AUDIT REPORT

ON

THE ACCOUNTS OF

FEDERAL GOVERNMENT - (CIVIL)

AUDIT YEAR 2024-25

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 expenditures of the Federal Government for the financial year 2023-24. 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 serious nature and systemic issues having significant value. The sectoral analysis of the Federal Government is included to review financial management and fiscal discipline. Lesser significant issues are listed in the Annexure I of the Report as Memorandum for Departmental Accounts Committee (MFDAC), which shall be pursued with the Principal Accounting Officers (PAO) at the Departmental Accounts Committee (DAC) level. 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 the Audit Reports of the last years for the financial years 2022-23 and 2023-24. Recurrence of such irregularities is a matter of concern and needs to be addressed promptly.

The Audit Report is submitted to the President of the Islamic Republic of Pakistan in pursuance of Article 171 of the Constitution for causing it to be laid before the 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
BoG	Board of Governors
BoQ	Bills of Quantity
BPS	Basic Pay Scale
CBA	Collective Bargaining Agreement
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
DDO	Drawing and Disbursing Officer
DDWP	Departmental Development Working Party
DG	Director General
DGA	Director General Audit
DRAP	Drug Regularity Authority of Pakistan
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
FIA	Federal Investigation Authority
FPSC	Federal Public Service Commission
FTO	Federal Treasury Office
FTR	Federal Treasury Rules
FY	Financial Year
GDP	Gross Domestic Product
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
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 Cooperation and Development
OEM	Original Equipment Manufacturer
OM	Office Memorandum
OOSC	Out of School Children
PA	Per annum
PAC	Public Accounts Committee
PARC	Pakistan Agriculture Research Council
PATCO	PARC Agrotech Company (Pvt.) Limited
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 and Exchange Commission of Pakistan
SIC	Special Investigation Cell
Sq. M.	Square Meter
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
Vol.	Volume
w.e.f.	With effect from
WAPDA	Water and Power Development Authority

EXECUTIVE SUMMARY

Directorate General Audit (Federal Government) is a Field Audit Office (FAO) 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 International Public Sector Accounting Standards (IPSAS) Financial Statements for the financial year 2023-24. Impact Audit of "free education in ICT up to the age of 16 years" has also been made a part of this report. The DGA (FG) has human resources of 113 officers and staff with 27,911-person days. The annual budget allocated to the Directorate General for the Audit Year 2024-25 is Rs. 358.680 million.

The report is finalized after reviews of the 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 the 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 2,010 formations of 62 different PAOs of the Federal Government. In the Audit Year 2024-25, 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 2023-24. 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 02 Certification Audits, 16 Foreign Aided Project (FAP) Audits, and one Special Study.

Recoveries at the instance of Audit

During January, 2024 to December, 2024, an amount of Rs. 123.878 billion was recovered and verified on the pointation of Audit, whereas, last year, the amount recovered and verified was Rs. 31.060 billion.

Audit Methodology

Audit was conducted in accordance with the Internal Organization of Supreme Audit Institutions (INTOSAI) Auditing Standards as incorporated in the Financial Audit Manual (FAM), Guidelines for the Audit of the 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 the System Application Product (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 the payments were validated by proper supporting documents, approval of the 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 2024-25, it was noticed that the internal audit units had not been established in the light of Section 29 of the Public Finance Management Act, 2019 and Para 33 of the PAOs Regulations, 2021. The Chief Internal Auditors (CIA) have not been appointed/posted as envisioned by the Federal Government in the 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. Due to an Audit observation, DRAP notified that it would perform the costing and pricing of specific therapeutic medicines/products only.

ii. KPT management curtailed the percentage of overtime to the employees up to 25%.

iii. Private Educational Institutes Regulatory Authority stopped the payment of unauthorized allowances to the Chairman and Members of the Board.

iv. Islamabad Club agreed and committed to prepare and notify its own rules/regulations for the civil works and also agreed to do major procurements in the light of the Public Procurement Rules, 2004.

v. Gun and Country Club agreed to make their investments as recommended by Audit.

vi. Gun and Country Club corrected its Financial Statements for the FY 2023-24 in the light of Audit's observations.

vii. AGPR committed to get the Audit Manual updated in the light of requirements of modern-day computerized environment.

Key Audit findings

i. Audit identified instances of expenditure incurred without any allocated budget, leading to financial irregularities and violations of fiscal regulations across multiple Government entities.

ii. Audit revealed significant overpayment of allowances to the Karachi Port Trust employees, resulting in a financial burden on the national exchequer.

iii. The import of 3.59 Million Tons of wheat despite surplus domestic stocks caused an estimated loss of over Rs. 300 billion, leading to market oversupply and financial distress for local, the farmers.

iv. Audit uncovered procurement irregularities and unauthorized payments in the Civil Armed Forces, highlighting lapses in financial controls and compliance.

v. Audit revealed overpayment of salaries and allowances to the Chairman and Members of the Private Educational Institutes Regulatory Authority, resulting in unauthorized financial disbursements.

vi. Audit identified recoverable amounts in the Pakistan Cricket Board due to unauthorized payments, irregular contracts, and financial mismanagement, necessitating corrective action to recover the misused funds.

vii. Audit highlighted numerous cases of encroachments on lands belonging to the Evacuee Trust Property Board, Jammu and Kashmir State Properties, and Karachi Port Trust, revealing unauthorized occupation and mismanagement of these public assets.

viii. Audit revealed instances of non-deduction of tax on various payments, resulting in revenue losses to the national exchequer and non-compliance with the tax regulations.

Apart from above, following audit findings are reported in this report:

ix. There were 5 cases of misappropriation and embezzlement of public money and fictitious payments, amounting to Rs. 1,688.391 million[1].

x. There were 107 cases of recovery amounting to Rs. 689,480.141 million[2].

xi. There were 39 instances of weak internal controls amounting to Rs. 160,392.599 million[3].

Audit Paras for the Audit Year 2024-25 involving procedural violations, internal control weaknesses and irregularities which are not considered significant for reporting to the PAC are included in the MFDAC at Annexure I.

Recommendations

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

ii. Supplementary Grants need not to 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 in the Government treasury wherever applicable.

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

vi. Internal audit and issuance of internal audit report need to be ensured.

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[1] Para No. 5.5.11, 5.5.12, 18.5.21, 20.5.2, 22.5.4

[2]Para No. 3.5.1, 3.5.4, 3.5.6, 5.5.1, 5.5.6, 5.5.14, 6.5.3, 7.5.5, 8.5.2, 9.5.1, 9.5.2, 10.5.3, 10.5.6, 10.5.9, 10.5.10, 10.5.11, 12.5.4, 12.5.5, 13.5.1, 13.5.9, 13.5.12, 13.5.14, 13.5.15, 13.5.21, 13.5.24, 13.5.25, 14.5.2, 14.5.3, 15.5.2, 15.5.3, 15.5.4, 15.5.5, 15.5.6, 15.5.7, 15.5.9, 15.5.12, 15.5.13, 16.5.2, 17.5.2, 17.5.3, 17.5.6, 17.5.7, 18.5.2, 18.5.3, 18.5.6, 18.5.7, 18.5.8, 18.5.11, 18.5.15, 18.5.18, 18.5.19, 18.5.22, 18.5.25, 18.5.26, 19.5.1, 19.5.3, 19.5.10, 19.5.12, 19.5.13, 19.5.14, 19.5.18, 19.5.19, 19.5.20, 19.5.31, 19.5.37, 20.5.11, 20.5.12, 20.5.15, 20.5.17, 20.5.18, 20.5.22, 20.5.27, 20.5.28, 20.5.32, 20.5.37, 20.5.38, 20.5.39, 21.5.19, 22.5.9, 22.5.12, 22.5.14, 22.5.18, 24.5.1, 24.5.2, 26.5.2, 26.5.3, 26.5.6, 26.5.7, 27.5.8, 27.5.13, 29.5.2, 29.5.4, 29.5.6, 29.5.7, 29.5.8, 29.5.10, 29.5.12, 29.5.13, 29.5.15, 29.5.17, 29.5.18, 29.5.20, 29.5.22, 31.5.4, 31.5.5, 33.5.1, 33.5.2

[3]Para No. 5.5.15, 6.5.1, 6.5.2, 8.5.1, 10.5.7, 10.5.8, 11.5.2, 12.5.1, 12.5.2, 13.5.2, 13.5.6, 13.5.8, 13.5.11, 13.5.22, 14.5.4, 15.5.8, 16.5.3, 16.5.4, 16.5.5, 16.5.6, 16.5.7, 16.5.8, 16.5.9, 16.5.10, 16.5.11, 16.5.12, 17.5.4, 17.5.5, 18.5.9, 18.5.10, 18.5.23, 18.5.24, 20.5.23, 20.5.24, 20.5.25, 20.5.26, 20.5.29, 20.5.30, 20.5.33, 22.5.2, 22.5.3, 22.5.6, 27.5.1, 29.5.9, 29.5.14, 29.5.16, 29.5.19, 30.5.1, 30.5.2, 31.5.15, 31.5.16, 31.5.18

vii. Financial Attest Audit Reports of autonomous authorities need to be shared with AGP's audit teams where required.

viii. Fixed Assets Register needs to be maintained. All assets need to 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 the issues of non-production of record seriously as it hampers the 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 IPSAS Financial Statements for the financial year 2023-24 and Grants of all the Ministries/Division included in the Audit Plan 2024-25. Overall financial health and fiscal discipline were reviewed in the light of the Financial Audit Manual, Public Finance Management Act, General Financial Rules, Accounting Policy and Procedures Manual, 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. It was observed during audit of the financial year 2023-24 that the Federal Government had certain financial management issues which include:

i. 29 % of the total supplementary grants remained unapproved by the Parliament during the Financial Year (FY) 2023-24 – Rs. 513.871 billion.
ii. Non-surrender of saving under 12 grants resulted in lapse – Rs. 212.080 billion
iii. Expenditure in excess of the Final Grants – Rs. 12,628.250 million
iv. Unjustified demand of Supplementary Grants without need assessment – Rs. 24,877.420 million
v. Variation in payments made through Micro Payment Gateway (MPG) by the State Bank of Pakistan and processed by AGPR – Rs. 981.094 million
vi. Non-reporting of fixed assets in the Annual Accounts
vii. Non-reconciliation of Pension Expenditure
viii. Expenditure without allocation of funds in the cost centers – Rs. 1,082.421 billion

ix. Retention of funds with zero utilization under 175 cost centers resulting in a lapse - Rs. 265.457 billion

x. Variation in expenditure of Appropriation Accounts and Financial Statements of the Federal Government, 2023-24 - Rs 3.755 billion

xi. Non-reporting of pension data

As per the Appropriation Accounts for the financial year 2023-24, there was a total provision of Rs. 46,565.290 billion, however, after surrender and supplementary grants, final allocation was Rs. 40,315.021 billion. The actual expenditure was Rs. 39,945.052 billion with Rs. 369.969 billion (0.92%) savings, lower than the final allocation. Detail of Current, Development and Charged expenditure is as under:

(Rs. in billion)

Heads	Number of Grants	Original	Supplementary Grant		Surrender (-)	Final Grant	Actual Expenditure	Excess/(Savings)	
			Printed	Not Printed				Amount	% age
Current	86	4,329.595	395.007	243.019	(855.497)	4,112.126	4,124.271	12.145	0.29%
Development	44	1,566.763	7.650	101.613	(330.756)	1,345.271	1,142.162	(203.109)	17.78%
Charged	14	40,668.931	848.018	169.238	(6,828.563)	34,857.624	34,678.618	(179.006	0.52%
Total		**46,565.290**	**1250.676**	**513.871**	**(8,014.816)**	**40,315.021**	**39,945.052**	**(369.969)**	**(0.92) %**

**{excluding four (4) grants i.e. Defense Services, Geological Survey of Pakistan, Foreign Affairs and Capital Outlay on Civil Works).*

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

(Rs. in billion)

Financial year	Final Grant	Actual expenditure	Excess / (Savings)	% (Savings)/ 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	38,616.65	38,675.38	58.731	0.15%
2023-24	40,315.02	39,945.05	(369.969)	(0.92) %

Overall appropriation figures revealed that the Federal Government granted supplementary grants of Rs. 1,764.547 billion, out of which Rs. 513.871 billion were not approved by the Parliament.

In two (2) grants, there was a saving of Rs 4.828 billion after supplementary grants of Rs. 1.757 billion, showing non-utilization of 100% supplementary grant, and in 3 Grants, against the supplementary grant of Rs. 23.120 billion, Rs. 15.831 billion could not be utilized. The detail is summed up in the **Figure I**.

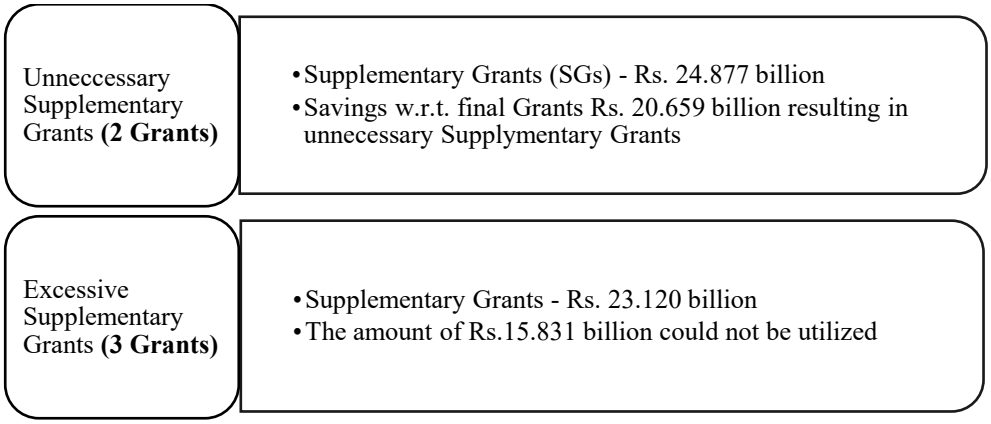
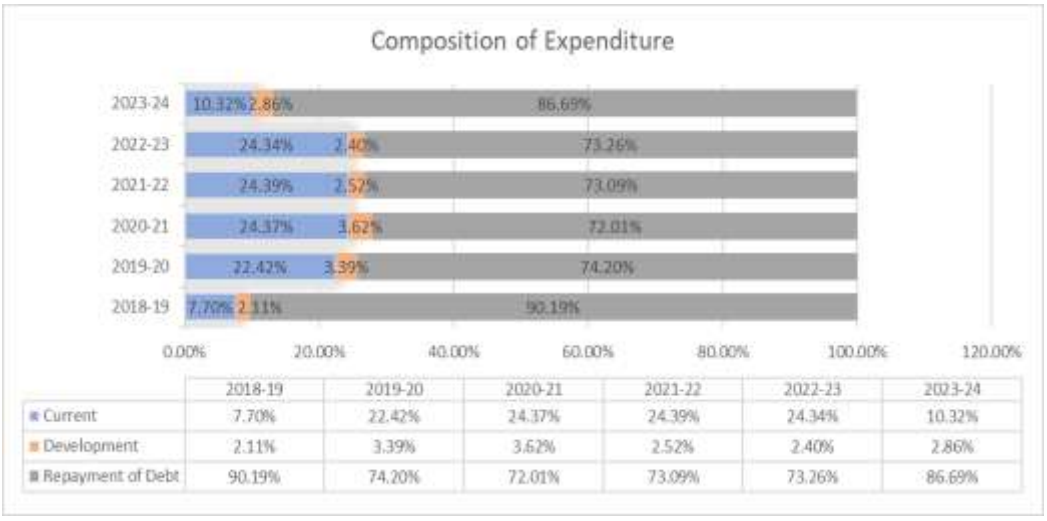


Figure I Variation of SGs from Actual Requirements

There was a slight decrease in share of total expenditure on current and development grants during the financial year 2023-24 as compared to the financial year 2022-23 showing reduced resource allocation on development and current expenditure negatively affecting the growth of the economy as shown in **Figure II**:



	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Current	7.70%	22.42%	24.37%	24.39%	24.34%	10.32%
Development	2.11%	3.39%	3.62%	2.52%	2.40%	2.86%
Repayment of Debt	90.19%	74.20%	72.01%	73.09%	73.26%	86.69%

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

(Rs. in billion)

Economic functions	FY 2023-24		FY 2022-23	
	Expenditure	%	Expenditure	%
i. Interest Payment	8,207.18	20.55%	5,702.16	14.74%
ii- Principal Repayments of Loans	26,419.72	66.14%	28,332.41	73.26%
A- Total Debt+Servicing (i+ii)	**34,626.91**	**86.69%**	**34,034.57**	**91.42%**
B- Other than Debt	5,318.15	13.31%	3,195.04	8.58%
01 - General Public Service	**38,449.49**	**96.26%**	**37,229.61**	**96.26%**
02 - Defence Affairs and Services	13.56	0.03%	11.56	0.03%
03 - Public Order and Safety Affairs	283.21	0.71%	228.77	0.59%
04 - Economic Affairs	472.31	1.18%	540.99	1.40%
05 - Environment Protection	3.52	0.01%	4.70	0.01%
06 - Housing and Community Amenities	10.24	0.03%	9.06	0.02%
07 – Health	53.10	0.13%	35.89	0.09%
08 - Recreation, Culture and Religion	20.10	0.05%	17.48	0.05%
09 - Education Affairs and Services	159.30	0.40%	146.94	0.38%
10 - Social Protection	480.22	1.20%	450.39	1.16%
Grand total	**39,945.05**	**100%**	**38,675.39**	**100.00%**

Figure III - Flow of expenditure

Flow of expenditure: As per Appropriation Accounts of the Federal Government, for the financial year 2023-24, the total expenditure of Rs. 39,945.050 billion was booked by the AGPR and its subordinate offices, as detailed below:

As evident from the table above, a high percentage of expenditure i.e. 96.26% was expended on General Public Service which includes 86.69% on repayment of debt and interest payments during 2023-24, which was 91.42% during 2022-23. Therefore, Federal Government was left with a meager 13.31% of total expenditure for socio economic functions (other than debt) which is slightly higher than the last year's percentage of 8.58%.

Analysis of Financial Statements of the Federal Government: As per Financial Statements of the Federal Government, for the financial year 2023-24, the Government expended Rs. 41,923.500 billion against the total receipts of Rs. 42,043.070 billion out of the Federal Consolidated Fund, as detailed below:

(Rs. in billion)

Particular	FY 2023-24	FY 2022-23
Revenue Receipts	7,047.17	4,643.53
Capital receipts (Debts/recovery of loans/advances)	34,995.91	35,739.17
TOTAL RECEIPTS	**42,043.07**	**40,382.70**
Revenue payments	14,592.18	11,082.23
Capital payments	27,331.32	29,321.96
TOTAL PAYMETS	**41,923.50**	**40,404.18**

Five-year trend in Public Debt[4]: Trend of domestic and foreign debt for the last 5 years is shown in the table given below. As per Financial Statements of the Federal Government for the financial year (FY) 2023-24, there was an increase in receipt of domestic-floating and permanent debts to Rs.21.690 trillion and Rs. 10.650 trillion as compared to last year's receipt of Rs.25.170 trillion and Rs. 7.290 trillion respectively. However, receipt of foreign debt was reduced to Rs.2.360 trillion as compared to previous year's receipts of Rs.2.880 trillion.

The retiring of debt shows that during the financial year 2023-24, Federal Government paid off Rs.20.640 trillion and 3.470 trillion of floating and permanent domestic debts as well as Rs. 2.310 trillion of foreign debt. Resultantly, the Federal Government increased its debts by Rs. 8.290 trillion during 2023-24 which is 18% increase from the last year, 2022-23.

(Rs. in trillion)

FY	Receipts				Payments				Net increase /(decrease)	% of increase /(decrease)
	Domestic Debt		Foreign	Total	Domestic Debt		Foreign	Total		
	Floating	Permanent	Debt	Receipts	Floating	Permanent	Debt			
2020	14.3	3.05	2.08	19.43	14.13	1.23	1.36	16.72	2.71	-61%
2021	14.55	3.18	2.24	19.96	13.807	0.96	0.96	15.72	4.24	56%
2022	17.94	6.53	3.08	27.54	17.96	1.88	1.84	21.68	5.86	38%
2023	25.17	7.29	2.88	35.34	22.63	2.46	3.24	28.33	7.01	20%
2024	21.69	10.65	2.36	34.71	20.64	3.47	2.31	26.42	8.29	18%

[4] Financial Statement 2023-24 Page# 34-35

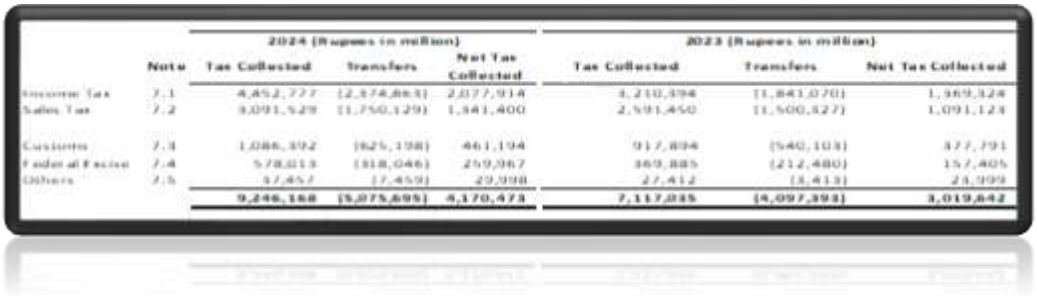
Composition of total receipts[5]: To meet its expenditures, Federal Government mainly relied on borrowings in the shape of public debt *(domestic and foreign debt)* which contributed Rs. 37,942.390 billion (83.34%) of the total receipt. There is more reliance on borrowings as compared to last year when public debt to the tune of Rs. 35,335.740 billion was part of the total receipts.

(Rs. in billion)

Particulars	FY 2023-24	FY 2022-23
Revenue-Receipts	**7047.16**	**4,643.53**
Taxation	4,170.47	3,019.64
Non-taxation	2,876.69	1,623.89
Capital–Receipts	**34,995.9**	**35,739.17**
Domestic debt	32,348.20	32,456.17
Foreign debt	2,362.60	2,879.57
Recoveries of loans and advances	283.77	403.43
Total Receipts	**42,043.07**	**40,382.70**

During the financial year 2023-24, tax receipts of the Federal Government were Rs. 9,246.168 billion as compared to Rs. 7,177.035 billion for the previous financial year, which represents an increase of 29.92%. Out of the total tax collections for the financial year 2023-24, the Federal Government has transferred Rs. 5,075.695 billion 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, leaves the Federal Government with a tax revenue of Rs. 4,170.473 billion against Rs. 3,019.642 billion in comparison with the previous financial year.

[5] Financial Statements 2023-24 Page # 15



	Note	2024 (Rupees in million) Tax Collected	Transfers	Net Tax Collected	2023 (Rupees in million) Tax Collected	Transfers	Net Tax Collected
Income Tax	7.1	4,452,777	(2,374,863)	2,077,914	3,210,394	(1,841,070)	1,369,324
Sales Tax	7.2	3,091,529	(1,750,129)	1,341,400	2,591,450	(1,500,327)	1,091,123
Customs	7.3	1,086,392	(625,198)	461,194	917,894	(540,103)	377,791
Federal Excise	7.4	578,013	(318,046)	259,967	369,885	(212,480)	157,405
Others	7.5	37,457	(7,459)	29,998	27,412	(3,413)	23,999
		9,246,168	(5,075,695)	4,170,473	7,117,035	(4,097,393)	3,019,642

Composition of tax receipts: In 2023-24, there was a huge growth in Income Tax including nominal growth in the Sales Tax, Federal Excise, Custom Duty and others taxes which in total have increased by Rs. 1,150.833 billion (from Rs. 3,019.640 billion in the FY 2022-23 to Rs. 4,170.473 billion in the FY 2023-24) as compared to the previous financial year 2022-23[6]. The same is reflected in the Figure V:

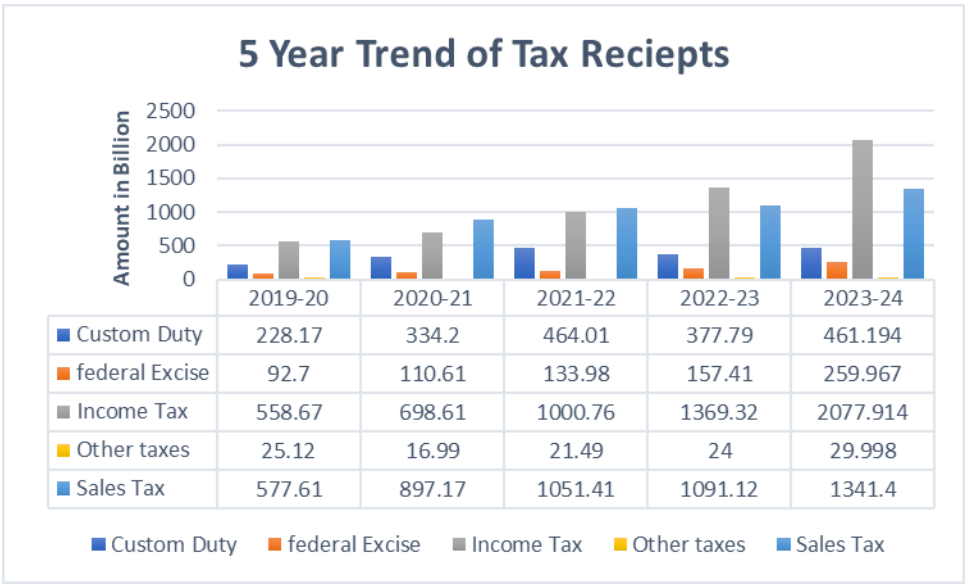
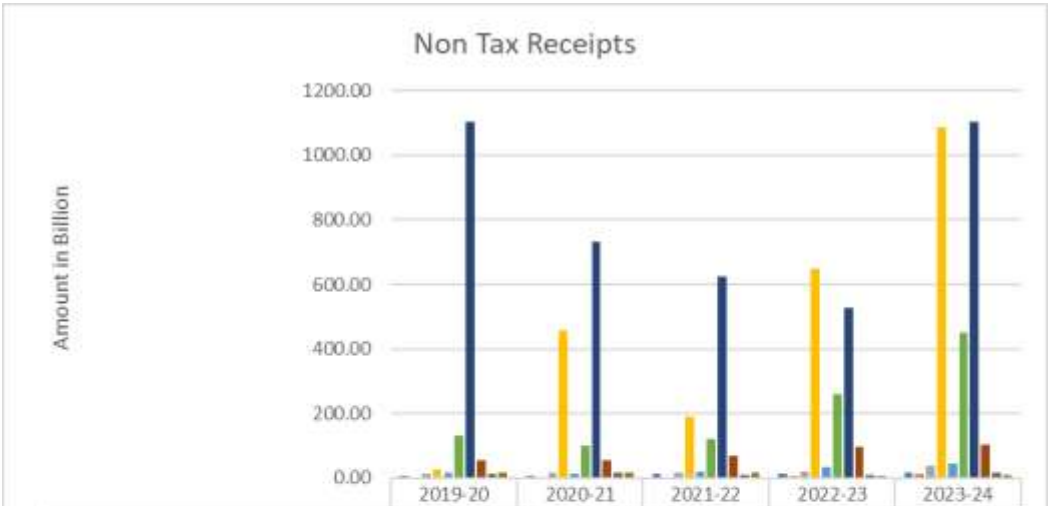


Figure V - 5 year trend in Tax Receipts of the Federal Government

[6] Financial Statements 2023-24 Page # 19

According to the Economic Survey of Pakistan, Tax expenditure has been estimated at Rs. 3,879.200 billion.[7] Last year amount booked as tax expenditure was Rs. 1,757.035 billion.

Non-tax receipts: Federal Government is experiencing an increase in the total non-tax receipts of Rs. 2,876.690 billion as compared to previous year figure of Rs. 1,623.890 billion, mainly due to increase in the development surcharge and royalties and dividend and profit share.



	2019-20	2020-21	2021-22	2022-23	2023-24
General Administration receipts	7.26	7.74	14.39	14.11	15.43
Economic Services Receipts	1.74	3.72	2.85	7.03	12.84
Defence Services receipts	14.67	15.04	17.73	21.19	37.54
Development surcharge and royalties	25.41	457.37	189.25	648.95	1086.86
Citizenship, nationalization, passport and copyright	17.74	13.12	21.64	34.52	44.15
Interest on loans and advances	130.97	101.31	121.36	259.80	449.97
Dividend and profit share	1103.42	730.97	624.93	527.88	1103.20
Others	54.27	54.64	69.80	95.19	101.86
Development grants	11.61	15.10	9.94	8.10	15.57
Trading Activities	15.98	15.52	16.06	7.13	9.29

Figure VI - Non-Tax Receipts of the Federal Government in the FY 2022-23[8]

[7] Economic Survey of Pakistan 2023-24, Annex-II (Page 289)
[8] Financial Statements 2023-24, Page 19

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

1.2 Key issues highlighted in the Financial Attest Audit

Federal Government (AGPR)

1.2.1 29 % of the total supplementary grants remained unapproved by the Parliament - Rs. 513.871 billion

CRITERIA

Article 84 of the 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.

FACT

During Certification Audit of the Manuscripts of Appropriation Accounts of the Federal Government for the financial year 2023-24, it was noted that the Federal Government approved Supplementary Grants of Rs. 1,764.574 billion, as detailed below:

(Rs.)

Particulars	Amount	Percent
Total Supplementary Grants as per Manuscript of Appropriation Accounts for 2023-24	1,764,547,117,001	
Supplementary Grants not printed in the Supplementary Schedule of Authorized Expenditure	513,871,329,001	29%
Supplementary Grants printed in the Supplementary Schedule of Authorized Expenditure	1,250,675,788,000	71%

Audit observed that the Supplementary Grants of Rs. 513.871 billion were unauthorized as the same stood not placed before the Parliament for approval during the financial year (FY) 2023-24.

IMPLICATION

Audit is of the view that the Supplementary Grants of Rs. 513.871 billion were unauthorized as these Grants stood not tabled before the National Assembly during the financial year 2023-24.

MANAGEMENT RESPONSE

The matter was reported to the management on 11.10.2024. The management stated in its reply that the Supplementary Grants of Rs.513.871 billion mentioned in the Audit Para would be submitted to the National Assembly in the next budget session to be held during the current financial year 2024-25. Being a regular feature, it will be approved by the National Assembly.

DAC's RECOMMENDATIONS

The department explained in the DAC meeting held on 12.11.2024, that 71% of the Supplementary Grants were placed before the National Assembly in the Budget Session scheduled as per the constitutional arrangement. The remaining 29% Supplementary Grants pointed out by the Audit will be placed before the National Assembly in the next budget session. The DAC directed to get the Supplementary Grants regularized from the National Assembly. Para stands till the regularization of the supplementary grants.

AUDIT COMMENTS

Audit recommends to streamline the issue by improving the system of financial management. Moreover, unauthorized Supplementary Grants be got approved from the National Assembly as required under Article 84 of the Constitution of the Islamic Republic of Pakistan, 1973.

1.2.2 Non-surrender of saving under 12 grants resulted in lapse - Rs. 212.080 billion

CRITERIA

Section 12(1) of the PFM Act, 2019 states that all the Ministries and Divisions, their attached departments and sub-ordinate offices and autonomous

organizations shall surrender to the Finance Division at least twenty-five days before the presentation of the budget in the National Assembly, all anticipated savings in the grants or assignment accounts or grant-in-aid controlled by them.

FACT

During Certification Audit of the Manuscripts of Appropriation Accounts and Financial Statements of the Federal Government for the financial year 2023-24, it was revealed that an amount of Rs 557.432 billion stood incurred against the final grant of Rs. 769.512 billion under Current and Development Grants, as detailed below:

(Rs.)

