were required to be fulfilled by the P3A under the P3A Act as stated above.

The amount of rent for the period 2019-20 has been updated as Rs. 5,031,180 instead of Rs. 10,062,360. Further, reply was not satisfactory because after promulgation of PPPA Act, 2017 which was enforced on 27.03.2017, the P3A should immediately have assessed the rent of the office building and rent of building should have been paid as per assessment report.

Audit recommends that the matter may be investigated at an appropriate level besides fixing of responsibility.

29.5.4 Dual payment for Same Period on Account of Rent of Office Building – Rs. 5.450 million

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

The management of Public Private Partnership Authority, Islamabad after establishment from Infrastructure Project Development Facility (IPDF) to Authority continued to occupy the building and made payment on account of rent of office building of House # 611, Street # 37, Sector E-11/3, National Police Foundation Housing Scheme, Islamabad upto 30.09.2020. Later on, the said house was vacated as per documents and a new building was hired for office accommodation at Evacuee Trust Complex, 5th Floor, F-5/1, Islamabad w.e.f. 01.10.2020 and the agreement was signed with Complex management. Detail of payment of rent is as under:

Address	Period of Payment	Amount (Rs.)	Address	Period of Payment	Amount (Rs.)
House # 611, Street # 37, Sector E-11/3, Islamabad	01.10.2020 to 30.10.2021 **(13 Months)**	5,450,445	Evacuee Trust Complex, 5th Floor, Sector F-5/1, Islamabad	01.10.2020 to 30.10.2021 **(13 Months)**	8,769,600

The audit observed that the payment of rent of office building was made against both buildings for same period constitutes financial loss to the organization.

Audit is of the view that payment of rent of both the vacated and newly hired office building for same period not only shows negligence of management but also incurs financial loss to the public exchequer.

The management replied that the payment of rent of both the vacated and newly hired office building for same period was being done because the ETPB had allocated the space to P3A, as bare grey structure, which was non-habitable, and its renovation was required to be carried out by the P3A through Pak PWD. The building structure handed over to P3A was a simple hall without flooring, ceiling, separation of rooms, electric equipment, I.T infrastructure, and basic necessities for running the office. Pak PWD required time for tender process and completion of work. P3A continued its operations from E-11 office till the completion of office at Evacuee Trust Building for continuity of official work. Stopping rent payments to either of the offices shall have entailed breach of contract and would have entailed loss to the government exchequer.

The management has accepted the audit observation.

Audit recommends that the matter may be investigated at an appropriate level besides fixing of responsibility.

29.5.5 Irregular payment of Board Meeting Attendance Fee - Rs 14.400 million

Section 25 of the Public Private Partnership Authority, Act 2017 states that the Federal Government may, by notification in official gazette and with the approval of the Board, make rules for carrying out the purposes of this Act.

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.

Section 6(1) of the Public Private Partnership Authority, Act 2017 states that there shall be a Board of Directors of the Authority comprising the following members, namely:-

(a)	Minister of Planning, Development and Reform	Chairperson
(b)	Secretary, Finance Division	Vice Chairperson
(c)	Secretary, Planning and Development and Reform Division	Member
(d)	Secretary, Board of Investment	Member
(e)	Two members from private sector nominated by the Federal Government	
(f)	Chief Executive Officer	Member
(g)	Secretary Concerned Division	Co-opted Member

Section 6(2) of the Public Private Partnership Authority, Act 2017 states that the Chief Executive Officer shall also act as Secretary of the Board

Section 6(3) of the Public Private Partnership Authority, Act 2017 states that the members from the private sector shall be appointed by the Federal Government for a period of three years and shall be entitled to such terms and conditions as the Federal Government may prescribe.

A meeting of Board of Directors of Public Private Partnership Authority constituted under Section 6 of PPPA Act, 2017 was held on 25.10.2019 and under agenda No.6, the Board of Directors approved the Board Attendance Fee of Rs. 75,000 for the Board Members including Chairperson, Vice-Chairperson and Chief Executive Officer attending the Board Meetings and a fee of Rs. 50,000 for attending the Board Committee meetings, out of the PPPA Fund. This approval was applicable from the 1st BoD meeting held on 24.05.2019.

The management of Public Private Partnership Authority, Islamabad made payment of Rs.14.400 million on account of fee to Board of Directors and Board of Committee members. Details are as under:

Year	**Amount (Rs.)**
2018-19	225,000
2019-20	2,100,000
2020-21	5,625,000
2021-22	6,450,000
Total	**14,400,000**

Audit observed as under:

i. The Board Meeting Attendance Fee was paid without approval from the Federal Government.
ii. The Public Private Partnership Authority has not framed any rules, regulations for carrying out the purpose of PPPA Act, 2017 since its inception.
iii. Board of Directors was not authorized to determine fee @ Rs.75,000 and Rs. 50,000 for Board meetings
iv. Payment of Rs. 9,975,000 was made from recurring budget instead of PPPA fund.
v. All the Board of Members were locally posted except private members

Audit is of the view that payment of fee of Board Meeting without rules and powers was irregular and unauthorized.

The management replied that sub-Section 8(1) read with sub-Section 4(g) authorizes the approval of members fee by P3A and the Board alike, therefore neither any irregularity was committed, nor any unauthorized payments have been made.

Reply was not satisfactory because Section 4(g) of the Public Private Partnership Authority, Act 2017 pertains to prescription of fee pertaining to PPPA's projects and not for board members' fee.

Audit recommends that past payment may be regularized from the Finance Division besides, discontinuation of practice till the approval of rules of Board Meeting Fees from the competent forum.

CHAPTER 30

PRIME MINISTER'S SECRETARIAT (Internal)

30.1 Introduction

The office of Prime Minister was created immediately after the establishment and the creation of Pakistan in 1947. Liaquat Ali Khan was the first Prime Minister appointed in 1947 .

The Constitution of 1973 provided the parliamentary system to Pakistan with Prime Minister as the head of government.

The Prime Minister is responsible for appointing a cabinet as well as running the government operations, taking and authorizing the executive decisions and appointments recommendations also need the executive confirmation of the Prime Minister.

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY 2022-23) Rs. in million
1	Formations	1	1	2,374.382	-
2	Assignment Accounts (Excluding FAP)	1	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

30.2Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Prime Minister's Office (Internal) for the financial year 2022-23 was Rs.477.38 million, out of which the PM Office expended an amount of Rs.477.38 million. Grant-wise detail is as under:

(Rupees in million)

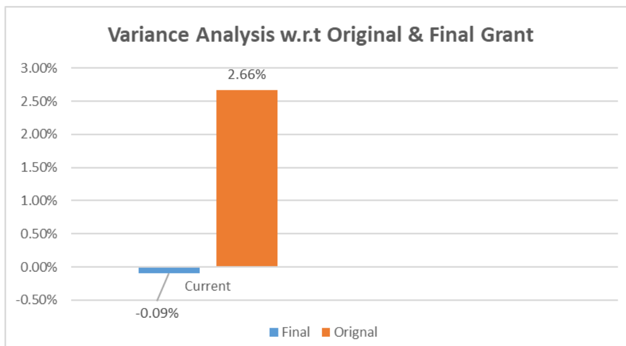
Grant No	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
10	Current	465.00	18.50	-5.67	477.84	477.38	-0.45	-0.09%

The audit noted that there was an overall saving of Rs.0.45 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. 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, it was observed that in the current grant there was 2.66% of excess w.r.t original grant which was become 0.09% saving w.r.t final grant.



30.3Classified Summary of Audit Observations

Audit observations, amounting to Rs. 141.52 million, were raised in this report during the current audit of **Prime Minister's Secretariat (Internal)**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	83.705
B	*Procurement related irregularities*	7.896
C	*Management of account with commercial banks*	
D	*Recovery*	
E	*Internal Control*	49.92
4	Value for money and service delivery	
5	Others	

30.4 Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2018-19	1	0	0	1	-
Total	**1**	**0**	**0**	**1**	-

30.5 AUDIT PARAS

30.5.1 Irregular payment of Honorarium over and above the limits - Rs. 83.705 million

Finance Division letter No.F.1(1) Exp-II/2022-22 dated 27.01.2022 states that Prime Minister directed that no forum (Finance Division/Chairman, (ECC) will approve grant of honorarium to Federal Government employees beyond a single basic pay during one fiscal year till such time that a policy in the matter is approved by the Federal Cabinet.

The management of the Prime Minister Office (Internal), Islamabad incurred expenditure of Rs. 108,904,510 on account of payment of Honorarium to its officials/officers during 2021-23 as per following details:

Financial Year	Official/ Officers BPS-1 to 18	Officers BPS-19-20	Total Expenditure (Rs)	No. of Honoraria per year	Over and above Amount (Rs)
2021-22	40,150,280	1,646,050	41,796,330	5	33,437,064
2022-23	64,481,430	2,626,750	67,108,180	5	53,686,544
Total	**104,631,710**	**4,272,800**	**108,904,510**		**83,705,368**

Audit observed officials/officers of PMO received more than one Honorarium per year.

Audit is of the view that payment of more than one honorarium per year to the officers/officials was violation of powers delegated to Principal Accounting Officer (PAO).

The management did not reply.

Audit recommends regularization of payment of more than one Honorarium per year to the officers/officials from the Finance Division or recovery of the payment made over and above the limit prescribed by rules.

30.5.2 Irregular expenditure on official Hospitality without open competition and cash payments through DDO - Rs. 28.797 million and non-deduction of GST and Income Tax - Rs. 2.275 million

Rule 12(1) of Public Procurement Rules, 2004 states that procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani 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 157 of Federal Treasury Rules (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".

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

The management of the Prime Minister Office (Internal), Islamabad incurred expenditure of Rs. 28,796,518 under the Head A-03996 (Official Hospitality) during 2022-23.

Audit observed that:

i. The procurement was made without open competition.
ii. The amount was drawn (in cash) instead of making payment(s) through cross cheques.
iii. Invoices were not attached with the claims.
iv. List of participants is not found on record.
v. The income tax amounting to Rs. 1,295,843 and 1/5th GST amounting to Rs. 979,082 were not withheld. Hence, an overpayment of Rs. 2,274,925 was made to the Supplier. Detail is as under: -

S.	Cost Center	Gross Amount (Rs.)	1/5th GST (Rs)	4.5% Income Tax (Rs.)	Net Amount (Rs.)
1	IB-0907	25,133,283	854,532	1,130,998	1,985,529

2	IB-0906	863,455	29,357	38,855	68,213
3	IB-0904	2,799,780	95,193	125,990	221,183
Total		**28,796,518**	**979,082**	**1,295,843**	**2,274,925**

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

Audit is also of the view that withdrawal of amount in cash instead of crossed cheques and non-deduction of Income Tax and GST was also irregular.

The management did not reply.

Audit recommends stoppage of the irregularity, and regularization of the expenditure from the Finance Division.

30.5.3 Non-enforcement of Austerity Measures @ 15% Cut - Rs. 21.123 million

Para (iii) of Finance Division vide letter dated 27.02.2023 states that single dish in case of meals and tea & biscuits on other occasions shall be served in government events/meetings.

Para (iv) of Finance Division vide letter dated 27.02.2023 states that 15% Cut (on annualized basis) shall be applied in current expenditure (Non-ERE) of all ministries/Division/attached departments/Sub-ordinate Offices/Autonomous bodies etc.

The management of the Prime Minister Office (Internal), Islamabad incurred expenditure on specific Head of Accounts.

Audit observed that the management did not follow austerity measures regarding operational expenditure.

The management did not reply.

Audit recommends regularization of excess expenditure from the Finance Division.

30.5.4 Irregular expenditure on procurements of Drugs and Medicine without open competition Rs. 7.896 million

Rule 8 of Public Procurement Rules, 2004 all procuring agencies shall devise a mechanism, for planning in detail for all proposed procurements with the objective of realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date, and benefits that are likely to accrue to the procuring agency in future.

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

The management of Prime Minister's Office (Internal), Islamabad (Dispensary IB-0912) incurred expenditure Rs. 7,895,680 under the Head A-03927 (Purchase of Drug and Medicine) during 2020-23.

Financial Year	Allocation (Rs)	Expenditure (Rs)	Surrender (Rs)	Savings (Rs)
2020-21	2,500,000	2,260,182	239,000	818
2021-22	2,700,000	2,684,793	15,000	207
2022-23	3,500,000	2,950,705	6,000	43,295
Total	**8,700,000**	**7,895,680**	**260,000**	**44,320**

The audit observed that the procurements were made without open competition.

Audit is of the view that non-obtaining of competitive rates through annual tendering is violation of Public Procurement Rules, 2004 leading to mis-procurement.

The department did not reply.

Audit recommends stoppage of irregularity and regularization of expenditure from the Finance Division.

CHAPTER 31

MINISTRY OF RELIGIOUS AFFAIRS AND INTERFAITH HARMONY

31.1 Introduction

As per Schedule II [Rule 3 (3)] Distribution of Business among the Divisions read with Schedule III [rule-4(4)] Rules of Business 1973 following main business have been assigned to the Division amongst the other functions.

1. Pilgrimage beyond Pakistan; Muslim pilgrims' visits to India.
2. Ziarat and Umra and Welfare and safety of pilgrims and Zairian.
3. Islamic studies and research including holding of seminars, conferences, etc., on related subjects.
4. Training and education of Ulemas and Khatibs etc.
5. Error-free and exact printing and publishing of the Holy Quran.
6. Exchange of visits of scholars.
7. Ruet-e-Hilal.
8. Tabligh.
9. Observance of Islamic Moral Standards.
10. Donations for religious purposes and propagation of Islamic Ideology abroad.
11. Marriage and divorce, infants and minor's adoption.
12. Policy and legislation with regard to interfaith harmony.
13. International agreements and commitments in respect of all religious communities and implementation thereof.
14. Representation of Pakistan at UN Sub-Commission on Prevention of Discrimination to Minorities.