Grant	Number	Final Grant	Actual Expenditure	Sum of Excess/ (Savings)	%
Current	3	18,218,884,369	14,513,820,295	(3,705,064,074)	-20%
Development	9	751,293,905,924	542,918,629,216	(208,375,276,708)	-28%
Grand total	**12**	**769,512,790,293**	**557,432,449,511**	**(212,080,340,782)**	**-28%**

grants involving saving of more than 5%

Audit observed that there was a saving of Rs. 212.080 billion under twelve (12) grants of various Ministries/Divisions. The PAOs were required to surrender these savings in time to avoid lapse of funds but it was not done.

IMPLICATION

Audit is of the view that these funds were neither utilized by the Ministries/Divisions themselves nor were made available to other Ministries/Divisions through the Finance Division.

MANAGEMENT RESPONSE

The matter was reported to the management on 11.10.2024. The management stated in its reply that the surrender of anticipatory savings was the function and responsibility of the concerned Principal Accounting Officers. In some cases, Principal Accounting Officers have no direct control over the spending entities. In the case of Foreign Loans, budget allocation is made in the grant of EAD whereas, actual spending is made by the provinces and autonomous bodies which are not under the control of the Secretary, EAD. The management further stated

that out of total objected amount i.e. Rs. 212.080 billion, an amount of Rs.189.060 billion pertained to EAD grant only.

DAC's RECOMMENDATIONS

The department explained in the DAC meeting held on 12.11.2024 that the concerned PAOs were primarily responsible to surrender the funds in time. In case, they have not done so, they are required to submit the justification of savings and non-surrender of funds in time. The DAC directed the Finance Division to write to all the PAOs to adhere to the regulatory deadlines and avoid this practice in future. Para stands till the regularization of the respective grants from the Public Accounts Committee.

AUDIT COMMENTS

Audit recommends to implement the DAC decision and streamline the system of financial management.

1.2.3 Expenditure in excess of the Final Grants - Rs. 12,628.250 million

CRITERIA

Article 84 of the 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 the 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.

FACT

During Certification Audit of the Manuscripts of Appropriation Accounts of the Federal Government for the financial year 2023-24, it was observed that Ministries / Divisions incurred an excess expenditure of Rs. 12.628 billion under six (6) demands, as detailed below:

(Rs. in million)

Number and Name of the Grant/Appropriation	Grant	Final Grant	Actual Expenditure	Excess	%
109 - Development Expenditure of Revenue Division	Development	2,653.03	11,314.65	8,661.62	326%
65 - Law and Justice Division	Current	7,677.59	9,191.76	1,514.17	20%
24 - Communications Division	Current	262.88	304.68	41.80	16%
26 - Pakistan Post Office Department	Current	20,435.11	22,756.99	2,321.88	11.36%
13 - Board of Investment	Current	628.54	679.77	51.23	8%
N - Federal Tax Ombudsman	Charged	409.99	447.55	37.56	9%
Total		**32,067.15**	**44,695.40**	**12,628.25**	**39%**

IMPLICATION

Audit is of the view that incurring expenditure in excess of the final grants was irregular and against the provision of Article 84 of the Constitution of Pakistan.

MANAGEMENT RESPONSE

The matter was reported to the management on 11.10.2024. The management stated in its reply that the excess expenditure appearing in the accounts for the financial year 2023-24 should be laid before the National Assembly for regularization/authorization in the form of Excess Budget Statement in the next budget session to be held during the current financial year 2024-25 as per procedure prescribed in the Constitution.

DAC's RECOMMENDATIONS

The department explained in the DAC meeting held on 12.11.2024 that the relevant PAOs were responsible for making excess expenditure over their budgetary allocations. DAC directed to write a letter to all the PAOs to justify their position and adhere to the regulatory guidelines in this regard. Para stands till regularization of the respective grants from the Public Accounts Committee.

AUDIT COMMENTS

Audit recommends to implement the DAC decision and streamline the system of financial management.

1.2.4 Unjustified demand of Supplementary Grants without need assessment - Rs. 24,877.420 million

CRITERIA

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

FACT

During Certification Audit of the Manuscripts of Appropriation Accounts and Financial Statements of the Federal Government for the financial year 2023-24, it was observed that despite the availability of sufficient budget under five grants of Ministries/Divisions/Departments, supplementary budget allocations amounting to Rs. 24,877.420 million were made for these grants, which remained unutilized. The amount allocated was either surrendered or reported as savings lately. Summary is as under:

(Rs. in million)

Grant-Division/ Department	Original Grant	Supplemen-tary Grant	Surrender	Final Grant	Actual Expend-iture	Excess/ (Savings)	%
107-Finance Division	3,220.000	17,453.400	-3,119.750	17,553.650	3,171.270	(14,382.380)	-82%
102-Power Division	5,839.080	4,942.000	-1,485.090	9,295.990	8,067.570	(1,228.420)	-13%
58-Interior Division	13,239.660	1,702.630	-887.650	14,054.640	10,583.350	(3,471.290)	-25%

89-Water Resources Division	3,589.390	724.900	-352.320	3,961.970	3,741.600	(220.370)	-6%
113-Interior Division	9,950.000	54.490	-1944.440	8,060.050	6,702.820	(1,357.230)	-17%
Total	**35,838.130**	**24,877.420**	**-7,789.250**	**52,926.300**	**32,266.610**	**(20,659.690)**	**-39%**

Audit observed as under:

i. Ministries/Divisions failed to utilize the supplementary grants which resulted in savings of Rs. 20.659 billion
ii. An amount of Rs 7.789 billion was surrendered due to non-utilization of the supplementary grant.
iii. Under demand numbers 58 and 113 of the Interior Division, the whole supplementary grants stood lapsed without utilization.

IMPLICATION

Audit is of the view that the PAOs could not rationalize their budget estimates resulting in unnecessary demand of budget. Audit is also of the view that no proper controls/checks existed in the Ministries/Divisions/ Departments to assess actual requirement before demanding the budget for subsequent utilization.

MANAGEMENT RESPONSE

The matter was reported to the management on 11.10.2024. Management stated in its reply that savings should be submitted before the PAC in due course of time for remedial action and recommendation for submission before the National Assembly.

DAC's RECOMMENDATIONS

The DAC in its meeting held on 12.11.2024 directed the department to write a letter addressed to all the PAOs for justification and adhere to regulatory guidelines in this regard. Para stands till the regularization of the respective grant from the Public Accounts Committee (PAC).

AUDIT COMMENTS

Audit recommends to implement the DAC decision beside exercising prudence in budgeting to avoid such irregularities in future.

1.2.5 Variation in payments made through Micro Payment Gateway (MPG) by the State Bank of Pakistan and processed by AGPR - Rs. 981.094 million

CRITERIA

Article 3 (1)(a) of the MoU signed between the State Bank of Pakistan and the Controller General of Accounts, Pakistan, for Federal Government payments through Micropayment Gateway (MPG) System, states that, for all payments of the Federal Government, made by the AGPR, the AGPR shall obtain the beneficiary data from AGPR, Sub Offices and District Accounts Offices (DAOs) and shall send such data to "RAAST" from a single point through its head office, Islamabad.

Article 3(3) of the MoU states that SBP shall make payments in accordance with the instruction received from the concerned Accountant-General. The payment so executed shall be final and binding on both the SBP and CGA. In case, the payments made by the SBP are inconsistent with the instructions received from CGA, the SBP shall be responsible to recover the payment and make good to government's loss. However, if CGA has issued incorrect advice or credit, the SBP shall cooperate/extend help in recovery.

Article 7 of the MoU states that the concerned Accountant-General shall ensure the authenticity of transition data before sending the payments instruction to "RAAST" for execution on the value date. SBP shall provide necessary confirmation to CGA regarding the execution status of the transactions.

FACT

During Certification Audit of the Manuscripts of Appropriation Accounts and Financial Statements of the Federal Government for the financial year 2023-24, it was revealed that AGPR had processed the payments of Rs. 98.966 billion (as evident from SAP ID G01108) to the State Bank of Pakistan for execution of MPG payments during the financial year 2023-24.

Audit observed that the State Bank of Pakistan made payments of Rs. 99.872 billion to the beneficiaries against the payments of Rs 98.966 billion processed by the AGPR, resulting in excess payments of Rs 981.094 million.

Month wise detail of payments processed by AGPR and payments disbursed by the State Bank of Pakistan for the period 2023-24 is as under:

(Rs.)

Sr. No.	Month	Processed by the AGPR	Payment made by the SBP	Difference
1	July-2023	1,325,197,947.000	1,316,184,040.000	(9,013,907.000)
2	August-2023	1,149,926,010.000	5,801,908,780.000	4,651,982,770.000
3	September-2023	11,550,642,480.000	11,388,537,475.000	(162,105,005.000)
4	October-2023	10,716,852,930.000	6,712,505,470.000	(4,004,347,460.000)
5	Novmber-2023	5,748,326,706.000	6,310,441,782.000	562,115,076.000
6	December-2023	1,013,002,870.000	4,593,293,100.000	3,580,290,230.000
7	January-2024	10,909,180,321.000	7,542,718,267.000	(3,366,462,054.000)
8	February-2024	7,792,708,213.000	8,164,992,726.000	372,284,513.000
9	March-2024	10,361,944,548.000	10,578,788,762.000	216,844,214.000
10	April-2024	.9,615,662,066.000	9,521,972,659.000	(93,689,407.000)
11	May-2024	15,470,499,378.000	14,786,954,899.000	(683,544,479.000)
12	June-2024	13,311,306,904.000	13,229,589,973.000	(81,716,931.000)
13		1,543,267.000	0	(1,543,267.000)
Total		98,966,793,640.000	99,947,887,933	981,094,293.000

The payments disbursement by the SBP were inconsistent with the payments processed/authorized by the AGPR.

IMPLICATION

Audit is of the view that the excess payments were made due to non-existence / non-exercising of reconciliation with the SBP.

MANAGEMENT RESPONSE

The matter was reported to the management on 11.10.2024. The management stated in its reply that the process of payments made through MPG/RAAST was entirely integrated. The necessary checks are also in place while pushing payments through the MPG/RAAST i.e. one transaction cannot be sent again until it is resubmitted by the department against available budget. MPG/RAAST is based on daily settlement which is executed daily at day end between the SBP, AGPR and banks, therefore, excess payment is not possible.

MPG payments are processed through G01108 which is used for clearing purposes only and the balances are available in this head on temporary basis. The accounting entries recorded against G01108 are finally cleared through F01101 against the successful transactions of MPG. The parked documents or the transactions which are unsuccessful, are reversed and payments are again processed through cheques. The processed transactions are reconciled with the data available on SBP portal on daily basis.

DAC's RECOMMENDATIONS

The DAC in its meeting held on 12.11.2024 directed the AGPR to reconcile the figures with the State Bank of Pakistan and report be shared with Audit.

AUDIT COMMENTS

Audit recommends that the DAC directions may be implemented.

1.2.6 Non-reconciliation of Pension Expenditure

CRITERIA

As per the APPM 4.7.19.1, the NBP and AG should reconcile the pension payments.

FACT

During Certification Audit of AGPR, Islamabad for the financial year 2023-24, it was revealed that the important practice of reconciliation between accounting office (AGPR Office) and the disbursement authorities (Banks and TOs) of pension expenditure stood not performed.

Further, no reconciliation practice is followed by the AGPR to reconcile the new pension cases for the year with Bank. Such non-reconciliation may give a convenient room to fraudulent/irregular pension payment. The APPM was adopted by the CGA, therefore, the procedures mentioned in the APPM are enforceable accordingly. Following effects are evident:

- Weak financial and reporting control.
- Unauthorized persons may be paid.
- Because of non-reconciliation of new pension cases between accounting office and disbursement authorities, pension may be drawn in the names of fake employees.

- Non-reconciliation of pension payments makes the veracity of reported pension expenditure doubtful.
- Ignorance of applicable accounting policies and procedures.

IMPLICATION

Audit is of the view that the weak financial and reporting controls may result in unauthorized pension payments. Due to non-reconciliation of new pension cases between accounting office and disbursement authorities, a big room is created for irregular pension payments. Monthly reconciliation needs to be performed with the bank as a strong financial and reporting control.

MANAGEMENT RESPONSE

The matter was reported to the management on 22.10.2024. The management stated in its reply that the APGR had already initiated correspondence with the banks for reconciliation of data from January to June, 2024, which is in progress.

DAC's RECOMMENDATIONS

The department explained in the DAC meeting held on 12.11.2024 that Banks were not complying with the procedure as per rules and regulation that needs to be followed strictly. The DAC pended the Para for compliance.

AUDIT COMMENTS

Audit recommends that the matter may be taken up with the banks for reconciliation of pension expenditures on regular basis, to avoid unauthorized pension payments. Further, reconciliation with banks for the financial year 2023-24 be shared with Audit.

1.2.7 Expenditure without allocation of funds in the cost centers - Rs. 1,082.421 billion

CRITERIA

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

Para 3.3.12.7 of the Accounting Policy and Procedures Manual (APPM) states that excesses (i.e. expenditure for which no provision has been made in the current year's original budget) should not normally be incurred.

FACT

During Certification Audit of the Manuscripts of Appropriation Accounts and Financial Statements of the Federal Government for the financial year 2023-24, scrutiny of the cost center wise data revealed that an expenditure of Rs. 1,082.421 billion was incurred by 12 PAOs under 139 different Cost Centers. Details are as under:

(Rs.)

Ministry\Department description	Expenditure
F01 - CABINET SECRETARIAT	358,771
F03 - MINISTRY OF COMMUNICATIONS	116,054,518
F05 - MINISTRY OF DEFENCE	176,912
F08 - MINISTRY OF FINANCE, REVENUE AND ECONOMIC AFFAIRS	1,082,233,683,784
F12 - MINISTRY OF HOUSING AND WORKS	306,402
F15 - MINISTRY OF INTERIOR	1,324,708
F18 - MINISTRY OF LAW AND JUSTICE	6,476,087
F20 - MINISTRY OF PLANNING, DEVELOPMENT AND SPECIAL INITIATIVES	3,329,447
F31 - MINISTRY OF NARCOTICS CONTROL	112,283
F33 - NATIONAL ASSEMBLY AND THE SENATE	55,362,500
F54 - MINISTRY OF FEDERAL EDUCATION, PROFESSIONAL TRAINING, NATIONAL HISTORY AND CULTURE	3,888,447
F65 - MINISTRY OF WATER RESOURCES	74,945
Grand total	**1,082,421,149,804**

All demands

Audit observed that the expenditure was incurred without allocation of funds in the relevant cost centers.

IMPLICATION

Audit is of the view that incurring of expenditure without allocation was irregular.

MANAGEMENT RESPONSE

The matter was reported to the management on 11.10.2024. The management stated in its reply that it related to the payments of pension and debts.

DAC's RECOMMENDATIONS

The DAC in its meeting held on 12.11.2024 recommended the Para for settlement subject to verification of records.

AUDIT COMMENTS

Audit recommends to streamline the issue by improving the system of financial management beside providing record for verification.

1.2.8 Retention of funds with zero utilization under 175 cost centers resulting in a lapse - Rs. 265.457 billion

CRITERIA

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

FACT

During Certification Audit of the Manuscripts of Appropriation Accounts and Financial Statements of the Federal Government for the financial year 2023-24, it was noted that the Parliament approved/allocated budget for the Ministries/Division/Departments.

Audit observed that the Ministries /Divisions failed to utilize the allocated budget of Rs.265.457 billion under 175 cost centers resulting in a lapse of funds. The PAOs were required to surrender these savings in time to avoid lapse of funds but it was not done.

IMPLICATION

Audit is of the view that non-surrendering of savings resulted in a lapse of funds which were neither utilized by the Ministries/Divisions themselves nor by other Ministries/Division.

MANAGEMENT RESPONSE

The matter was reported to the management on 11.10.2024. The management stated in its reply that 80 % record pertained to the Finance Division, Budget Wing, who would check its record and present the same to Audit for verification.

DAC's RECOMMENDATIONS

The DAC in its meeting held on 12.11.2024 recommended the Para for settlement subject to provision of record for verification, and detailed reply.

AUDIT COMMENTS

Audit recommends that record may be provided to Audit for verification.

1.2.9 Variation in expenditure of Appropriation Accounts and Financial Statements of the Federal Government, 2023-24 - Rs 3.755 billion

CRITERIA

Para 2.3.2.2 of the APPM states that (accuracy) the information in the accounts and the supporting subsidiary records shall be accurate, representing the actual substance of past events, without undue errors or omission. This shall include correct and consistent classification of transactions and the recognition of revenues and expenditures in the correct time period.

Para 2.3.3.3 of the APPM states that the accounting system shall produce reliable financial information. This objective shall be addressed by the controls over completeness, accuracy and validity.

FACT

During Certification Audit of the Manuscripts of Appropriation Accounts and Financial Statements of the Federal Government for the financial year 2023-24, demand wise expenditure of the Federal Government was reflected, as given below:

(Rs. in billion)

Particulars	Actual expenditure	Reference
Demand wise expenditure reflected in the Appropriation Accounts 2023-24	41,927,254	Page-10 of 211
Demand wise expenditure reflected in the Financial Statement 2023-24	41,923,499	Page-4 of 19
Difference	**3,755**	

Audit observed that there was a difference of Rs 3.755 billion in demand wise expenditure reflected in the Financial Statements and Appropriation Accounts of the Federal Government for the financial year 2023-24. Details are as under:

(Rs.)

Number and name of the Grant/ Appropriation	Division/ Department	Expenditure as per Appropriation Account	Expenditure as per Financial Statement	Difference
29 - Defence Services	Defence Division	1,865,441,456,067	1,863,174,825,067	2,266,631,000
50 - Housing and Works Division	Housing and Works Division	8,119,164,298	6,661,230,070	1,457,934,228
26 - Pakistan Post Office Department	Communications Division	22,756,989,842	22,726,989,842	30,000,000
Total		**1,896,317,610,207**	**1,892,563,044,979**	**3,754,565,228**

IMPLICATION

Audit is of the view that the SAP data provided by the AGPR was unauthentic as a difference of Rs. 3,754,565,228 was found between expenditure as per Appropriation Account and expenditure as per Financial Statements.

MANAGEMENT RESPONSE

The matter was reported to the management on 11.10.2024. The department did not submit reply.

DAC's RECOMMENDATIONS

The management apprised the committee that the Financial Statements were prepared on net values basis, whereas, the Appropriation Accounts were based on grants. The amount of grants may vary after accounting for recoveries of expenditures. Once the recoveries are incorporated into the grants, both the Appropriation Accounts and the Financial Statements get aligned with each other. The DAC in its meeting held on 12.11.2024 recommended the Para for settlement subject to the verification of records.

AUDIT COMMENTS

Audit recommends that the record may be provided to Audit for verification.

1.2.10 Non-reporting of pension data

CRITERIA

As per APPM's requirement 4.7.20.2, "a monthly report will be produced by the AGPR, which includes the following information."

- Number of pensioners added during the month.
- Number of pensioners expired.
- Total pension payable and actually paid.

FACT

During Certification Audit of AGPR, Islamabad for the financial year 2023-24, it was revealed that Pension Section had the record of only new pensioners added and no record of pensioners expired during the period.

IMPLICATION

Audit is of the view that the expired pensioners may be getting pension in the absence of record.

MANAGEMENT RESPONSE

The matter was reported to the management on 22.10.2024. The management stated in its reply that on the eve of death/marriage/remarriage of the pensioners, as informed by the banks or pensioners' family, stoppage of pension was done in SAP system. The record of stoppage of pension of 774 pensioners expired during 2023-24 is available.

DAC's RECOMMENDATIONS

The DAC in its meeting held on 12.11.2024 recommended the Para for settlement subject to verification of records.

AUDIT COMMENTS

Audit recommends that record may be provided to Audit for verification.

1.2.11 Irregular purchase of transport during the ban period - Rs. 587.171 million

CRITERIA

Finance Division's Notification No. 7.01.2016-Exp-IV dated 27.02.2023 states that there shall be a complete ban on purchase of all vehicles till June, 2024.

FACT

During Certification Audit of the Manuscript of Appropriation Accounts of the Federal Government for the financial year 2023-24 and FI data provided by the AGPR, it was revealed that an amount of Rs. 587,171,712 stood incurred/booked under the head purchase of transport.

Audit observed that the Transport was purchased during the ban period where there were clear instructions by the Finance Division not to purchase any vehicle during this period.

IMPLICATION

Audit is of the view that purchase of vehicles during the ban period is a violation of the instructions of the Finance Division.

MANAGEMENT RESPONSE

The matter was reported to the management on 22.10.2024. The management stated in its reply that the claims regarding purchase of transport were entertained in the light of the Finance Division's special approval for purchase of some items under the head of account, Purchase of Transport issued vide UO No.7/64/2023/Exp-IV-427 dated 31.07.2023 and OM No. 7/(1)Exp-IV/2023-463 dated 20.02.2024, wherein, the Finance Division imposed a ban on purchase of all

vehicles except ambulances, buses for educational institutions, solid waste vehicles, tractors, fire fighting vehicles and motorbikes.

DAC RECOMMENDATIONS

The DAC in its meeting held on 12.11.2024 recommended the Para for settlement subject to verification of records.

AUDIT COMMENTS

Audit recommends that record may be provided to Audit for verification.

Central Directorate of National Savings (CDNS)

1.2.12 Variation in figures reported by CDNS and Pakistan Post Office Department (PPOD) Balances - Rs. 17.559 billion

CRITERIA

Para 2.3.2.2 of the APPM states that (accuracy) the information in the accounts and the supporting subsidiary records shall be accurate, representing the actual substance of past events, without undue errors or omission. This shall include correct and consistent classification of transactions and the recognition of revenues and expenditures in the correct time period.

Para 2.3.3.3 of the APPM states that the accounting system shall produce reliable financial information. This objective shall be addressed by the controls over completeness, accuracy and validity.

An agreement was signed between CDNS, Pakistan Post and Directorate of Accounts, Pakistan Post Office (DAPPO) on 27.12.2020 which states that the Pakistan Post would provide account and certificate wise audited portfolio of its savings business and reconciliation of deposit of amount in account number 1 maintained by the Federal Government in SBP. DAPPO will verify total quantum of investment in saving accounts and certificates as per cash account.

FACT

During Certification Audit of the Appropriation Accounts of the CDNS, Islamabad for the financial year 2023-24, it was revealed that the National Saving schemes' stocks/balances with the Pakistan Post Offices were Rs. 15.006 billion as on 30.06.2024.

Audit observed that the management of CDNS had reported balances of Rs. 32.710 billion on 30.06.2024 to the Pakistan Post Office. There was a difference of Rs 17.559 billion between CDNS and Pakistan Post Office balances.

IMPLICATION

Audit is of the view that in the absence of reconciliation of PPOD balances with the State Bank of Pakistan as required under an agreement dated 27.12.2020, the figures reported by the Pakistan Post Office cannot be authenticated and resultantly, a difference of Rs. 17.559 was reported on 30.06.2024.

MANAGEMENT RESPONSE

The management replied that the CDNS had not yet adopted the balances agreed upon at the time of tri-partite agreement, and the monthly reporting was carried out on the basis of historical data. The premise for not adopting the said figures is that the Audit Para No. 9.4 - 2004-05 (AY 2005-06) as recommended by the DAC is awaiting settlement at the PAC level. On that account, upon the directives of the PAC dated 03.11.2021, once the PAC directives are received, the balances agreed upon under the tripartite agreement would be adopted, and the balances/portfolio would automatically be tallied.

DAC's RECOMMENDATIONS

The DAC meeting held on 12.11.2024 recommended to pend the Para till decision of the Public Accounts Committee (PAC).

AUDIT COMMENTS

Audit recommends that the stock positions with Pakistan Post on yearly basis may be reconciled.

CHAPTER 2

2. IMPACT AUDIT: FREE EDUCATION IN ICT UP TO THE AGE OF 16 YEARS

2.1 Introduction

Since its inception, Pakistan has faced multi-faceted issues to establish an education system that can fulfill the aspirations of its citizens. Pakistan, at 77, is a young country with 60% of its rapidly growing populace below 30. According to the Human Development Report, 2018 by UNDP, Pakistan ranks 150th out of 189 countries with a Human Development Index (HDI) value of 0.561 out of 1. Regarding regional comparison of education indicators, Pakistan is ahead only of Afghanistan. The current literacy rate of Pakistan is 62.30, which means that an estimated population of 60 million is illiterate in the country. To exacerbate its issues, Pakistan currently has 26 million Out of School Children (OOSC). 39% of the children in the age bracket of school-going children remain out of school. Although the OOSC percentage in the country has decreased from 44% in 2016-2017 to 39% in 2021-2022, the number of OOSC has increased from 22 million to 26.20 million, owing to the rising population.

Islamabad Capital Territory (ICT) had 38,529 OOSC in 2014-15, which increased to 45,035 in 2016-2017. This was an increase of 17% in the OOSC in ICT. However, the number of OOSC has jumped to 78,199 in 2021-22, which is a 102% increase in OOSC as compared to 2014-15.

The number of OOSC depicts the situation of the educational system in Pakistan and the need to implement Article 25A of the Constitution of Pakistan.

The current public sector educational landscape of Islamabad is shown below:



Source: Federal Directorate of Education – Statistics 2023-24

2.2 Background

The notion of free and compulsory elementary education for all human beings was accepted in the Universal Declaration of Human Rights (UDHR), which was proclaimed and adopted by the United Nations at the UN General Assembly in 1948. More recently on 25.09.2015, Sustainable Development Goals (SDGs) were adopted through a resolution in the UN General Assembly. The goals and targets were aimed to stimulate action over the next 15 years for the member countries to work on and accomplish areas of critical importance for humanity and the planet. SDG 4 calls for free and compulsory education at primary and secondary levels. Moreover, it also calls for inclusivity, equity, and quality in education, leading to effective outcomes.

Furthermore, Article 25A of the Constitution of Islamic Republic of Pakistan, 1973 guarantees free and compulsory education for all the children between ages 5 to 16 years. Acts have also been passed to provide free and compulsory education in the provinces and the Islamabad Capital Territory (ICT). Through these acts passed for ICT (2012), Sindh (2013) and Punjab (2014), the legislators are working on taking a comprehensive approach regarding what Article 25A should cover and the roles and responsibilities of the stakeholders, including the state and government, teachers and principals, private schools, parents, School Management Councils (SMCs), and oversight councils to ensure effective implementation of the free and compulsory primary and secondary education.

2.3 Role of the Free Education Policy

The Right to Free and Compulsory Education Act, 2012 was passed to provide free and compulsory education to all the children between the ages of five to sixteen years in all the public schools of the Islamabad Capital Territory. This Act was based on Article 25A and it interpreted "free education," as an education without any education-related costs including expenditure on books, stationery, and transport. This policy was initiated to reduce OOSC, increase school enrollment, and reduce dropout rates by decreasing the burden of education on the poverty-stricken populace of ICT. It was hoped that when the Government bears all the educational costs, many more people will be inclined to send their children to schools.

2.4 Overview

As per different sections of the Act, the schools in ICT are to take no fee from students up to Class 10. The students are to be given free textbooks to ease the parents from the burden of educational costs. Moreover, the schools are also to provide free transport to students to and from the schools. This Act was passed in 2012, however, the implementation of this policy began in 2014 across all the Federal Government's educational institutions in ICT up to Class 10, working under the Federal Directorate of Education (FDE). This initiative was expected to increase enrollment and help reduce OOSC in ICT.

2.5 Scope and Methodology

Scope

The Impact Audit of Free Education Policy aims to highlight the impact of this initiative on different educational metrics like enrollment, teacher-to-student ratio, and OOSC, while also focusing on the quality of education being provided and studying pass percentages.

The Field Audit Team also focused on the facilities provided to the students and teachers including clean drinking water, timely provision of textbooks, availability of clean toilets, free transport, and building and infrastructure of the school.

The impact of the initiative on gender divide was studied. Similarly, the educational landscape of ICT with respect to the urban-rural areas was also considered. Differences of educational outcomes in public and private educational institutions were also studied.

While studying the trends of these metrics over the years, other factors such as population changes in ICT were also considered to ensure the accuracy of results.

Methodology

To study the impact of the Free Education Policy in ICT, a retrospective evaluation was conducted using a mixed-method analysis. Structured interviews were conducted with the principals of the educational institutions. In the light of the findings of these interviews, surveys were made to conduct qualitative and quantitative research on the main stakeholders of this policy i.e. students and teachers. Interviews with the officials in Federal Directorate of Education (FDE) and MoFE&PT were conducted to corroborate the findings. Moreover, data was collected from the FDE, Private Educational Institutions Regulatory Authority (PIERA), and Pakistan Institute of Education (PIE). The data was analyzed to generate insights and audit findings using the following methods and tools:

i. Before and after comparison (condition-with and condition-without)
ii. Difference-in-differences method
iii. Descriptive questions
iv. Normative questions
v. Cause and effect questions

To employ a comparison of condition-with and condition-without, data was collected for the past 20 years. 'Condition-with' in this context, was the state of education emerging from the objective analysis of educational data (enrolment, dropouts, pass percentages, etc.) from 2014 till the present, when the Free Education Policy was in place in ICT. 'Condition-without' was the objective picture emerging from the analysis of data before 2014, when the policy was not implemented.

While employing the difference-in-differences method, a comparison of educational metrics (enrolment, pass percentages, etc.) was done in public and private institutions in ICT. The private institutions were considered as the

'comparison group' since these institutions are located in ICT, but they did not go through the 'free education' intervention. Whereas, the public institutions were the 'treatment group,' since they went through with the said intervention.

Moreover, trend analysis and graphical aids were used for analysis and visualization of the data.

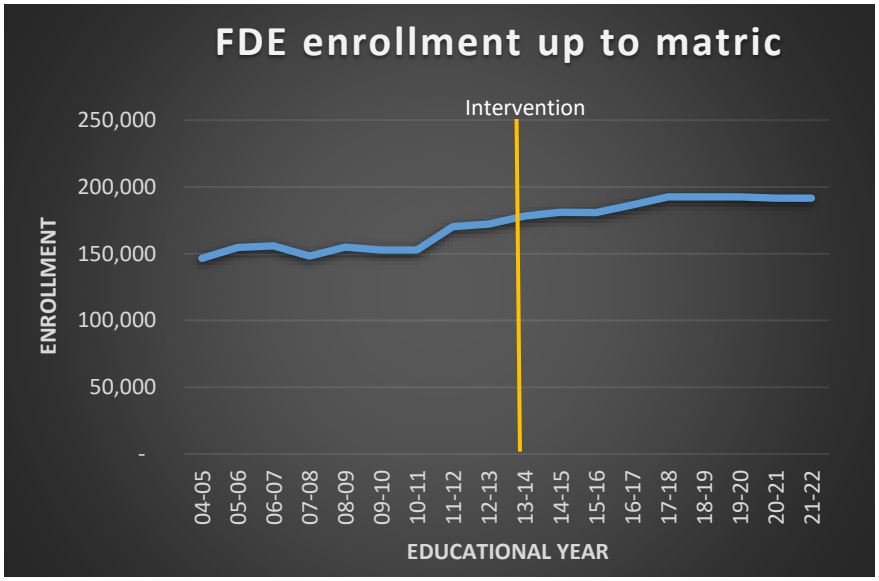
2.6 Findings

2.6.1 Minor increase in enrollment, but a drop in the rate of increase of enrollment and an increase in OOSC since 2014

Audit Objective: Ascertaining the underlying trends in student enrollment in FDE schools before and after the Free Education Initiative

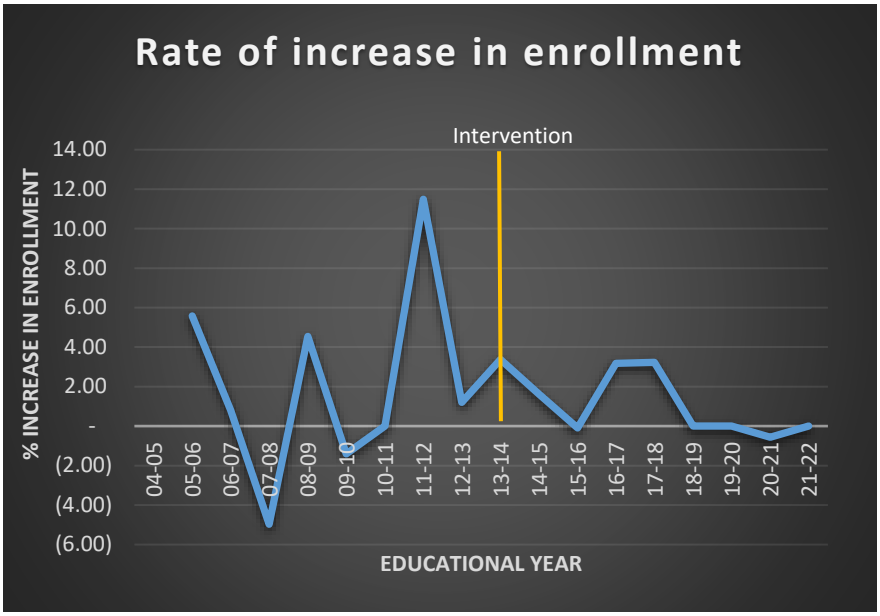
Audit conducted time-series analysis of the enrollment data of FDE up to Matric level.

As is clear from the graph below, enrollment has seen minor growth over the years, but after the intervention in 2014, there has been no marked change in enrollment in the following years.



Based on PIE Data

Though there is an upward trend in the enrollment, but it was noticed that the rate of increase in the enrollment in FDE schools stood relatively slower after the intervention of the Free Education Policy in 2014, as is illustrated by the chart below:



Based on PIE Data

During the 4 years before the Free Education Policy, an accumulative increase of 16.64% in enrollment was seen. Whereas, the accumulative increase for the 4 years after the initiative was only 8.12%.

Thus, the analysis of 'condition with' and 'condition without' does not point to any major positive impact of the Free Education Initiative on enrollment. Providing free education has not resulted in any marked improvement in the enrollment of students in the public schools.

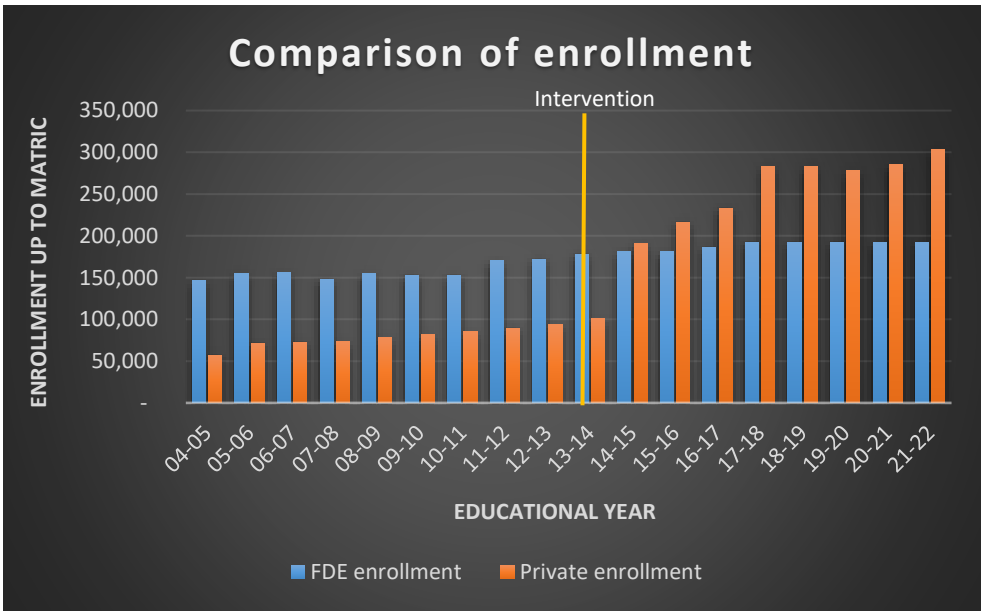
Audit Objective: Comparison of the growth of the ICT population with the increase in school enrollment since the implementation of the Free Education Policy.

The population of ICT has been growing at an annual rate of around 3.2 to 3.7 % since the intervention. Therefore, considering this increase, enrollment should have at least increased at a yearly rate of around 3%. However, as noted in

the previous section, in the 4 years after the intervention, the enrollment increased by only 8.12 %, which means that the average yearly increase comes to only 2.03%. This is around 0.97% below the expected enrollment increase even without the intervention.

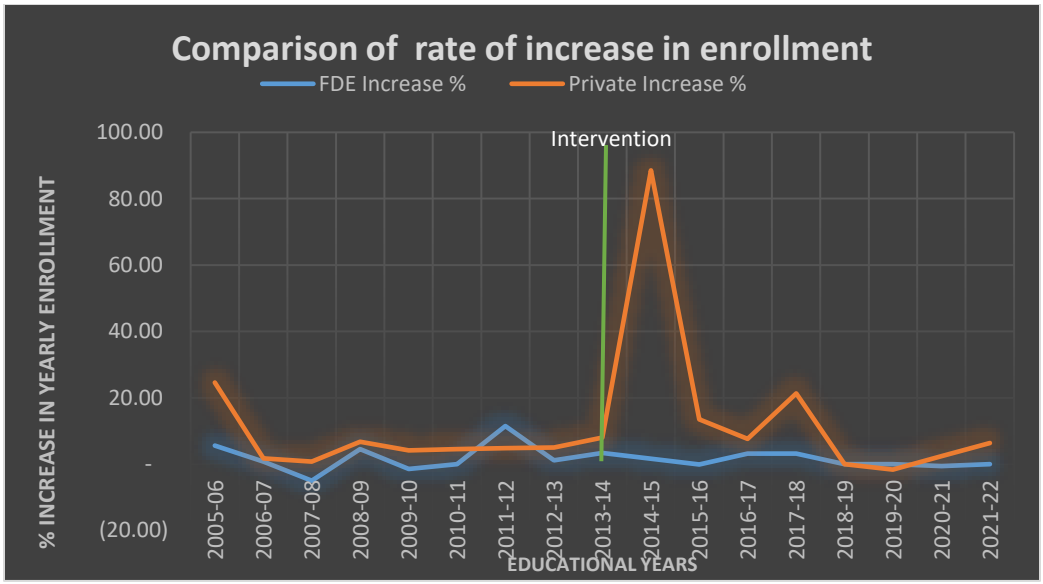
Audit Objective: Comparing enrollment of FDE and private schools before and after the Free Education Policy

It is obvious from the trend analysis that enrollment in private institutions has been increasing quickly, despite inflationary pressures and hefty fees of private institutions. The Free Education Policy has not been able to change the public's preference for enrollment in private institutions.



Based on PIE Data

The statistical analysis reveals that private institutions are outperforming FDE schools in terms of attracting enrollment. The very next year after the said intervention, i.e. in the academic year 2014-15, the year-over-year increase in enrollment in the private schools reached 88.53%, while FDE's enrollment rose only/slightly by 1.62%. The mass enrollment in the private institutions is further illustrated by the fact that in the four years after the Free Education Policy, as the enrollment in FDE schools increased by 8.12%, the corresponding increase in enrollment in private educational institutions was a whopping 179.48%.

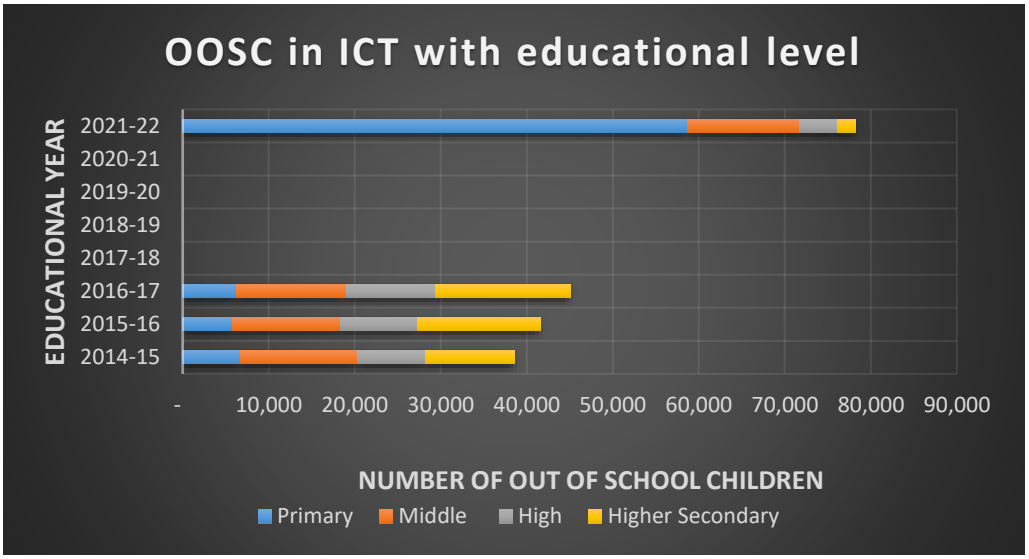


Based on PIE data

Thus, the difference-in-differences method points to the ineffectiveness of the Free Education Policy in attracting student enrollment. Any new enrollment in the government schools of the ICT is essentially being offset by the students whose parents decide to leave government schools, and therefore, have to spend money on the private education system.

Audit Objective: Analyzing the trend of Out of School Children (OOSC)

The data available for OOSC in ICT shows that since the educational year 2014-15, it had a slow but consistent upward trajectory. So much so that in the educational year 2021-22 there were 78,199 OOSC, which was a cumulative increase of 103% in seven years. This either means that private and public infrastructure were not able to accommodate the rising school-going population or that despite free education, public schools were not able to convince parents to send their children to schools. In either case, it points to the ineffectiveness of the Free Education Policy.

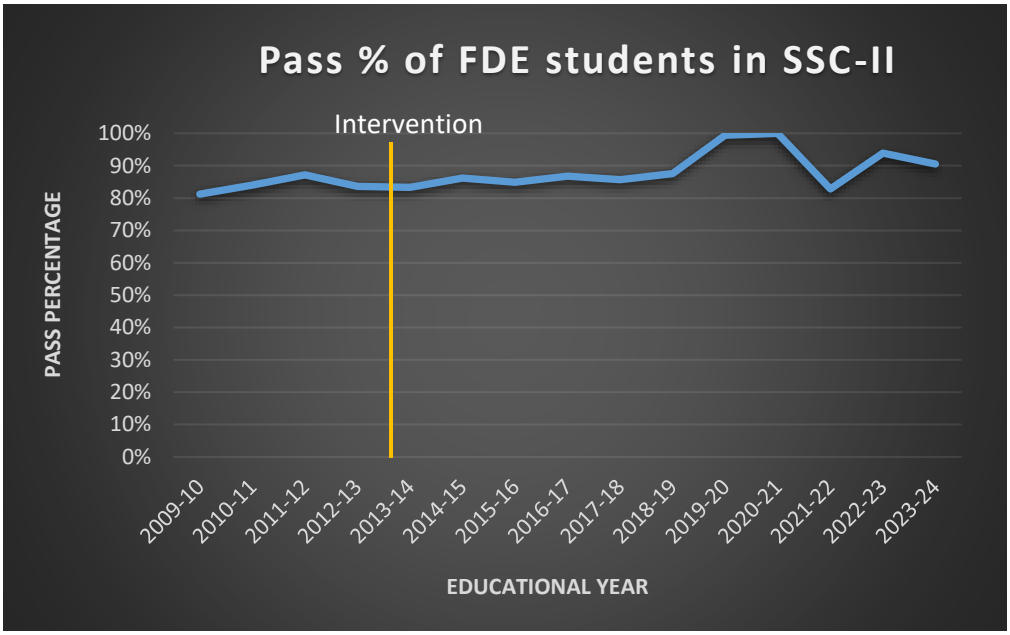


Equally important is the fact that in 2021-22, OOSC from the primary classes were 75.03% of the total OOSC. This illustrates the fact that the major chunk of OOSC in 2021-22 were the children from the age group of 5-10 years, and all of them joined this unfortunate category while the Free Education Policy was in effect. This again indicates the ineffectiveness of the said intervention.

2.6.2 No distinct difference in public school pass percentages after 2013-14

Audit Objective: Has the pass percentage of students in Public Institutes in ICT improved since the implementation of the Free Education Policy in 2014?

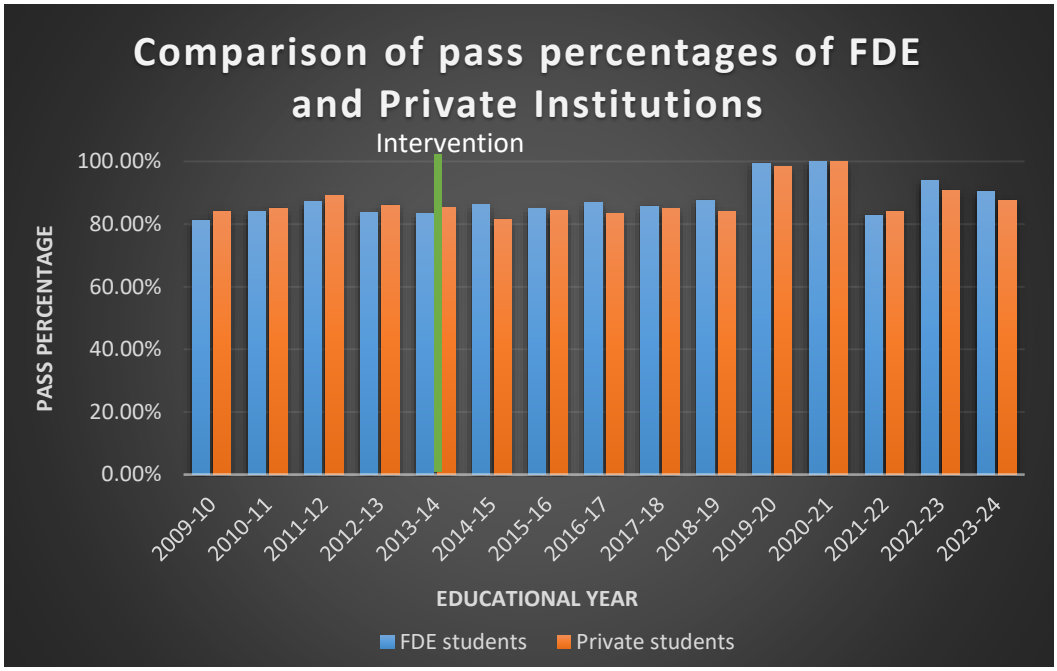
The implementation of the Free Education Policy has made no distinct impact on the pass percentages of students of Matriculation in Public Institutes since/after the year 2014. The pass percentages from 2010 to 2014 show an increase of 2.4%, whereas, the pass percentages from 2015 to 2019 show an increase of 2.32%. After 2019, the pass percentages increased drastically owing to Covid-19. Overall, the pass percentages from 2015 to 2024 have increased with a rate of 5.8%. The increase is gradual. Therefore, Audit can conclude that the Free Education Policy had only a slight and gradual positive impact on the pass percentages of the students studying in the public institutions of ICT.



Based on FBISE Data for SSC-II

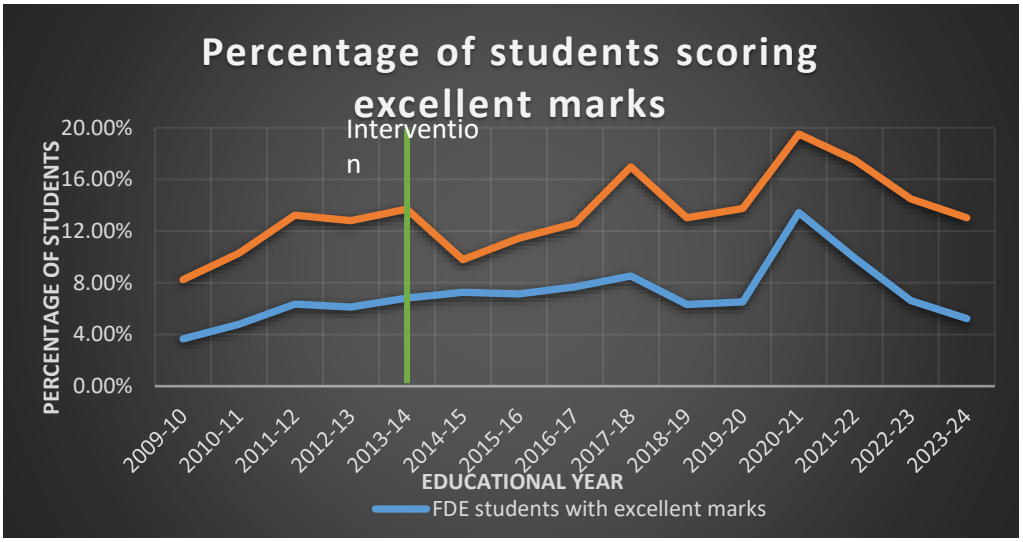
Audit Objective: Has the trend of pass percentage and scores in public schools changed as compared to the pass percentage and scores trend in private schools in ICT? (Difference-in-differences method)

As far as pass percentages are concerned, there is not much of a difference between private and public institutions, as depicted in the following chart. It means that the likelihood of a student passing a Matric examination remains somewhat similar whether he/she goes to a public or private school.



To compare the quality of education provided by public and private institutions in ICT, the percentages of students obtaining excellent marks (more than 85%) in the Matriculation exam over the years were studied.

It was observed that the percentage of students scoring excellent marks in Matriculation has always been greater in private institutions since 2014. Therefore, it can be inferred that generally speaking, the students of private institutions get a better quality of education as compared to those in FDE schools. The Free Education Policy seems to have a negative impact on quality. In the year after the intervention i.e. in 2014-15, the difference between the two systems of schools in terms of the percentage of students with excellent marks was 2.5%, i.e. the private institutes delivered better than the public institutes by 2.5%. But in the next nine years, the difference between the two types of educational institutes, in terms of quality, widened. In these nine years, the percentage of students with excellent marks in private institutions was greater than the same in public institutions by 6.8% on average. In the last two years, the difference in the percentage of students with excellent marks has been the highest in recent history, with the students of private institutions outperforming those in public institutions by 7.87% and 7.81% in 2022-23 and 2023-24 respectively.

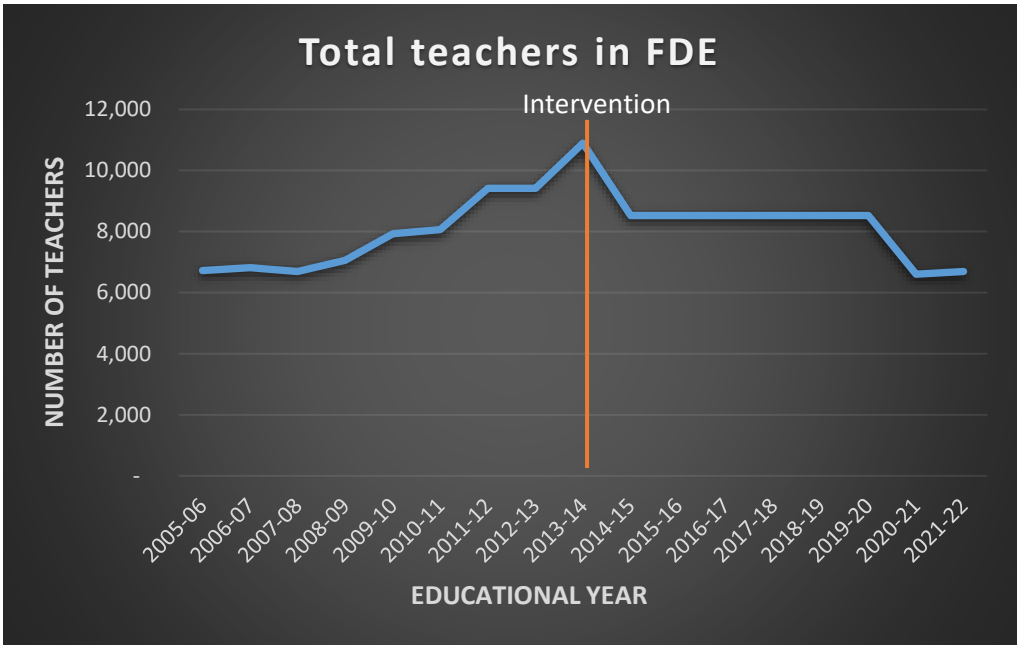


During the interviews, the management of FDE confirmed that after the 8th Class, many students leave the government schools, since the 9th Class onwards are considered important by parents for the future success of the students. Even lower-income families opt for better education in the private sector.

2.6.3 Significant increase in student-to-teacher ratio after 2013-14

Audit Objective: Has the number of teachers increased to cater to the number of students enrolled in public schools since the implementation of the Free Education Policy?

Since the implementation of the Free Education Policy, there has been minor growth in student enrollment. However, to ascertain whether the number of teachers is enough to cater to the growth in enrollment, the following graph depicts the situation before and after the intervention.



It can be observed that the number of teachers gradually rose till the year 2013-2014, however, it started to decrease after that. It is obvious from the graph that since the Free Education Policy, the situation regarding teachers has gotten worse. This points to a lack of planning in the hiring of teachers. Instead of improving the student-to-teacher ratio or at least keeping the number of teachers at par with the number of students and institutions, the number of teachers has come down to 6,690 in the educational year 2021-22 from 6,724 in the educational year 2005-06.

In the interviews with stakeholders, it was pointed out that the hiring of teachers by FDE, and their eventual retirement is usually in batches, which accounts for the sudden rise and fall of the number of teachers.

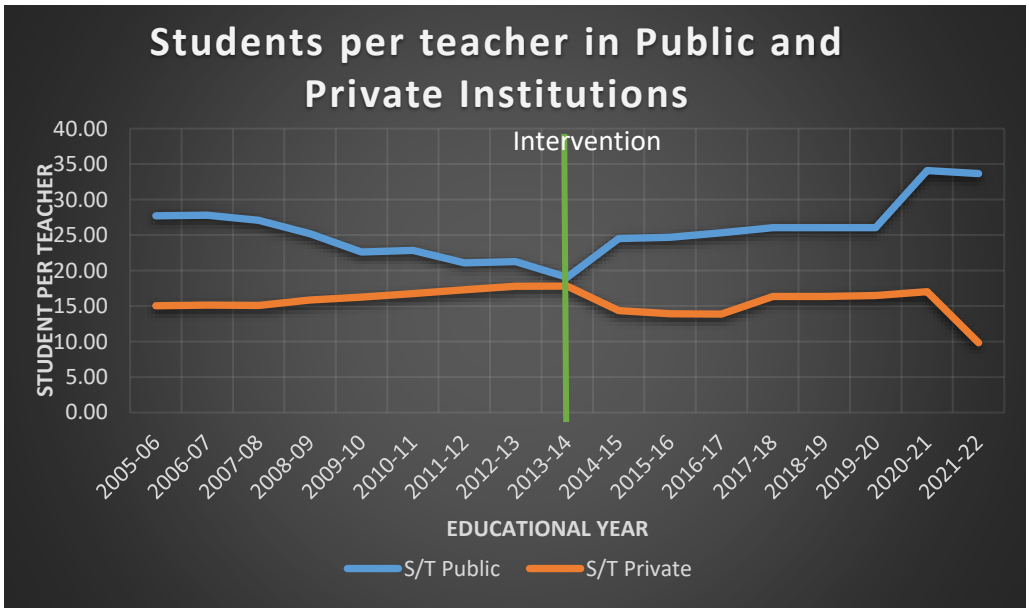
Audit Objective: Has the student-to-teacher ratio in public schools changed in comparison with private schools in ICT? (Difference-in-differences method)

The comparison of students per teacher in public and private institutions shows that over the years, the difference between the two types of schools has increased. Private schools have more teachers, which allows the teacher to give more attention to every student, whereas, in the public sector, the teachers have a

hard time performing all the pedagogical responsibilities like engaging with every student, checking the notebooks, conducting tests, etc. As far as the impact of the Free Education Policy on student-to-teacher ratio is concerned, it is obvious from the graph that things have taken a turn for the worse since the intervention i.e. 2013-14.

In 2013-14, the difference in student-to-teacher ratios for public and private institutions was the lowest at 1.24. But it ballooned to 23.82 in 2021-22. This means that on average, a public-school teacher has to teach approximately 24 more students than a teacher in a private school.

This points to a severe worsening of the situation regarding the number of teachers since the Free Education Policy, and may very well be the chief reason why the said policy has not made any significant impact on enrollment. It makes intuitive sense that if the quality of education is not being maintained, many parents would not bother with educating their children in the public schools. The parents with enough financial means would opt for private schools, whereas, those with lesser means would choose to not opt for further education because they would not be able to afford the private schools, and public education would not increase the chances of future success of the children.



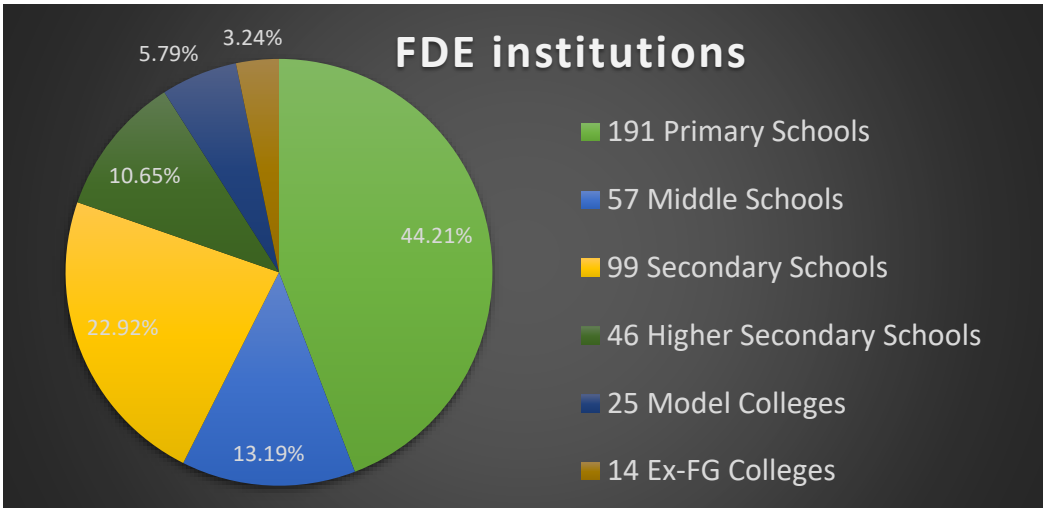
The private schools have an adequate number of teachers in the system which allows the teacher to focus individually on the shortcomings of every student without being overworked, but this is not the case in FDE Schools.

This observation is also confirmed by the opinions of teachers and principals expressed during the interviews. It was opined that public school teachers were often overworked, which made it impossible to plan lectures, check copies, and conduct tests effectively.

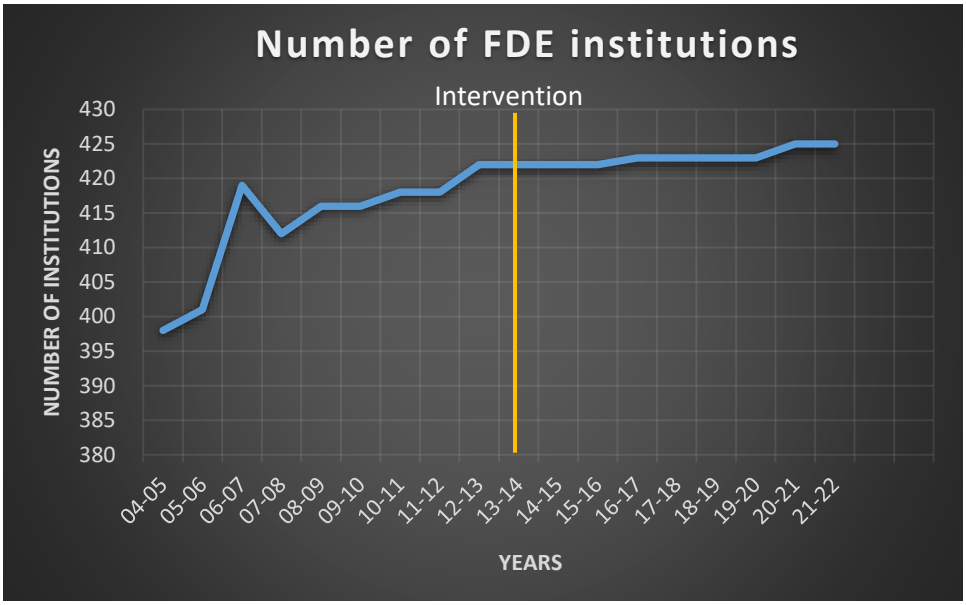
2.6.4 Insufficient increase in the number of institutions in ICT after 2014

Audit Objective: Determining whether or not the number of public institutions increased in ICT to increase enrollment and provide neighborhood schools after the Free Education Policy was implemented.

Currently, FDE has 432 institutions in ICT area, which are divided into six areas: Urban I, Urban II, Sihala, Nilore, Barakahu, and Tarnawl.



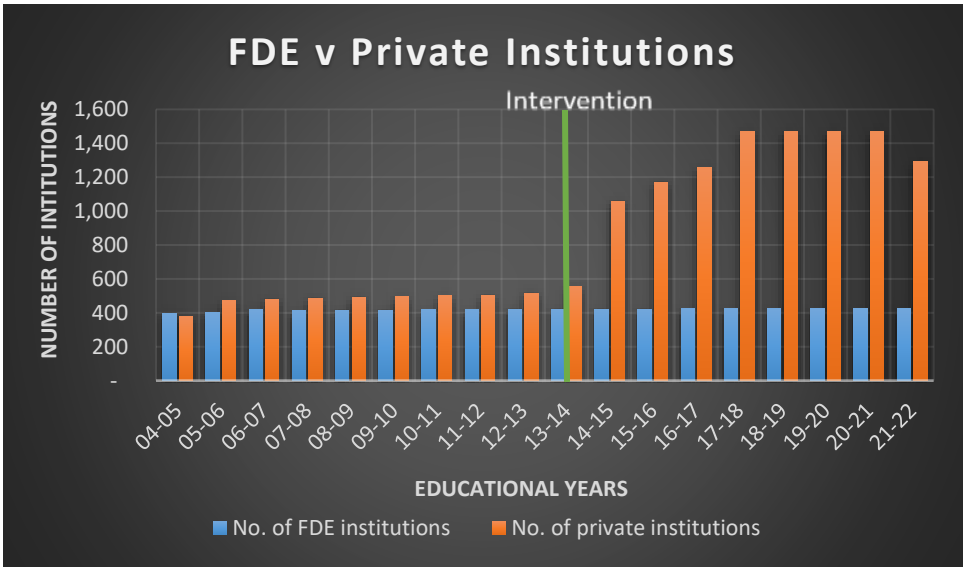
The Free Education Policy was not followed by a substantial increase in the total number of educational institutions to cater to a wider population. Over the years, the increase in number of institutions has been negligible. 2006-07 was the only year with a significant improvement in this regard when the number of institutions jumped by 18 to reach 419. But that happened much before the intervention.



The fact that the number of public schools in ICT is not enough is also corroborated by the interviews conducted with principals of public schools and colleges. The principals appointed in the schools of urban areas reported that they had to refuse enrollment to 40-60 students in all the classes because the schools did not have the capacity to enroll them. Many of these students go to expensive private schools if their parents can afford it. Others miss their chance to get an education.

Another important observation is that the Right to Free and Compulsory Education Act, 2012 provides for 'neighborhood schools' and discreetly bans screening procedures like tests, interviews, etc. This means that all the children aged 5-16 years living in a particular sector of ICT have the right to admission to a public school near their residence. However, as per the interviews of principals, in many FDE schools (Especially those with good reputations), tests are conducted, and students are admitted after a screening procedure, denying admission to many students because there are a limited number of students that can be enrolled. This is a clear violation of the Act. The underlying reason is that there are not enough schools for every neighborhood. The Federal Government needs to increase the number of schools in the ICT area according to the population to make neighborhood schools for every child possible.

Audit Objective: Ascertaining the trend in change in the number of public schools as compared to the private schools in ICT (Difference-in-differences method)



In the year after the introduction of the Free Education Policy i.e. 2014-15, 505 new schools were added in the private sector. Thus, the number of private institutions almost doubled in ICT, and on the other hand, a very few new schools were opened in the public sector that year.