ATTACHED DEPARTMENTS / AUTONOMOUS BODIES

i. Hajj and Umrah Directorate (06) subordinate offices.

ii. Council of Islamic Ideology.
iii. Pakistan Madrassah Education Board.
iv. Evacuee Trust Property Board.
v. National Commission for Minorities.

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY 2022-23) Rs. in million
1	Formations	10	2	6,463.594	
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	33	4	84.875	-
4	Foreign Aided Project (FAP)	-	-	-	-

31.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the Religious Affairs And Interfaith Harmony Division for the financial year 2022-23 was Rs.1,270.61 million, however the Division expended an amount of Rs.1,309.61 million. Grant-wise detail of current and development expenditure is as under:

(Rs. In million)

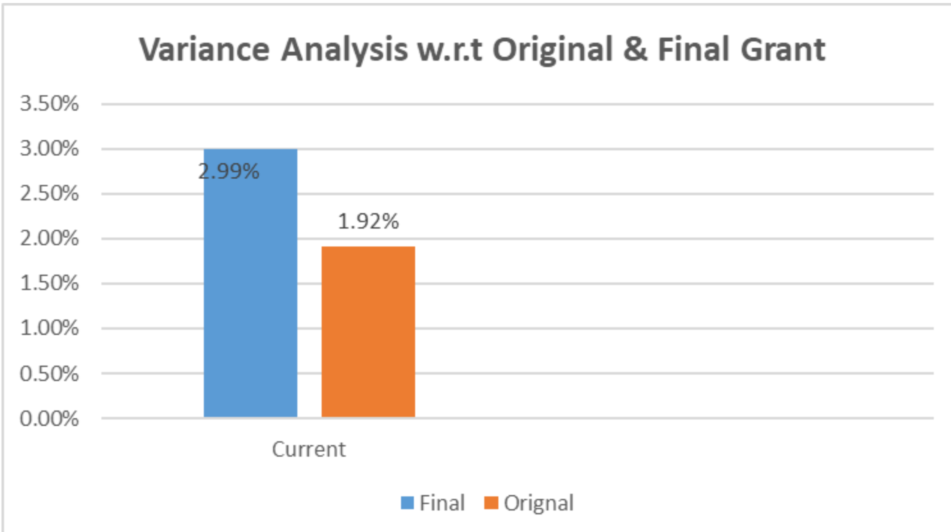
Grant No	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
86	Current	1,285.00	.00	-14.58	1,270.42	1,309.61	39.19	2.99%

Audit noted that there was an overall excess of Rs.39.19 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. 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, it was observed that under the current grant there was 1.92% of excess w.r.t original grant which increased to 2.99% excess w.r.t final grant.



31.3Classified Summary of Audit Observations

Audit observations, amounting to Rs. 2916 million, were raised in this report during the current audit of **Ministry Of Religious Affairs And Interfaith Harmony**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	
B	*Procurement related irregularities*	
C	*Management of account with commercial banks*	
D	*Recovery*	2916
E	*Internal Control*	
4	Value for money and service delivery	
5	Others	

31.4 Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2010-11	2	1	1	1	100
2011-12	4	0	0	4	-
2012-13	6	0	0	6	-
2013-14	7	6	1	6	17
2014-15	4	4	2	2	50
2015-16	25	0	0	25	-
2016-17	11	4	1	10	25
2018-19	12	0	0	12	-
2019-20	12	12	0	12	-
2020-21	20	0	0	20	-
2021-22	2	0	0	2	-
2022-23	13	0	0	13	-
Total	**118**	**27**	**5**	**113**	-

31.5 AUDIT PARAS

Ministry of Religious Affairs and Interfaith Harmony

31.5.1 Non-deposit of rent/receipts collected into Federal Consolidated Fund - Rs. 96.741 million

As per Rule 7(1) of Federal Treasury Rules (FTR) all moneys received by or tendered to Government officers on account of the revenues of the Federal Government shall, without undue delay, be paid in full into a treasury and shall not be appropriated to meet departmental expenditure, nor otherwise kept apart from the Federal Consolidated Fund (FCF) of the Federal Government.

The management of Ministry of Religious Affairs and Interfaith Harmony (Main Secretariat), Islamabad received rent and receipts amounting to Rs. 96.741 million during 2021-22, as per detail below:

Date	Received from	Receipt Description	Amount (Rs.)
30.06.2021	ICT - Police	Rent of Building	2,205,000
14.07.2021	Ripha University	Rent of Building	22,052,835
14.07.2021	Ripha University	Rent of Building	14,701,890
31.05.2022	Ripha University	Rent of Building	50,018,174
31.05.2022	Ripha University	Rent of Building	456,000
02.07.2021	M/s Hotline Travels - HGO	Penalty	500,000
03.09.2021	HGOs - through NBP	Co. Name/Address change	190,000
17.09.2021	HGOs - through NBP	Co. Name/Address change	25,000

29.12.2021	HGOs - through NBP	Co. Name/Address change (25)	635,000
18.02.2022	HGOs - through NBP	Co. Name/Address change (18)	395,000
24.02.2022	M/s Sanofi Aventis Pakistan Ltd	Penalty - vaccine	4,617,000
08.03.2022	HGOs - through NBP	Co. Name/Address change (5)	25,000
15.03.2022	HGOs - through NBP	Co. Name/Address change (11)	245,000
31.03.2022	HGOs - through NBP	Co. Name/Address change (10)	240,000
08.04.2022	HGOs - through NBP	Co. Name/Address change (12)	270,000
25.04.2022	HGOs - through NBP	Co. Name/Address change (14)	70,000
07.03.2022	Pharmaceutical firms	Purchase of tender documents	25,000
25.04.2022	Pharmaceutical firms	Purchase of tender documents	70,000
TOTAL			**96,740,899**

Audit observed that the management did not deposit rent and receipts into Federal Consolidated Fund (FCF).

Audit is of the view that non-deposit of rent and receipts into FCF is a violation of provisions of FTRs, thus the management's action is held irregular and unauthorized. Furthermore, the government was deprived of its due receipts.

The management did not reply till finalization of the report.

Audit recommends discontinuation of irregular practice of non-deposit of rent and receipts collected into FCF immediately.

Evacuee Trust Property Board, Lahore

31.5.2 Non-Assessment of Evacuee Trust Properties

Section 4(2)(f) of the Evacuee Trust Properties (Management & Disposal) Act, 1975 empowers the Board to assess or reassess the rent or lease amount of the evacuee trust property.

The Supreme Court of Pakistan vide order dated 08-09-2022 decided appeals of some tenants who filed writ petition against Assessment/ Re-assessment in the Scheme 1977. The operative part of the judgment of Supreme Court of Pakistan is as under:

> *"The respondents are however directed to make a reassessment of the rent in accordance with law. We have been informed that the law provides for reassessment every three years. As soon as the period of three years expires after rent dues in accordance with the law after hearing all concerned parties including the petitioner. The learned counsel for the petitioner on*

instructions submits that as far as arrears are concerned, the petitioners are ready and willing to pay the same provided reasonable installments are allowed to them to clear their dues. In case, the amount of arrears has been finalized, the petitioners may approach the Department with a reasonable proposal regarding payment of dues in installments and if such application is made the department shall consider the same sympathetically and decide it in accordance with law.”

Audit observed as under:

i. The ETP Board in 348th meeting held on 27.09.2022 directed to implement the order of the Supreme Court of Pakistan.
ii. Standard Operating Procedures (SOPs) for assessment / re-assessment were formulated by ETPB Headquarter for implementation.
iii. The ETPB Headquarter stopped the implementation of the SOPs on the objection raised by the Administrator Faisalabad Zone and Deputy Administrator Lahore-I.

Audit is of the view that the directions of the Supreme Court were very clear and the delay in implementation thereof is undue favour to the tenants.

The management did not reply.

Audit recommends that directions of the Supreme Court of Pakistan may be implemented in letter and spirit besides fixing the responsibility of delay in assessment / re-assessment on the persons at fault.

31.5.3 Non-recovery of rent/ lease money from defaulters - Rs. 1,701 million

Section 4(2)(q) of the Evacuee Trust Properties (Management and Disposal) Act, (No. XIII) 1975 states that the function of the Board shall be to exercise financial and administrative control over offices attached to or under it.

Evacuee Trust Properties Board (ETPB) record revealed that an amount of Rs. 1,701.05 million was recoverable from the tenants/ lessees as per following detail:

S.No.	**ETPB-District**	**Arrears (Rs. in million)**
1.	Lahore-I	224.62
2.	Peshawar	118.73

3.	Rawalpindi	79.91
4.	Sukkur	189.31
5.	Karachi (U)	186.82
6.	Karachi (R)	95.58
7.	Hassanabdal	34.38
8.	Lahore-II	64.62
9.	Multan	77.08
10.	Jhang	43.17
11.	Sahiwal	37.05
12.	Layyah	86.47
13.	Sialkot	42.34
14.	Hyderabad	79.73
15.	Sargodha	45.35
16.	Gujrat	102.40
17.	Bannu	39.65
18.	Bhakkar	11.06
19.	Gujranwala	27.05
20.	Faisalabad	42.68
21.	Sheikhupura	10.53
22.	Okara	9.99
23.	Quetta	10.95
24.	Kasur	12.30
25.	Nankana Sahib	21.17
26.	Bahawalpur	8.11
	Total:	**1701.05**

The audit observed that the management did not take corrective steps to recover the outstanding rent.

Audit is of the view that non recovery of dues had deprived the Board of a legitimate share of income.

The management did not reply.

Audit recommends recovery of outstanding rent.

31.5.4 Non-recovery of arrears from defaulters of ETPB Islamabad - Rs.81.013 million

Clause 3-(i) (a) of as per Amended Scheme for the Management & Disposal of Urban Evacuee Trust Properties, 1977 provides that the tenant shall pay the monthly rent in advance by the 10 of each month and in case of annual lease, the lease money shall be paid by the 10 of the first month of the lease year. In case of default in payment by the above said due date, surcharge @ 10% shall be charged.

The ETPB rented out office space of GT Tower and ET Complex Islamabad to various Ministries/ Divisions and private companies. Rent of office building amounting to Rs. 81,012,788 was outstanding against the following defaulters/lessees of ETPB properties up to 30.06.2023:

Amount in Rupees

Sr. No.	Name of Ministry/ Govt. Department	Period		Outstanding Amount	Received Amount	Amount of Arrears
		From	To			
1	Pakistan Credit Guarantee	01.10.2014	30.06.2019	18,119,056	13,257,879	4,861,177
2	Govt. of Balochistan	15.11.2020	14.11.2023	5,840,327	1421805	4,418,522
3	Federal Board of Revenue	15.01.2021	14.01.2024	6,728,940	2,821,097	3,907,843
4	Hafiz Ahsaan Ahmed & Law Associates	19.08.2022	18.08.2025	1,001,000	0	1,001,000
5	Federal Board of Revenue	15.01.2021	14.01.2024	7,225,200	4,094,280	3,130,920
6	M/O Information Tech.	01.03.2021	28.02.2024	2,091,534	0	2,091,534
7	Federal Board of Revenue (AEIO Zone)	01.01.2022	31.12.2024	9,907,650	3,508,962	6,398,688
8	Poverty Alleviation	05.02.2020	04.02.2023	88,637,737	37,187,465	51,450,272
9	NCRC	01.09.2020	31.08.2023	7,192,032	3,439,200	3,752,832
					Grand Total	**81,012,788**

Audit observed that Evacuee Trust Property Board did not recover the outstanding rent of Rs.81,012,788 up to 30.06.2023 from above said Federal Ministries/Government Departments located at GT Tower and ET Complex Islamabad.

Audit is of the view that due to negligence of the management of Evacuee Trust Property, Lahore the Government/Board was deprived of the due share of income from properties.

The management did not reply.

Audit recommends recovery of the outstanding rent from the tenants.

31.5.5 Non-completion of geo-mapping of ETP properties

Section 4(1) of the Evacuee Trust Properties (Management and Disposal) Act, (No. XIII) 1975 states that general supervision and control of all evacuee trust shall, subject to any directions that may be given by the Federal Government, vest in the Board, and Board shall take such action as it deems fit for the proper management, maintenance, and disposal of such property in accordance with provisions of this Act and the rules, scheme or directions made or issued there under.

ETPB in its 331st Board meeting held on 30-09-2020 approved the proposal of Surveyor General of Pakistan amounting to Rs. 28 million for the geo-mapping of ET properties with completion period of 06 months. A contract agreement for execution of the project was signed on 19-10-2020 between ETPB & Survey of Pakistan.

Audit observed as under:

i. The implementation period of the project in the contract was mentioned one year in contradiction to the time allowed by the Board of 06 months.
ii. Despite making payment of Rs. 28 million to the Survey of Pakistan, as approved by the Board in its 340th meeting, the task could not completed till today.
iii. Being part of the contract, an android application was also developed to take pictures and location of the property but no progress on its implementation was on record.

Audit is of the view that (i) signing of contract agreement for a period of one year in contradiction to the directions of the Board; (ii) clearance of full payment of contract amount without completion of the task; (iii) non implementation of the Android application to attach the image and location of the property is gross negligence on part of the management.

The management did not reply.

Audit recommends that the process may be completed as per the agreement signed, especially implementation of the Android application to attach the image and location of the property.