From 2004-05 to 2021-22, the number of private schools increased to almost 3.5 times, while the number of public schools only increased by 6.8% in the same period.

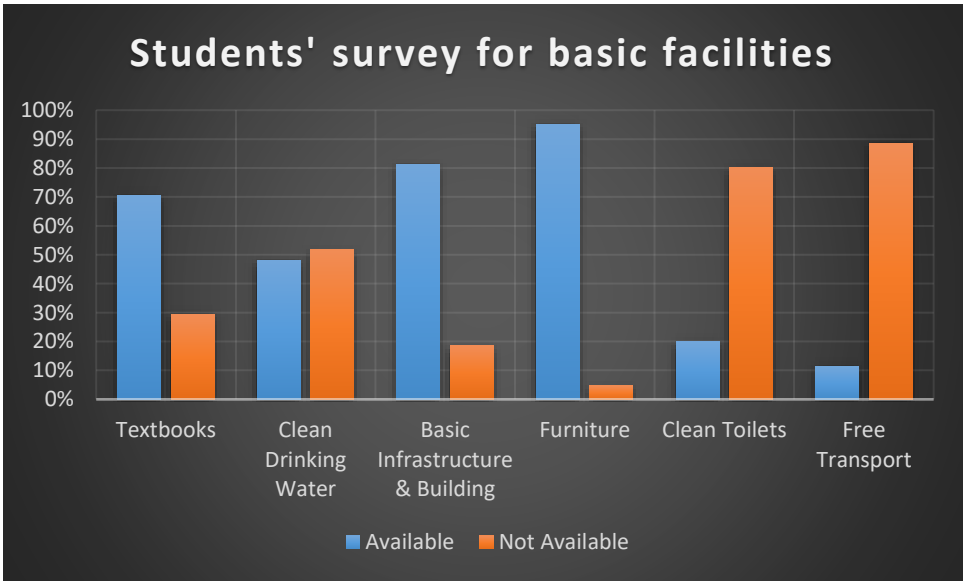
Thus, the number of public schools was not increased in the ICT after the said intervention, which limited the ability of FDE to increase enrollment.

It is consistent with the earlier observation about the slow increase in enrollment in public schools as compared to private that the number of schools is stagnant in the public sector, and rising in private. The lack of good public schools naturally compels the students to get admission in private institutions. The matter may be resolved by a significant improvement in the number of public schools in ICT and the quality of education being imparted therein.

2.6.5 Lack of adequate facilities in the public schools in ICT after 2014

Audit Objective: Are the public institutions being provided with adequate facilities for the students and staff?

Schools can function well when basic necessities are being fulfilled. Since the implementation of the Free Education Policy in 2014, the revenue collected by the schools and colleges against fees has been forgone. Therefore, it is essential to observe whether the schools are getting enough budget to meet the expenditure required to provide basic facilities to the students and staff. To seek reliable data, the provision of basic facilities such as textbooks, clean drinking water, clean toilets, furniture, basic infrastructure, and free transport were included in a student survey. The survey was conducted among 1,870 students, via stratified random sampling from groups of students in urban and rural public institutions in ICT.



Textbooks: According to the survey results, 70% of the students claim that they are provided with free textbooks on time, whereas, 30% claim that free textbooks are not timely available in their schools.

Several principals said in the interviews that the provision of textbooks was often delayed and students had to reuse the old books of the outgoing class, which were collected by the school administration. This delayed provision hampers the education of the students as adequate books are often not available. The problem

becomes severe when the textbooks are changed by the authorities, and students have to wait for many months, for the new books to arrive with no old ones to rely on. As a result, many students have to buy books from the market.

Clean drinking water: 52% of the students claimed that they did not have clean drinking water in their schools, whereas, 48% claimed that they were provided with clean drinking water in school. Thus, more than half of the students do not have access to clean drinking water. This is a health hazard.

Basic infrastructure and building: 81% of the students claim that they have proper basic infrastructure and school building. The majority of public educational institutions, especially in urban areas have proper buildings.

Furniture: 95% of students claim that they have adequate furniture in their classrooms. Only 5% of the students complain of not having an adequate number of chairs/desks in their classrooms. Therefore, it can be observed that the adequacy of furniture is not an issue in most of the public institutions.

Clean toilets: 80% of the students claim that they do not have adequate, clean toilets in their schools. Only 20% of students are satisfied with the number and cleanliness of toilets in the schools.

This fact is confirmed by the data from the Pakistan Institute of Education (PIE) for the year 2021-22, which says that the public schools in ICT have 1 toilet for 488 students. It is safe to assert that FDE schools have an insufficient number of toilets, which can make these schools hotspots of diseases.

Free transport: As per the Free Education Policy in The Right to Free and Compulsory Education Act, 2012, the students are to be provided with free transport to and from the school. According to the survey results, 89% of the students claim that they are not provided with free transport. Since the number of schools is not adequate, students have to travel long distances, and a considerable money is spent on transportation.

In view of the above limitations, School Management Committees (SMCs) need to be made more active. A general impression gathered from the interviews of school principals was that the SMC's role is ceremonial.

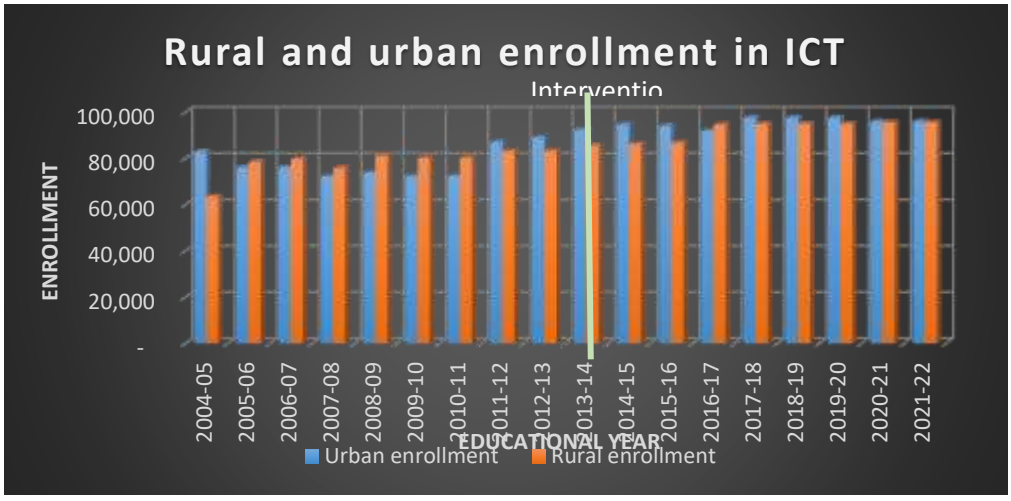
2.6.6 Analysis of the rural-urban divide in Public Schools in ICT

FDE and PIE define rural areas in ICT as all the areas outside the 'sectors' of Islamabad. The areas categorized as rural may not always be rural as in some of these areas, new private housing societies are cropping up. Still, in terms of the civic amenities, and educational and medical facilities, even these newly developed erstwhile rural areas are lagging behind the sectors of Islamabad. Therefore, it is worthwhile to compare FDE schools in these urban and rural areas for metrics like enrollment and number of teachers and to assess the effect of the Free Education Policy on this gap between rural and urban areas.

Audit Objective: How does the enrollment trend vary between rural and urban sector schools?

Time series analysis reveals that shares of rural and urban students in total enrollment have varied minimally over the years. In the 2006-12 period, rural enrollment was slightly ahead. At the time of initiation of the Free Education Initiative, rural enrollment was lagging marginally, and this has continued except for the educational year 2016-17 when rural enrollment edged ahead by a small difference.

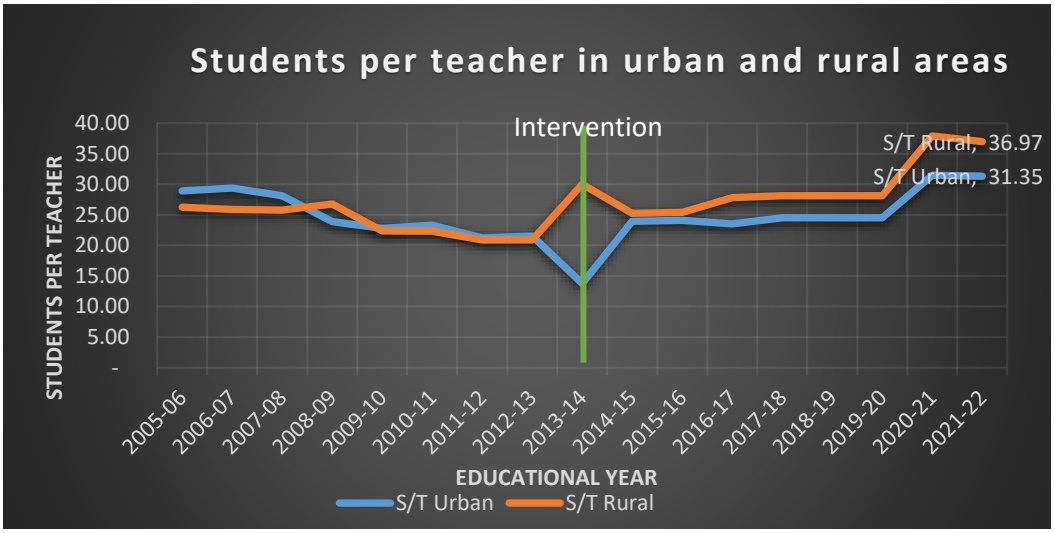
It is fair to say that the Free Education Policy has not had any significant impact on the trend of enrollment in urban and rural areas.



Based on PIE data

Audit Objectives: How is the student-to-teacher ratio in urban areas compared to that of rural areas?

The perception that the quality of education is better in urban areas of ICT is pervasive in the public and administration and the same was highlighted in the interviews conducted by the Audit Team. A sufficient number of teachers to cater to the number of students is an important factor in maintaining the quality of education. Data was collected on enrollment and number of teachers in urban and rural areas of ICT to find out the students per teacher ratio in both the types of areas. The chart showing the changes in students per teacher over the years is shown below:



In 2005-06, the student-to-teacher ratio was lower in rural areas (26.24 versus 28.94), which means that with respect to enrollment, more teachers were appointed there. However, in the next two years, the difference in ratios became minimal. In the year of the intervention, the ratio increased drastically in rural and fell in urban schools. However, it was an anomalous year, and in the very next year, ratios became similar again.

In the last four years, student-to-teacher ratios have risen for both rural and urban areas, which means that there is a shortage of teachers. But the increase has been sharper for rural areas, and the shortage of teachers is more severe in these areas. As of 2021-22, the student-to-teacher ratio for rural areas is higher than that of urban areas by a margin of 5.62. Thus, a teacher in a rural school has to teach on

average 5-6 students more than his colleague in an urban school. This translates to less attention to individual students and more disruptions in a typical class in rural schools.

The anecdotal evidence collected through the interviews not only corroborates the above findings but suggests that the problem of teachers in rural areas is worse than the above statistics might illustrate. The better teachers are usually posted in urban areas, and those who get posted in rural areas that are away from the city, are so demotivated that their performances suffer badly. Moreover, principals of rural schools have a hard time finding subject specialists.

Audit Objective: How adequate is the resource allocation in schools of urban areas compared to the allocation in schools of rural areas?

In the visits to FDE schools, major differences were observed between urban and rural schools in the maintenance of the classrooms, furniture, and labs. Urban schools had better classrooms and laboratories that were airy, well-lit and spacious. Furniture in these schools was enough for the students and teachers. In the interviews, the principals of these schools did not complain about the lack of stationery, furniture, and other supplies like laboratory chemicals and equipment for the students.

A completely different picture emerged when rural schools were visited. The principals complained about insufficient stationery for the students and collected money from them to conduct tests. In one particular school, the principal mentioned that students occasionally had to sit on desks due to a shortage of chairs. Additionally, the principals emphasized the shortage of essential supplies, including chemicals, equipment, and functional computers.

Pictures from FDE schools in rural





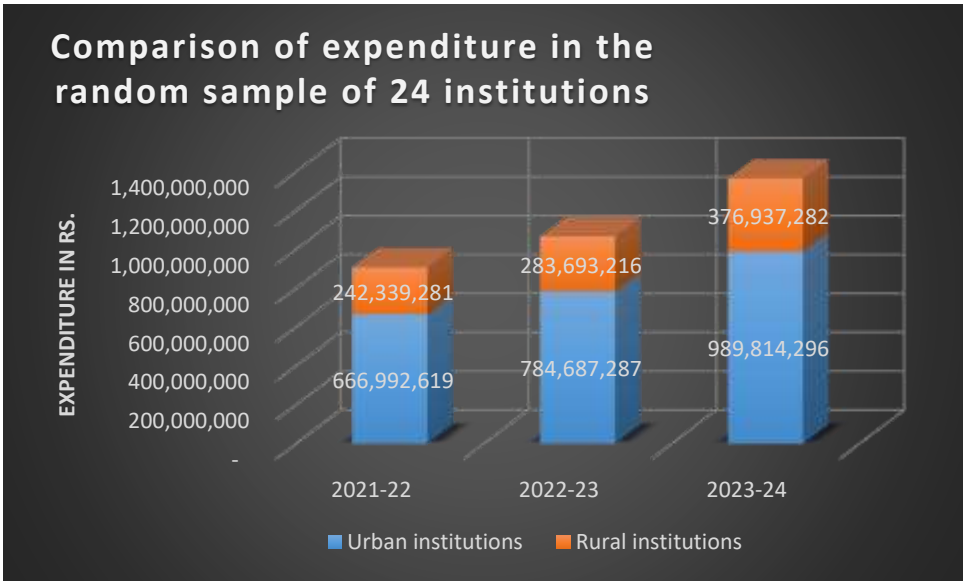
Pictures from FDE schools in urban areas





It was pertinent to analyze the differences between the resource allocations being made to urban and rural schools. As FDE maintains no computerized data separately of the expenditure being made to urban and rural schools, complete data could not be collected. Therefore, Audit chose 24 educational institutions (12 rural and 12 urban) through stratified random sampling and collected their expenditure data from SAP for the last three years. Stark differences were discovered through the analysis of data, with rural institutions getting much lower levels of funding.

In the financial year 2021-22, the urban institutions in the sample expended 2.75 times more money than the rural ones. This factor inched up to 2.76 in the financial year 2022-23, before coming slightly down to 2.63 in the next financial year. The higher expenditure of funds in urban schools not only creates discrimination against the rural population but also has other far-reaching consequences. Better infrastructure and facilities in a school attract more and better teachers. This creates a better reputation for the institution, which also attracts more students, even from places far away from the school, thereby leading to overcrowding and affecting educational quality. This seemingly justifies the higher expenditure, so the trend continues, at the expense of schools in rural areas, where only the people from the lower strata of society choose to enroll their children.

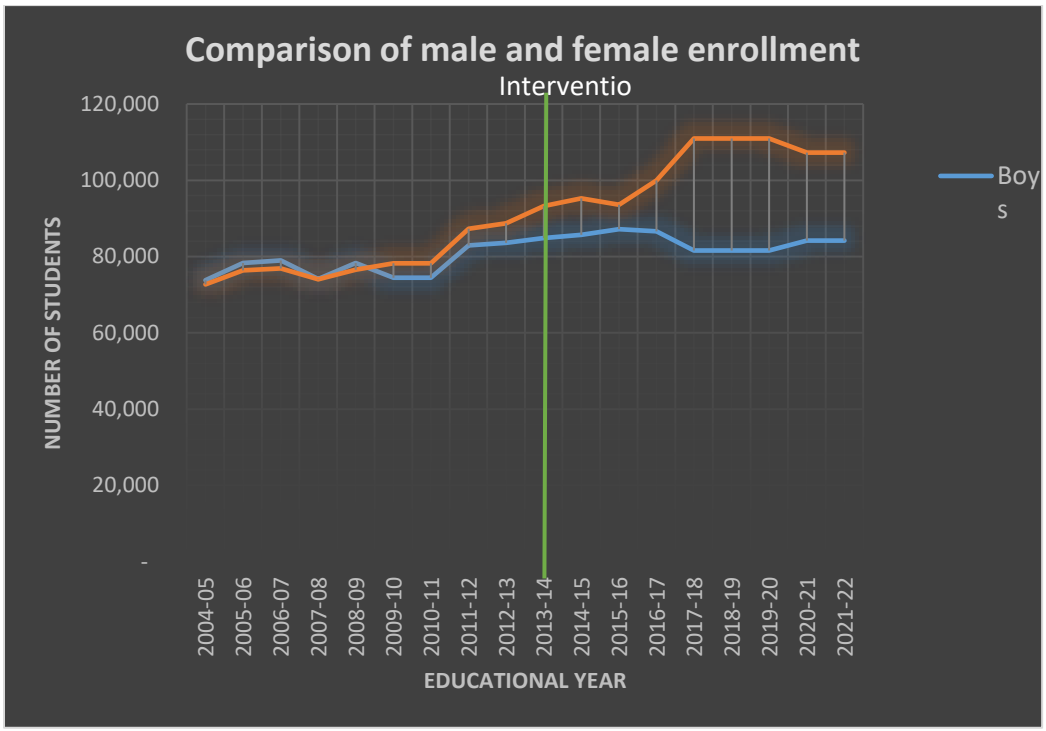


2.6.7 Analysis of male and female divide in public schools in ICT

Another important aspect of the Free Education Initiative is its impact on female education in ICT.

To compare and analyze the male and female divide in Public Schools in ICT, the number of student enrollment among males and females and the number of schools for males and females are studied.

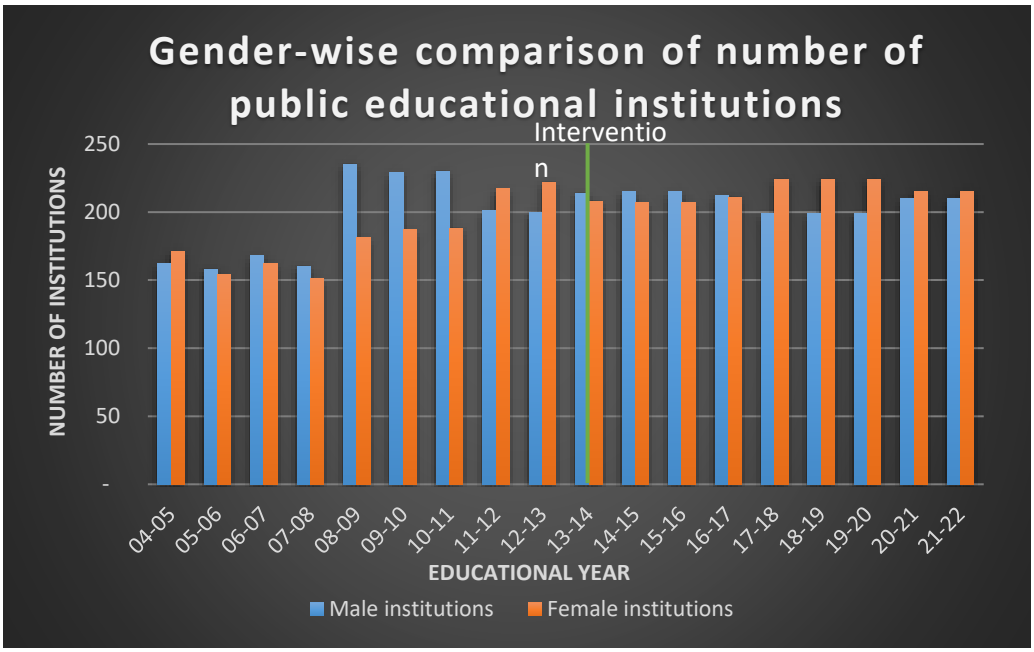
Enrollment: From the graph, it can be observed that the number of female students enrolled in public schools has risen sharply over the years, while the rise in male enrollment has been rather slow. In the educational year 2004-05, female enrollment in public schools was slightly lower than male enrollment. But by the educational year 2009-10, it has surpassed male enrollment and the gap has been increasing ever since. In the educational year 2021-22, girls made 56.04% of the total enrollment in public schools.



The enrollment of male students after the intervention came down by a margin of 0.81%, whereas, the cumulative percentage increase in female enrollment

during the same period was 15.10%. This shows that the Free Education Policy has incentivized more parents to get their daughters enrolled and to continue supporting their education.

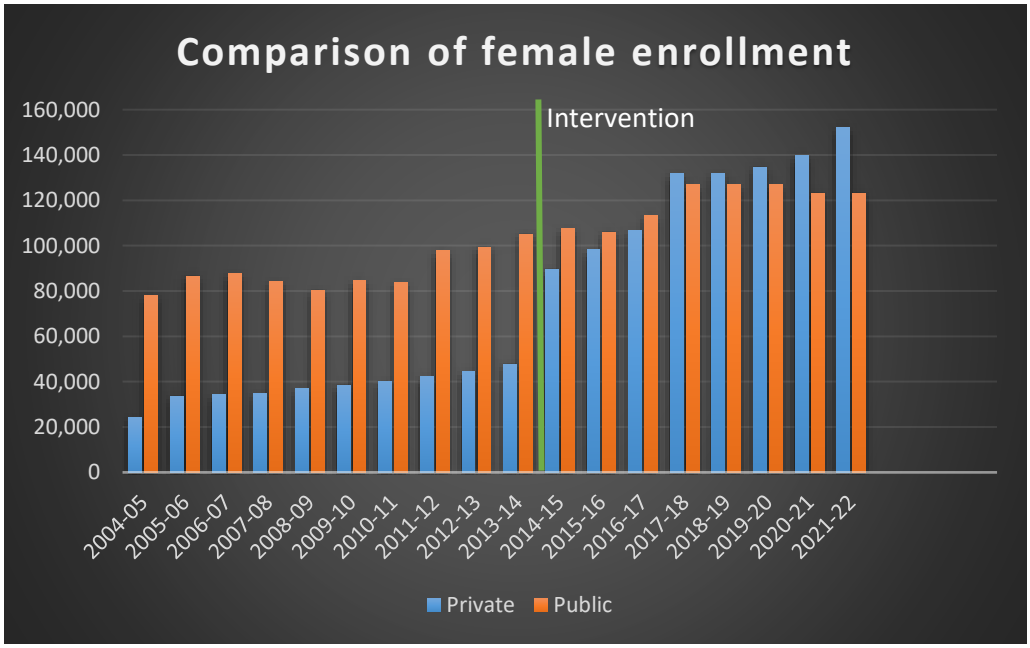
Number of institutions: As female enrollment is higher in ICT, one would imagine that the number of public educational institutions, dedicated to females, would also follow the same trend to support girls in their education.



The graph illustrates that there were more male educational institutions in ICT for many years. After the Free Education Initiative, the number of female institutes stayed the same for three years. However, the number of institutes for females did increase considerably from 211 to 224 during the educational year 2017-18. Keeping in mind Pakistan's cultural context, it is essential to increase female institutions so that the increasing trend of female enrollment can be maintained.

In the educational year 2021-22, the average enrollment per school was 625 girls and 488 boys. The higher enrollment of female students requires an increase in the number of girls' schools to further promote female education.

Public and private enrollment: It can be observed that female enrollment grew gradually after 2004 in public and private schools. However, after 2013-14, the number of female enrollments in private institutions has increased at a much greater rate as compared to the enrollment in public schools in ICT.



2.7 Challenges and Issues in Free Education Policy in ICT

In the light of Audit Findings, and using surveys and interviews, many factors were highlighted that limited the successful implementation of the Free Education Policy. These challenges and issues faced by the students, teachers, and the administration are listed below:

i. The FDE schools have a high teacher-to-student ratio. The shortage of teachers hinders the quality of education provided in these schools.
ii. Against the explicit and categorical language of the Act, which provides for neighborhood schools for all children and banning screening procedures, schools with better facilities and reputation give admissions based on written tests. This creates a hurdle in the enrollment of all children in their neighborhood schools.

iii. Parents of many promising students opt for the private system when they reach the matriculation level. Maintaining quality of education at matriculation and intermediate levels is an uphill task for FDE.

iv. Ensuring that free education is accessible to all, including those in remote areas, is a challenge. The urban-rural divide in the provision of funds intensifies the already glaring inequalities.

v. There is a paucity of reliable locality-wise data on many of the metrics like dropout rates, survival rate etc. which hinders effective policy and decision making.

vi. There is a stark difference in the quality of schools in rural and urban areas. The schools in rural areas are devoid of basic facilities such as proper infrastructure and buildings, usable and clean toilets, clean drinking water, etc. It was observed during the visits that some rural schools did not even have security guards.

vii. The Free Education Policy has reduced the resources at the disposal of school administration to meet their needs for the proper functioning of day-to-day school business, as they had to forgo the revenue collected from the PTA Fund, which was often used on minor repair and maintenance, or other expenditures of schools.

viii. Due to the great influx of students in urban schools, the schools are overburdened and the number of students per section usually exceeds 50 students (Due to a shortage of teachers and classrooms). This also deteriorates the quality of education being imparted in these urban public schools.

ix. The Free Education Policy in ICT needs to have ideally included the provision of free transport to and from the schools to the students. However, free transport is not being provided in the majority of the schools as the schools do not have ample budget for fuel. Money is being collected from the students of most urban schools for fuel expenditure. Most of the schools in rural areas do not even have any school vehicles. This makes for a significant educational expenditure.

x. Textbooks are not readily available to the teachers and students at the start of every academic year. The delays cause difficulty in teaching. Schools often have to resort to the usage of old books for students. Moreover, frequent curriculum change, when combined

with delays in the provision of textbooks often results in wastage of books, as well as paucity of time for syllabus coverage.

xi. While education may be free, other expenses (such as uniforms and transportation) are still prohibitive for some families. The stationery budget is often not enough for the needs of schools, and money has to be collected from the students.

xii. Encouraging consistent enrollment and attendance, especially in marginalized communities, is a challenge. There might be a need for additional support systems to ensure that the children attend school regularly.

xiii. School Management Committees (SMCs) are not functional in true spirit. The tasks outlined in the Act that they are supposed to do are not being done by these committees and the only job they are performing is approvals of money collection from the students.

2.8 Recommendations

As per the findings of this impact audit, the following recommendations are suggested to improve the implementation of the free education policy:

i. The rural-urban gap needs to be bridged. More funds need to be allocated to the rural institutions of FDE Schools so that they can improve the provision of facilities.

ii. Admissions need to be given to the students living within the neighborhood only. This will reduce the imbalances created between schools in terms of resources and admissions, and create neighborhood schools in true spirit.

iii. The number of schools needs to be increased, especially for girls.

iv. The syllabus needs to be approved after consultation for a fixed time. Frequent minor changes result in the wastage of books and longer waiting times for the provision of books.

v. The number of toilets and their cleanliness needs immediate improvement. Similarly, more funds need to go to the provision of clean drinking water.

vi. The government needs to develop a phased teacher recruitment plan to address teacher shortages. When recruitment is in big batches, it creates a sudden shortage in the long run when they retire.

Moreover, a sustainable rotation policy may be implemented for a balanced posting-transfer of teachers in rural and urban schools. Support staff like clerks, accountants, security guards, and other support staff needs to be recruited to fill vacancies.

vii. New initiatives and pilot projects are often confined to urban sectors only. Such initiatives may be implemented in rural sectors first, to incentivize admissions in those schools and improve their conditions.

viii. Public-private school partnership needs to be encouraged, where private schools train teachers regarding new teaching methodologies and pedagogy.

ix. A reliable database needs to be maintained of all locality-wise metrics, like dropout rates, survival rate, etc. for quick and informed decision-making.

2.9 Conclusion

Free education is a right of every child according to the Constitution. However, this right can only be truly provided when the number of schools and teachers is enough to cater to the population, and the quality of public education is enough to convince parents to choose it over private education.

From the analysis of data, it is obvious that the intended impact of free education in ICT schools has not been satisfactorily achieved. The enrolment has increased, but the magnitude of this impact is negligible when the rising population is considered and a comparison is made with the enrollment increase in private institutions.

Additionally, the government needs to invest in rural and female institutions of ICT, as these schools are crucial to achieving a 100 percent literacy rate. Additionally, rural schools need to be prioritized in terms of resources and quality teachers to reduce the rural-urban divide.

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 (ASF)
iii. Civil Aviation Authority (CAA)
iv. PIACL

(Rs. in million)

Sr. No.	Description	Total number	Audited	Expenditure Audited (FY 2023-24)	Revenue/Receipt Audited (FY 2023-24)
1	Formations	20	11	13,976.17	-
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities/ Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

3.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Aviation Division for the financial year 2023-24 was Rs. 18,957.710 million, out of which the Division expended an amount of Rs. 18,875.340 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

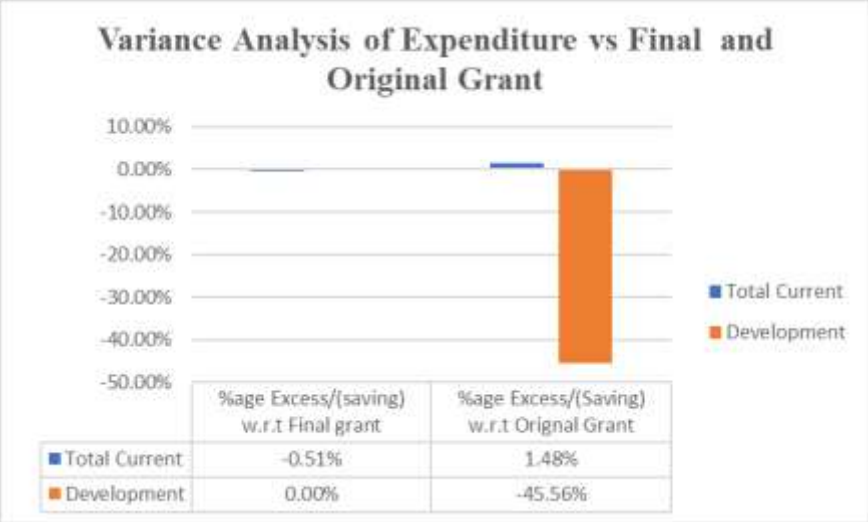
Type of Grant	Original Grant	Supplementary Grant	Surrender	Final Grant	Actual Expenditure	Excess/ (Savings)
Current	3,381.12	-	(293.44)	3,087.67	3,029.64	(58.03)
Current	12,295.76	607.03	-	12,902.79	12,878.48	(24.31)
Total Current	**15,676.88**	**607.03**	**(293.44)**	**15,990.46**	**15,908.12**	**(82.35)**
Development	5,450.00	500.00	(2,982.75)	2,967.25	2,967.22	(0.02)
Grand Total	**21,126.88**	**1,107.03**	**(3,276.20)**	**18,957.71**	**18,875.34**	**(82.37)**

Audit noted that there was an overall savings of Rs. (82.370) million, which was mainly in current expenditure.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 (45.56) % of savings w.r.t. original grant which finally became (0.001) w.r.t. Final Grant and in case of current expenditure, 1.48% of excess expenditure was reduced to (0.51) % of savings in expenditure.



3.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 1,101.124 million were raised in this report during the audit of **Aviation Division**. Summary of the audit observations classified by nature is as under:

(Rs. 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	14.483
C	Management of account with commercial banks	11.495
D	Recovery	1,025.146
E	Internal Control	-
4	Value for money and service delivery	-
5	Others	50.000

3.4 Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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	-
2023-24	14	0	0	14	-
Total	**35**	**5**	**1**	**34**	**-**

3.5 AUDIT PARAS

Airport Security Force, Headquarter (HQ), Karachi

3.5.1 Non-imposition of liquidated damages on M/s Crimson - Rs. 46.146 million

Clause 26(c) of the Contract Agreement signed between M/s Crimson International and Airport Security Force (Headquarter) Karachi on 08.06.2022 states that in the event of delay in delivery at supplier's fault, the supplier shall inform the purchaser before expiry of such delivery period giving reasons/ justification for it. The purchaser shall have the right to recover the liquidated damages when the DD, Procurement, ASF is satisfied that the failure to supply to store(s) within the schedule delivery period has been for reasons within the control of the supplier, and/or if the government has suffered a loss for reasons of belated delivery. These liquidated damages, if imposed, will be recovered at the rate of up to 2% but not less than 1% of the value of store(s) supplied late per month or a part of a month for the period exceeding the original delivery period, subject to the provision that the total liquidated damages thus, imposed will not exceed 10% of the total value of the store(s) delivered late.