31.5.6 Inefficiency causing increase in encroachments despite SUPARCO reports through satellite imagery

Section 4(1) of the Evacuee Trust Properties (Management and Disposal) Act, (No. XIII) 1975 states that general supervision and control of all evacuee trust shall, subject to any directions that may be given by the Federal Government, vest in the Board, and Board shall take such action as it deems fit for the proper management, maintenance, and disposal of such property in accordance with provisions of this Act and the rules, scheme or directions made or issued there under.

Clause 2(i) of Scheme of Removal of Encroachments and Demolition of unauthorized structures on the Evacuee Trust Property, 1983 provides that the Chairman, an Administrator, a Deputy Administrator or an Assistant Administrator hereinafter referred to as the unauthorized officer, may order the removal of any encroachment made on or over an Evacuee Trust Property and may also order the demolition of unauthorized structures thereon, whether temporary or permanent".

ETPB in its 346th Board meeting approved the proposal of SUPARCO for satellite-based monitoring of ET assets on a quarterly basis for efficient management of ET Properties for Rs. 170.90 million. Accordingly, an agreement was signed with SUPARCO on 12-08-2022 for implementation of the project.

Audit observed as under:

i. On implementation of the Satellite monitoring by SUPARCO the encroachments were reduced from 57.1466 Acres (in first quarter December 2022 to February 2023) to 7.008 Acres (in second quarter March to May 2023) i.e. reduced by 82 %.
ii. The encroachment was again increased to 12.4817 Acres in the third quarter from June to September 2023.
iii. Actions taken by management on the encroachments reported by SUPARCO were not forthcoming from the record.

Audit is of the view lack of action by ETPB and concerned District Administrator on the encroachment reported by satellite imagery is gross negligence on part of the management.

The management did not reply.

Audit recommends that responsibility may be fixed for non-removal of encroachments as reported by satellite imagery.

31.5.7 Non recovery of arrear of lease money from the occupants of Agriculture land - Rs. 101.481 million

Section 24 of the Evacuee Trust Property Board Act, 1975 is reproduced as under:

Any sum due to the Board in respect of any Evacuee Trust Property, which is not paid within thirty (30) days of its having become due, shall be recoverable as arrears of land revenue.

Clause 14 of Scheme for the Lease of Evacuee Trust Agriculture Land, 1975 is reproduced as under:

“The full lease money for the first year shall be payable by the lessee in advance and for subsequent years by the 31st of January every year. In case of auction the lease money shall be payable at the fall of hammer and for each subsequent year payable in advance by 31st of January”.

The management of the ETPB leased out agriculture land in different districts to different formers for agriculture purposes. Details are as under:

(Rupees)

Sr.#	District	Arrear upto June, 2023
1.	Bahawalpur	179,584
2.	Bannu/D.I.Khan	962,012
3.	Bhakkar	1,645,637
4.	Faisalabad	4,268,221
5.	Gujranwala	8,184,724
6.	Gujrat	1,685,737
7.	Hassanabdal	12,404,073
8.	Hyderabad	325,198
9.	Jhang	8,118,021
10.	Kasur	20,371,428
11.	Multan	2,105,601
12.	Okara	2,225,649
13.	Peshawar	32,500,058

14.	Rawalpindi	4,468,241
15.	Sargodha	92,465
16.	Sialkot	1,674,849
17.	Sukkur	270,114
	Total	**101,481,612**

Audit observed that the management neither extended the lease period nor recovered the rent amounting to Rs.101,481,612 for the period after the expiry of the previous lease.

Audit is of the view that due to non-recovery the Trust Fund was put to loss.

The management did not reply.

Audit recommends recovery of the outstanding lease money.

31.5.8 Irregular lease of land of 234 Acres to a single lessee

Section 7 (f)&(g) of the Evacuee Trust Properties (Management & Disposal) Act 1975 provides constitution of Trust Pool including (f) all profits and income received or derived from any evacuee trust property (g) all rents, and other amounts received, realized or recoverable in respect of evacuee trust property.

Clause 3 of the Scheme for the lease of Evacuee Trust Agricultural Land, 1975 states that:

(1) the lease of the land in rural areas shall be given to the following:

i. The Cultivator.
ii. The J&K refugees/ allottee/ lessee.
(2) The proposed lessee under sub-para (1) above may be allowed to retain land upto a maximum of 12 ½ acres provided he:

i. Does not own more than 4 ½ acres of agricultural land: or
ii. Who has no tenancy right of 12 ½ acres or more anywhere.

Clause 12(5) of the Scheme for lease of Evacuee Trust Agricultural Land, 1975 states that no person can bid and take on lease rural agricultural land in excess of 12 ½ acres, urban agricultural land in excess of six acres and Banjar land in excess of economic holding with marginal adjustments.

The Chairman ETPB approved to lease agricultural land measuring 234 acres to M/s Pakistan International Agricultural Services (PIAS) (Pvt) Ltd, Lahore @ Rs. 43,000 per acre per annum.

Audit observed as under:

i. The lease of 234 acres land was offered in violation of the Scheme for the lease of Agricultural Land, 1975.
ii. The ETP Board approved allowing PMU to lease out the land and retain income derived therefrom in violation of the ETPB Act.

Audit is of the view that lease of 234 acres of agriculture land to a single party is violation of the Scheme 1975. Further giving control over the land to the PMU and receiving the income derived therefrom is irregular.

The management did not reply.

Audit recommends inquiry to fix the responsibility besides deposit of already received income into Trust Pool.

31.5.9 Loss due to non-recovery of rent from tenant of commercial property measuring 15 kanals 12 marla at Bela Basti Ram, Lahore – Rs. 924.551 million

Section 24 of the Evacuee Trust Properties (Management & Disposal) Act, 1975 states that any sum due to the Board in respect of any evacuee trust property which is not paid within thirty days of its having become due, shall be recoverable as an arrears of land revenue.

Evacuee Trust Property measuring 15 kanal 12 marlas 189 Sq.ft situated at Bela Basti Ram, Lahore was leased out to Mr. Amir Abdullah Khan Rokhari for period of 33 years on 26-07-1966 extendable for a further period of 99 years. The lease period was extended w.e.f. 30-07-1999 to 29-07-2032 in favour of Mst. Zeenat Amir Khan Rokhri widow of Amir Abdullah Khan Rokhari (late).

The amount of Rs. 924,551,383 was outstanding against the lessee as on 30-08-2023. The detail of arrear is

From	To	No of Months	Monthly Rent	Total Rent	Annual Increase

01.08.1999	30.06.2002	35	1,094,940	38,322,900	
01.07.2002	30.06.2005	36	1,423,422	51,243,192	30 % Increased
01.07.2005	30.06.2006	12	1,850,449	22,205,383	30 % Increased
01.07.2006	30.06.2007	12	1,998,484	23,981,814	8 % Increased
01.07.2007	30.06.2008	12	2,158,363	25,900,359	8 % Increased
01.07.2008	30.06.2009	12	2,331,032	27,972,388	8 % Increased
01.07.2009	30.06.2010	12	2,517,515	30,210,179	8 % Increased
01.07.2010	30.06.2011	12	2,718,916	32,626,993	8 % Increased
01.07.2011	30.06.2012	12	2,936,429	35,237,152	8 % Increased
01.07.2012	30.06.2013	12	3,171,344	38,056,125	8 % Increased
01.07.2013	30.06.2014	12	3,425,051	41,100,615	8 % Increased
01.07.2014	30.06.2015	12	3,699,055	44,388,664	8 % Increased
01.07.2015	30.06.2016	12	3,994,980	47,939,757	8 % Increased
01.07.2016	30.06.2017	12	4,314,578	51,774,937	8 % Increased
01.07.2017	30.06.2018	12	4,659,744	55,916,932	8 % Increased
01.07.2018	30.06.2019	12	5,032,524	60,390,287	8 % Increased
01.07.2019	30.06.2020	12	5,435,126	65,221,510	8 % Increased
01.07.2020	30.06.2021	12	5,869,936	70,439,231	8 % Increased
01.07.2021	30.06.2022	12	6,339,531	76,074,369	8 % Increased
01.07.2022	30.06.2023	12	6,846,693	82,160,319	8 % Increased
01.07.2023	30.08.2023	2	7,394,429	14,788,857	8 % Increased
Total payable				935,951,963	
Amount paid by lessee				11,400,580	
Outstanding amount				**924,551,383**	

Audit observed that ETP did not recover the outstanding rent of Rs.924.551 million from the tenant.

Audit is of the view that due to non-recovery of lease money, the ETPB was deprived of its due revenue of Rs. 924.551 million.

The management did not reply.

Audit recommends that recovery of outstanding lease money may be made and verified from audit.

31.5.10 Non-recovery of monthly rent from Dr. AQ Khan Hospital Trust – Rs. 11.214 million

Section 4(1) of the Evacuee Trust Properties (Management and Disposal) Act, (No. XIII) 1975 states that general supervision and control of all evacuee trust shall, subject to any directions that may be given by the Federal Government, vest in the Board, and Board shall take such action as it deems fit for the proper management, maintenance, and disposal of such property in accordance with provisions of this Act and the rules, scheme or directions made or issued there under.

ETPB entered into an agreement with Dr. A.Q.Khan Hospital Trust and lease out land measuring 15 kanals 3 marlas for a period of 30 years with the construction period of 03 years. Rent after construction due as per agreement (50% of rate of category B of Clause 18-B) was as under:

Floor	Covered Area	Rate	Rent per month
Basement	28796	1	28796
Lower Ground Floor	28796	2.25	64791
Upper Ground Floor	30059	2.25	67632.75
First Floor	28116	1.5	42174
Second Floor	28068	1	28068
Third Floor	29835	0.5	14917.5
Mumty	4837	0.5	2418.5
Total	**178507**		**248797.75**

Monthly rent amounting to Rs. 11,214,162 was recoverable with 8% annual increase from the Hospital Trust as detailed below:

Period	Rent	Amount (Rs)
11-04-2020 to 30-06-2020	248798 x 3	746,394
01-07-2020 to 30-06-2021	268702x12	3,224,424
01-07-2021 to 30-06-2022	290,198 x 12	3,482,376
01-07-2022 to 30-06-2023	313,414 x 12	3,760,968
	Total:	**11,214,162**

Audit observed that the monthly rent amounting to Rs. 11,214,162 was not being recovered with an 8% annual increase from the Hospital Trust.

Audit is of the view that non-recovery of the monthly rent has deprived ETPB of its due receipt.

The management did not reply.

Audit recommends recovery of outstanding rent from the lessee.

31.5.11 Non-establishment of Pension Fund

Para 16(1) of Evacuee Trust Property Board (Pension) Regulations requires that there shall be a fund consisting of contribution made by the Board to be called the Trust Property Pension Fund out of which all pension and gratuities shall be payable to its employees.

The management of ETPB Lahore made payment on account of Pension during the financial year 2019-23 as under:

Year	**Allocation Rs. million**		**Payment Rs. million**	
	Gratuity	**Pension**	**Gratuity**	**Pension**
2019-20	50.030	161.168	42.991	158.995
2020-21	27.546	184.951	22.223	176.690
2021-22	30.350	194.861	29.810	194.225
2022-23	93.000	247.413	92.955	247.198
Total	**200.926**	**788.393**	**187.979**	**777.108**

Audit observed as under:

i. The management did not create a Pension Fund to deposit the amount of monthly contribution of the employees.
ii. The management got approved its annual budget for pension from the ministry and made payments there against.
iii. The controlling Ministry and FA Organization did not pinpoint the irregularity since the approval of Pension Rules in 1979 up to 2023.

Audit is of the view that the payment of pension through budget allocation was a violation of the approved Pension Rules.

The management did not reply.

Audit recommends creation of Pension Fund by calculating the monthly contribution from 1979 to 2023 and deducting the yearly amount of pension paid. Further payment should be made from the Pension Fund.

CHAPTER 32

MINISTRY OF SCIENCE AND TECHNOLOGY

32.1 Introduction

As per Schedule II [Rule 3 (3)] Distribution of Business among the Divisions read with Schedule III [rule-4(4)] Rules of Business 1973 (As amended up to 23rd April, 2019) following main business have been assigned to the Division amongst the other functions.

10. Establishment of science cities.
11. Establishment of institutes and laboratories for research and development in the scientific and technological fields.
12. Establishment of science universities as specifically assigned by the Federal Government.
13. 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.
14. Promotion of applied research and utilization of results of research in the scientific and technological fields carried out at home and abroad.
15. Guidance to the research institutions in the Federation as well as the provinces in the fields of applied scientific and technological research.
16. Coordination of utilization of manpower for scientific and technological research.
17. Promotion and development of industrial technology.
18. Promotion of scientific and technological contacts and liaison nationally and internationally, including dealings and agreements with other countries and international organizations.
19. Initiate promotional measures for establishment of venture capital companies for technological development and growth.
20. Support to NGOs concerned with development of science and technology.

21. Promotion of metrology Standards, Testing and Quality Assurance System.

ATTACHED DEPARTMENTS / AUTONOMOUS BODIES

iv. National Commission for Science and Technology.

v. Pakistan Council of Scientific and Industrial Research.

vi. Council for Works and Housing Research.

vii. Pakistan Science Foundation.

viii. National Institute of Electronics.

ix. Pakistan Council of Science and Technology.

x. National Institute of Oceanography.

xi. STEDEC Technology Commercialization Corporation of Pakistan (Private) Limited.

xii. National University of Sciences and Technology.

xiii. Pakistan Standards and Quality Control Authority (PSQCA).

xiv. Prescription of standards and measures for quality control of manufactured goods.

xv. Establishment of standards of weights and measures.

xvi. Development, deployment and demonstration of renewable sources of energy.

xvii. Pakistan National Accreditation Council (PNAC).

xviii. Pakistan Council of Renewable Energy Technologies (PCRET).

xix. COMSATS Institute of Information Technology.

xx. Pakistan Engineering Council (PEC).

xxi. Pakistan Halal Authority.

xxii. National University of Science & Technology.