Clause 27 of the Contract Agreement signed between M/s Crimson International and Airport Security Force, Headquarters, Karachi on 08.06.2022 states that non-availability of raw material for the manufacture of store(s) or export

permit for the export of the contracted store(s) from the country of origin, shall not constitute Force Majeure.

The management of the Airport Security Force (ASF), HQ, Karachi made 100% advance payment amounting to Rs. 461.641 million for purchase of arms and ammunition to M/s Crimson International during the financial year 2021-22.

Audit observed that as per the contract agreement, the supplier was required to deliver the items on or before 30.09.2022 but the contractor failed to deliver the full supplies of SMG 7.62 x 39MM (SAR 308 Turkey) amounting to Rs. 409,950,585 till June, 2024.

Audit further observed that the management neither imposed liquidated damages @ 10% of the contract value amounting to Rs. 46,164,058 nor initiated any legal action against the supplier.

Audit is of the view that non-imposition of liquidated damages is a violation of the contract agreement and was an undue favor extended to the contractor.

The management did not reply.

The PAO and the audited formation were informed on 19.09.2024 and 10.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that liquidated damages be imposed, recovered and deposited in the Government treasury.

3.5.2 Irregular retention of Performance Guarantees - Rs. 11.495 million

Rules 635 of Federal Treasury Rules states that all balances unclaimed for more than three complete account years shall, at the close of June in each year, be credited to the Government.

The management of the Airport Security Force, HQ, Karachi procured different items from different suppliers and collected performance securities against each contract. Details are as under:

S. No.	Items	Messer	Amount (Rs.)
1	Shalwar Cloths	Iqbal Skill Mills	44,000
2	Socks Cotton	Harmain Enterprises	188,650
3	Trouser Cloths	Iqbal Skill Mills	1,207,000
4	Jersey Pullover	Blue Star Intl.	540,540
5	Camouflage Cloth	Rauf Textile Up Printing	4,150,000
6	T. Shirt Winter	Excel Textile Industries	689,980
7	Rain Coat	Mehmood and Brothers	338,000
8	Bandolier	AQ International	249,133
9	Hand Bags Ladies	Pak One, Lahore	99,900
10	ASFID Badge	Labaik Total Solution	255,915
11	Shirting Cloth	Arshad Textile	773,162
12	Repeat Order Rain Coat	Mehmood and Brothers	18,000
13	Cover BPJs	Zafar Azfar and Co.	282,693
14	Trouser Cloths	Iqbal Silk Mill	180,930
15	Hand Scanner	Sage Tech Intl.	69,030
16	Photocopier HD	O&A Business Mach	199,000
17	LED 40 TV	Intl. Office Supplier	41,652
18	Digital Tel Exchange	Phono Engineer	11,250
19	UPS 5 KVA	AJ Enterprises	102,902
20	Batteries 12V 150AH	Techsol Solution	112,500
21	Batteries 12v 100AH	AJ enterprises	47,828
22	Multimeter	Techsol Solution	134,257
23	IP Camer Tester	International Supplier	12,870
24	Cat-6	Electronic	19,080
25	Diesel Generator 30KVA	Greaves Pakistan	197,169
26	IP Base Fix Camera	Mansha Brothers	33,150
27	Safe Passage System	EMC, Pakistan	747,288
28	Computer I7	Kontinential Establishment	406,875
29	Laser Printer A3 Size	Pakland Corporation	47,910
30	Laser Jet Printer	Pakocomputer	105,987
31	Fax Machine	Gemco Karachi	17,250
32	Laptop Core I7	EMC, Pakistan	21,929
33	Software for x-Rays Machine	Saje Tech International	149,760
Total			**11,495,590**

Audit observed that the performance securities amounting to Rs. 11.496 million were retained since 2018.

Audit is of the view that retention of performance securities beyond three years is irregular.

The management did not reply.

The PAO and the audited formation were informed on 19.09.2024 and 10.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the amount retained be deposited in the Government treasury. Further, the practice needs discontinuation.

Airport Security Force (ASF) Foundation (ASFF), Karachi

3.5.3 Unauthorized payment of loan to M/s ASF Security Pvt. Limited and inaccurate reporting in the financial statement - Rs. 50.000 million

Clause 3(d) of the SRO 15(KE)/2014 dated 17.04.2014 of the Cabinet Secretariat states that it is one of the objectives of the Foundation to invest funds of the Foundation in profitable schemes, projects and any income therefrom to be utilized for collective benefit of the beneficiaries.

The management of the Airport Security Force Foundation (ASFF), Karachi extended loans to M/s ASF Security Pvt. Limited amounting to Rs. 50.000 million as on 30.06.2023. Details are given as under:

(Rs.)

S. No.	Bill/Voucher No.	Cheque No.	Date	Amount
1	282-pv	56868	19.10.2022	35,000,000
2	167-pv	53493	19.09.2022	15,000,000
Total				**50,000,000**

Audit observed that the loans were given without any justification. Engaging the amount in this loan deprived the organization from potential profits and contributed in no way towards achievement of the Foundation's aims and objectives.

Audit is of the view that funds could have been utilized towards achievement of the objectives of the Foundation instead of extending loan.

Moreover, as per the Financial Statement for the financial year 2022-23, the amount of loan stands at Rs. 47.200 million, i.e. Rs. 2.800 million less than the payment as shown by vouchers above, which requires justification. The terms and conditions of the subject loan were also not provided to Audit.

The management did not reply.

The PAO and the audited formation were informed on 31.07.2024 and 10.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the issue may be justified with terms and conditions of the loans extended and details of its recovery from M/s ASF Security Pvt. Limited.

3.5.4 Non-recovery of expenses from M/s Kings Group (Builders and Developers) - Rs. 29.000 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.

As per Clause 02 of the Addendum to the Joint Venture Agreement (JVA) between ASFF and Kings Group dated 13.04.2021, "henceforth, from the date of signing of this AJVA, total project management will be the sole right and responsibility of Kings Real Estate, however, ASFF Project Management Unit (PMU) will function till the end of Phase I of the Project. Kings Real Estate will pay Rs. 2,000,000 per month till June, 2022 to cater for expenses of ASFF PMU Team."

The management of the ASF Foundation, Karachi made an agreement with M/s Kings Group (Builders and Developers) on 02.08.2016 and later signed an Addendum on 13.04.2021.

Audit observed that the management of ASF Foundation did not recover Rs. 2 million per month from 13.04.2021 to June, 2022 (14.5 months), which comes to Rs. 29,000,000, due from M/s Kings Group (Builders and Developers).

Audit is of the view that due to non-recovery of amount, the management sustained a significant loss, and undue favor was extended to the builder in violation of the agreement.

The PAO and the audited formation were informed on 19.09.2024 and 10.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends taking measures to effect recovery of the said amount.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 2.5.7 having financial impact of Rs. 1.000 billion. Recurrence of same irregularity is a matter of serious concern.

3.5.5 Irregular expenditure on purchase and installation of Solar System and non-deduction of GST thereon - Rs. 8.183 million

Rule 12(2) of the 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.

The management of the ASF Foundation, Karachi incurred an expenditure of Rs. 8.183 million on purchase of solar system from M/s MIS Energy Pvt. Limited during the financial year 2022-23.

Audit observed the following irregularities.

i. The tender was neither advertised on PPRA website nor in print media.
ii. The work was awarded to M/s MIS Energy Pvt. Limited wherein, the amount was quoted as Rs. 11.048 million but in the comparative statement, the amount quoted was shown as Rs. 10.135 million. M/s

Eco Energy offered the lowest financial bid of Rs. 10.055 million but the management awarded work to M/s MIS Energy Pvt. Limited, which defeats the very purpose of competition.

iii. The scope of work was changed and the amount of award stood reduced from Rs. 11.048 million to Rs. 8.183 million.

iv. GST @ 17% amounting to Rs. 1,188,983 was included in the bid but the amount of GST was not deducted from the bill of the supplier resulting in a revenue loss to the Government exchequer. Furthermore, the purchase was made from an unregistered firm.

v. The management did not provide the installation report of the solar system.

Audit is of the view that the solar system was purchased in violation of the Public Procurement Rules, 2004. Further, non-deduction of GST resulted in a revenue loss to the Government.

The management did not reply.

The PAO and the audited formation were informed on 19.09.2024 and 10.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends fixing of responsibility for the irregularity beside recovery of GST for deposit in the Government treasury.

3.5.6 Outstanding share of profit not recovered from the builder - Rs. 950.000 million

As per Clause 11 of the Addendum to the Joint Venture Agreement signed between the ASFF and Kings Group for ASF Towers dated 13.04.2021, the profit of ASFF was expected to be Rs. 2.368 billion as per JVA. The parties now have agreed to revise the profit share of first party (ASFF) to Rs. 1,000,000,000 (One billion only) which will be disbursed as under:

(a) Rs. 50.000 million quarterly for the next 5 quarters till June, 2022 with first profit installment becoming due in March, 2021 (Total Rs. 250.000 million).

(b) The remaining profit of Rs. 750.000 million will be paid in June, 2022.

The management of the ASF Foundation, Karachi signed a contract with M/s Kings Group (Builders and Developers) for ASF Towers on 02.08.2016 for an expected profit of Rs. 2.368 billion. An Addendum was later signed on 13.04.2021 by revising profit from Rs. 2.368 billion to Rs. 1.000 billion.

Audit observed that the management recovered only Rs. 50.000 million out of Rs. 1,000.000 million, leaving an outstanding receivable balance of Rs. 950.000 million, which was recoverable till the close of June, 2022 but the management did not recover the same till the closure of the field audit despite passage of almost two years.

Audit is of the view that non-recovery of due profit is a loss to the Foundation. Further, it was an undue favor extended to the builder amounting to Rs. 950.000 million.

The management did not reply.

The PAO and the audited formation were informed on 19.09.2024 and 10.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends effecting recovery of the due amount (share in the profit at the very earliest beside investigation of the revision of profit amount through an Addendum

3.5.7 Defective rent agreement and non-recovery of rent and security deposit of premises from the JS Bank - Rs. 6.300 million

As per Clause A (5), (6) and (7) of the rental agreement between the ASFF and JS Bank in the month of October, 2022, the rent will be charged @ Rs. 150,000 per month, and the rent will be enhanced on mutual agreement between the lesser and lessee and the utilities of the Bank will be paid by the ASF.

The management of the ASF Foundation, Karachi rented out the premises to M/s JS Bank, Karachi w.e.f. 01.01.2022 at a monthly payment of Rs. 150,000.

Audit observed that:

i. The management did not recover the rent and security deposit of Rs. 6.300 million for the period from 01.01.2022 to 30.06.2024.
ii. The rent agreement was made in October, 2022 but the rent payments were to be started from 01.01.2022, which means that rent agreement was made after allocating the premises to JS Bank.
iii. The agreement was defective because the ASFF agreed that the utilities i.e. electricity and water charges shall be paid by the ASF management.
iv. The rent was not increased at 10% per annum as per practice since the premises were rented out to the JS Bank.
v. The covered area to be rented out to the bank was not mentioned in the agreement.
vi. No security deposit was received for one year's payments amounting to Rs. 1,800,000 (Rs. 150,000 x 12 = Rs. 1,800,000).

Audit is of the view that non-recovery of rent from the JS Bank, non-increasing rent after one year and non-recovery of utilities and security deposit resulted in a loss to the organization.

The management did not reply.

The PAO and the audited formation were informed on 19.09.2024 and 10.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends recovery of dues including rent at the earliest beside signing of revised rental agreement with fair terms towards ASFF.

CHAPTER 4

ATTORNEY-GENERAL FOR PAKSITAN

4.1 Introduction

The Attorney-General is the Chief Law Officer and Legal Advisor to the Government of Pakistan, appointed by the President on the recommendation of the Prime Minister. This role entails providing legal counsel to the Federal Government, representing it in the Supreme Court and other Courts, and enjoying the right of audience before the Parliament. The position was established on 12.11.1947, and has been held by various distinguished legal professionals over the years. The Attorney-General plays a pivotal role in bridging the executive, legislative, and judicial branches of the state, ensuring that the government's actions align with the law. Besides, the Attorney-General for Pakistan advises the Federal Government on complex legal matters.

(Rs. in million)

Sr. No.	Description	Total number	Audited	Expenditure Audited (FY-2023-24)	Revenue/ Receipt Audited (FY-2023-24)
1	Formations	1	1	3,143.84	-
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

4.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Attorney-General of Pakistan for the financial year 2023-24 was Rs. 5,056.757 million out of which the Secretariat utilized Rs. 4,988.324 million. Audit noted that there was an overall savings of (Rs. 68.432 million).

(Rs. in million)

Grant Number	Type of Grant	Original Grant	Suppl Grant	Final Grant	Actual Expenditure	Excess/ (Saving)
74	Current	5,057.76	-	5,056.76	4,988.32	-68.43

Audit noted that there was overall savings of 68.43%.

4.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. nil, were raised in this report during the current audit of the Attorney-General for Pakistan.

4.4 AUDIT PARAS

Attorney-General for Pakistan

4.4.1 Non-independence of Office of the Attorney-General for Pakistan

Article 100 of the Constitution of Islamic Republic of Pakistan, 1973 defines Attorney-General for Pakistan (AGfP) as being Constitutional Office Holder. As per Prime Minister's directives issued vide Prime Minister's Office Letter No. 658/SAPM/2018 dated 30.05.2018, the Prime Minister has approved in principle that Office of the Attorney-General for Pakistan shall be organized as a separate Division rather than an attached office of the Law and Justice Division. The role of AGfP in appointment of law officers shall be provided legal cover.

Audit observed that Office of the AGfP was working as an attached department of the Law and Justice Division despite the issuance of directives by the Prime Minister in 2018.

Audit is of the view that non-independence of the constitutional office is a violation of the Order of the Prime Minister of Pakistan dated 30.05.2018.

The management replied that a Similar Audit Para was raised during Audit in 2018-19 and 2019-20 conducted by Directorate General Audit. This Office took up the said matter with the Law and Justice Division for its settlement, and it was also discussed in the DAC meeting held on 20.01.2021. However, Law Division forwarded the said Para to the Cabinet Division for its decision which is under consideration and its outcome is expected in due course of time.

The DAC meeting was held on 06.02.2025 and directed to refer the para to PAC.

Audit recommends that necessary steps may be taken to grant Office of the Attorney-General for Pakistan the status as defined in the Constitution, as well as in accordance with the instructions of the Prime Minister of Pakistan.

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 23.04.2019), 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 the 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- 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. Islamabad Club as an Autonomous Body.
vi. Public Procurement Regulatory Authority.

(Rs. in million)

Sr. No.	Description	Total number	Audited	Expenditure Audited (FY-2023-24)	Revenue/ Receipt Audited (FY 2023-24)
1	Formations	43	3	12,080.889	-
2	Assignment Accounts (Excluding FAP)				-
3	Authorities/Autonomous Bodies etc. under the PAO	7	3	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

5.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Cabinet Division for the financial year 2023-24 was Rs. 52,967.670 million, out of which the Division expended an amount of Rs. 53,629.770 million. Grant-wise detail of current expenditure and development expenditure is as under:

(Rs. in million)

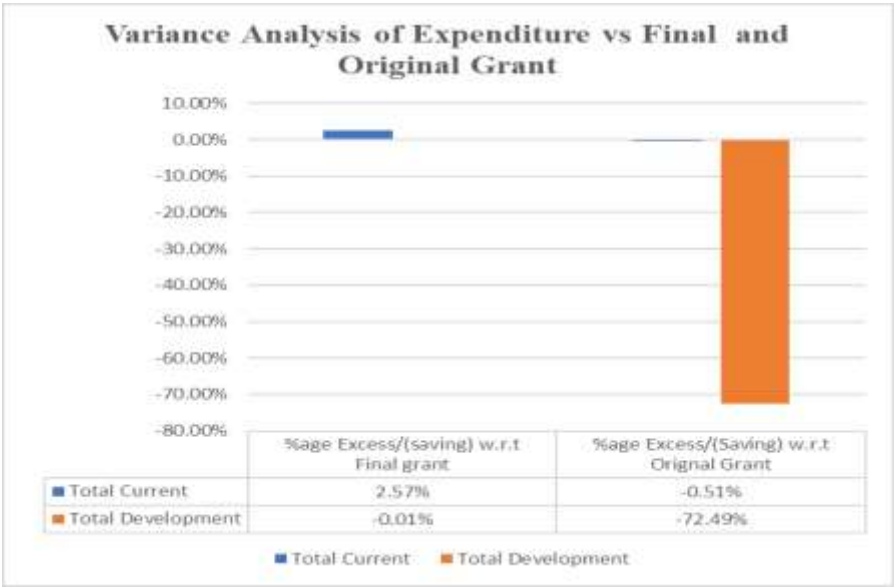
Grant Num-ber	Type of Grant	Original Grant	Supplemen tary Grant	Surrender	Final Grant	Actual Expenditure	Excess/ (Savings)
3	Current	293.27	-	(91.00)	202.28	188.87	(13.40)
4	Current	2,741.71	38.86	(201.01)	2,579.55	2,545.57	(33.98)
5	Current	838.03	126.85	-	964.88	959.30	(5.59)
6	Current	12,247.33	450.00	-	12,697.33	13,382.12	684.79
8	Current	1,644.02	184.51	-	1,828.52	1,828.52	-
9	Current	1,001.45	-	(465.20)	536.25	536.21	(0.04)
10	Current	625.39	38.63	(3.62)	660.40	660.24	(0.17)
11	Current	634.99	42.00	-	676.99	674.34	(2.65)
12	Current	700.24	-	-	700.24	697.61	(2.62)
13	Current	428.54	200.00	-	628.54	679.77	51.23
14	Current	131.54	-	(8.94)	122.60	122.60	(0.00)
15	Current	1,070.00	-	(376.14)	693.86	684.06	(9.80)
18	Current	2,903.16	-	(538.21)	2,364.95	2,364.92	(0.04)
19	Current	1,336.00	-	(133.47)	1,202.53	1,202.53	-
21	Current	130.04	-	(64.34)	65.70	63.64	(2.06)
Total Current		**26,725.71**	**1,080.84**	**(1,881.92)**	**25,924.63**	**26,590.30**	**665.67**
92	Dev.	90,065.00	484.00	(79,651.31)	10,897.69	10,896.17	(1.52)
93	Dev.	1,114.76	-	(1,000.64)	114.12	112.51	(1.61)
94	Dev.	55.00	-	(55.00)	-	-	-
96	Dev.	6,900.00	4,050.69	(1,730.89)	9,219.80	9,219.80	-
125	Dev.	150.00	-	-	150.00	149.56	(0.44)
92A	Dev.	-	6,925.03	(263.60)	6,661.43	6,661.43	-
Total Dev.		**98,284.76**	**11,459.71**	**(82,701.43)**	**27,043.04**	**27,039.47**	**(3.57)**
Grand total		**125,010.47**	**12,540.55**	**(84,583.36)**	**52,967.67**	**53,629.77**	**662.10**

Audit noted that there was an overall excess expenditure of Rs. 662.098 million, which was mainly in current grants.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 in current and development expenditure, it is observed that, in case of current expenditure, -0.51% of savings with respect to original grant is changed to 2.57% of excess expenditure with respect to final grant while the -72.49% of savings in development grants is reduced to -0.01% of savings.



5.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 6,197.118 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:

(Rs. in million)

S. No.	Classification	Amount

1	Non-production of record	-
2	Reported cases of fraud, embezzlement and Misappropriation	9.484
3	Irregularities	
A	HR/Employees related irregularities	13.500
B	Procurement related irregularities	783.928
C	Management of account with commercial banks	22.160
D	Recovery	5348.156
E	Internal Control	19.890
4	Value for money and service delivery	-
5	Others	-

5.4 Status of compliance with PAC Directives

PAO	Audit Year	Number of Audit Paras	Number 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
	2023-24	22	0	0	22	-
	Total	108	54	36	72	-

5.5 AUDIT PARAS

Pakistan Cricket Board including PSL 9

5.5.1 Unauthorized payment of utility charges, POL and accommodation to the Chairman, PCB - Rs. 4.173 million

Section 8(4) of the Federal Ministers and Ministers of State (Salaries, Allowances and Privileges) Act, 1975 states that lump sum utility allowance of twenty-two thousand rupees per mensem shall be paid to a Federal Minister and the Minister of State for payment of utility bills.

Section 7(1) of the Federal Ministers and Ministers of State (Salaries, Allowances and Privileges) Act, 1975 states that every Minister and the members

of his family shall be entitled to the use of an official car maintained at the cost of Government in accordance with the rules framed by the Government for the use of staff cars.

Section 8(1) of the Ministers and Ministers of State (Salaries, Allowances and Privileges) Act, 1975 states that every Minister shall be entitled, without payment of rent, to the use of a residence throughout his term of office, and for the period of fifteen days immediately thereafter, and no charge shall fall on him personally in respect of its maintenance.

Pakistan Cricket Board incurred an expenditure of Rs. 4.173 million during February, 2024 to June, 2024 for the Chairman, PCB. Details are as under:

(Rs.)

S. No.	Description	Amount
1	Utility Charges for Chairman, PCB residence at Lahore	2,450,000
2	POL for Chairman, PCB Vehicle No. SAJ-135, Toyota Fortuner	563,373
3	Accommodation Charges for the Chairman, PCB at Serena, Islamabad	1,160,000
	Total	**4,173,373**

Audit observed that the payment of utility charges, POL and accommodation charges was unauthorized because the Chairman was holding the regular charge of the Minister for Interior, Government of Pakistan and all these benefits stood covered under the Federal Ministers and Ministers of State (Salaries, Allowances and Privileges) Act, 1975.

The management replied that the utility expenses, POL and accommodation charges borne by the PCB, were not in violation to the Federal Ministers and Ministers of State (Salaries, Allowances and Privileges) Act, 1975. Act covers the Salaries, Allowances and Privileges authorized to the Ministers and Ministers of State. Nowhere, it is mentioned that in case of holding additional responsibilities, benefits as admissible cannot be extended. Chairman, PCB is authorized for utility expense as per Bye Laws.

The reply was not accepted because one person cannot avail same facility from two different sources. Further, regular additional charges need to be paid from the budget where the incumbent holds the regular post.

The DAC meeting was held on 30-31.01.2025. It was directed to recover the amount of accommodation charges from the Chairman. Further, regarding POL and Utility Charges, clarification may be sought.

Audit recommends that the amount may be recovered and the record be produced to Audit for verification.

5.5.2 Unauthorized payment for Meal Charges to the Police officials - Rs. 63.397 million

Paragraph 4 (Viii) of the Constitution of PCB, 2014 states that the objects, powers and functions of the Board shall be to receive or generate funds and utilize them for a lawful purpose in a transparent manner for achieving its objectives.

Pakistan Cricket Board (PCB), Lahore paid an amount of Rs. 63.397 million as meal charges to the Police/Law Enforcement Agencies deployed at different events of the International Cricket matches during the Financial Year 2023-24. Details are as under:

(Rs.)

Date	Description	Amount
30.09.2023	Police Meal Charges for ACC, Asia Cup, 2023	30,000,000.000
30.09.2023	Payment of Police Meal Charges for Security Arrangements during SA Women Team tour in Pakistan (Days 29) September, 2023	25,588,235.00
30.09.2023	DIGP Security, Karachi against Police Meal Charges for the Sindh Police Meal Charges during ACC, Asia Cup, 2023	4,411,765.00
30.11.2023	Payment of Lunch Boxes during WI-Thailand Emerging Series, Lahore, November, 2023	1,673,400.00
31.03.2024	Grand Marque against provision of Food to Command and Control Room at MCS during PSL 9, 2024	415,500.00
31.01.2024	Meal charges during T 20 National Women Cricket Tournament, Rawalpindi - Islamabad, January, 2023	407,610.00
31.05.2024	Catering Expenses of Police and Cavalcade Department at Pindi Cricket Stadium, Rawalpindi during the President Cup (Grade I) 2023-24; 24.04.2024 to 06.05.2024	339,310.00
31.03.2024	Nadeem Catering and Event Management against Lunch Boxes and Dinner at NSK during PSL 9, 2024 for Security/ LEA	257,400.00
30.11.2023	Meal Charges of Security Officials during Sri Lanka U 19 Tour to Pakistan, 2023	155,330.00
30.06.2024	Lunch expenses for security/police staff during Camp	86,400.00

30.11.2023	Police Meal Charges during Trophy Tour of ICC Cricket World Cup, 2023	34,250.00
30.11.2023	Payment of Lunch Boxes for LEAS during Camp - National W Team tour to Bangladesh, October, 2023	28,500.00
	Total	**63,397,700**

Audit observed that the provision of security services along with payment of Meal Charges was the responsibility of the Federal/Provincial Governments.

Audit further observed that the Police personnel also got 20 Fixed Daily Allowances in their salaries for the operational duties.

Audit is of the view that the payment of meal charges to the Police officials from the funds of the Pakistan Cricket Board was irregular.

The management replied that the international cricket teams (both men and women) visiting Pakistan, were granted VVIP security protocol by the Prime Minister Office. All Security and Law Enforcement Agencies put in place the highest security protocol in line with the VVIP Protocol and make the security arrangements under the prevailing security environment in the Country.

For the purpose, Police gather resources from other districts to meet the heavy deployment and PCB is asked to share the growing costs incurred during the event primarily in the form of Police Meal Charges. Hectic negotiations are carried out with the Police officials and minimum amount is paid on account of meal provided to the deployed police force including the cavalcade.

The reply was not accepted because provision of security was the responsibility of the respective governments. Further, Police personnel deployed for the operational duties are getting fixed daily allowance which is meant for their daily expenses.

The DAC meeting was held on 30-31.01.2025. It was directed that the demand of Police meal charges approved by the Provincial Cabinet(s) may be produced otherwise the practice should be stopped immediately.

Audit recommends that such practice may be stopped forthwith beside effecting recovery of the already paid amount.

5.5.3 Irregular appointment of Director, Media and Communication - Rs. 8.100 million

Pakistan Cricket Board advertised the post of Director, Media and Communication and last date for submission of application was 17.08.2023.

The management of Pakistan Cricket Board (PCB), Lahore appointed the Director, Media and Communication w.e.f. 02.10.2023 on a contract period of 2 years with gross pay of Rs. 900,000 per month.

Audit observed that:

i. The appointed applicant submitted the incomplete application form against the post on 02.10.2023.
ii. The Chairman, Management Committee, PCB, Lahore approved the appointment on 02.10.2023.
iii. The Appointment Letter was also issued on 02.10.2023.
iv. The concerned lady joined the PCB, Lahore as Director, Media and Communication on 02.10.2023.
v. The agreement between the appointee and management of PCB, Lahore was also signed on 02.10.2023.
vi. PCB, Lahore paid a gross salary of Rs. 8,100,000 to the appointee w.e.f. October, 2023 to June, 2024.

Audit is of the view that the submission of application, approval from the management committee, issuance of Offer Letter and joining the post on the same date was suspicious.

The management replied that the record was available, and response would be furnished upon receipt of the Audit and Inspection Report (AIR).

The DAC meeting was held on 30-31.01.2025. The DAC directed for a thorough fact-finding inquiry. Report be submitted in the next DAC meeting.

Audit recommends that an inquiry be held on the above issue.

5.5.4 Irregular appointment of Regional Age Group Cricket Coach - U 16, Karachi - Rs. 5.400 million

As per advertisement criteria for appointment of the Domestic Cricket Coach, the requirements of education and experience were:

- Minimum PCB level II accreditation or equivalent.
- Former Test/International Cricketer or at least having 50 first class matches or more.
- Minimum 3 years' coaching experience.
- Knowledge and understanding of talent identification and development.
- Basic understanding and usage of the Microsoft office (Projects, Excel and Word).
- Good written and oral communication skills.

The management of PCB appointed Coaches at a monthly gross salary of Rs. 150,000 at different stations.

Audit observed that the following Coaches were hired without following the eligibility criteria. Details are as under:

S. No.	Person	Designation and station of appointment	Period of appointment	Remarks
1.	Mr. Asif	Regional age group cricket Coach, U 16, Karachi	01.12.2023 to 30.11.2024	No PCB level II accreditation or equivalent.
2.	Mr. Hammal A. Wahab	U 13 Coach, Quetta	02.10.2023 to 30.09.2024	Only level I experience as a Coach.
3.	Mr. Kashif Pervaiz	Regional U 16 Coach, Hyderabad	01.12.2023 to 30.11.2024	Head Coach for 18 months at National High-Performance Centre (NHPC)

Audit is of the view that appointment of persons with irrelevant experience was a violation of the selection/advertisement criteria.

The management replied that the record was available, and response would be furnished upon receipt of the AIR**.**

The DAC in its meeting held on 30-31.01.2025 directed to conduct a fact-finding inquiry. Report be submitted in the next DAC meeting.

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

5.5.5 Irregular award of ticketing contract to Bookme.Pk without open competition - USD 120,000

Rule 20 of the 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.

Pakistan Cricket Board during Asia Cup, 2023-Sri Lanka awarded the contract for the sale of tickets to Bookme.Pk at a cost of USD 120,000.

Audit observed that the contract was awarded without open competition to M/s Bookme.pk.

Audit is of the view that the award of contract without open competition was irregular, unauthorized and deprived the PCB from competitive rates.

The management replied that due to the last-minute relocation of the Asia Cup from Pakistan, there was insufficient time to conduct a competitive bidding process. Consequently, the Chief Operating Officer (COO) and the Director of International Cricket determined that awarding the contract to the current ticketing partners was the most viable option. While the Director of International Cricket conducted preliminary meetings in Colombo, awarding the contract to an international entity under the circumstances would have been more complex. Prioritizing local partnerships, PCB chose to benefit a Pakistani company over an international provider. Therefore, it was necessary to waive the formal tender process in support of our Pakistani partner.

The reply indicates that the management has accepted the audit observation. Further, waiving the condition of open competition rests with the Cabinet.

The DAC in its meeting held on 30-31.01.2025 directed the management to provide the provision of the Public Procurement Rules, 2004 in which it was necessary to waive the formal tendering process in support of the Pakistani partner.

Audit recommends that an inquiry may be held by the controlling Division and management to fix the responsibility.

5.5.6 Overpayment to match official on account of match Fee - Rs. 3.850 million

As per Note Sheet PCB-DCOP-24-1848, "payment to match officials-PSL-9, 2024," PCB International/Elite and ICC Elite/International Panel umpires and Match Referees were appointed to supervise the matches. Mr. Aleem Dar, Ex-ICC Elite Panel Umpire in now our PCB International Panel Umpire, the match fee rate of PCB/ICC International Panel Umpire is USD 2,000 per match, however, he is being paid USD 4,000 per match as approved by the ex-Chairman, Management Committee, PCB. Further, this cost of USD 14,000 impacted the budget. Therefore, it is requested that an amount of PKR 15 million may be paid from the Chairman Contingency.

The management of Pakistan Cricket Board (PCB), Lahore incurred an expenditure on Match Official Fee of USD 28,000 to Mr. Aleem Dar during the Pakistan Super League (PSL) 9.

Audit observed that a payment of USD 28,000 (USD 4,000 per match) was made to Mr. Aleem Dar based on the remuneration criteria for ICC Elite Panel Umpires. However, it was noted that Mr. Aleem Dar stood not listed as a member of the ICC Elite Panel at the time of the Pakistan Super League 9. Rather, he was listed as PCB International Panel Umpire and match fee for a PCB International Panel Umpire was USD 2,000 per match. Consequently, an amount of USD 14,000 (equivalent to PKR 3.850 million) was paid in excess of his entitlement, resulting in an overpayment.

Audit is of the view that overpayment forwarded undue favor to the payee and put a loss to the PCB and franchises amounting to Rs. 3.850 million.

The management replied that Mr. Aleem Dar was on PCB/ICC International Panel Umpire. He had requested PCB to pay him PSL Matches Fee equivalent to ICC Elite Panel Umpires. his request was approved by the then Chairman, PCB.

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

The DAC in its meeting held on 30-31.01.2025 directed to recover the overpaid amount.

Audit recommends that the amount may be recovered and deposited in the PCB Account.

5.5.7 Wasteful expenditure on hiring of coasters – Rs. 22.519 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.

Audit observed that the Pakistan Cricket Board (PCB), Lahore hired coasters and dummy coasters on rent from M/s Capital Car Rental during PSL 9 and paid an amount of Rs. 22.520 million to the vendor. Details are as under:

Islamabad Leg (Coasters)			
User	**Date Out**	**Date In**	**Amount (Rs.)**
Islamabad United	29.02.2024	09.03.2024	261,306.00
Karachi King	04.03.2024	08.03.2024	152,010.00
Lahore Qalander	28.02.2024	08.03.2024	284,193.00
Peshawar Zalmi	27.02.2024	08.03.2024	275,938.00
Quetta Gladiator	01.03.2024	08.03.2024	216,976.00
15 Dummy Coasters	27.02.2024	10.03.2024	2,709,040.00
Total			**3,899,463.00**
Karachi Leg (Coaster)			
User	**Date Out**	**Date In**	**Amount (Rs.)**
Karachi King	10.02.2024	14.02.2024	125,038.00
Karachi King	11.02.2024	14.02.2024	92,687.00
Islamabad United	27.02.2024	29.02.2024	78,397.00
Lahore Qalander	07.03.2024	11.03.2024	122,101.00
Multan Sultan	28.02.2024	04.03.2024	144,765.00
Multan Sultan	28.02.2024	04.03.2024	145,307.00
Peshawar Zalmi	09.03.2024	17.03.2024	234,650.00
Quetta Gladiator	25.02.2024	01.03.2024	133,170.00
11 Dummy Coasters	25.02.2024	19.03.2024	5,050,986.00
Total			**6,127,101.00**

Lahore Leg (Coaster)			
User	**Date Out**	**Date In**	**Amount (Rs.)**
Lahore Qalander	13.02.2024	15.02.2024	77,051.00
Lahore Qalander	16.02.2024	20.02.2024	118,247.00
Multan Sultan	25.02.2024	28.02.2024	88,403.00
Islamabad United	14.02.2024	15.02.2024	48,927.00
Islamabad United	16.02.2024	23.02.2024	196,692.00
Peshawar Zalmi	12.02.2024	15.02.2024	88,977.00
Peshawar Zalmi	16.02.2024	21.02.2024	133,805.00
Peshawar Zalmi	24.02.2024	27.02.2024	90,003.00
Quetta Gladiator	12.02.2024	15.02.2024	95,634.00
Quetta Gladiator	16.02.2024	23.02.2024	192,120.00
Karachi King	19.02.2024	25.02.2024	177,477.00
22 Dummy Coasters	12.02.2024	28.02.2024	4,182,663.00
Total			**5,489,999.00**
Multan Leg (Coaster)			
User	**Date Out**	**Date In**	**Amount (Rs.)**
Multan Sultan	12.02.2024	15.02.2024	149,417.00
Multan Sultan	16.02.2024	25.02.2024	386,080.00
Multan Sultan	12.02.2024	15.02.2024	154,521.00
Multan Sultan	16.02.2024	25.02.2024	473,620.00
Karachi King	14.02.2024	15.02.2024	93,238.00
Karachi King	16.02.2024	18.02.2024	114,578.00
Islamabad United	19.02.2024	21.02.2024	86,007.00
Lahore Qalander	20.02.2024	22.02.2024	180,520.00
Lahore Qalander	20.02.2024	22.02.2024	179,148.00
Peshawar Zalmi	21.02.2024	24.02.2024	211,322.00
Quetta Gladiator	23.02.2024	25.02.2024	148,520.00
18 Dummy Coasters	12.02.2024	25.02.2024	4,826,140.00
Total			**7,003,111.00**
Grand total			**22,519,674.00**

Audit observed that the Pakistan Cricket Board had a fleet of 14 bullet proof coasters but they were not used for the purpose, for which they were procured. The amount of Rs. 22.520 million could have been saved if PCB had used its own vehicles.

Audit is of the view that the contractor was given undue favor by the PCB. PCB may have used its own vehicles.

The management replied that as per standard security SOP under VVIP status, a dummy cavalcade comprising security apparatus/vehicles are moved on alternate route simultaneously during the teams' movement. As PCB had 10x bulletproof coasters used for transportation of teams, PCB hired additional required number of coasters from M/s Capital Car Rental during PSL 9. During PSL 9, PCB had 10x bulletproof coasters, which were spread over four venues i.e. Karachi, Lahore, Multan and Rawalpindi/Islamabad, allocated to six PSL Teams. 4x newly retrofitted bulletproof vehicles were added in the fleet in July, 2024.

The reply was not accepted as the record proved that the Coasters were provided by the contractor for movement of teams and dummy coasters were also obtained from the contractors.

The DAC in its meeting held on 30-31.01.2025 directed to conduct a fact-finding inquiry. The Report be shared within one month.

Audit recommends that an inquiry may be held by the Cabinet Division and management to fix the responsibility.

5.5.8 Diesel used for bullet proof vehicles provided by the Government of Punjab - Rs 19.890 million

Section 32(2) of the Constitution of Pakistan Cricket Board, 2014 states that the Chief Financial Officer shall be the Principal Accounting Officer and shall be responsible for maintaining complete, updated and accurate books of accounts of all income and expenditure of the Board.

Pakistan Cricket Board (PCB), Lahore incurred an expenditure on diesel of the bullet proof vehicles provided by the Government of Punjab. Details are as under:

Month	Amount (Rs.)
February, 2024	12,072,100
March, 2024	4,859,129
April, 2024	2,955,680
Total	**19,886,909**

Audit observed that no bulletproof vehicle was provided by the Government of Punjab as per the certificate provided by the management, hence, expenditure shown on POL was not justified.

The management replied that the Audit Para appeared to be wrongly conceived. PCB has its own Bullet Proof Vehicles and Diesel under consideration was used in the PCB owned Vehicles.

The management also replied that the bulletproof vehicles (cars/jeeps) were acquired from the Governments of Punjab/Sindh during PSL for transportation of foreign officials/dignitaries and individual movement of foreign players/support staff. No rent was paid to the Government of Punjab; however, diesel/petrol was borne by the PCB.

The reply was not cogent as at one point, the management stated that the diesel was used in the PCB own vehicles and at the same time, the management stated that the diesel was used for vehicles provided by the Government of Punjab.

The DAC in its meeting held on 30-31.01.2025 directed the management that complete record of Rs. 19.887 million be provided to Audit along with the list of vehicles.

Audit recommends that an inquiry may be conducted by the Cabinet Division to fix the responsibility.

5.5.9 Irregular award of contract for surface travel without open competition - Rs. 198.063 million

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.

Pakistan Cricket Board (PCB), Lahore awarded the contract for surface travel to M/s Capital Car Rental and M/s Waljis Pvt. Ltd. and incurred an expenditure amounting to Rs. 198,063,946 during 2023-24.

Audit observed that services for the provision of surface travel of PCB officers/officials and players were hired without open competition.

Audit is of the view that the award of work without open competition deprived the PCB from competitive rates.

The management replied that both the vendors, Capital Car Rental and Waljis were pre-qualified parties of PCB, and accordingly business was awarded to these parties.

The reply was not accepted because no documentary evidence was produced regarding obtaining of rates from pre-qualified vendors for each occasion.

The DAC in its meeting held on 30-31.01.2025 directed the management to provide the record relating to open competition. The management provided the record in which only rates of two firms were mentioned whereas, rate of third firm was not mentioned in the comparative statement. Hence, open competition was not conducted.

Audit recommends that either the documentary evidences may be provided to Audit in support of the management's contention or an inquiry may be held to fix the responsibility.

5.5.10 Loss due to award of media rights at less than the reserve price - Rs. 439.499 million

Pakistan Cricket Board (PCB), Lahore floated an advertisement for media rights for the International Cricket for Pakistan versus New Zealand and Women Pakistan versus West Indies (Pakistan only) in April-May, 2024 on 06.03.2024.

Pakistan Cricket Board awarded the Media Rights (Pakistan Only) for International Cricket for Pakistan versus New Zealand and Women Pakistan versus West Indies Series to M/s ARY Communication Limited for Rs. 310.501 million.

Audit observed that the reserve price of Media Rights (Pakistan Only) for these series was Rs. 750.000 million but the management awarded the contract for Rs. 310.501 million.

Audit is of the view that due to award of the contract at a lesser price of Rs. 439.499 million, the PCB was put to a loss.

The management replied that the Bid Committee established the reserve price based on a valuation report from Colgan Bauer. In addition, PCB sets the reserve price slightly above this valuation to optimize the rights' market value and foster healthy competition among the bidders. It is important to note that the PCB did not face a loss by securing PKR 310.500 million from the rights' sale, as none of the bidders managed to resell these rights for more than PKR 150 million. This confirms that the price achieved reflects a fair value, consistent with the actual market conditions.

The reply was not accepted because the award of the contract below the reserve price cannot be justified due to which the PCB sustained a loss of Rs. 439.499 million.

The DAC in its meeting held on 30-31.01.2025 directed the management to produce the record regarding reserve price determination and reasons for huge difference between reserve price and awarded price.

Audit recommends that an inquiry may be conducted by the Cabinet Division and management to fix the responsibility.

5.5.11 Unauthorized payment of Ground Rent - Rs. 5.529 million

An agreement dated 06.03.2003 was executed between the Islamabad Cricket Association (ICA) and Pakistan Cricket Board (PCB) for the establishment of a Cricket Academy at Diamond Cricket Ground, Islamabad. Under the agreement, PCB agreed to upgrade the existing facilities and further develop the Diamond Cricket Ground with its resources and that the Ground will be made available to PCB "FREE OF COST" whenever PCB holds/organizes cricket tournaments or coaching camps.

Pakistan Cricket Board paid an amount of Rs. 5.528 million to Islamabad Cricket Association as Ground Fee for First Class Matches, List A Matches, Men's T 20 Matches, Miscellaneous Matches, Women's Cricket Matches etc. during the years from 2012 to 2019.

Audit observed that the payment was made in violation of the agreement because as per the agreement, Diamond Cricket Ground should have been made available to the Pakistan Cricket Board free of cost.

Audit is of the view that the payment as ground free of the Diamond Cricket Ground was illegal and negligence of the management of the Pakistan Cricket Board.

The management replied that the inquiry in this regard had already been completed and presented to the Chairman, PCB.

The DAC in its meeting held on 30-31.01.2025. The DAC directed the management to provide the inquiry report to Audit.

Audit recommends that responsibility for making illegal payment needs to be fixed beside effecting recovery of the amount from the person(s) at fault.

5.5.12 Illegal payment of rent for office on fictitious lease agreement - Rs. 3.955 million

Islamabad Cricket Association entered into an agreement with Mr. Nasir Iqbal, Sole Owner of the Diamond Cricket Ground for the lease of the Ground from 2008 to 2018.

Pakistan Cricket Board paid an amount of Rs. 3.955 million to Mr. Nasir Iqbal/Mr. Shakeel Ahmed Shaikh as rent from 2008 to 2018.

Audit observed that the ground was the property of the Capital Development Authority and entering into a lease agreement with an individual was not a legitimate action.

Further, the Pakistan Cricket Board without verifying the lease documents/ownership documents, transferred the rent to the individuals.

Audit is of the view that the amount might have been misappropriated and the same needs to be recovered.

The management replied that the inquiry in this regard had already been completed and presented to the Chairman, PCB.

The DAC in its meeting held on 30-31.01.2025 directed the management to provide the inquiry report to Audit.

Audit recommends that responsibility may be fixed for the lapse.

5.5.13 Irregular award of International Broadcasting Rights without open competition - $ 99,999 (Rs. 27.450 million)

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.

Pakistan Cricket Board awarded Media Rights for all territories/regions of the world excluding Pakistan (New Zealand Series Only) at a cost of USD 99,999 to M/s Trans Group FZE and ARY Communication Limited on 22.04.2024.

Audit observed that the contract was awarded without open competition.

Audit is of the view that the award of work without open competition was a violation of the Public Procurement Rules which deprived the Board of the benefits of competitive rates.

The management replied that the award process for International Media Rights was transparent and aligned with PPRA Rules, 2004's guidelines. As the rights were for international markets, a 30-day advertisement was posted on both the PPRA and PCB websites. Due to an unrelated dispute with Bitz Advertising (Pvt.) ("Blitz"), and resultant restrictions from the All Pakistan Newspapers Society (APNS), PCB could not publish the same in the print media. However, a vast majority of the market share was tapped by the PCB by publishing advertisements on PPRA and PCB websites, along with which, the PCB had directly notified

several potential bidders, including those with a history of working with the PCB. Initially, the tender was advertised for two years, and bids were invited accordingly. Following three bidding rounds without meeting the reserve price, senior management recommended securing the best offers specifically for the New Zealand Series. The three technically qualified bidders submitted their final offers, resulting in TG/ARY successfully securing the rights.

The reply was not accepted because Media Rights for all the territories/regions of the world excluding Pakistan (New Zealand Series Only) were neither published on the PCB or PPRA website nor in any newspaper.

The DAC in its meeting held on 30-31.01.2025 directed that reasons for not inviting all the bidders through advertisement may be clarified in the next meeting.

Audit recommends that responsibility may be fixed for the irregularity.

5.5.14 Non-recovery of outstanding sponsorship amount - Rs. 5,340.133 million

Section 4(viii) of the Constitution of Pakistan Cricket Board, 2014 states that the objectives, powers, and functions of the Board is to receive or generate funds and utilize them for a lawful purpose in a transparent manner for achieving its objectives.

Pakistan Cricket Board entered into various contracts with different customers for sponsorship, media rights, etc.

Audit observed that an amount of Rs. 5,340.133 million was outstanding from the following customers up to June, 2024:

S. No.	Customer name	Amount (Rs.)
1	ARY communication	2,349,905,156
2	Blitz Advertising	1,092,198,115
3	Trans Group FZE	632,809,754
4	Walee Technologies Pvt. Ltd.	401,984,890
5	International Cricket Council	306,350,000
6	Techfront International	194,740,895
7	Khaleef Technologies Incorporated	185,201,405
8	Pakistan Mobile Communication Ltd.	67,519,779
9	Pepsi Cola International	46,655,875

10	Engro Corporation	32,000,000
11	Dot Republic Media	12,224,392
12	Independent Media Corp. Pvt. Ltd. (GEO TV)	11,043,478
13	Trans International	7,500,000
	Total	**5,340,133,739**

Audit is of the view that non-collection of revenue from the customers deprived the Board from its due receipts.

The management replied that out of Rs.5.340 billion, an amount of Rs. 3.000 billion was received. While amounts of Rs. 1.472 billion is under litigation and efforts are underway to recover the remaining sum of Rs. 840 million from parties.

The DAC in its meeting held on 30-31.01.2025 directed the management to produce the record of recovery of Rs. 3.000 billion to Audit. Further, remaining amount of Rs. 1.472 billion and 840 million may be recovered.

Audit recommends that the amount may be recovered along with interest from these customers.

Islamabad Club

5.5.15 Non-vetting of financial regulations by the Finance Division

Section 18 of the Public Finance Management Act, 2019 states that prior consultation with the Finance Division shall be made while initiating legislative proposals having financial implications, relating to establishment of funds, revenue, cess, levy, fee, deductions, remissions and agreements.

Para 5 (iii) of the Finance Division's Office Memorandum F. No. 4 (3)R-4/2011 dated 23.01.2024 states that pays, allowances and their revision of all the Government employees, including those employed in Autonomous/Semi-autonomous/Corporate bodies requires prior approval of the Finance Division.

The management of the Club framed "Islamabad Club Financial Regulations, 2022" under the powers conferred by the Section 6(4) of the Islamabad Club Ordinance, 1978, duly ratified by the Cabinet Division.

Audit observed that the vetting of the Financial Regulations of the Islamabad Rules, 2022 from the Finance Division had not done and the same were not provided to Audit.

Audit is of the view that non-vetting of the Financial Regulations by the Finance Division is a violation of the PFM Act, 2019.

The management was informed about the Audit Observation on 28.01.2025 but no reply was received. Accordingly, no DAC meeting was not convened till finalization of this report.

Audit recommends that the Financial Regulations be got vetted from the Finance Division, as required in the PFM Act and Finance Division's instructions.

5.5.16 Unauthorized carrying out of commercial activities - Rs. 22.160 million

The Government of Pakistan promulgated the Islamabad Club (Administration) Ordinance, 1978 vide Ordinance No. XXXIII of 1978 on 17.07.1978. The Islamabad Club was established as a social and residential Club for the use, relaxation, convenience and entertainment of the officers of the Federal Government and the members of the diplomatic corps stationed at Islamabad.

The Club generated a revenue of Rs. 22.160 million from its facilities such as Cricket Ground, Auditorium, Futsal Court and Golf Hall reservation during 2023-24. Details are as under:

(Rs.)

S. No.	Description	Amount
1.	Cricket Ground Booking	14,434,125
2.	Golf Hall Reservation	1,830,000
3.	Flower and Plant Sale	840,290
4.	Auditorium Rental Income	1,331,100
5.	Futsal Ground Booking Charges	3,724,581
Total		**22,160,096**

Audit observed that the management used the aforementioned facilities for commercial purposes, which was not the mandate of the Club.

Audit is of the view that using of the Club's facilities for commercial activities was contradictory to the objectives of the Ordinance.

The management was informed about the Audit Observation on 28.01.2025 but no reply was received. Accordingly, no DAC meeting was not convened till finalization of this report.

Audit recommends stoppage of the unauthorized practice, and recommends to use the Club's facilities only for the Club members, as per mandate of the Ordinance.

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

(Rs. in million)

Sr. No.	Description	Total number	Audited	Expenditure Audited (FY-2022-22)	Revenue/Receipt Audited (FY 2023-24)
1	Formations	11	2	1,824.44	
2	Assignment Accounts (Excluding FAP)	1	-	-	-
3	Authorities/Autonomous Bodies etc. under the PAO	2	2	250.00	-
4	Foreign Aided Project (FAP)	-	-	-	-

6.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Commerce Division for the financial year 2023-24 was Rs. 14.679.760 million, out of which the Division expended an amount of Rs. 14,329.820 million. Grant-wise detail of current expenditure and development expenditure is as under:

(Rs. in million)

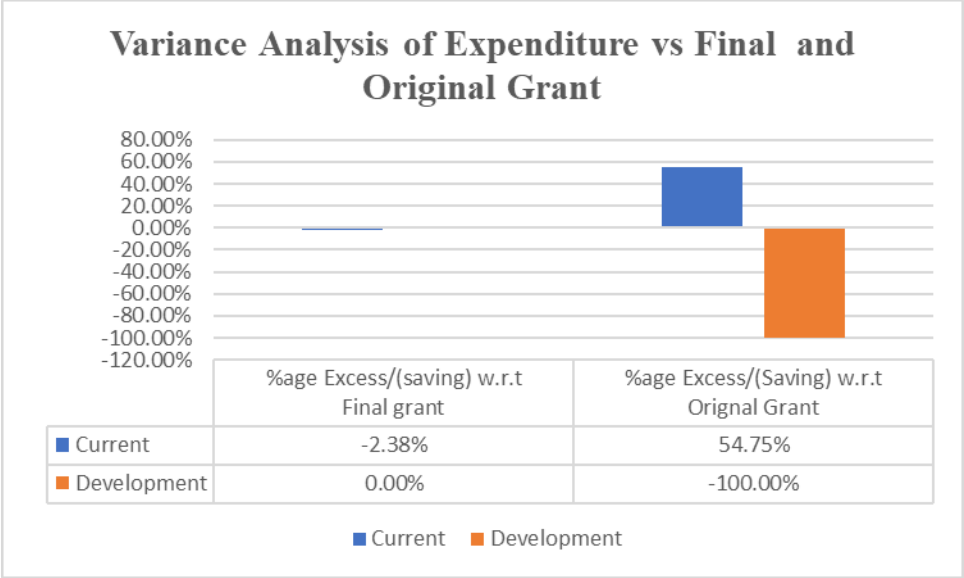
Grant number	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)
23	Current	9,260.18	6,000.00	(580.42)	14,679.76	14,329.82	(349.94)
98	Development	1,100.00	-	(1,100.00)	-	-	-
	Total	**10,360.18**	**6,000.00**	**(1,680.42)**	**14,679.76**	**14,329.82**	**(349.94)**

Audit noted that there was an overall saving of (Rs. 394.94 million), which was mainly due to saving in current expenditure.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 in current and development expenditure, it was observed that, in case of development expenditure, there was 100% of saving w.r.t. original grant which finally became 0% excess/saving w.r.t. final grant because all the grant was surrendered and in case of current expenditure 54.75% of excess expenditure reduced to -2.38% of savings in expenditure.



6.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 5,448.895 million, were raised in this report during the current audit of the **Ministry of Commerce**. Summary of the audit observations classified by nature is as under:

(Rs. 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	37.966
B	Procurement related irregularities	
C	Management of account with commercial banks	
D	Recovery	
E	Internal Control	5,351.532
4	Value for money and service delivery	-
5	Others	59.397

6.4 Status of compliance with PAC Directives

PAO	Audit Year	Number of Audit Paras	Number 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	-
	2023-24	4	0	0	4	-
	Total	**38**	**11**	**3**	**35**	-

6.5 AUDIT PARAS

Export Development Fund, Karachi

6.5.1 Absence of adjustment accounts for TDAP delegations - Rs 651.532 million

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

Para 668 of the FTR states that advances granted under special orders of the 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 EDF's management paid an amount of Rs.651.532 million on account of TDAP delegations during the financial year 2023-24. Details are as under:

(Rs.)

Date	Name of the Project	Cheque. No.	Amount
11.06.2024	Pakistan Saudi Investment Opportunities Conference (05.05.2024 to 07.05, 2024).	C-067792	71,360,280

01.04.2024	Pak-UAE Comprehensive Economic Partnership Agreement (4th Round of negotiations) 02.02.2024 to 03.02.2024 by FT II.	C-067785	6,009,120
01.04.2024	Trilateral Meeting on Trade and Transit on 14 and 15.11.2023.	C-067784	6,489,335
20.02.2024	3rd Engineering and Healthcare Show, 2024.	C-067774	185,365,000
14.02.2024	4th Pakistan-Africa Trade Development Conference (PATDC) and SCE, Cairo, Egypt.	C-067773	61,362,777
10.11.2023	TEXPO-Pakistan-2023.	C-067757	45,742,747
08.11.2023	4th Pakistan-Africa Trade Development Conference (PATDC) and SCE, Cairo, Egypt.	C-067755	93,148,050
27.07.2023	The Food and Agriculture Show 02 (07.05.2023)	C-067743	136,500,000
27.07.2023	TDAP's Participation in International Exhibition 2022-23.	C-067742	45,555,668
		Total	**651,532,977**

Audit observed that the adjustment accounts, post event reports, list of participants, payment vouchers, tour plans, and status of unutilized funds were not available for the above payments.

Audit is of the view that in the absence of any documentary proof for the TDAP delegations, the expenditure is unverifiable.

The management stated that the funds were released in favor of the TDAP and came within the scope of the EDF Act. These funds have been used for subsidizing the cost to exporters and not for meeting administrative costs of the TDAP.

The DAC in its meeting held on 28.01.2025 directed the management to share the utilization report with the Audit along with evidence of utilization of funds for required purpose and adjustments made thereof.

Audit recommends that the complete adjustment accounts be provided to Audit for verification.

National Tariff Commission

6.5.2 Non-reconciliation of receipts of anti-dumping duty - Rs. 4.700 billion

Para 26 of GFR, Vol-I states that the departmental controlling officers must see that all sums due to the 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. If wrong credits thus come to the notice of the controlling officer, he should immediately inform the Accountant-General to correct the accounts. If any credits are claimed but not found in the accounts, inquiries should be made first by the departmental officer responsible.

The management of the National Tariff Commission (NTC), Islamabad received an amount of Rs. 4,700,834,447 on account of anti-dumping duty collected by the Federal Board of Revenue (FBR) during the Financial Year 2023-24.

(Rs.)

Received through cheques from the FBR	Received through direct credit (1-Link)	Total amount
3,831,612,422	869,222,025	4,700,834,447

Audit observed as under:

i. No detail showing the number of transactions and quantity of items imported was available with the NTC on which the FBR collected the anti-dumping duty.

ii. Monthly accounts and returns showing the anti-dumping duty collected by the FBR through the direct credit system (1-link) were not available with the NTC.

Audit is of the view that in the absence of the above information and non-reconciliation of receipts on account of anti-dumping duty, the authenticity of the received amount from the FBR could not be ascertained.

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

The PAO and the audited formation were informed on 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends early reconciliation of anti-dumping duties with the Collectorates of Custom.

6.5.3 Irregular payment of allowances over the prescribed rates - Rs. 59.397 million

Rule 6 (1) of the National Tariff Commission Employee's (Service) Rules, 1995 states that an employee appointed to a post shall be entitled, in accordance with the rules, to the pay scales and allowances as prescribed by the Commission, from time to time for its employees with the approval of the Federal Government.

Para 4 of the Finance Division's OM No. F-4 (3)-R-4/2011-Revision dated 09.09.2024 states that Rule 12 (1) (h) of the Rules of Business, 1973, provides that no Division shall, without previous consultation with the Finance Division, authorize the issue of any orders which will involve a change in the terms and conditions of service of Government servants, on their statutory rights and privileges, which have financial implications. In addition to the above, the Supreme Court of Pakistan, in its Judgment in Civil Appeals No. 1428 to 1436 of 2016 concluded that the Rules of Business, 1973 were binding on the Government and a failure to follow them would lead to an order lacking any legal validity

The management of the National Tariff Commission (NTC), Islamabad incurred an expenditure on account of following allowances to its employees during the Financial Year 2023-24.

(Rs.)

Sr. No.	Description	Amount
1	Executive allowance	28,069,106

2	Medical allowance	26,457,527
3	House rent allowance	1,430,414
4	Special allowance	3,440,136
Total		**59,397,183**

Audit observed that

i. Payment of the Executive Allowance @ 1.5 times of the running basic pay as on 30.06.2022 was not admissible to the employees of the NTC in violation of the Finance Division's OM No. F.No.10(02)R-3/2018-297 dated 17.02.2023.
ii. Payment of the Medical Allowance @ 45% of the running pay for BPS 01 to BPS 16 and 35% of the running pay for BPS 17 to BPS 21 w.e.f. 12.10.2023 was made without obtaining the approval of the Finance Division for the grant of Medical Allowance above the prescribed rates.
iii. Payment of the House Rent Allowance @ 60% of running basic pay scales, 2008 instead of 45% of the initial basic pay was made without obtaining approval from the Finance Division for the grant of House Rent Allowance above the prescribed rates.
iv. Payment of the Special Allowance @ 100% of the running basic pay as on 30.06.2022 to the Private Secretary/Senior Private Secretary was not admissible to the employees of the NTC and was a violation of the Finance Division's OM No. F.No.15 (5)R-2/2023-233 dated 30.05.2023.

Audit is of the view that the grant of these allowances above the rates approved by the Finance Division was irregular and unauthorized and resulted in a loss to the Government.

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

The PAO and the audited formation were informed on 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that allowances paid above the prescribed rates approved by the Finance Division, may be recovered from the employees beside discontinuing the payment.

6.5.4 Irregular grant of time scale promotion to BPS 21 and BPS 20 and grant of overpayment of pay and allowance - Rs. 37.966 million

Clause 4 of the National Tariff Commission Employees (Service) Regulations, 2020 states that the Prime Minister is the appointing authority for posts in basic pay scales 20 and above.

The management of the National Tariff Commission (NTC), Islamabad granted time-scale promotions to the following officers:

Sr. No.	Name	Designation	Time scale promotion	W.e.f.
1	Mr. Khizar Hayat	Director General	21	07.11.2021
2	Mr. Ali Muhammad Shah	Director	20	10.09.2020
3	Mr. Farrukh Mukhtar	Director	20	01.01.2022
4	Mr. Muhammad Arshad	Director	20	01.01.2022
5	Mr. Noor Ghazi Khan	Director	20	10.09.2020
6	Mr. M. Hamood-ur-Rauf	Director	20	10.09.2020
7	Ms. Rubina Naz Ghangroo	Director	20	10.09.2020
8	Mr. Imran Zia	Director	20	10.09.2020
9	Mr. Omer Moin Chaudhary	Director	20	10.09.2020

Audit observed that:

i. Time-scale promotions to the said officers were granted without the approval of the appointing authority.
ii. Overpayment of Rs. 32,999,540 of pay and allowances and Rs. 4,966,046 for payment of rent of residential buildings of higher scales was made.

Audit is of the view that granting time-scale promotions to the officers without approval from the appointing authority and the associated payments,

including pay and allowances and the rent of residential buildings corresponding to their scale, are irregular.

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

The PAO and the audited formation were informed on 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the approval of the Prime Minister may be obtained. Otherwise, corrective action be taken.

CHAPTER 7

COMMUNICATIONS DIVISION

7.1 Introduction

Ministry of Communications functions as a central policy making and administrative authority on Communications and Transport Sector in the country.

The main objectives/functions of the Ministry of Communications are:

- Prioritization of development projects and operational activities according to economic, social and strategic needs of the country
- Provide effective support to the economy
- Promote international competitiveness of our exports and increase operational effectiveness to meet challenges of globalization
- Integrate remote areas of the country into the economic mainstream
- Improve project monitoring and implementation
- Train and improve quality of human resources
- Enhance good governance through incentives and disciplinary action
- Improve values and ethics to build responsive organizations
- Provide safe and smooth travel on National Highways and Motorways
- Provide an efficient, reliable and speedy postal service matching the private sector courier services
- Carry out research on road engineering, building and management
- Modernize post and provide exemplary service to the public
- Open up unexplored areas through expanding national roads networks

The Federal Government has allocated following business to the Ministry as per Schedule II of Rules of Business, 1973:

1) National planning, research and international aspects of road and road transport
2) National highways and strategic roads; National Highway Council and Authority; Administration of Central Road Fund and Fund for Roads of national importance

3) Mechanically propelled vehicles; Transport Advisory Council; Urban Road Transport Corporation

4) Enemy Property

5) National Highways and Motorway Police

(Rs. in million)

Sr. No.	Description	Total number	Audited	Expenditure Audited (FY-2023-24)	Revenue/Receipt Audited (FY 2023-24)
1	Formations	11	5	5,214.09	5,267.83
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

7.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Communications Division for the financial year 2023-24 was Rs. 50,912.517 million, out of which the Division expended an amount of Rs. 53,129.890 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

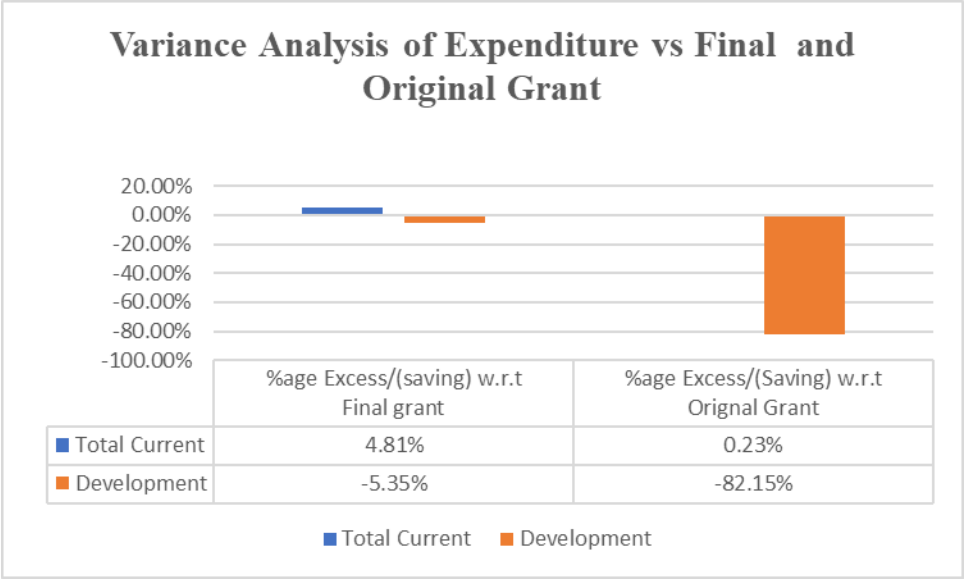
Grant Number	Type of Grant	Original Grant	Supplementary Grant	Surrender	Final Grant	Actual Expenditure	Excess/ (Savings)
24	Current	252.41	10.48	-	262.88	304.68	41.80
25	Current	30,177.97	-	(2,230.58)	27,947.39	27,922.43	(24.96)
26	Current	20,435.11	-	-	20,435.11	22,756.99	2,321.88
Total Current		**50,865.48**	**10.48**	**(2,230.58)**	**48,645.38**	**50,984.11**	**2,338.73**
99	Dev.	12,020.89	-	(9,753.75)	2,267.14	2,145.79	(121.35)
Grand total		**62,886.37**	**10.48**	**(11,984.33)**	**50,912.52**	**53,129.89**	**2,217.37**

Audit noted that there was an overall excess expenditure of Rs. 2,217.373 million, which was mainly due to Current grants.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 in current and development expenditure, it was observed that, in case of development expenditure, there was (82.15) % savings w.r.t. original grant which finally became (5.35) % savings w.r.t. final grant and in case of current expenditure 0.23% of excess became 4.81% excess in expenditure.