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY 2022-23) Rs. in million
1	Formations	80	4	969.001	10,857.036
2	Assignment Accounts (Excluding FAP)	9	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	41	10	11,879.933	-
4	Foreign Aided Project (FAP)	-	-	-	-

32.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Science and Technology Division for the financial year 2022-23 was Rs. 14,820.30 million, out of which the Division expended an amount of Rs. 14801.85 million. Grant-wise detail of current and development expenditure is as under:

(Rs. In million)

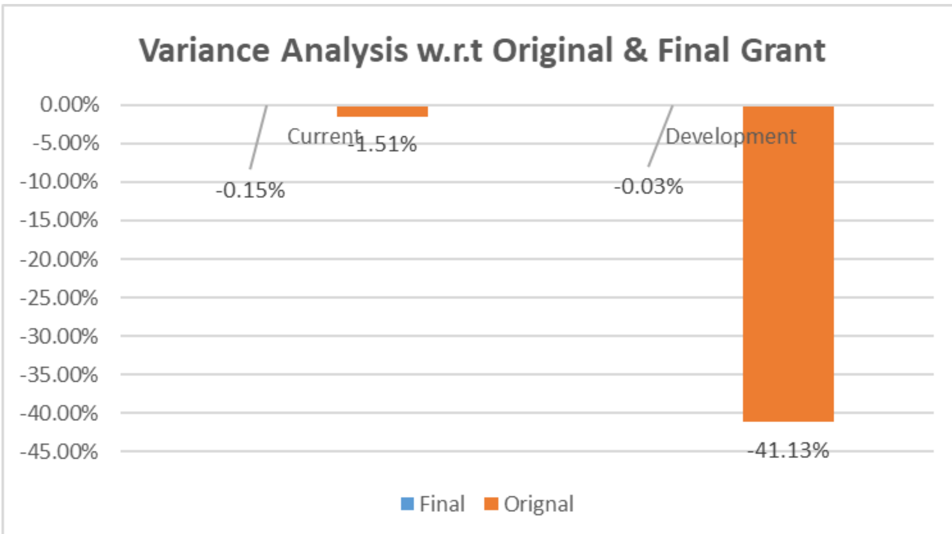
Grant No	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
87	Current	11,611.63	.00	-157.78	11,453.84	11,436.55	-17.29	-0.15%
120	Development	5,716.39	.00	-2,349.93	3,366.46	3,365.31	-1.15	-0.03%
	Total	**17,328.02**	**.00**	**-2,507.72**	**14,820.30**	**14,801.85**	**-18.45**	**-0.12%**

Audit noted that there was an overall savings of Rs.65.38 million, which was mainly due to saving 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, bifurcating total allocation into current and development expenditure, it was observed that, in case of development grant, there was 41.13% of saving w.r.t original grant which was finally reduced to 0.03% w.r.t final grant and in case of current grant 1.51% saving was finally reduced to 0.15%.



32.3Classified Summary of Audit Observations

Audit observations, amounting to Rs. 8,271.657 million, were raised in this report during the current audit of **Ministry Of Science And Technology**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	748.378
2	Reported cases of fraud, embezzlement and Misappropriation	1185.786
3	Irregularities	
A	*HR/Employees related Irregularities*	245.575
B	*Procurement related irregularities*	11.798
C	*Management of account with commercial banks*	4242.69
D	*Recovery*	837.73
E	*Internal Control*	-
4	Value for money and service delivery	
5	Others	1,000

32.4Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2010-11	5	5	3	2	60
2011-12	3	3	0	3	-
2012-13	6	0	0	6	-
2013-14	3	3	2	1	67
2014-15	5	0	0	5	-
2015-16	2	2	0	2	-
2016-17	24	18	0	24	-
2017-18	2	2	2	0	100
2018-19	3	3	2	1	67
2019-20	18	8	0	18	-
2020-21	12	0	0	12	-
2021-22	17	0	0	17	-
2022-23	15	0	0	15	-
Total	**115**	**44**	**9**	**106**	-

32.5 AUDIT PARAS

Ministry of Science and Technology

32.5.1 Recovery on account of outstanding utility charges from government departments – Rs 20.989 million

Para 3(j) of the standard lease agreement sates that the tenant shall pay all utility bills on account of electricity, Gas, telephone and internet charges to the respective agencies consumed within the premises as per their independent meter reading.

The MoST Complex houses five (5) organizations, including PNAC, PHA, ECO-SF & M/o PD&SI, and CPEC at the Ground, 1st and 5th Floors on rental basis. The Ministry of Science & Technology being owner of the building, paid an amount of Rs 21.424 million on account of electricity & gas charges during 2021-22. The management of MoST provided a list of outstanding utility charges against its occupants/tenants as detailed below:

Sr	Department	Electricity Charges		Gas Charges		Grand Total
		2021-22	Accumulated Dues	2021-22	Accumulated Dues	

1	M/o PD&SI	5,423,161	12,355,568	1,160,869	447,343	12,802,911
2	ECO-SF	774,750	2,365,284	165,839	638,906	3,004,190
3	PNAC	1,554,007	2,626,584	663,353	2,555,624	5,182,208
	Total	**7,751,918**	**17,347,436**	**1,990,061**	**3,641,873**	**20,989,309**

The audit observed that the management of MoST was continuously paying electricity charges for the whole building and failed to recover outstanding share amounting to Rs 17.347 against its tenants.

Audit is of the view that expenditure on accounts of electricity charges on behalf of other departments was unauthorized.

The management did not reply.

Audit recommends recovery of outstanding dues besides discontinuation of irregular practice.

32.5.2 Illegal occupation and recovery of outstanding rent from tenant – Rs 71.152 million

Para 2 of the lease agreement between Ministry of Science & Technology and M/o Planning and Development dated July, 2016 states that the ministry will charge monthly rent @Rs 20/ sq.ft (Rs25 with HVAC) for allocated 30,739.6 sq/ft totaling Rs 768,490 per month with annual increase of 10%.

The management of the Ministry of Science & Technology allocated space of its building (i.e. MoST Complex) to M/o Planning and Development at monthly rent of Rs 768,490. Detail of total outstanding rent was as under:

Sr	Period	Monthly rent @10% yearly increase	Yearly Rent
1	01.08.2016 to 31.07.2017	768,490	9,221,880
2	01.08.2017 to 31.07.2018	845,339	10,144,068
3	01.08.2018 to 31.07.2019	929,873	11,158,475
4	01.08.2019 to 31.07.2020	1,022,860	12,274,322
5	01.08.2020 to 31.07.2021	1,125,146	13,501,755
6	01.08.2021 to 31.07.2022	1,237,661	14,851,930
	Total		**71,152,430**

Audit observed as under:

i. The Ministry of Science and Technology did not recover the outstanding rent of Rs.71.152 million from Ministry of Planning and Development.
ii. The lease agreement expired on 31.07.2019 and revised lease agreement was not executed by the Ministry.

Audit is of the view that non-recovery of rent was a lapse on the part of management.

Further, further is of the view that the building was illegally occupied by M/o P&D without lease agreement.

The management failed to reply.

Audit recommends recovery of the outstanding rent.

Pakistan Standards and Quality Control Authority Karachi

32.5.3 Un-authorized withdrawal/transfer of funds from main revenue account of PSQCA for investment - Rs. 1,000 million

Finance Division's vide O.M. No. F.4(1) NTR/2002-666/2022 dated 18.05.2022 withdrawn instruction/policy issued by Finance Division vide OM No.F.4(1)/2002- BR-II dated 02.07.2003, 06.09.2004, 22.09.2005 and 23.12.2014 regarding deposit of working balance and investment of surplus funds belonging to public sector entities and local/autonomous bodies under federal Government and promulgated Public Finance Management Act 2019.

Section 23(2) of Public Finance Management Act 2019 states that "no authority shall transfer public moneys for investment or deposit from government account including assignment account to other bank account without prior approval from the Federal Government". As per section 45 of the above act, it has overriding effect over all other laws and any law inconsistent with this act.

The management of PSQCA withdrawn/transferred funds amounting to Rs.1000 million from Main Revenue Account (No.3117136418) of PSQCA maintained at NBP Sindh High Building Branch Karachi vide transaction dated.30.12.2022 for investment in TDR (Term Deposit Receipt) of same branch @14.60% interest with 6 months maturity period. The detail is given below:

(Rs in million)

Sr#	Nature of Investment	Name of Bank/Branch	Duration	Rate of Interest	Amount invested	Profit
1	TDR	NBP, High Court Building branch Karachi	31.12.2022 to 30.06.2023	14.60%	1000	66.421

Audit observed that:

i. The amount was withdrawn from departmental receipts and invested without the approval of Finance Division as required in absence of approved financial rules.

ii. There was no approval of Director General, Board of Directors, Investment Committee and Ministry concerned for withdrawal of such huge amount from main revenue account of PSQCA.

iii. Copy of TDR was not available in record.

Audit is of the view that withdrawal of funds from departmental receipts for investment without approval of Board of Directors, Ministry of Science & Technology and Finance Division was unauthorized.

The management stated that PSQCA is an autonomous body established under PSQCA Act 1996. It meets all expenditure from its own earnings as not part of federal consolidated fund or public account. As per PSQCA Act 1996, The general direction and administration vests in Board of Directors which can delegate powers to Director General or a member. Accordingly, Board authorized the Director General to utilize earnings and invest funds. The department provided a copy of TDR.

The reply of the management was not accepted as financial rules of authority have not been approved and notified with the concurrence of Finance Division as such relevant rules of the Government are applicable on the Authority. Furthermore, they did not provide approval of the Board of Directors, Director General and Ministry concerned for investment of funds.

The DAC meeting was held on 25.10.2023 and directed that Special Study on PSQCA investment be carried out, draft financial rules be finalized and till the finalization of the rules instructions of the Finance Division be followed.

Audit recommends that decision of the DAC may be implemented.

32.5.4 Unauthorized Re-Investment of funds- Rs.4,183.421 million

Finance Division's vide O.M. No. F.4(1) NTR/2002-666/2022 dated 18.05.2022 withdrawn instruction/policy issued by Finance Division vide OM No.F.4(1)/2002- BR-II dated 02.07.2003, 06.09.2004, 22.09.2005 and 23.12.2014 regarding deposit of working balance and investment of surplus funds belonging to public sector entities and local/autonomous bodies under federal Government and promulgated Public Finance Management Act 2019.

Section 23(2) of Public Finance Management Act 2019 states that "no authority shall transfer public moneys for investment or deposit from government account including assignment account to other bank account without prior approval from the Federal Government". As per section 45 of the above act, it has overriding effect over all other laws and any law inconsistent with this act.

The management of Pakistan Standards and Quality Control Authority (PSQCA), Karachi re-invested funds amounting to Rs.4,183,421,832 after maturity during financial year 2022-23 @14.60% for a period of six months upto June 2023 in TDRs of different branches of National Bank of Pakistan, Karachi.

Audit observed that:

i. The amount was re-invested after maturity despite clear instructions of the Finance Division.

ii. The approval for investment was accorded by Director General PSQCA without seeking approval of Ministry concerned and Board of Directors as he was working on look after charge basis, accordingly he had no authority to exercise administrative and financial powers.

Audit is of the view that continuation of investments was in violation of instructions of the Finance Division and approval thereof accorded by Director General was unauthorized.

The management stated that PSQCA is an autonomous body established under PSQCA Act 1996. It meets all expenditure from its own earnings as not part of federal consolidated fund or public account. As per PSQCA Act 1996, The general direction and administration vests in Board of Directors which can delegate powers to Director General or a member. Accordingly, Board authorized the Director General to utilize earnings and invest funds. The funds available in different Banks were invested in National bank of Pakistan to secure the amount and receive best interest rate.

The reply of the management was not accepted as financial rules of authority have not been approved and notified with the concurrence of Finance Division as such relevant rules of the Government are applicable on the Authority. Furthermore, they did not provide approval of Board of Directors and Ministry concerned for investment of funds.

The DAC meeting was held on 25.10.2023 and directed that Special Study on PSQCA investment be carried out, draft financial rules be finalized and till the finalization of the rules instructions of the Finance Division be followed.

Audit recommends that an inquiry may be conducted to fix the responsibility for unauthorized re-investment of funds.

32.5.5 Non-production of record of investments - Rs.711.702 million

Para 14 of the Auditor-General Functions and Powers Ordinance 2001, states that Auditor-General have authority to require that any accounts, books, papers and other documents which deal with, or form, the basis of or otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may direct for his inspection; and to enquire or make such observations as he may consider necessary, and to call for such information as he may require for the purpose of the audit. 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.

Audit requested the management to provide a record of following investments vide audit requisition memo no.03 dated.08.08.2023, but the same was not provided till the close of audit.

S.No	Certificate No.	Placed at	Amount invested (Rs.)
1	Defence Saving Certificate Registration No. 0039133	TSC	5,000,000
2	Special Saving Certificate Registration No. 0082162	TSC	15,612,000
3	Term Deposit Receipts Registration No. 771032	Head Office	100,000,000
4	Term Deposit Receipts Registration No. 771074	Head Office	75,000,000
5	Term Deposit Receipts Registration No. 771075	Head Office	500,000,000
6	Special Saving Certificate Registration No. 85336	Head Office	6,657,000
7	Special Saving Certificate Registration No. 85337	Head Office	9,433,000
		Total	**711,702,000**

Audit is of the view that due to non-production of record; the audit could not verify authenticity of investment amounting to Rs.711.702 million.

The management stated that due to the unavailability of Director (Finance) during audit, record was not provided to audit as all record was in his custody. However, the same is ready for verification.

The department has accepted its irregularity that they did not provide record during audit. Further, they did not provide copies of all certificates regarding amounts as pointed out by the audit.

The DAC meeting was held on 25.10.2023 and directed that Special Study on PSQCA investment be carried out, draft financial rules be finalized and till the finalization of the rules instructions of the Finance Division be followed.

Audit recommends that decision of the DAC may be implemented.

32.5.6 Doubtful Conformity Assessment Report (CAR) certificates issued by Import/Export Section to importers without receipt of Lab report from QCC section – Rs. 1185.786 million

The detailed procedure for issuance of Conformity Assessment Report (CAR) certificate by PSQCA Import/Export Section after getting sample from Port, Airports, Dry port, for testing is that, Sealed samples provided by customers along with testing fees are segregated, tagged and sent to Director QCC, who sends these samples to the laboratory for testing, after testing within stipulated time and getting approval of Director, the reports are then issued by QCC section, on the basis of which CARs are issued to importers for clearance of individual import consignment of mandatory products at port of entry.

The management of PSQCA-Import/Export Section earned revenue of Rs. 1185.786 million during the financial year 2022-23. Progress report is as under:

Period	**No. of cases proceeded**	**No. of samples sent to Lab**	**Number of CARs Issued**	**Pending CARs**
July 2022 to June 2023	19,357	19,431	15,760	3,597

Audit observed that:

i. 15,760, CAR Certificates were issued to importers by the Import section without receipt of their lab test report from QCC section.
ii. Acknowledgement of lab test report by client were not shown to audit.
iii. Hard copy of reports issued were not produced for the audit.
iv. Copy of Pay Orders/Invoices received from clients were not produced to audit.

Audit is of the view that without completion of procedures and receipt of reports from QCC labs, the CAR certificates issued to importers were doubtful.

DAC meeting was held on 25.10.2023 and directed that PSQCA prepare a plan to fully automate import/export section. It shall also integrate it with Pakistan Single Window & WeBOC and present it to BOD for approval within three month's time.

Audit recommends that decision of the DAC may be implemented.

32.5.7 Non-Recovery of marking fee against Lucky Cement Limited - Rs.743.520 million

In terms of Para-26 of GFR Vol-1, "subject to any special arrangement, that may be authorized by competent authority with respect to any particular class of receipts, it is the duty of departmental controlling officer to see that sums due to Government are regularly and promptly assessed, realized and duly credited in the public account".

Further Para 28 of GFR Vol-1, "No amount due to Government should be left outstanding without sufficient reason, and where any dues appear to be irrecoverable the orders of competent authority for their adjustment must be sought".

The management of the Pakistan Standards and Quality Control Authority, Karachi was in receipt of marking fee @0.1% on ex-factory price (non-food articles) in the light of notification of Government of Pakistan, Ministry of Science & Technology Islamabad SRO No. 29 (KE) 2008 dated 27th February 2008.

The audit observed that an amount of Rs. 743,520,240/- was outstanding against M/s. Lucky Cement Limited on account of marking fee.

Name of Firm	**Due Period**	**Amount**
Lucky Cement Limited	July 2008 to March 2023	743,520,249

Audit is of the view that non recovery / realization of amount from M/s Lucky Cement Ltd reflects inefficiency on the part of management which resulted in loss to the public exchequer.

The DAC meeting was held on 25.10.2023 and directed to pend the para due to court case.

Audit recommends that outstanding amount on account of marking fee may be recovered and deposited into PSQCA account under intimation to Audit.

32.5.8 Non-recovery of outstanding Profit Rs.16.672 million relating to financial year 2020-21 and loss of interest due to its non-re-investment Rs 2.069 million

Para 26 of GFR Vol-I provides that, subject to any special arrangement that may be authorized by competent authority with respect to any particular class of receipts, it is the duty of the departmental controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the public account.

The management of PSQCA HQ, Karachi did not recover outstanding profit relating to financial years 2020-21 up to close of financial year 2022-23. The amount pointed out in previous audit report for the financial year 2020-21 is as under:

(Rs.)

Sr#	**Name of Bank and Branch**	**Investment**	**Period & rate (6 months)**	**Profit Not realized**	**Loss of Profit (after 15% tax) @14.60% (2022-23)**
1	NBP High Court Branch	727,256,006	From 30.12.2020 to 30.06.2021**@6.55%**	16,672,344	2,069,038

Audit observed that:

i. The management have not recovered outstanding profit on investment in TDR from National Bank of Pakistan till date despite lapse of two years.
ii. Had the profit of Rs.16.672 million been realized in time the same could have been re-invested during financial year 2022-23 at @ 14.60 rate of interest and an amount of Rs.2,069,038 could have been earned.

Audit is of the view that non-recovery of profit till date is serious lapse on the part of management which caused loss to PSQCA on both ends of profit realization and interest thereof.

The management stated that firstly bank credited an amount Rs.1,497,809/- dated.30.06.2021 later an amount of Rs.12,309,148.72 was credited on dated.09.02.2022. After that an amount of Rs.6,381,958.51 was credited. The bank has credited gross profit of Rs.42,546,390.05 in the bank account 03 times on which 15% tax was not deducted at that time in different dates the evidence is attached.

The reply of the management was not convincing as they did not provide a statement showing investment and profit duly reconciled with the amount credited by bank as it did not reconcile with the amount as pointed out by audit.

The DAC meeting was held on 25.10.2023 and directed that Special Study on PSQCA investment be carried out, draft financial rules be finalized and till the finalization of the rules instructions of the Finance Division be followed.

Audit recommends that decision of the DAC may be implemented.

32.5.9 Non-utilization of Project allocated Budget Rs.36.676 million during financial year 2022-23 due to non-completion/termination of Project & non-production of record of Project Costing Rs. 65 million

Para 8.8 of Guidelines of Project Management provides that last but not the least is the role of a Project Director in completing the project without time and cost overrun among all the stakeholders of a development project or program, role of the project Director or Manager will be pivotal in the successful implementation of RBM.

The management of PSQCA did not provide complete record of project costing 65 million despite several verbal and written requests, the documents as provided by PSQCA i.e. Revised PC-I, Budget Order/NIS (2022-23), Surrenders, Reconciliation (2022-23) and Letter to Contractor revealed that:

Pakistan Standards and Quality Control Authority, Karachi planned a project titled "External Development of PSQCA Building Complex, Gulistan-e-Johar, Karachi". For this purpose, a PC-I was approved by the Development Working Party in its meeting held on 04.04.2016 at a cost of Rs.56.00 million which was revised to 65 million through revised PC-I. Accordingly, the administrative approval and sanction was accorded by Ministry of Science & Technology letter No.10(47)/2016-DAE(P&D) dated.20.09.2021 with condition that " PSQCA to complete the project within extended period of implementation i.e. 30th June 2022 without any change in its scope."

The management of PSQCA terminated the project with instruction to demobilize the site vide office letter No. PSQCA/EX.D/2022 (45) dated.28.12.2022

, addressed to Contractor Mr. Muhammad Saleem Mirza, Saleem & Company. The ministry allocated the budget of Project Rs.36.677 million through Cost Centre-KA-3069 during financial year 2022-23.

Audit observed that:

i. The budget was surrendered to the Ministry concerned on 04.05.2023 without utilization owing to non-execution of work resulting from dispute raised by contractor.
ii. The contract was executed departmentally through private contractor instead of PWD.

Furthermore, relevant record was not provided to audit to verify the amount released to contractor based on work progress/measurement book, Performance guarantee obtained, Progress of Project as per PC-I and liquidation damages imposed (if any) due to delay in project etc.

Audit is of the view that non-utilization of budget due to non-completion/termination of project resulted in wastage of time and cost besides non-production of record thereof was a serious lapse on the part of management.

The management replied that the work was approved through PSDP and was sponsored by the MoST. As per approved PC-I, allocation to the tune of Rs. 65 million was made with the completion timeline up to 30.06.2022.

DAC meeting was held on 25.10.2023 and directed that a fact-finding inquiry be conducted and fix responsibility for failure of the project.

Audit recommends that decision of the DAC may be implemented.

32.5.10 Irregular payment of incentive share to employees – Rs. 245.575 million

As per Para 25 of GFR Vol-I 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.

Section 33 of PSQCA Act 1996 states that the Authority shall, in respect of each financial year, submit for approval of the Federal Government, on such date as may be prescribed, a statement of the estimated receipts and expenditure, including requirements of foreign exchange for the next financial year.

The management of Pakistan Standards and Quality Control Authority (PSQCA), Karachi paid Rs. 245,575,077 as incentive share to employees @ 10% of revenue earned during the year 2022-23.

Audit observed that the payment of incentive share to PSQCA employees was made without prior approval of the Finance Division.

The management stated that PSQCA was established through Act by merger of three departments including Central Testing Laboratory (CTL). The CTL was already paying 40% share of testing fees to employees of CTL with the concurrence of Finance Division vide letter No.1022-R-/83 datd.04.01.1984. Subsequently, PSQCA allowed 10% incentives to all employees without discrimination with the approval of BoD w.e.f 15.06.2012. As a similar para was already pointed out in previous audit report in pursuance of which PAC was held which directed PSQCA to get it financial rules approved within six months.

The reply of the management was not accepted. The PSQCA have not got approved its financial rules till date. Thus, grant of 10% share as incentive share to all employees by PSQCA was unauthorized.

The DAC meeting was held on 25.10.2023 and directed that Special Study on PSQCA investment be carried out, draft financial rules be finalized and till the finalization of the rules instructions of the Finance Division be followed.

Audit recommends that decision of the DAC may be implemented.

National Institute of Oceanography (NIO) Karachi

32.5.11 Non-reinvestment of surplus funds - Rs. 59.269 million

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

The management of National Institute of Oceanography (NIO), Karachi is maintaining a Bank Account No. 40042172 in National Bank of Pakistan Clifton Branch for depositing the subscription of G.P. Fund deducted from the salaries of employees under title "NIO employees' Pension & Gratuity" with National Bank of Pakistan shows balance of Rs. 54.918 million as on 30th June, 2023.

Audit observed that the management has invested in National Savings as detail given below:

Year	**Investment in**	**Invested Amount**	**Profit earned**	**Date of maturity**	**Amount encashed after income tax**
2009-10	Defence Savings Certificate	12,920,000	27,778,000	02.09.2021	40,698,000
2016-17	Special savings certificate	16,000,000	3,024,800	29.11.2021	18,571,080
				Total Rs	**59,269,080**

The management encashed the amount of Rs.59.269 million after maturity and deposited the same into above G.P. Fund account and did not re-invest the surplus funds in profitable ventures as per government instructions.

Audit is of the view that non-investment of surplus funds deprived the NIO from its due profit/receipts, which could have improved the financial health of the organization.

The management did not submit the reply within the given time frame and till finalization of the report.

Audit recommends that responsibility should be fixed to the person(s) for non-re-investment of surplus fund, which deprived the government of its due profit / receipt.

32.5.12 Irregular expenditure on purchase of wave tide and current recorder-Rs.5.098 million

Rule 12 (2) of Public Procurement Rules, 2004 states that all procurement opportunities over three 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 38 of Public Procurement Rules, 2004 states that the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of validity.

As per tender documents clause 14.5 all pages of the tender shall be initialized and an official seal be affixed by the person or persons signing the tender.

Clause No.20.2 of tender documents states that withing 7 days from the date of furnishing of acceptable Performance Security under the condition of contract, the NIO will send the successful tenderer the Form of Contract Agreement provided in the tender documents, incorporating all agreement between the parties.

The management of National Institute of Oceanography (NIO), Karachi executed a project titled "Assessment of Tidal Energy Potential along Indus Deltaic Creeks, Sindh Coast". The project was approved by the DDWP on 02.04.2020 with total cost of Rs.35 million and completed on 30.06.2022

The management of NIO, Karachi awarded contract to M/s.East West Infiniti Pvt. Ltd. and issued supply order on 17.12.2021 for procurement of Wave Tide and Current Recorder costing Rs.5,098,689 during the year 2021-22.

Audit observed the following:

i. The tender was advertised on PPRA website but was not advertised in newspaper.
ii. Two firms participated and quoted their rates as (i)M/s. East West Infiniti Pvt. Ltd. Rs.5,098,689/- and M/s. Irtisaal Enterprises Rs.4,082,287/- but the management ignored the lowest bidder

without recording any reason and the contract was awarded to highest bidder M/s. East West Infiniti Pvt. Ltd, which resulted in loss of Rs.1,016,402/- to public exchequer.

iii. Tender documents not stamped nor signed by the bidder.

iv. No Contract Agreement was signed with the bidder and NIO.

v. Income tax Rs.229,441 was not deducted from the bill of supplier nor obtained any exemption certificate.

In view of the above, the entire expenditure is held irregular.

The management has not submitted a reply within given time frame and till finalization of the report.

Audit recommends that expenditure may be regularized from the Finance Division besides fixing of responsibility to the person(s) at fault.

Pakistan Council of Renewable Energy Technologies

32.5.13 Inordinate Delay in Completion of Repair/ Maintenance Works of Building by Pak.PWD-Rs. 6.700 million

Rule-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".