7.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 1,824.191 million, were raised in this report during the current audit of the Ministry of Communications. Summary of the audit observations classified by nature is as under:

(Rs. 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	

S. No.	Classification	Amount
B	Procurement related irregularities	1,361.131
C	Management of account with commercial banks	81.62
D	Recovery	381.438
E	Internal Control	
4	Value for money and service delivery	
5	Others	

7.4 Brief comments on the status of compliance with PAC Directives

Name	Years	Number of Audit Paras	Number of Actionable Points	Full Compliance	Not Complied	% of Compliance
Communication	1997-98	7	7	4	3	57
	2000-01	31	31	30	1	97
	2003-04	15	15	9	6	60
	2005-06	3	3	1	2	33
	2006-07	1	1	0	1	0
	2007-08	2	2	0	2	0
	2021-22	7	0	0	7	0
Total		**66**	**59**	**44**	**22**	

7.5 AUDIT PARAS

National Highways and Motorway Police, Islamabad

7.5.1 Irregular purchase of arms without open competition - Rs. 451.050 million

Rule 42(d)(f)(ii) of the 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 conditions that 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;

National Highways and Motorway Police awarded a contract for purchase of 9MM Pistols from M/s Wah Industries during 2023-24.

Audit observed that M/s Wah Industries procured these 9MM Pistol from Turkey. However, neither the bill of lading was provided by the supplier (M/s Wah Industries) nor the management demanded it.

Audit is of the view that procurement of imported items from the third party instead of open tender deprived the department from the competitive rates.

The management replied that the POF had authorized Wah Industries as its sole selling agent to sell its products, as communicated by POF vide Letter No. WIL-Ammo-05/2020-21 dated 28.05.2021. In accordance with the established procedure, Wah Industries Limited sells stores to its customers (Government Institutions) after obtaining NOC from the Ministry of Defense Production (GHQ). This NOC is issued on the basis of NOC provided by the controlling Ministry.

The reply was not accepted because procured weapons were imported items and not manufactured by POF Wah, therefore, direct contracting was not permissible as per the Public Procurement Rules, 2004.

The PAO and the audited formation were informed on 10.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends the regularization of the expenditure from the competent forum.

7.5.2 Non-recovery of challans of weighing stations - Rs. 904.067 million

Section 2 of the National Highways and Motorway Police (Roads and Safety Campaigns, Performance Reward Fund) Rules, 2007 states that 'Share' means fifty percent of the total fine money, after deduction of collection charges, deposited by the violators of traffic rules and transferred to the National Highways and Motorway Police after reconciliation, by the National Highway Authority on monthly basis.

National Highway and Motorway Police (NH&MP), HQ, Islamabad issued challan tickets amounting to Rs. 1,808.135 million for overloading during 2023-24.

Audit observed that NH&MP issued challan tickets for overloading to violators which were collected by the contractors of the National Highway Authority (NHA) but 50% share amounting to Rs. 904.067 million was not transferred to the NH&MP till June, 2024.

Audit is of the view that non-collection of 50% share amounting to Rs. 904.067 million from the NHA is a violation of Government instruction/Rule.

The management replied that 50% of fine share amount was to be paid to NH&MP by the NHA but share of challan tickets issued to violators at Weigh Stations was not transferred to NH&MP. NHA has been requested time and again to provide 50% share of fine money.

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

The PAO and the audited formation were informed on 10.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the amount may be recovered and deposited in the Government treasury.

7.5.3 Irregular purchase of defective thermal printer - Rs. 6.014 million

Clause 7 of the Agreement dated 15.03.2021 signed between the National Highways and Motorway Police and M/s Smart System, Rawalpindi for the supply of Personal Digital Assistants (PDAs) states that Warranty/Guarantee of the item shall be one (01) year, from the date of supply. Immature mortality of item within warranty period shall be replaced by the firm free of cost.

Motorway Zone, Islamabad purchased 97 Personal Digital Assistants (PDAs) from M/s Smart Systems, Rawalpindi at a cost of Rs. 6.014 million during 2020-21.

Audit observed that Portable Bluetooth Printer (Rongta ACE M1) which were physically inspected by the Inspection Committee and further delivered to different Zones, Sectors, Beats, etc. were faulty. Details are as under:

i. Stuck Print Roll issue
ii. Blank paper printing or misprinting
iii. Automatically on/off issue
iv. Printing of duplicate tickets
v. The charging slot malfunctioned and repaired
vi. Further, instead of replacing the parts, the supplier repaired the printer on payment basis

Audit is of the view that non-replacement of faulty printers was a violation of the contract agreement.

Audit is also of the view that during the physical inspection, the Inspection Committee did not test the functioning of the printers due to which faulty printers were supplied to different Zones, Sectors, etc.

The management replied that any minor issues identified by the field officers were promptly addressed by the supplier, who carried out repairs or replacements, free of cost, in accordance with Clause No. 7 of the agreement, ensuring the smooth continuation of operations for the department.

The reply was not accepted because as per reports of different beats, the supplier repaired the printers on payment basis.

The PAO and the audited formation were informed on 10.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

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

7.5.4 Unauthorized operation of bank account after the implementation of TSA Rules, 2020 - Rs. 81.622 million

Rule 4(10) of the Treasury Single Account Rules, 2020 states that no Government office shall open, operate or maintain a bank account for any purpose, except in accordance with the Act and these Rules.

Section 30(2)(d) of the Public Finance Management Act, 2019 states that all the Ministries and Divisions, attached departments and subordinate offices shall ensure placement of all public moneys in the treasury single account.

Finance Division vide OM No. F.No.4(3)R-4/2011 dated 23.01.2024 clarified and instructed that all the offices were required to deposit, after carrying out their expenditure as authorized by the Federal Government/Finance Division, their annual surpluses in the Federal Consolidated Fund promptly in accordance with the provision of their own laws as well the Public Finance Management Act, 2019.

The management of the Motorway Police, North Zone, Islamabad is maintaining a bank account No. 3172146036 at the National Bank of Pakistan and closing balance of the said bank account was Rs. 81.622 million as on 30.06.2024.

Audit observed as under:

i. The approval of the Finance Division for opening of bank account was not obtained.
ii. The bank account is still operational after implementation of the PFM Act.
iii. Unspent amount of Rs. 81.622 million was not deposited in the Government treasury in violation of the instructions of the Finance Division.

Audit is of the view that bank accounts other than Treasury Single Account (TSA) needs to be closed as per Rule 4(10) of the Treasury Single Accounts Rules, 2020.

The management replied that the bank account was opened by the NH&MP Finance Division. The main account for Road Safety and Welfare Funds, which is maintained at the National Bank of Pakistan's Main Branch in Islamabad, is part of the Treasury Single Account (TSA) under the Public Finance Management Act, 2019. The funds in the NH&MP account are transferred daily into the TSA of the State Bank of Pakistan (SBP), and from the TSA sub-account (NH&MP Main Account), the funds are allocated to NH&MP Motorway, North Zone for the aforementioned purposes.

The reply was not accepted because there was no provision for maintaining sub-account of Treasury Single Account in the rules.

The PAO and the audited formation were informed on 10.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to obtain approval of the Finance Division or closure of the bank account beside depositing the unspent balance in the Government treasury.

National Highways and Motorways Police, N 5, South Zone, Karachi

7.5.5 Less deposit of fine amount in the bank account - Rs. 381.438 million

Rules 7(1) of the FTR 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 into a treasury and shall be included in the Federal Consolidated Fund of the Federal Government. Moneys received as aforesaid shall not be appropriated to meet departmental expenditure, nor otherwise kept apart from the Federal Consolidated Fund of the Federal Government. No department of the Government may require that any moneys received by it on account of the revenues of the Federal Government be kept out of the Federal Consolidated Fund of the Federal Government.

Para 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.

The management of the National Highway and Motorway Police, Karachi imposed fines on traffic violators amounting to Rs. 3,523.762 million and collected Rs. 3,511.648 million during the financial year 2023-24. Details are as under:

(Rs.)

Month	Total challan	Fine imposed	Fine collected by the NHA contractors	Fine deposited in the Bank	Less deposit of fine amount
June, 2024	193,282	331,157,523	331,157,523	293,080,115	38,077,408
May, 2024	299,330	535,364,720	535,364,720	483,931,466	51,433,254
April, 2024	230,654	398,234,784	398,234,784	296,524,784	101,710,000
March, 2024	333,522	497,875,215	497,876,215	334,348,899	163,527,316
February, 2024	271,841	348,328,223	348,328,223	348,328,223	-
January, 2024	199,779	256,644,567	256,644,567	243,099,359	13,545,208

December, 2023	310,825	203,388,111	209,390,911	209,390,911	-
November, 2023	427,309	195,559,962	195,559,962	195,559,962	-
October, 2023	479,855	201,918,963	183,800,572	186,192,046	(2,391,474)
September, 2023	455,290	190,892,564	190,892,564	175,355,982	15,536,582
August, 2023	484,787	194,916,062	194,916,062	194,916,062	-
July, 2023	404,539	169,482,269	169,482,269	169,482,269	-
Total		**3,523,762,963**	**3,511,648,372**	**3,130,210,078**	**381,438,294**

Audit observed that:

i. An amount of Rs. 3,130.210 million was deposited in the bank account out of collected fine of Rs. 3,511.648 million, which resulted in less deposit of Rs. 381.438 million in the bank account.
ii. Besides, an amount of Rs. 12.114 million was less collected by the NHA Collection Collector.

Audit is of the view that less deposit of fine amount in the bank account and less collection of fine amounts deprived the department from its due receipts.

The management did not reply.

The PAO and the audited formation were informed on 11.11 2024 and 10.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends realization and recovery/collection of due share of imposed fine for deposit of the same in the bank account.

CHAPTER 8

DEFENCE 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, 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.

(Rs. in million)

Sr. No.	Description	Total Number	Audited	Expenditure Audited (FY 2023-24)	Revenue/Receipt Audited (FY 2023-24)
1	Formations	13	2	3,912.22	-
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities/ Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

8.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Defence Division for the financial year 2023-24 was Rs. 1,913,527.250 million, out of which the Division expended an amount of Rs. 1,913,213.030 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

Grant Numb-re	Type of Grant	Original Grant	Supplem-entary Grant	Surrender	Final Grant	Actual Expenditure	Excess/ (Savings)
27	Current	6,354.66	25,280.00	-	31,634.66	31,474.01	(160.64)
28	Current	12,515.86	740.00	-	13,255.86	13,133.41	(122.45)
29	Current	1,804,000.00	63,580.46	(2,108.00)	1,865,472.46	1,865,441.46	(31.00)
Total Current		**1,822,870.51**	**89,600.46**	**(2,108.00)**	**1,910,362.97**	**1,910,048.88**	**(314.09)**
100	**Dev**	**3,400.00**	**-**	**(235.72)**	**3,164.28**	**3,164.15**	**(0.13)**
Grand Total		**1,826,270.51**	**89,600.46**	**(2,343.72)**	**1,913,527.25**	**1,913,213.03**	**(314.22)**

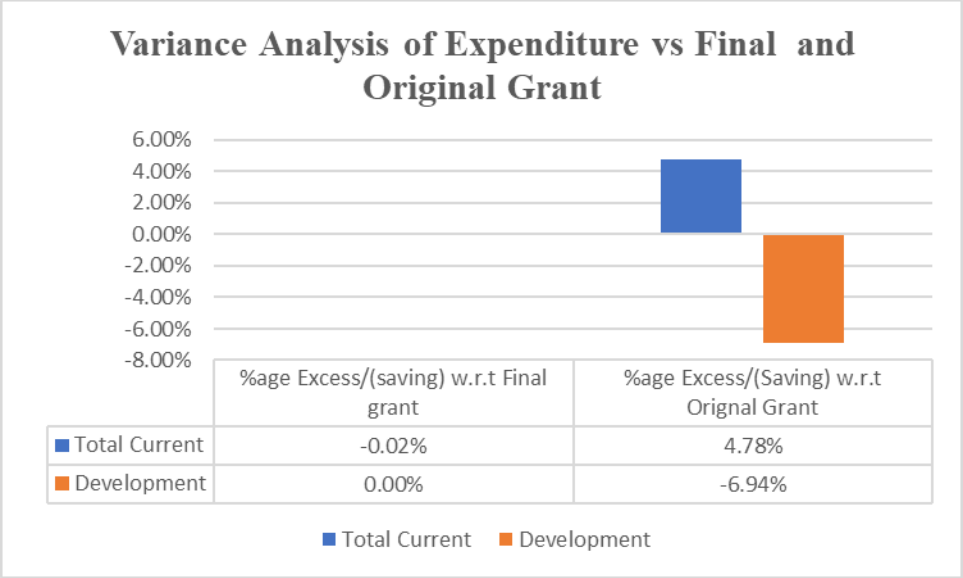
Audit noted that there was an overall savings of (Rs. 314.220 million), which was mainly due to saving in current/development expenditure.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 in current and development expenditure it is observed that, in case of development expenditure,

there was -6.94% of savings w.r.t, Original grant which finally became 0% w.r.t. final grant and in case of current expenditure 4.78% of excess reduced to -0.02% of savings.



8.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 6.952 were raised in this report during the current audit of the **Defence Division**. Summary of the audit observations classified by nature is as under:

(Rs. 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	6.952
E	Internal Control	
4	Value for money and service delivery	
5	Others	

8.4 Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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**	**-**

8.5 AUDIT PARAS

Pakistan Maritime Security Agency (PMSA)

8.5.1 Non-framing of Rules and Regulations

Section 18 of the Maritime Security Agency Act, 1994 states that the Federal Government may, by notification in official gazette, make rules for carrying out the purposes of this Act:

Section 19 of the Maritime Security Agency Act, 1994 states that the Director General may, with the approval of the Federal Government, make regulations by notification in official gazette not inconsistent with this Act or the rules.

The management of the Pakistan Maritime Security Agency (PMSA), Headquarter, Karachi was required to frame its rules and regulations in the light of Sections 18 and 19 of the PMSA Act, 1994.

Audit observed that the management did not develop any rules and regulations as required under Sections 18 and 19 of the PMSA Act, 1994

Audit is of the view that failure to frame the rules and regulations since 1994 was a serious lapse on the part of the management and a violation of the provisions of the PMSA Act, 1994.

The DAC in its meeting held on 09.12.2024 directed the executive to undertake the process of formulations of rules and regulations in the light of Sections 18 and 19 of the PMSA Act, 1994.

Audit recommends framing and approval of rules and regulations as stated in the Act.

8.5.2 Non-deposit of sale proceeds from auction of boats and fish in the Federal Consolidated Fund - Rs. 6.952 million

Section 37(1) of the Public Finance Management Act, 2019 states that revenues collected by an autonomous entity, which arise from any Act or statutory instruments of the Federal Government shall be deposited into the Treasury Single Account. Section 45 of said Act states that this Act shall have over-riding effect over all other laws and any law inconsistent with this Act in contradiction with this Act shall be amended to the extent of the inconsistency.

Finance Division's Letter No. F.1(1)/(TSA)/2020-08/w dated 12.08.2020 places government offices such as Pakistan Maritime Security Agency (PMSA) under the Treasury Single Account System (TSA).

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 the Pakistan Maritime Security Agency (PMSA), Karachi received revenue through the auction of fish and boats confiscated from Indian fishermen during the year. Detail is placed as under:

(Rs.)

Auction (Types)	Sale proceeds from auction	Portion deposited in the Treasury	Undeposited amount
Fish	984,970	723,728	261,242
Boats	14,100,000	11,845,150	2,254,850
Boats	11,380,030	9,042,027	2,338,003
Boats	11,065,000	8,967,000	2,098,000
Difference			**6,952,095**

Audit observed that the management did not deposit the sale proceeds amounting to Rs 6,952,095 in the Treasury Single Account.

Audit is of the view that non-depositing of receipts in the Federal Consolidated Fund was a violation of Public Finance Management Act.

The DAC in its meeting held on 09.12.2024 directed the executive to reconcile the amount of recovery, recover the reconciled amount and get the same verified form Audit. Further, the practice needs to be discontinued.

Audit recommends that the undeposited sales proceeds may be deposited in the Federal Consolidated Fund on regular basis.

CHAPTER 9

ECONOMIC AFFAIRS 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 01.12.2021), following main functions have been assigned to the Division:

1. Assessment of requirements; programming and negotiations for external economic assistance from the 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 the 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 the 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 the UNDP assistance.
9. Matters relating to the International Islamic Development Bank.
10. Financial Action Task Force (FATF) Cell.

(Rs. in million)

Sr. No.	Description	Total number	Audited	Expenditure Audited (FY 2023-24)	Revenue/ Receipt Audited (FY 2023-24)
1	Formations	1	1	800.71	
2	Assignment Accounts (Excluding FAP)				
3	Authorities/Autonomous Bodies etc. under the PAO				
4	Foreign Aided Project (FAP)				

9.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Economic Affairs Division for the financial year 2023-24 was Rs. 3,487,490.920 million, out of which the Division expended an amount of Rs. 3,347,841.510 million. Grant-wise detail of current expenditure is as under:

(Rs. in million)

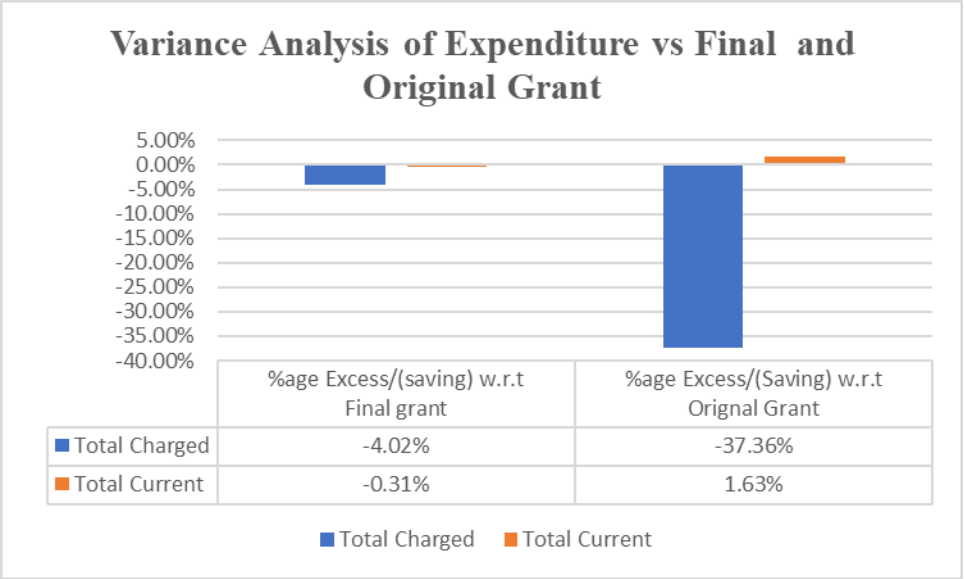
Gr-ant Nu-mbe-r	Type of Grant	Original Grant	Suppleme-ntary Grant	Surrender	Final Grant	Actual Expenditure	Excess/ (Savings)
C	Charged	872,218.50	167,614.87	-	1,039,833.37	1,020,401.89	(19,431.49)
D	Charged	4,398,067.50	-	(2,015,845.35)	2,382,222.16	2,262,059.16	(120,162.99)
E	Charged	46,690.00	1,184.93	-	47,874.93	47,874.93	(0.00)
Total Charged		**5,316,976.00**	**168,799.80**	**(2,015,845.35)**	**3,469,930.45**	**3,330,335.97**	**(139,594.48)**
31	Current	800.85	35.06	(31.45)	804.47	800.71	(3.76)
32	Current	16,424.00	332.00	-	16,756.00	16,704.83	(51.17)
Total Current		**17,224.85**	**367.06**	**(31.45)**	**17,560.47**	**17,505.54**	**(54.93)**
Grand total		**5,334,200.86**	**169,166.86**	**(2,015,876.79)**	**3,487,490.92**	**3,347,841.51**	**(139,649.41)**

Audit noted that there was an overall saving of (Rs. 139,649.41 million), which was mainly due to saving in charged grants.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 in the current expenditure and charged expenditure, it was observed that 1.63 % of excess expenditure of current grants stood incurred w.r.t. original grant which was finally reduced to -0.31 % savings w.r.t. final grant and in case of charged grant -37.36% of savings are reduced to -4.02%.



9.3 Classified Summary of Audit Observations

Audit observations amounting to Rs. 98,562.950 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:

(Rs. 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	98,562.950
E	Internal Control	
4	Value for money and service delivery	
5	Others	

9.4 Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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	-
2023-24	2	0	0	2	-
Total	**16**	**4**	**1**	**15**	-

9.5 AUDIT PARAS

Economic Affairs Division

9.5.1 Non-recovery of Re-lent Loans from M/s Galadari Cement Gulf Ltd. - Euro 67.646 million - Rs. 20.568 billion

Clause 29 of the Part 5 of the Foreign Debt Manual, 2008, "Debt Management Wing Functions," states that recoveries of foreign loans and credits re-lent to the provincial governments, Autonomous Bodies/Corporations, Industrial/Financial Institutions and private sector agencies have considerable impact on ways and means position of the Government. In order to strengthen the ways and means position of the Federal Government, it is essential that sanction letters specifying the re-lending terms are issued immediately on allocation of funds and action for recoveries initiated well in time.

M/s Galadari Cement Gulf limited (GGCL), a private concern, obtained a loan of Euro 37.280 million (US$ 45.700 million) from a French Bank Societe Generale in 1994 for setting up a cement plant in the hub industrial area of Balochistan and the loan carried an interest rate of 5.95%. It was guaranteed by the National Bank of Pakistan and was in the form of an export credit which was used to pay for the plant and machinery imported by the GCGL. The loan was due for retirement by 2008. In 2001, GoP reached a settlement for re-profiling of foreign debt with bilateral creditors through the Paris Club and all debts of the private sector, where a public sector bank had issued the guarantee and defaulted, were made part of the agreement and GoP had to acquire the debt of the GCGL. The

Government paid Euro 39.606 million and is further liable to pay Euro 28.040 million up to 2039.

Audit observed as under:

i. The matter was brought before the ECC several times from 2005 to 2009 to devise a mechanism for recovery of the loan from the GCGL. In August, 2009, the EAD furnished a subsidiary loan agreement (duly vetted by the Law Division) along with amortization schedule to the GCGL and asked it to furnish a guarantee for the full amount of loan from the original guarantor i.e. the National Bank of Pakistan. However, the National Bank of Pakistan did not furnish any guarantee and the matter remained unresolved.

ii. In 2018, the GCGL came up with a new proposal for selling the plant and machinery to M/s Pioneer Cement Limited (PCL) who would assume the liability for debt servicing to the Government of Pakistan. This proposal was turned down by the Finance Division on the grounds that it may be causing a loss to the Government of Pakistan as valuation report, as provided by the GCGL was prepared in June, 2016 and the latest valuation report may be obtained from an independent reputed valuator to have a fair assessment of the company valuation at present as assessed value of GGCL was Rs. 5.967 billion based on 2016 evaluation. This value is expected to be on higher side if new valuation is done.

iii. The matter was placed before the ECC once again on 08.04.2020 and ECC directed the EAD to resubmit the Summary with viable recommendations after detailed consultation with the State Bank of Pakistan.

iv. In pursuance of the ECC's Decision, the State Bank of Pakistan vide a Letter dated 15.07.2020 had advised that the GoP may like to consider proceeding under Section 69 of the Contract Act, 1872, in accordance with law. The matter was referred to the Law and Justice by the EAD on 03.11.2020. However, the latest status of the matter is not available on record.

Audit is of the view that the Government suffered a loss due to non-recovery of the amount from the GCGL.

The management replied that on the direction of the SBP, the matter was referred to the Law Division. Accordingly, all the requisite documents were provided to the Law Division in 2020 and onward correspondence was exchanged, and various meetings were conducted with the Law Division to settle the issue. Recently, a reminder has been issued. Audit will be informed as soon as the response is received from the Law Division.

Management's reply is not satisfactory as considerable time has passed and matter has not so far been resolved.

The PAO and the audited formation were informed on 22.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that responsibility be fixed for the loss sustained by the GoP due to non-seriousness and the matter be followed up for early settlement.

9.5.2 Non-recovery of loan provided to different countries - US$ 283.618 million

Para 240 of GFR, Vol-I states that a specific term should be fixed in the Loan Agreement within which each loan should be fully repaid with interest due.

Recovery record of the Economic Affairs Division revealed that the Government of Pakistan provided foreign loans to different countries amounting to US$ 283.618 million. The detail is as under:

(Amount in US$ million)

Sr. No.	Country	Amount disbursed	Outstanding amount
1	Sri Lanka I	1.600	0.462
2	Sri Lanka II	45.118	0.934
3	Bangladesh (Sugar Plant)	12.080	20.110
4	Bangladesh (Cement Plant)	5.823	1.344
5	Iraq I	48.526	156.859

6.	Iraq II	9.992	29.864
7.	Iraq III	9.870	44.638
8.	Sudan	9.979	46.636
9.	Guinea Bissau	2.211	3.653
	Total	**145.199**	**304.500**

Audit observed that an amount of US$ 304.500 million was outstanding against different countries.

Audit is of the view that non-recovery of outstanding loans has resulted in a financial loss to the Government and created extra foreign exchange burden on the economy.

The management replied that Pakistan had extended export credit as per the bilateral agreements of 80s and 90s to the five countries. The Audit pointed out the same recovery in 2006-07. The Sub-Committee of PAC directed the PAO to make efforts for recovery from the concerned countries, if possible. After PAC Directive, recovery of Export Credit is being pursued vigorously by the Economic Affairs Division through the Ministry of Foreign Affairs i.e. diplomatic channel, Joint Ministerial Committee etc. and through issuance of reminder/demand notices.

The management has accepted the observation raised by the Audit.

The PAO and the audited formation were informed on 22.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the matter be taken up at an appropriate level for early recovery of amount.

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 23.04.2019), 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 and Lahore.

xi. Private Educational Institutes Regulatory Authority.

(Rs. in million)

Sr. No.	Description	Total number	Audited	Expenditure Audited (FY-2023-24)	Revenue/ Receipt Audited (FY 2023-24)
1.	Formations	495	7	8,312.50	428.41
2.	Assignment Accounts (Excluding FAP)	16	-	-	-
3.	Authorities/Autonomous Bodies etc. under the PAO	7	2	9,891.26	-
4.	Foreign Aided Project (FAP)	-	-	-	-

10.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Federal Education and Professional Training Division for the financial year 2023-24 was Rs. 45,454.093 million, out of which the Division expended an amount of Rs. 45,836.521 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

Grant Number	Type of Grant	Original Grant	Supplementary Grant	Surrender	Final Grant	Actual Expenditure	Excess/ (Savings)
36	Current	26,974.47	7,150.00	(18.45)	34,106.02	34,677.69	571.67
38	Current	211.44	-	(129.66)	81.78	79.58	(2.20)
39	Current	1,032.85	-	-	1,032.85	1,032.32	(0.53)
Total Current		**28,218.75**	**7,150.00**	**(148.12)**	**35,220.64**	**35,789.58**	**568.94**
103	Dev	10,428.36	-	(4,588.52)	5,839.84	5,654.02	(185.82)
105	Dev	8,071.64	-	(3,678.02)	4,393.62	4,392.92	(0.70)
Total Dev		**18,500.00**	**-**	**(8,266.54)**	**10,233.46**	**10,046.94**	**(186.52)**
Grand Total		**46,718.75**	**7,150.00**	**(8,414.66)**	**45,454.09**	**45,836.52**	**382.43**

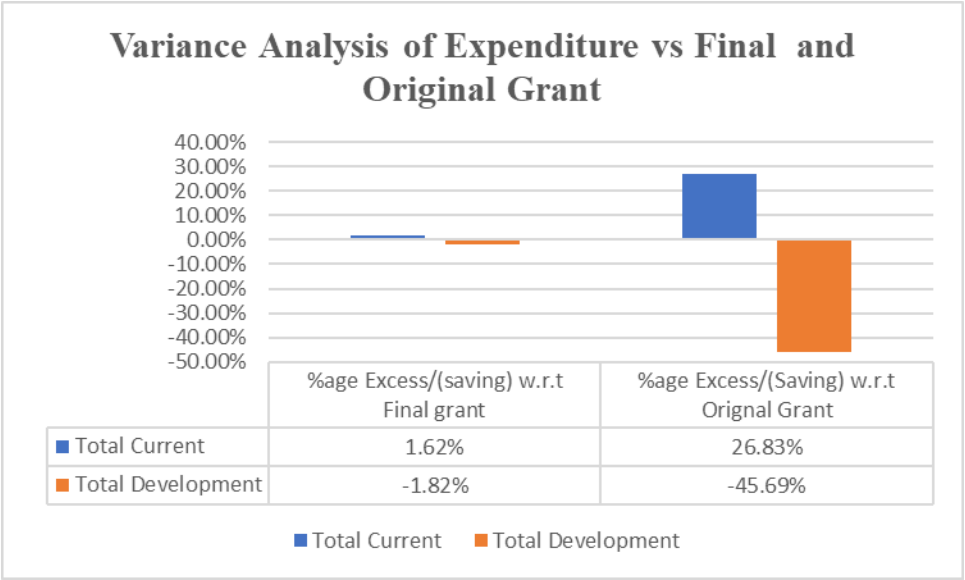
Audit noted that there was excess expenditure of Rs. 382.427 million, which was mainly due to savings in the development grants.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 in current and development expenditure, it was observed that in case of development grant, there was -45.69% of savings w.r.t. original grant which was finally reduced to -1.82% savings w.r.t. final grant and in case of current grants 26.63% of excess was reduced to 1.62% of excess.



10.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs.539.352 million, were raised in this report during the current audit of the **Federal Education And Professional Training Division**. Summary of the audit observations classified by nature is as under:

(Rs. 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	5.471
B	Procurement related irregularities	358.372
C	Management of account with commercial banks	

D	Recovery	60.139
E	Internal Control	26.750
4	Value for money and service delivery	
5	Others	88.620

10.4 Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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	-
2023-24	22	0	0	22	-
Total	**247**	**93**	**39**	**208**	-

10.5 AUDIT PARAS

Federal Directorate of Education

10.5.1 Loss due to inordinate delay in completion of a development project - Rs. 225.977 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.

Ministry of Education vide a Letter No F.2-3/2008-Esc dated 20.04.2009 issued Administrative Approval of the scheme titled, "Payment of cost of land for Establishment of FG Model School for Boys in Margalla Town, Islamabad". The Scheme was approved by the DDWP in its meeting held on 10.11.2008 at a total cost of Rs. 16.430 million.