Pakistan Council of Renewable Energy Technologies, Islamabad released an amount of Rs. 6,700,000/- (in advance) to Pak.PWD Islamabad vide sanction No.PCRET:4(2)/Admn/2005 dated 09.06.2022 and AGPR Islamabad Special Seal Authority No.A-I/AUTH/S&T/D-82/IB-3367/2021-22/79 dated 20.06.2022 for repair/maintenance of PCRET Office building against receipt of estimates from Pak PWD as under:

S.No.	Item of work	Estimate (Rs.)
1.	Civil	5,233,695
2.	Electrification	1,466,446
Total Rs.		**6,700,141**

The PCRET vide letter No. PCRET 4(2)/ Admn/2005 dated 28.10.2022 pointed out non-completion of the civil and electrical work done by Pak.PWD.

Audit observed as under:

i. Despite receipt of advance payment of Rs.6.700 million the Pak.PWD did not complete the civil and electrical works till June, 2023.
ii. Adjustment accounts have not been received from the Pak.PWD. Therefore, the advance payment of Rs.6.700 million remained unadjusted till June, 2023.

Audit is of the view that non completion of civil and electrical works and non-incurring of advanced amount of Rs. 6.700 million by Pak PWD on the said works is violation of rules.

The management replied that:

i. The equipment under the extension of MoU Agreement (signed in 2020) between PCRET and NRIRE-HRC arrived in the year 2021. Its installations are to be carried out by the Chinese engineers but due to the COVID-19, they have not visited Pakistan for the said purpose. PCRET is in contact with the Chinese side and the installation will be done in due course of time.
ii. Only one objective – the upgradation of existing hybrid lab – is delayed due to unavailability of Chinese engineers in Pakistan.
iii. The useful life of the equipment and other relevant documents such as stock inventories and invoices will be shared with audit as and when required.
iv. Physical verification of the equipment will be carried out as and when required.

The reply is not cogent. Despite pointing out deficiencies by PCRET, the Pak.PWD neither removed deficiencies nor completed the works till May, 2023.

Audit recommends taking up the matter again with the Pak.PWD for early completion of the works.

CHAPTER 33

PAKISTAN AGRICULTURE RESEARCH COUNCIL (PARC)

33.1 Introduction

Pakistan Agricultural Research Council (PARC) is the apex national organization working in close collaboration with other federal and provincial institutions in the country to provide science-based solutions to agriculture of Pakistan through its statutory functions.

The overall decision-making body of PARC is its Board of Governors (BOG), responsible for the control, direction, and superintendence of the affairs of PARC. The Board is assisted in its operation by a number of Committees. The Federal Minister for National Food Security & Research is the President of the Board:

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY-2022-23) Rs. in million
1	Formations	1	2	1,299.798	-
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

33.2 Comments on Budget & Accounts (Variance Analysis)

The final budget allocated to the PARC for the financial year 2022-23 was Rs. 5,351.54 million out of which the PARC utilized Rs.5,351.13 million. The details are as under:

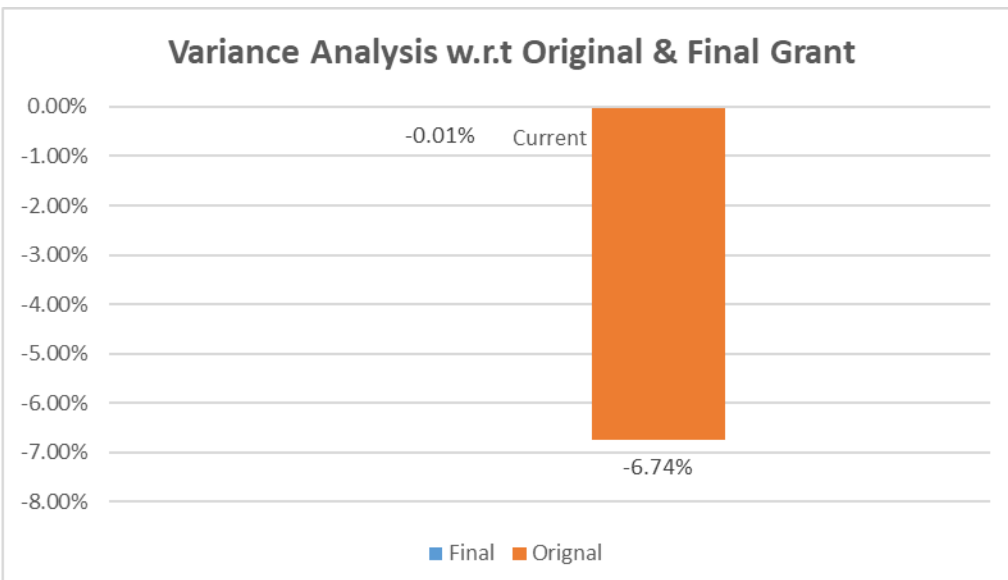
(Rupees in million)

Grant No	Type of Grant	Original Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
75	Current	5,737.81	-386.27	5,351.54	5,351.13	-0.41	-0.01%

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, it was observed that, in case of current expenditure, there was 6.74% of saving w.r.t original grant which was finally reduced to 0.01% w.r.t final grant.



33.3Classified Summary of Audit Observations

Audit observations, amounting to Rs. 19.437 million, were raised in this report during the current audit of PARC. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	

3	Irregularities	
A	*HR/Employees related Irregularities*	
B	*Procurement related irregularities*	
C	*Management of account with commercial banks*	
D	*Recovery*	19.437
E	*Internal Control*	
4	Value for money and service delivery	
5	Others	

33.4Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2011-12	1	0	0	1	-
2013-14	2	0	0	2	-
2014-15	3	3	1	2	33
2016-17	10	0	0	10	-
2017-18	9	9	9	0	100
2018-19	2	1	0	2	-
2019-20	18	11	0	18	-
2020-21	6	0	0	6	-
2021-22	12	0	0	12	-
Total	**63**	**24**	**10**	**53**	-

33.5 AUDIT PARAS

Pakistan Agricultural Research Council (PARC)

33.5.1 Irregular appointments in excess of advertised posts and non-observing of provincial / regional quota

Establishment Division D.O. No. 10(1)/91-CP-1 dated 01.01.1992 states that regional/ provincial quotas have been made applicable in Autonomous Bodies/corporations as being observed in the Federal Services.

The management of Pakistan Agricultural Research Council (PARC), Islamabad advertised different One Hundred and Sixty Four (164) posts and appointed Three Hundred and Thirty Two (332) Officers/Officials during the FY 2022-23, as per following details:

S.	Advertisement date	Post / SPS	No. of Posts Advertised	No. of Persons Appointed	Excess
1	03.04.2022	Scientific Officer (SPS-08)	81	148	67
		Asstt. Scientific Officer (SPS-07)	12	51	39

		Sub-Total	**93**	**199**	**106**
2	17.08.2022	Deputy Director HR (SPS-09)	1	1	0
		Asstt. Director (SPS-07)	2	4	2
		Network Administrator (SPS-08)	1	1	0
		PRO (SPS-08)	1	1	0
		Asstt. Admn Officer (SPS-07)	2	7	5
		Asstt. Computer Programmer (SPS-07)	2	6	4
		Asstt. Protocol Officer (SPS-07)	1	3	2
		Asstt. Security Officer (SPS-07)	1	1	0
		Asstt. Store Officer (SPS-07)	3	7	4
		Senior Auditor (SPS-07)	2	3	1
		DEO (SPS-05)	4	6	2
		Draughtsman (SPS-05)	1	2	1
		Sub-Engineer Civil (SPS-05)	5	11	6
		UDC (SPS-05)	3	12	9
		Lab Tech-I (SPS-04)	5	5	0
		LDC (SPS-04)	2	17	15
		Scientific Assistant (SPS-04)	12	13	1
		Sub-Total	**48**	**100**	**52**
3	01.03.2023	Scientific Officer (SPS-08)	2	2	0
		Asstt. Scientific Officer (SPS-07)	3	4	1
		Store Keeper (SPS-05)	1	1	0
		Sub-Total	**6**	**7**	**1**
4	20.10.2022	Asstt. Store Officer (SPS-07)	1	2	1
		Assistant (SPS-07)	2	4	2
		Steno Typist (SPS-06)	1	2	1
		Tube Well Operator (SPS-01)	2	3	1
		Naib Qasid (SPS-01)	4	5	1
		Technician (SPS-01)	2	2	0
		Security Guard (SPS_01)	3	6	3
		Sub-Total	**15**	**24**	**9**
5	18.02.2023	Asstt. Executive Engineer (SPS-08)	1	1	0
		Information Officer (SPS-08)	1	1	0
		Sub-Total	**2**	**2**	**0**
		GRAND TOTAL	**164**	**332**	**168**

Audit observed that:

i. Against the advertised 164 posts, appointments on various 332 posts were made, resulting in excess appointments made in excess of the posts advertised.

ii. Provincial / regional quota was not observed.

iii. Some posts were re-designated during the process of appointments.

Audit is of the view that appointments made in excess of advertised posts and without observing provincial/regional quota were irregular and unauthorized.

The management did not reply till finalization of the report.

Audit recommends holding of fact-finding inquiry to probe the matter.

National Agricultural Research Council

33.5.2 Non-collection of rent from PATCO on account PARC Display Shop and Water Filtration Plant - Rs. 5.976 million

Scenario VII(ii) of profit sharing in percentage states that PARC will receive 10% share of PATCO owned commercial projects.

Sr. 1 of Ministry Housing and Works letter states that the rates for hiring of office accommodation have been revised w.e.f. 17.03.2017 for other areas in Islamabad is Rs. 60 per sft.

The management of NARC allocated land to PATCO for business operations in NARC premises as per following detail:

i. 700 sq. ft. land since 2015 for establishment of a shop with name as "NARC Display Centre".
ii. 1000 sq. ft. land since 2022 for establishment of water filtration plant with the name of "Aqua PARC".

Audit observed that:

i. Despite PATCO generating revenue from Display Centre by utilizing NARC land resources, the NARC management did not receive rent from PATCO since inception i.e. 2015 amounting to Rs. 4,536,000 [700 sq. ft. x Rs. 60 x 108 months].
ii. Furthermore, NARC did not receive rental income from PATCO on account of utilization of NARC land resources allocated for filtration plant since 2021 amounting to Rs, 1,440,000 (1000 sq. ft. x Rs. 60 x 24 months).

Audit is of the view that non-receipt of rent from PATCO despite utilization of NARC land resources is negligence on part NARC management.

The management replied that PATCO pays the profit share of all the activities to institutes/centers where they are involved directly or indirectly depending upon scenario. Furthermore, PATCO also pays the utility and other bills to the centers as per actual usage whereas profit share paid, other than utilities and materials, against the land and other resources allocation for the required activity. As PATCO is already paying its all liabilities to the PARC and its centers, there is no financial loss to the government. In addition, Aqua PARC activity was started in the FY 2021-22 and it was the first year of the business activity and PATCO did not made any profit in the first and second year of the activity due to not only cost escalation of the material, labor, and overheads for last two year but also incurring extra cost for marketing, promotion, transportation, selling, admin and general expenses. Furthermore, PATCO is expecting profit in the current year 2022-23 in Aqua PARC activity and will certainly pay the due profit share to PARC after settlement of previous year’s loss.

Reply was not accepted as no documentary evidence was provided in support of reply. Furthermore, payment of utility bills cannot substitute the rent.

Audit recommends that the amount of rent be recovered from PATCO besides lining up other commercial activities undertaken by PATCO in NARC premises. Further, the agreement with PATCO also needs revision in the best interest of NARC.

33.5.3 Non-deposit of sale proceeds of auction into Govt. treasury - Rs. 13,461,558

Rule 7(1) of Federal Treasury Rules (Vol-I) states that, all moneys received by or tendered to Government officers on account of the revenues of the Federal Government shall without undue delay be paid in full into a treasury or into the Bank. Moneys received as aforesaid shall not be appropriated to meet departmental expenditure, nor otherwise kept apart from the Federal Consolidated Fund of the Federal Government. No department of the Government may require that any moneys received by it on account of the revenues of the Federal Government be kept out of the Federal Consolidated Fund of the Federal Government.

The management of NARC conducted auctions for unserviceable goods generating an amount of Rs. 13,461,558 during the Financial Year 2022-23.

Audit observed the management did not remit the sale proceeds from the auction into the Government treasury.

Audit is of the view that non-deposit of sale proceeds of the auction into the Government treasury constitutes a violation of established rules and procedures. This discrepancy raises concerns about the transparency and accountability in financial transactions.

The management did not reply till finalization of report.

Audit recommends that deposit of the auction proceeds into the Government treasury without further delay.

CHAPTER 34

PAKISTAN NUCLEAR REGULARITY AUTHORITY (PNRA)

34.1 Introduction

Pakistan Nuclear Regulatory Authority (PNRA) was established through Pakistan Nuclear Regulatory Authority Ordinance, 2001, dissolving the Pakistan Nuclear Regulatory Board and Directorate of Nuclear Safety & Radiation Protection. It established PNRA as a competent and independent body for the regulation of nuclear safety, radiation protection, transport and waste safety in Pakistan, and also empowered it to determine the extent of civil liability for damage resulting from any nuclear incident.

The Authority devises, adopts, makes and enforces such rules, regulations, orders or codes of practice for nuclear safety and radiation protection as may, in its opinion, be necessary. It plans, develops and executes comprehensive policies and programs for the protection of life, health and property against the risk of ionizing radiation, and regulates the radiation safety aspects of:

Exploitation of any radioactive ore; Production, import, export, transport, possession, processing, reprocessing, use, sale, transfer, storage or disposal of nuclear substance, radioactive material or any other substance as the Authority may, by notification in the official Gazette, specify; and Equipment used for production, use or application of nuclear energy for generation of electricity; or any other uses.

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY 2022-23) Rs. in million
1	Formations	1	1	1,599.000	-
2	Assignment Accounts (Excluding FAP)	2	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

34.2Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Pakistan Nuclear Regulatory Authority (PNRA) for the financial year 2022-23 was Rs.1,659.89 million, out of which the authority expended whole the budget. Grant-wise detail of current and development expenditure is as under:

(Rupees in million)

Grant No	Type of Grant	Original Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
8	Current	1,409.00	.00	1,409.00	1,409.00	0.00	0.00%
123	Development	289.89	-39.00	250.89	250.89	0.00	0.00%
	Total	**1,698.89**	**-39.00**	**1,659.89**	**1,659.89**	**0.00**	0.00%

Audit noted that there was no excess / saving in both grants.

34.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs.8.734 million, were raised in this report during the current audit of Pakistan Nuclear Regulatory Authority (PNRA). Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	
B	*Procurement related irregularities*	
C	*Management of account with commercial banks*	8.734
D	*Recovery*	
E	*Internal Control*	
4	Value for money and service delivery	
5	Others	

34.4Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2011-12	2	2	2	0	100
2012-13	3	0	0	3	-
2013-14	2	2	1	1	50

2019-20	3	0	0	3	-
Total	**10**	**4**	**3**	**7**	-

34.5 AUDIT PARAS

34.5.1 Irregular Cash withdrawals from Bank Account - Rs. 8.734 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 157 (2) of FTR states that Cheques drawn in favour of corporate or local bodies, firms or private persons for payments of Rs.200 and above or in favour of Central Gazetted Government servants or Central non-Gazetted Government servants drawing emoluments of Rs.2000 p.m. and above for payments in respect of their personal claims shall be crossed wherever such payments are made by cheques.

The management of Pakistan Nuclear Regulatory Authority, Islamabad withdrawn cash amounting to Rs. 8,734,312 from account No.4019582228 maintained at NBP, Super Market Branch, Islamabad during 2021-22.

Audit observed that the management drew cash instead of crossed cheques.

Audit is of the view that withdrawal of amount in cash is a violation of Treasury Rules.

The management replied that the cheques related to personal payments which include payments of medical charges, TA/DA, reimbursement of all other personal claims were opened on the request of concerned employee to draw cash. However, it is important to mention here that all cheques issued to suppliers and contractors were crossed cheques.

The reply of the management is not acceptable as there is no provision in the rules for withdrawal of cash instead of crossed cheques.

Audit recommends stoppage of irregular practice and probe the matter to fix the responsibility.

CHAPTER 35

TRADE DEVELOPMENT AUTHORITY OF PAKISTAN

35.1 Introduction

The Trade Development Authority of Pakistan (TDAP), is continuation of erstwhile Export Promotion Bureau, and is a premier government agency mandated to develop programs and projects directed at maximum exploitation of the available export market access to the country.

Trade Development Authority of Pakistan (TDAP) develops and promotes export holistically, through focus, synergy, and with collective wisdom and counsel of its stakeholders. In addition, it is supposed to achieve the objective of rapid export growth through interaction and coordination with respective public and private–sector stakeholders and enhancing value of products and services by broadening the export base by fostering supportive export culture and facilitation; and by encouraging export oriented foreign investment and joint ventures.

Sr. No.	Description	Total No.	Audited	Expenditure Audited (FY-2022-23) Rs. in million	Revenue / Receipt Audited (FY-2022-23) Rs. in million
1	Formations	1	1	2,020.00	-
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities / Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

35.2Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the TDAP for the financial year 2022-23 was Rs. 1,390.79 million out of which the TDAP utilized Rs.1,390.79 million. The expenditure was incurred from grant from the Commerce Division.

(Rupees in million)

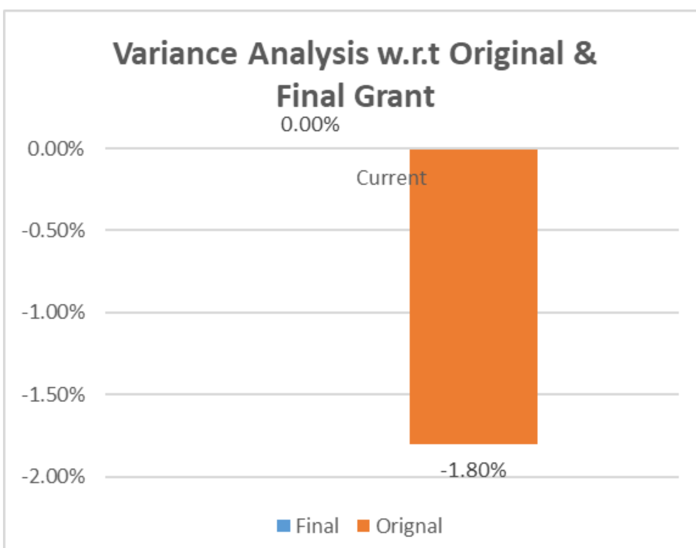
Grant No	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
24	Current	1,416.28	.00	-30.48	1,390.79	1,390.79	.00	0.00%

*Budget of TDAP was included in the demand of Commerce Division having cost Centre KA7304

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, it was observed that, in case of current expenditure, there was 1.80% of saving w.r.t original grant which was finally reduced to zero w.r.t final grant.



35.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs.2,920.602 million, were raised in this report during the current audit of **Trade Development Authority Of Pakistan**. Summary of the audit observations classified by nature is as under:

(Rupees in million)

S. No	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	
3	Irregularities	
A	*HR/Employees related Irregularities*	
B	*Procurement related irregularities*	84.394
C	*Management of account with commercial banks*	1871.341
D	*Recovery*	8.181
E	*Internal Control*	956.686
4	Value for money and service delivery	
5	Others	

35.4Status of compliance with PAC Directives

Audit Year	No. of Audit Paras	No. of Actionable Points Issued	Compliance	Non/Partial Compliance	% of Compliance
2010-11	7	6	3	4	50
2011-12	6	0	0	6	-
2012-13	5	0	0	5	-
2014-15	19	0	0	19	-
2016-17	8	0	0	8	-
2019-20	11	0	0	11	-
2020-21	16	0	0	16	-
2021-22	10	0	0	10	-
Total	**82**	**6**	**3**	**79**	-

35.5 AUDIT PARAS

Trade Development Authority of Pakistan, Karachi

35.5.1 Irregular Payment without Pre-Audit and non-preparation of Financial Statements – Rs. 956.686 million

As per Para-63, Chapter-V of TDAP Financial Rules-2014, the Authority shall observe internal control and audit in prescribed form and manner. For this purpose, Authority shall establish an Internal Audit Section comprising appropriate staff headed by an officer not below the rank of Director (BPS-19 or equivalent) to be nominated as “Internal Auditor” directly reporting to the Secretary; independent of Finance and Accounts Department of the Authority.

Section -26 of TDAP Act, 2013 states that the Authority shall maintain complete and accurate books of accounts of its actual expense and receipts. The

Authority shall also maintain its balance sheet, statement of income and expenditure account, and statement of sources and application of funds. The auditors shall make a report to the Authority upon the annual balance sheet and accounts, and state whether in their opinion the balance sheet is full and whether it exhibits a true and correct view of the affairs of the Authority. The Authority will then submit the report to the Board for approval.

The management of TDAP, Karachi spent a total of Rs. 956,686,245 at TDAP HQ, TDAP Promotional / Developmental activities for the period 2021-2022.

Audit observed the following irregularities.

i. The management of TDAP failed to maintain complete and accurate books of accounts for the years up to 2021-22 since the introduction of the act.
ii. The management had not prepared the balance sheet, statement of income and expenditure and sources and applications of funds for the years up to 2021-22 in accordance with Int'l Accounting Standards as notified in TDAP Act.
iii. The management had not introduced a system of internal audit and control in contravention of TDAP Act-2013 and TDAP Financial Rules, 2014. All the payments amounting to Rs.956.686 million were made without pre-audit of claims.

Audit is of the view that expenditure in view of above observations is irregular and unauthorized and in the absence of balance sheet, statement of income and expenditure and statement of sources, audit is unable to express its opinion upon the fairness and accuracy of the accounts of TDAP.

The management replied that financial statements for the year 20219-2020 and 2020-2021 have already been completed and signed by the Secretary /CEO, and Financial Statement of 2021-22 is under preparation which will be submitted to audit. We are hiring chartered accountants' firm for conducting internal audit."

The management has admitted its irregularity in its reply.

Audit recommends that responsibility may be fixed for negligence and the compliance of the TDAP Act 2013 regarding preparation of Financial Statements may be made and produced to audit.

35.5.2 Unauthorized maintenance of eight bank accounts and retention of closing balances – Rs. 1,476.279 million

According to Section-23(5) of TDAP Act-2013, the authority may open and operate one account in Pak Rupees and one account in foreign currency in any scheduled bank.

The management of TDAP, Karachi was maintaining 08 Bank accounts in commercial banks.

Audit observed that instead of maintaining only one Bank Account in Pak Rupees and one Bank Account in Foreign Currency in Schedule Banks, the management of TDAP was maintaining 08 bank accounts with cumulative closing balance of Rs.1476.279 million as on 30.06.2022.

Audit is of the view that opening and maintenance of these bank accounts and retention of enormous closing balances is disregard of the provision of TDAP Act, 2013.

The management stated that TDAP receives a non-lapsable annual grant from finance division, Islamabad which is deposited into main account maintained in NBP. Upon receipts of the said grant the management segregate the Promotional portion of grant and place the same amount in other bank account of NBP. Principally maintains a single Bank Account for all payments/grants receipts from Finance Division.

The reply is not convincing despite clear instruction regarding opening of one account in Pak rupees and the other in foreign currency as the management opened eight bank accounts which are held irregular.

Audit recommends that unauthorized operation of 08 bank accounts may be justified besides, closing of additional bank accounts.

35.5.3 Irregular expenditure on purchase of computers and laptops - Rs. 5.743 million

Public Procurement Rule 4 provides that procuring agencies, while engaging in procurements, shall ensure that the procurement is conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Public Procurement Rule 10 provides that specifications shall allow the widest possible competition and shall not favor any single contractor or supplier nor put others at a disadvantage. Specifications shall be generic and shall not include references to brand names, model numbers, catalogue numbers or similar classifications.

Management of TDAP advertised a tender notice on 30.08.2021 in different newspapers and purchased computers and laptops of amounting to Rs.5.743 million from M/s Fatemi Implex, and M/s Continental, Karachi during the audit period 2021-2022.

S. No	Cheque No & date	Particulars	GST not deducted	Amount
1	97820655 02.11.2021	Purchase of 09 laptops of Lenovo Pad M/s Fatemi Impex	148,082	871,074
2	97820784 16.11.2021	Purchase of desktop computers 38 Nos.M/s Fatemi Impex	656,032	3,859,014
3	97820937 13.12.2021	Purchase of laptop one M/s Fatemi Impex	7,281	161,786
4	9782065 02.11.2021	Purchase of 16 Scanners	0	851,200
		Total	**811,395**	**5,743,074**

Audit observed the following irregularities.

i. Management advertised the tender of procurement of computers and laptops by incorporating brand names instead of generic in violation of Public Procurement Rules, 2004.

ii. GST amount @17% of Rs.811,395 on purchased amount of Computers/laptops and scanners was paid but Sale Tax was not withheld on payment of suppliers.

iii. The desktop and laptops were not accounted for and issuance of the same was not provided to audit.

Audit is of the view that due to advertising of tender by incorporating brand name of computers and laptops and non-deduction of GST amount is held irregular and unjustified to audit.

The management replied that brand names was used instead generic as per the rule no. 10(3) of PPRA which states that management can use brand name if it is convinced that the use of brand name is essential to complete an otherwise incomplete specification, and no other sufficiently precise or understandable way of describing the characteristics of the good, works or services to be procured is provided, the words “or equivalent” shall be used, after recording specific justification in writing therein. The procuring agency shall be responsible to define the parameters of “equivalence” for all participants to procurement process, to ensure transparency.

The reply is not convincing as computers and laptops have many companies which produce similar specifications items therefore need for specially specifying brand name in this segment is not justified and leads to favoritism to particular brand.

Audit recommends that the responsibility may be fixed on the persons found at fault. Besides, the GST amount of the same may be recovered from the concerned firm.

35.5.4 Non-deposit of Expo Centre’s income in the TDAP Fund and unauthorized expenditure without approval of the Board - Rs. 395.062 million

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

Section 25 of the Trade Development Authority Act, 2013 states that for the purpose of this Act, a non-lapsable Fund is hereby established which shall be administered and controlled by the Authority. The Fund shall consist of a fee including fees received from parties for participation in international trade fairs and exhibitions as well as the booking of halls in Karachi Expo Centre for holding fairs, exhibitions, seminars and conferences etc.

The management of Karachi Expo Centre, Trade Development Authority of Pakistan, Karachi collected total income of Rs. 395,062,185 on account of booking of halls, participation fee etc. from various parties/firms during financial year 2022-23 and deposited the same in Bank Account No.3149893086 being maintained with NBP FTC Building Branch, Karachi.

Out of the total departmental income of Rs. 395.062 million, the management of Expo Centre incurred an expenditure of Rs. 229,319,806 on civil works, operation and maintenance, utility charges and other expenditure.

Audit observed as under:

i. Instead of depositing the income of Rs. 395.062 million in TDAP Fund, the management of Expo Centre deposited the entire income in the above said bank account in violation of TDAP Act, 2013.
ii. The expenditure of Rs. 229.319 million was incurred out of departmental income without any budget allocation approved by the Board.
iii. The management of Expo Centre neither submitted their budget estimates of income and expenditure to the Board for approval nor reported to the Federal Government as per provision of TDAP Act, 2013.
iv. Proper income and expenditure statements for the financial year 2022-23 were not prepared.

Audit is of the view that non-deposit of Expo Centre income in the TDAP Fund and its utilization of towards departmental expenditure without approval of the Board is unauthorized.

The management replied that the Board, under Section 20, is the “supreme decision-making body of the Authority” (i.e. “TDAP”). It has the power to supervise, control, direct and regulate affairs of the Authority.

The point wise replies of the Audit observations are as under:

i. TDAP is an independent Authority headed by its own Board, all financial matters are approved by the department and Board of Directors. Expo Centre is a part of TDAP. Expo Centre generates income through rent from the various stakeholders on account of booking of Halls, Exhibitions, events arranged by this office time to time, therefore, TDAP opened Expo Account for depositing such income. Thus, there was no violation of any Rule.
ii. It is an established fact that expenditure on account of utilities and other miscellaneous expenses have to be managed from the income of Expo Centre. It has no relevance to the TDAP Regular Budget.
iii. Agreed with the Audit’s opinion, the management has directed the Expo Division for preparation and submission of Budget estimates for the year 2023-24 for the approval of the Board in its upcoming meeting. TDAP will provide the requisite information at the time of the next audit of TDAP.

The reply is not convincing. Neither the budget allocation was approved from the Board nor submitted to the Federal Government. The Expo income was utilized without approval of the Board.

Audit recommends obtaining ex-post facto approval of the expenditure of from the Board. In the future, the Expo income be deposited in the TDAP Fund. The expenditure be incurred after obtaining approval of budget allocation from the Board.

35.5.5 Irregular expenditure without open competition and non-transparent award of contract to a firm thereof - Rs. 15.532 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 three million Pakistani 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 30 of the Public Procurement Rules, 2004 states that all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding documents.

The management of the Trade Development Authority of Pakistan, Karachi uploaded RFP on PPRA and TDAP websites for supply of mangoes including treatment, packing and air shipment to Pakistan Missions abroad. Only single firm M/s Progressive Mango Growers, Multan offered the bid. Technical bid of the firm was opened on 20.06.2022 and financial bid on 05.07.2022. The firm was awarded contract vide Intent Letter No. TDAP-194(40)-AM/AGRO-2020 dated 06.07.2022. The payment of Rs.15,532,170 (gross) was made to the firm vide sanction No. TDAP-179(40)/AM/Agro/2019 dated 02.01.2023 and cheque No.41244337 dated 05.01.2023.

Audit observed as under:

i. No open tender was floated in newspapers to get the benefit of competitive rates as required under Public Procurement Rules, 2004 as the procurement volume exceeded the limit of Rs. 3.00 million. The proof regarding uploading of tender in TDAP and PPRA website was not on record.
ii. Out of total expenditure of Rs. 15.532 million, an expenditure of Rs. 11.716 million was incurred on air freight charges without open competition which was 75% of the total expenditure. The air freight charges were also paid to the above-said firm without admissibility as the firm was neither registered as air travel agency nor offered the bid for air freight charges. M/s Progressive Mango Growers hired the services of a Logistics Company i.e. M/s Raaziq International Pvt. Ltd. for shipment of mangoes to foreign countries. The management extended undue benefit to the firm at the cost of Authority's Fund.

iii. The firm was not a member of any Trade Body or Chambers and was not eligible to participate in the tender. Therefore, the 3rd eligibility criteria given in the tender document was relaxed in violation of PPRA Rules, 2004 to extend undue favour to the firm.

Audit is of the view that non-floating of open tender and non-transparent award of contract to the firm is a violation of the Public Procurement Rules, 2004.

The management replied that Agro Food Division of TDAP organized Mango Promotion Campaign during July-September 2022 as per its Annual Business Plan for the period July, 2022-June 2023. During the Mango promotion campaign, Mango was dispatched to 28 countries. In this campaign, TDAP followed all PPRA Rules in the procurement of Mangoes. The RFP in this regard was uploaded on TDAP as well as PPRA website. Furthermore, the RFP for the procurement of Mangoes was published in the leading newspapers of Pakistan as an open tender. The TDAP invited bids from the companies/exporters, for "Supply of Mangoes Chaunsa / Sindhari" along with treatment packaging and air shipment to Pakistan Mission abroad. Air shipment cost was charged by the Air lines on actual rates as per the Airway bill issued by the Airlines. In response to the tender, only one vender i.e. M/s Progressive Mango Grower from Multan applied who had previous experience of organizing the campaign. The selected vender, further, hired the services of Ms. Raziq International for air shipment of Mangoes. TDAP paid the air shipment cost to the selected vendor as per the cost charged by the airline.

The mango promotion campaign is one of the promotional tools for the export promotions of Pakistan mangoes abroad. Due to this activity our exports have increased manifolds. Reports on the Mango Promotion campaign were received from different Missions. The firm M/s Progressive Mango Grower is a member of Multan Chamber of Commerce and Industry as per their certificate.

The reply is not convincing. Nothing was explained about expenditure incurred on freight charges amounting to Rs. 11.716 million without calling open tender.

Audit recommends holding of inquiry to fix responsibility on persons at fault for the lapses besides avoiding such practice in future.

35.5.6 Unauthorized expenditure on civil works of Expo Centre - Rs. 55.106 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 193(4)(ii) of GFR (Volume-I) states that the procedure for the execution of works and repairs in connection with sanitary, water supply and electric installations in Government buildings under the administrative control of Federal Civil Department should be as follows:

> "All estimates for such works and repairs to be carried out locally should be submitted for prior scrutiny to the Chief Engineer, Pakistan Public Works Department".

Para 208 of Central Public Works Account (CPWA) Code states that payments of all work done otherwise than by daily labour and for all supplies are made on the basis of measurements recorded in Measurement Books (MBs) in Form 23 in accordance with rules.

The management of Expo Centre, Trade Development Authority of Pakistan, Karachi floated open tender in newspaper on 08.07.2022 for civil work, paint, plumbing, sanitary and electrical work at the Karachi Expo Centre. The work was awarded to M/s Engineering Experts at a total cost of Rs. 81,819,391 and Work Order was issued on 10.10.2022. An expenditure of Rs. 55,106,300 was incurred during financial year 2022-23 as under:

S. No.	Payment description	Gross amount	Net amount paid	Cheque No.& date
1	Mobilization advance 10% of contract amount	8,181,939	7,936,480	09785334 Dt.03.11.2022
2	1st Running Bill	46,924,361	41,152,248	09785389 Dt. 07.02.2023
Total		**55,106,300**	**49,088,728**	

Audit observed that:

i. The TDAP did not have approved procedure for carrying out the civil works as prescribed by the Pak PWD and required under Para 192 of GFRs. The expenditure amounting to Rs. 55.106 million was incurred on civil works/repair of building which was neither carried out through Pak. PWD nor was incurred departmentally by making departmental regulations.
ii. The expenditure of Rs. 55.106 million was incurred without obtaining Technical Sanctions by an authorized/competent engineer of Pak. PWD.
iii. Measurement Books were not maintained in support of the works carried out. The measurement was not taken date wise along with step-by-step full details of work. In the absence of accurate measurement details, complete in all respect as prescribed by rules, the management had no tool to identify the actual value of work done and amount paid thereof.

Audit is of the view that in the absence of approved procedure for carrying out the civil works, the expenditure of Rs. 55.106 million is unauthorized. Furthermore, due to non-maintenance of Measurement Books the actual value of the work done, and the payments made for the civil works were doubtful.

The management replied that TDAP was established in 2006 (formerly EPB) now TDAP has its own Board of Directors with approved procedure for executing internal financial affairs. All financial matters are approved by the head of the Department and Board of Directors. All the expenditure is carried out in the light of Sections 25 of TDAP Act, 2013. Moreover, the Public Procurement Rules, 2004 are followed in letter and spirit and all the codal formalities are observed while carrying out any civil work in the Authority. All the civil work under this contract was examined and checked by the consultant who has been hired to monitor the civil work in collaboration with the departmental officer. The details of each work on daily basis were maintained in the measurement book.

The reply is not convincing as the incurring of expenditure was subject to observance of GFRs and other rules of the Government. Neither the TDAP had approved procedure to carry out civil works nor provision of the GFRs were followed. No Measurement Book was prepared and produced during the course of audit.

Audit recommends fixing responsibility for the lapses besides regularization of expenditure from Finance Division and avoiding such practices in future.

35.5.7 Non-recovery of liquidated damages from contractor - Rs. 8.181 million

Clause 23 of General Condition of Contract states that subject to GCC Clause 25, if the Supplier fails to deliver any or all of the Goods or to perform the Services within the period(s) specified in the Contract, the Procuring Agency shall, without prejudice to its other remedies under the Contract, deduct from the Contract Price, as liquidated damages, a sum equal to five percentage specified in SCC of the delivered price of the delayed goods or unperformed Services for each week or part thereof of delay until actual delivery or performance, up to a maximum deduction of the ten percentage specified in SCC. Once the maximum is reached, the Procuring Agency may consider termination of the Contract pursuant to GCC Clause 24.

The management of Expo Centre, TDAP, Karachi floated open tender in newspaper on 08.07.2022 for civil work, paint, plumbing, sanitary and electrical work at the Karachi Expo Centre. The work was awarded to M/s Engineering Experts at a total cost of Rs. 81,819,391 vide Letter of Intent dated 09.09.2022 and Work Order dated 10.10.2022. An expenditure of Rs. 55,106,300 was incurred during financial year 2022-23, as under:

(Rupees)

S. No.	Payment description	Gross amount	Net amount paid	Cheque No.& date
1	Mobilization advance 10% of contract amount	8,181,939	7,936,480	09785334 Dt.03.11.2022
2	Ist Running Bill	46,924,361	41,152,248	09785389 Dt. 07.02.2023
	Total	**55,106,300**	**49,088,728**	

As per TDAP letter No. TDAP-3(236)/KEC/2022/Rehabilitation dated 27.09.202 addressed to M/s Engineering Experts the contract completion period was four (04) months started from the date of issuance of Work Order. The four months' period expired on 09.02.2023. The contractor did not complete the work within the stipulated period i.e. up to 09.02.2023.

Audit observed that the TDAP management did not recover liquidated damages of Rs. 8,181,939 (81,819,391 x 10%) from the contractor as per provision of Contract.

Audit is of the view that non-recovery of liquidated damages is violation of the provision of Contract. The contractor was extended undue favour on this account.

The management replied that TDAP has made a partial payment in respect of the 1st running bill after verification of all worked done by the consultant. The liquidated damage will be deducted from the pending payment. Liquidity Damages will be deducted from the pending 43% remaining payment from M/s Engineering Experts.

The reply is not convincing as neither the liquidated damages were recovered, nor action was taken against the contractor for non-completion of the works.

Audit recommends recovery of liquidated damages from the contractor at the earliest besides taking action for non-completion of the works.

35.5.8 Irregular expenditure on purchase of IT equipment without calling open tender - Rs. 8.013 million

Rule 12(1) of Public Procurement Rules, 2004 states that procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani Rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. All procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation.

The management of Trade Development Authority of Pakistan, Karachi incurred an expenditure of Rs. 8,013,000 on purchase of IT Equipment i.e. Desktop Computers, Laptops, Printers, Multimedia etc. during financial year 2022-23.

Audit observed as under:

i. The expenditure was incurred without calling open tender.
ii. The purchase orders were split up (with close margin) by keeping the amounts of bills/invoices below Rs.500,000 to avoid calling of open tender.

Audit is of the view that incurrence of expenditure without calling open tender was irregular and unauthorized.

The management replied that TDAP floated two tenders during 2022-23 on PPRA & TDAP Websites. The first was on 07.09.2022 with closing date as 21.09.2022 and the 2nd was on 22.11.2022 with closing date as 06.12.2022. Unfortunately, both the tenders did not materialize. All the supporting documents are available on file. Since both the tenders did not materialize the demand for the office remained unfulfilled, hence items were procured based on three quotations. Furthermore, most of the equipment purchased is of a specialized nature with specifications which are hard to meet through open tender due to PPRA restrictions. Therefore, the purchase was made through three quotations.

The reply is not tenable. The reasons for cancellation of both the tenders were not explained. No further effort was made to float open tender. Purchases were made by splitting up sanctions to avoid open tender.

Audit recommends fixing the responsibility of the persons at fault besides avoiding such practice in future.

MFDAC

Sr. No	PAO	Total Para	Amounts (Million)
1	Attorney General for Pakistan, Islamabad	10	117
2	BOI	10	23.27
3	Cabinet	76	3109.296
4	Commerce	29	4528.941
5	Economic Affairs Division	22	2,558
6	Establishment	82	10467.50701
7	Federal Insurance Ombudsman	6	3.73
8	Federal Shariat Court, Islamabad	6	54
9	FEPT	101	4536.827
10	Finance	155	3994906.043
11	Health	159	13797.92171
12	Intelligence	52	1270.433875
13	Interior	1018	163,677
14	Islamabad High Court, Islamabad	8	8
15	M/o IPC	91	9,667
16	Maritime Division	98	150,833
17	Ministry of Religious AFFAIRS and Interfaith Harmony	44	13311.22644
18	Ministry of SAFRON, Islamabad	11	17
19	MOST	60	6533.051
20	NAB	40	452
21	Planning and Development	51	29902.894
22	PMO	8	92.755
23	President Sect	25	343.405855