Later on, the Ministry of Federal Education and Professional Training got approval of another PC-I of the Project titled, "Establishment of Islamabad Model College for Boys, Margalla Town, Islamabad," and issued Administrative Approval vide a Letter No. 2-68/2018-19/Dev (E&T) dated 20.12.2019. The project was approved by the DDWP on 02.12.2019 at a Capital Cost of Rs. 403.384 million with implementation period of 24 months i.e. up to 01.12.2021.

The Administrative Approval of the project was revised and first extension in the implementation period was allowed up to 30.06.2022 at a total cost of Rs. 430.937 million (Including an amount of Rs. 27.553 million on account of cost of land) vide Ministry of Federal Education and Professional Training's Letter No. 2-130/2020-21/Dev (Ext) dated 07.02.2022.

Ministry of Federal Education and Professional Training vide a Letter No. 2-130/2020-21/Dev(E&T) dated 01.07.2022 allowed second extension in the implementation period of the project up to 30.06.2023 at a total cost of Rs. 430.937 million.

Initially, the scheme for purchase of cost of land of the FG Model School for Boys in Margalla Town, Islamabad was approved during November, 2008 against which a total payment of Rs.6.572 million was made to the CDA by the FDE.

Later on, the FDE released a sum of Rs.62.651 million to the Pak. PWD. for execution of the project during the financial years 2019-20 to 2022-23. According to the Monthly Progress Report for the month of June, 2023, issued vide Pak. PWD's Letter No.EE/CCD-VII/MPR/611 dated 03.07.2023, the Pak. PWD. made a payment of Rs. 27.552 million to the CDA on account of cost of land of the College, as stated below:

(Rs.)

CDA Demand Note/Letter No. and date	**Payment made Cheque No. and date**	**Amount**
CDA/EM-II/27(2793)/15/800 dated 24.03.2015	C0185/C185361 dated 15.06.2020	19,977,907
CDA/EM-II/27(2793)/2020-21 dated 25.08.2020	C01893/C189294 dated 21.10.2020	7,575,078
Total		**27,552,985**

Out of balance released amount of Rs.35.090 million, the Pak. PWD. incurred an expenditure of Rs.34.797 million on civil works up to 30.06.2023. The financial progress was 15% and physical progress was 14% only up to 30.06.2023. The Pak. PWD. also intimated that the delay in execution was due to late possession of land by the CDA. The payment of cost of land was made by the FDE to the CDA (Through Pak. PWD.) over a period of twelve years i.e. from 2008 to 2020. The FDE has taken over possession of the plot measuring 14,577.770 Square Yards from the CDA on 07.01.2021.

Lease Agreement of the plot was to be executed within one month after issuance of the Allotment Letter No. CDA/EM-II/27(2793)/15/54 dated 05.01.2021.

Due to inordinate delay in execution of the project and price escalation of the construction material, the Pak. PWD. submitted a revised PC-I of the project at a revised a cost of Rs.629.361 million to the Ministry of Federal Education and Professional Training on 19.09.2023.

Audit observed as under:

i. Despite approval of initial scheme for purchase of land during November, 2008 at a cost of Rs.16.430 million, the FDE made a payment of Rs.6.572 million to the CDA and failed to make payment of the balance cost of land and Annual Ground Rent from time to time.
ii. The delay in payment of cost of land to the CDA resulted in cost overrun of the project by 56% (From Rs.403.384 million to 629. 361 million) and time over run of more than 24 months (From December, 2021 to December, 2023). Due to revision of the cost, the public exchequer suffered a financial loss of Rs.225.977 million on this account. The management did not initiate action against the concerned officers and officials responsible for the delay.
iii. Despite taking possession of the plot by the FDE, no lease agreement has been executed by the project management with the CDA till December, 2023.

Audit is of the view that the public exchequer was put to a loss of Rs. 225.977 million due to negligence of the project management.

The management did not reply.

The DAC in its meeting held on 15-16.01.2025 directed the management of FDE to get the record relating to delayed execution of the project titled, "Establishment of Islamabad Model College for Boys, Margalla Town, Islamabad verified from the Audit.

Audit recommends fixing of the responsibility against the persons concerned beside completion of the project at the earliest.

10.5.2 Irregular procurement of furniture and fixture without obtaining Performance Guarantee and completion of codal formalities - Rs. 53.513 million

According to the condition 10.1 of the Special Conditions of Contract (SCC) of the Bidding Documents for procurement of Furniture and Fixture, IT and Hardware, "the amount of performance security (or Guarantee) as a percentage of the contract price, shall be 10% of the contract price."

According to the condition 11.1 of the Special Conditions of Contract (SCC) ibid, "Inspection and test prior to shipment of Goods and at final acceptance are as follows:

Quality and quantity inspection shall be carried out prior to shipment of goods by the manufacturer(s) at the supplier's own expense and responsibility in terms of items specified in the specifications. The supplier shall submit the inspection certificate issued by himself which should be attached with the certificate(s) of the manufacturer (s) to the Procuring Agency (PA) in order to ensure that the goods are manufactured in compliance with the contract."

According to the condition 13.3 of the Special Conditions of Contract (SCC) ibid, "upon delivery of the goods to the transporter, the Supplier shall notify the Procuring Agency and mail the following documents to the Procuring Agency:

i. One original plus four copies of the Supplier's invoice showing goods, description, quantity, unit price and total amount.
ii. Delivery note, railway receipt, or truck receipt.
iii. Manufacturer's or supplier's warranty certificate;

iv. Inspection certificate issued by the nominated inspection agency, and the Supplier's factory inspection report; and
v. Certificate of country origin issued by the Pakistan Chamber of Commerce and Industry or equivalent authority in the country of origin in duplicate.

The above documents shall be received by the PA before arrival of the goods and, if not received, the Supplier will be responsible for any consequent expenses.

Federal Directorate of Education, Islamabad awarded contracts for purchase of furniture and fixture to the following three firms and made a payment of Rs. 53,513,880 during the financial year 2022-23 out of the budget allocation of eight PSDP Projects:

(Rs.)

	Particular of purchase	**Name of firm**	**Total contract cost**	**Amount of performance security/ guarantee required to be obtained**	**Total payment made to the firm (Gross)**
1	Furniture and fixture	M/s Quality Traders	13,301,500	1,330,150	13,301,500
2	Furniture and fixture	M/s Zeeshan Traders	39,817,000	3,981,700	39,817,700
3	Furniture and fixture	M/s MA International	Contract not signed		394,680
Sub total			**53,118,500**	**5,311,850**	**53,513,880**

Audit observed as under:

i) Total payment of Rs. 53.513 million was made to the above-named firms without obtaining Performance Security /Guarantee of Rs.5.311 million as per provision of the Bidding Documents and Contract Agreements signed with the firms.
ii) The payment of Rs. 53.513 million was made to M/s Quality Traders, M/s Zeeshan Traders and M/s MA International against the purchase of furniture and fixture without obtaining, railway receipt, or truck receipt, manufacturer's or supplier's warranty certificate; Inspection Certificate issued by the nominated inspection agency, Supplier's factory inspection report and

Certificate of country origin issued by the Pakistan Chamber of Commerce and Industry or equivalent authority in the country of origin as per provision of the condition 13.3 of the Special Conditions of Contract (SCC) and agreements signed with the firms.

Audit is of the view that the payments of Rs. 53.513 million made to the firms in violation of the provision of the Bidding Documents and Contract Agreements is irregular. The payments without obtaining Performance Security /Guarantee was extending favour to the contractors.

The management did not reply.

The DAC in its meeting held on 15-16.01.2025 directed the management of FDE to provide the record regarding completion of codal formalities to Audit. Further, it was directed to issue warning to those who were responsible for lapses on account of non-obtaining of Performance Guarantee from the supplier.

Audit recommends fixing of the responsibility against the persons concerned for the lapses. Besides, the practice in question needs not to be repeated.

10.5.3 Non-deposit of unspent amount lying in a bank account in Government account - Rs. 2.440 million

Rule 4(1) of the Cash Management and Treasury Single Account Rules, 2020 states that no Government office shall open, operate or maintain a bank account for any purpose, except in accordance with the Act and these Rules.

Rule 4(3) of the Cash Management and Treasury Single Account Rules, 2020 further states that subject to Sub-Rule (5), any approval granted by the Finance Division prior to commencement of these rules, for opening of bank accounts in scheduled banks by the Government offices stand revoked on commencement of these rules and the SBP shall instruct all the scheduled banks not to open account of any Government office. The accounts already opened shall be closed and balance therein shall be transferred to the Federal Consolidated Fund using treasury challan provided in Form 32A of the Federal Treasury Rules.

Federal Directorate of Education, Islamabad was maintaining a bank account No.193200401803326 titled, "Examination Fund Account" with the National Bank of Pakistan, G 9/4 Branch, Islamabad.

Ministry of Federal Education and Professional Training vide OM No. 1-58/2022FE&PT/org dated 27.05.2022 has taken up the matter with the Finance Division for regularization of the said bank account. In response, the Finance Division vide OM No. F.2 (10) /SO (TSA)/202/2020 dated 28.06.2022 intimated that the Federal Directorate of Education (FDE) under the Ministry of Education had been notified as part of TSA I System. Hence, the request of the Federal Directorate of Education for allowing regularization of the Examination Fund Account and ex-post facto approval in this regard has not been acceded to. Further, the State Bank of Pakistan was requested to transfer the funds in the Central Account No. I (Non-Food) under intimation to the Finance Division.

The Federal Directorate of Education withdrew the amount of Rs.2,440,000 in cash, as stated below:

(Rs.)

S. No.	Name of payee	Cheque No. and date	Amount
1	Mr. Rashid Mahmood, Accountant (Examination)	50464338 dated 30.06.2022	1,440,000
2	-do-	50464339 dated 30.06.2022	1000,000
Total			**2,440,000**

After withdrawal of the above amount, the bank account was closed on 27.07.2023.

Audit observed as under:

i) Instead of depositing the spent amount of Rs. 2.440 million in the Government account, as per instruction of the Finance Division, the entire amount was withdrawn in cash on 30 .06.2023 and further distributed to various schools during August-September, 2023 on account of payment of cash award and scholarships.

ii) The source and actual date of receipt of this amount and approval of rates from the Finance Division was not known to Audit.

Audit is of the view that the withdrawal of unspent amount of Rs.2.440 million out of the bank account in violation of the Treasury Single Account Rules and instructions of the Finance Division was unauthorized.

The management did not reply.

The DAC in its meeting held on 15-16.01.2025 directed the management of FDE to obtain ex-post facto approval from the Finance Division for maintenance of bank account and regularization of the expenditure.

Audit recommends an inquiry to fix the responsibility against the persons responsible beside regularization of the expenditure from the Finance Division.

National College of Arts, Lahore

10.5.4 Irregular execution of civil works of Graduation Block at NCA and recovery on account of LD Charges - Rs.78.882 million

As per provision of Section D, Preparation of Project of B&R Code, the papers to be submitted with the project for a work will consist of a report, a specification and a detailed statement of measurements, quantities and rates, with an abstract, showing the total estimated cost of each item. These documents together form what is called "the estimate" in the sense of this Code. In the case of a project consisting of several works, the report may be a single document for all the works and likewise the specification; but details of measurements and abstracts may conveniently be prepared for each work,

As per Rule 1.58 of the B&R Department Code, the divisional officers are immediately responsible for the proper maintenance of all works in their charge and the preparation of projects and of designs and estimates, whether for new works or repairs. It is also part of their duties to organize and supervise the execution of works and to see that they are suitably and economically carried out with materials of good quality.

Management of the National College of Arts Lahore awarded a contract for construction of Graduate Block at NCA Lahore to M/s Construct, Lahore for Rs.788.825 million. Another contract for consultancy charges for Rs.3.786 million was also awarded to M/s Master Consultant.

Audit observed that:

i) The Department/Project Director did not provide the original/ detailed estimates, technical sanction and BoQ details.
ii) Project site was handed over to the contractor on 26.10.2021 and the completion date of the project was 26.10.2023.
iii) As per last Interim Payment Certificate (IPC), the work was executed only 40% to 50% even after lapse of 3 years.
iv) Building Committee, NCA allowed an extension of 238 days to the contractor.
v) Work is still in progress and pending up to 50%.
vi) Management vide a Letter No. NCA/PDT/CGB/CGE/018 dated 21.12.2021 hired another contractor for shuttering work and paid Rs.2.000 million without any provision and solid ground.
vii) Management did not deduct/recover liquidated damages from the contractor amounting Rs.78.883 million.
viii) M/s Niazi Design System was also hired for Rs.9.800 million to conduct the third-party validation/rectification of the structural design, but the project management also did not produce the Third-Party Validation (TPV) Report.

Audit is of the view that non-deduction/recovery of liquidated charges from the contractor shows weak financial control at the part of the management and put the department to a financial loss of Rs.78.883 million.

Audit is further of the view that non-completion of the project may result in escalation of construction cost manifold.

The department did not reply.

The DAC meeting was held on 15-16.01.2025. the DAC directed the management to revise the PC-I, and Third-Party Validation report be shared with Audit.

Audit recommends the decision of the DAC may be implemented.

10.5.5 Unjustified payment for Price Adjustment - Rs.88.620 million

As per Account Code, Vol-III (Section Works Accounts) (C) Measurement Book is a detailed account of actual measurement in quantities of work done otherwise than by daily labor or on lump sum contracts, and all supplies, should be kept in a Measurement Book in such form and in accordance with such methods as may be prescribed by Government after consultation with the Accountant-General.

As per Instruction No. 3 of the measurement book, detailed measurement book should be recorded only by the Executive engineer, Assistant Executive or Assistant Engineer or by Executive subordinates in charge of the work to whom measurement book had been supplied for the purpose.

Management of National College of Arts, Lahore made a payment of Rs.391.665 million to the contractor on account of price adjustment under the head Construction of Graduate Block during the period under audit. Detail is given below:

(Rs.)

Sr. No.	Total value of work done	Amount of price adjustment	Total amount	Bulletins
1st Running Bill (RB)	86,993,705	10,439,244	97,432,949	April, 22
2nd RB	7,032,732	1,617,528	8,650,260	August, 22
3rd RB	21,308,921	6,894,892	28,203,813	March, 23
5th RB	55,800,168	20,841,417	76,641,585	August, 23
6th RB	60,407,960	23,204,556	83,612,516	February, 24
7th RB	71,501,212	25,622,489	97,123,701	April, 24
	303,044,698	**88,620,126**	**391,664,824**	

Audit observed the following irregularities:

i) As per the Acceptance Letter, work was started on 26.10.2021.

ii) The Site Supervisor did not record the measurement book on daily basis.

iii) Management paid the first running bill at the rates of April, 2022 bulletins issued by the Pakistan Bureau of Statistics while the work by the contractor was started on 26.10.2021 and completed in February, 2022 as per activity approval request.

iv) In 2nd Running bill, as per measurement request, work was done in October, 2022. After the 1st Running bill, the contractor delayed 7 months and claimed the escalated rates and the management paid the higher rates.

v) In 3rd Running bill, management paid the rates of March, 2023. The contractor delayed the submission of claim for 5 months and charged higher rates. But activity approval request reflected that the work was done in January and February, 2023.

vi) In 5th Running bill, Contractor activity approval request for the work showed that mostly, steel work was done in May, 2023 but the rates of August, 2023 were paid.

vii) In 6th Running bill, the contractor executed work mostly in October to December, 2023 but the management paid the rates of February, 2024.

viii) In 7th Running bill, the steel work was applied in March, 2024 but the department paid the rates of April, 2024.

Audit is of the view that payment of bill at the escalated rates without proper scrutiny and reconciliation was an act of irregularity.

Audit is further of the view that action of the management put the department to a financial loss of Rs.88.620 million.

The management replied that payment to the contractor on account of price adjustment was made as per provisions of price adjustment devised by the Pakistan Engineering Council.

Audit contended that the Clause 70.1 (D) of the agreement is misinterpreted by the management of NCA. Further, delay in submission of claims/running bills by the contractor was making him better off as he was getting payments at higher rates due to escalation. The contractor should have been paid at the rates which were prevalent 28 days prior to the actual period of work and not on the rates which were prevalent 28 days prior to the submission of claims.

The DAC in its meeting held on 15-16.01.2025 directed the management to seek clarification from the competent forum at the earliest and share with Audit.

Audit recommends to seek the opinion of the PEC after communicating the actual dates of execution of works and actual dates submission of claims, and recover the overpayment from the contractor and deposit it in the Government account.

10.5.6 Irregular/unauthorized deduction of withholding tax - Rs.13.434 million

Section 149(1) of the Income Tax Ordinance, 2001 as amended up to June, 2021 states that the income of the Federal Government shall be exempted from tax.

Section 151(1) (a) of the Income Tax Ordinance, 2001, also states that following persons are exempted from deduction of tax at source under this Section:

- Federal Government
- Provincial Government.
- Local Government.

National College of Arts, Lahore has deposited/invested its funds in the financial institutions/banks in the shape of TDRs. The details are given below:

(Rs.)

Sr. No.	Bank	Account No./Description	WHT amount
1.	HBL	01330011170501	1,203,167
2.	HBL	01330020064701	585,285
3.	On maturity of investments		11,645,571
		Total	**13,434,023**

Audit observed that the Financial Institutions withheld an amount of Rs.13.434 million on account of withholding tax out of NCA deposits/investments during the financial year 2023-24.

Audit also observed that the management did not take up the case for exemption by the FBR.

Audit is of the view that the management deprived the College from its due receipt amounting to Rs.13.434 million.

The DAC in its meeting held on 15-16.01.2025 directed to pursue the matter with the Chairman, FBR.

Audit recommends to obtain the exemption certificate from FBR and take up the case for refund of the amount.

Federal Board of Intermediate and Secondary Education (FBISE)

10.5.7 Irregular affiliation of technical institutes in violation of the Act - Rs. 26.750 million

Section 8(a) of the Federal Board of Intermediate and Secondary Education Act, 1975 states that the Board shall have the powers to hold and conduct examinations pertaining to the Intermediate and Secondary Education.

The management of the Federal Board of Intermediate and Secondary Education (FBISE), Islamabad affiliated 245 technical institutes for imparting technical education and collected receipts amounting to Rs. 26,750,000 in the shape of affiliation fee during 2022-23.

Audit observed that the technical institutes were affiliated without any provision in the Act.

Audit is of the view that the affiliation of technical institutes and receiving of affiliation fee was a violation of the FBISE Act and without approval of the Federal Government.

The management did not reply.

The DAC in its meeting held on 15-16.01.2025 directed the management of FBISE to share the relevant provision of Act in the light of which approval was sought.

Audit recommends that responsibility may be fixed for the deviation from the Act.

10.5.8 Unauthorized affiliation of schools/colleges before inspection

As per Academic Rule, Vol-I, Section 1.5, Inspection of Institutions of Federal Board of Intermediate and Secondary Education, Islamabad:

a. Inspection of institution, requiring provisional/permanent affiliation shall be carried out by a team appointed by the Chairman of the Board. The inspection may relate to the accommodation, sanitary arrangement, provision made for games, residence, supervision, instruction of students, the library, furniture and laboratories, the registers containing the qualifications and duties performed by each member of the staff.

b. The following records shall be maintained by every affiliated institution and produced if demanded, by the inspection committee.

- Admission and withdrawal register.
- Attendance register.
- Fee register.
- Time table.
- Cash books.
- Accession register of library books.
- Stock registers.
- Register containing the qualification and duties of staff member.

c. The recommendations of the inspection, team regarding the carrying out of inspection shall be submitted to the Chairman for formal approval.

Federal Board of Intermediate and Secondary Education (FBISE), Islamabad registered 3,993 Schools and Technical Institutes. Detail are as under:

Registered Institutes	Total number
SSC (I and II)	2,580
HSSC (I and II)	1,168
Technical Institutes	245
Total	**3,993**

Audit observed that:

i. Provisional registrations were provided to the Institutes before inspections.

ii. As per inspection report, only covered area of Schools/Institutes were inspected.

iii. Provisional registration was granted without any details of teaching staff in violation of Rule.

Audit is of the view that due to improper inspection, many institutes were opened in shops and busy areas, which affects learning process and represents sheer violation of the law of FBISE.

The management did not reply.

The DAC in its meeting held on 15-16.01.2025 directed the management of FBISE to stop this inappropriate practice and affiliation of those Institutes which meet the criteria may be kept intact while remaining be cancelled.

Audit recommends that the inspection be carried out afresh after fulfilling all the requirements.

Private Educational Institutions Regulatory Authority (PEIRA),

10.5.9 Recovery of illegal payment to the Chairperson, PEIRA Islamabad – Rs. 18.180 million

Rule 10 of the Islamabad Capital Territory Private Educational Institutions Chairman and Member (Academic) and Member (Registration) (Appointment and Qualifications) Rules, 2015 states that the pay package of the Chairman and Member (Academic) and Member (Registration) shall be as may be determined by the Federal Government.

Ministry of Federal Education and Professional Training vide Notification No. F.1-21/2014-Coord/PEIRA dated 29.03.2023 appointed the Chairperson (ICT-PEIRA) under Rule 7 of SRO 107 (KE), 2015 in MP II, for an initial period of three (03) years, extendable for another term with immediate effect.

The pay package of MP Scale has been determined by the Federal Government i.e. Basic Pay, House Rent Allowance, Utility Allowance and Monetization Allowance. However, the Chairperson has drawn an amount of Rs. 21,846,473 under undue multiple head of accounts instead of drawing pay and allowances as per MP II Scale pay package of Rs.3,665,944 for the financial year 2023-24.

Audit observed that the Chairperson had illegally drawn an amount of Rs. 18,180,529 which is over the MP II Scale pay package that has been determined by the Federal Government.

Audit is of the view that the amount drawn by the Chairperson is irregular and unauthorized.

The management replied that the Chairperson was entitled to MP II salary package only and rest of the allowances were drawn as per PEIRA salary package.

The DAC in its meeting held on 03.12.2024 directed to discontinue the extra allowances of the Chairperson (beyond MP II salary package) immediately and recovery be effected as per reconciliation with the Audit.

Audit recommends that the illegal drawal by the Chairperson may be recovered and deposited in the Federal treasury immediately. Further, the irregular drawal needs to be discontinued immediately.

10.5.10 Irregular payment of Pay and Allowances to ICT-PEIRA Members - Rs.16.735 million

Rule 10 of the Islamabad Capital Territory Private Educational Institutions Chairman and Member (Academic) and Member (Registration) (Appointment and Qualifications) Rules, 2015 states that the pay package of Chairman and Member (Academic) and Member (Registration) shall be as may be determined by the Federal Government.

The management of Private Educational Institutions Regulatory Authority (PEIRA) (Chairperson and 02 members), unanimously decided on 26.02.2024 that all the employees of ICT-PEIRA including Chairperson and Members shall be entitled to draw pay and allowances, perks and privileges with the following details:

S. No.	Description	Rates	Applicable to
1.	House Rent Allowance	@130% of Running Basic Pay.	Chairperson and Members.
		@65% of Running Basic Pay.	Remaining employees
2.	Medical Allowance	@50% of Running Basic Pay.	All employees (including
3.	Dearness Allowance	@20% of Running Basic Pay.	

4.	Utility Allowance	@15% of Running Basic Pay.	Chairperson and Members).
5.	Honoraria	Equal to 06 Basic Pays and in some cases, more than 06 six Basic Pays.	
6.	Leave Encashment	After earning 180 Earned Leaves at credit.	
7.	All other Government Allowances announced by the Government of Pakistan from time to time e.g. Conveyance, Ad hoc Relief Allowances, Disparity Reduction Allowance etc.	Adopted as and when announced by the Federal Government from time to time.	All employees (including Chairperson and Members).

The management of PEIRA paid Rs. 16.735 million to its two members on enhanced rates of salary and allowances in pursuance of above decision taken by the Chairperson and its two members. The detail of salary and allowances paid during the financial year 2023-24 is as under:

(Rs.)

S. No.	Name	Designation	Salary	Honoraria @ 8 basic pays	Leave encashment @ 1.5 gross pays	Eid allowance	Total
1	Mr. Imtiaz Ali Qureshi	Member Academics	7,044,236	1,153,950	559,134	90,000	8,847,320
2	Mr. Waqas M. Kayani	Member Registration	6,272,874	1,027,110	497,858	90,000	7,887,842
		Total	**13,317,110**	**2,181,060**	**1,056,992**	**180,000**	**16,735,162**

Audit observed that the management of PEIRA paid higher rates of salary and allowances than the Federal Government employee's rates of salary and allowances in the following manner:

i. House Rent Allowance was paid @ 130% of Running Basic Pay.
ii. Medical Allowance was paid @ 50% of Running Basic Pay.
iii. Dearness Allowance was paid @ 20% of Running Basic Pay.
iv. Utility Allowance was paid @ 20% of Running Basic Pay.
v. Honoraria was paid @ 08 Basic Pays.
vi. Leave Encashment was paid @ 1.5 Gross pays.
vii. Eid Allowance was paid @ 02 Basic Pays.
viii. All other Government Allowances announced by the Government of Pakistan from time to time e.g. Conveyance, Ad hoc Relief Allowances, Disparity Reduction Allowances etc.

Audit is of the view that payment of pay package on higher rates than the Government rates to its (Member Academics and Member Registration) stood irregular and unauthorized as it was a clear violation of Rule 10 of the Islamabad Capital Territory Private Educational Institutions Chairman and Member (Academic) and Member (Registration) (Appointment and Qualifications) Rules, 2015, which stated that the pay package of the Chairman and Member (Academic) and Member (Registration) shall be as may be determined by the Federal Government.

The management replied that all the allowances paid were in accordance with the Act and Financial Rules of ICT-PEIRA wherein, it was mentioned that the Authority could adopt the pay package of FBISE. Moreover, these Financial Rules were notified after endorsement of the Finance Division and Law and Justice Division.

Audit contended that according to the Rule 10 of the PEIRA Act, the pay package of the Chairman and Members should be as determined by the Federal Government. Further Chairperson, PEIRA had been appointed in MP II scale in which there was a fixed salary package with hiring fasclity. However, the Chairperson acquired additional benefits in line with the pay structure of FBISE. Regarding pay package of rest of the employees, according to the Finance Division's OM, all autonomous/semi- autonomous bodies require prior concurrence of the Finance Division in all financial matters including pay and allowances of the employees.

The DAC in its meeting held on 03.12.2024 directed the management to stop the payment of extra allowances of the Chairperson and Members immediately and recovery be effected accordingly. Moreover, the endorsement of the Finance Division on Financial Rules of PEIRA may be provided to Audit for verification.

Audit recommends that matter may be inquired and recovery of illegal payments on accelerated rates from the Chairperson and Members be effected. Further, Finance Division’s concurrence may be sought and provided regarding the pay structure of the employees of PEIRA.

Pakistan Institute of Fashion and Design (PIFD)

10.5.11 Non-recovery of dues from the officer on study leave abroad - Rs. 9.350 million

Section 4(1) of the Pakistan Institute of Fashion Design Leave Rules, 2012 states that a teacher of the Institute/Constituent College, who desires to pursue higher studies, and has been in the service of the Institute for not less than three years, may be granted leave on full pay, for a period not exceeding four years. However, an employee of the Institute/Constituent College with less than three years' service may be granted study leave without pay for a period not exceeding three years.

Section 4(2) of the Pakistan Institute of Fashion Design Leave Rules, 2012 states that the grant of study leave shall be subject to the provision that not more than 25 % of the teachers in the department avail this facility at a time. The study leave shall initially be granted for one year and may be extended on the report of the Research Supervisor about satisfactory progress; otherwise the study leave shall be cancelled.

Section 4(3) of the Pakistan Institute of Fashion Design Leave Rules, 2012 states that the study leave shall be granted on submission of Surety Bond, in the prescribed form that he/she will serve the Institute for five years after completion of higher studies of more than three years; surety bond to serve for three years will be submitted in case of higher studies of three years or less. He/she or his/her guarantors will pay the amount mentioned in the surety bond in case of default.

Pakistan Institute of Fashion and Design, Lahore granted four years study leave w.e.f. 14.10.2019 to 13.10.2023 to Mr. Faseeh Saleem Assistant Professor, Textile Design Department in order to accomplish his Ph. D. studies (Textile Design) at University of Boras, Sweden.

Audit observed that:

i. The officer was paid an amount of Rs. 9,347,293 during the study leave by the Institute.
ii. The officer availed study leave/ex-Pakistan leave but did not return after expiry of the extended period of leave.

iii. Management did not initiate disciplinary proceedings for recovery of liquidated damages along with pay and allowances paid during the study leave period.

Audit is of the view that action of the management put the Institute to a loss due to non-recovery of liquidated damages and pay and allowances for the study period abroad.

The DAC in its meeting held on 15-16.01.2025 directed to recover the amount.

Audit recommends to initiate disciplinary proceedings against the concerned beside recovery of dues.

10.5.12 Irregular appointment of twenty-eight (28) employees without observing provincial/regional quota

Cabinet Secretariat, Establishment Division's Notification No F.53/l/2008-SP dated 22.10.2014, for recruitment in Ministries/Divisions/Attached Departments/Subordinate Offices/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.

The management of PIFD, Lahore appointed 28 employees on regular and contract basis during 2023-2024, as per the following details:

S No.	Designation	Number of appointees
1	Lecturer	8
2	Teaching Associates	9
3	Deputy Director	1
4	Security Guard	1
5	Assistant Treasurer	1
6	Metal Technician	2
7	Finish and Polishes Technician	1
8	Manufacturing Workshop Technician	1
9	Administrator (DCC)	1
10	Attendant	1
11	Attendant	1
12	Mali	1
	Total	**28**

The Audit has observed that the appointment of 28 officers/officials at the Pakistan Institute of Fashion and Design (PIFD) was made without adhering to the provincial/regional and male/female quota requirements. This lapse indicates non-compliance with the Federal Government's instructions regarding fair representation in employment based on these criteria.

Audit is of the view that appointment of employees without observing Provincial/Regional/Male/Female/ is a violation of the Government instructions. The appointments are irregular and unauthorized due to non-observance of the prescribed quota.

The DAC in its meeting held on 15-16.01.2025 directed the management to observe all the specified quotas while making appointments as autonomous/semi-autonomous bodies are bound to implement the Establishment Division's instructions.

Audit recommends that PIFD should immediately review the recruitment process for the 28 officers/officials who were appointed without observing the prescribed quotas. Further, the practice needs immediate discontinuation.

Federal College of Education (FCE)

10.5.13 Irregular and unauthorized payment from student funds - Rs. 10.032 million and non-recovery of loan taken from student's fund – Rs. 5.471 million

Rule 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.

The management of the Federal College of Education (FCE), Islamabad paid Rs. 10.032 million to IESCO, POL and donations from the student funds, as a loan from the period 2013-14 to 2022-23. Details are as under:

(Rs.)

Sr. No.	Description	Amount paid	Recouped from recurring budget	Amount outstanding	Remarks
1.	IESCO	4,076,927	683,461	3,393,466	Loan Basis
2.	POL	5,856,004	3,778,891	2,077,113	Loan Basis
3.	Donation to flood affectees	100,000	N/A	N/A	Donation
Total		**10,032,931**	**4,462,352**	**5,470,579**	

Audit observed as under:

i. A notable deficiency in the management's practices regarding the utilization of Student Funds, specifically, the absence of established regulations or Standard Operating Procedures (SOPs) governing their use. This lack of formal guidelines raises significant concerns regarding accountability, transparency, and effective stewardship of these funds.

ii. Out of the total amount of Rs. 9.932 million loans from the Student's Fund, an amount of Rs. 4.462 million was returned to the student's funds and the remaining amount of Rs. 5.470 million is still not refunded in the Student's Funds.

iii. A cheque for Rs. 100,000 (No. 284767179, dated 05.09.2022) was issued out of student's funds to the Drawing and Disbursing Officer (DDO) of the Ministry of Federal Education and Professional Training as a donation to flood victims, although Student Funds are not intended for such donations.

Audit is of the view that incurring expenditure from the Student Funds without formation of rules/regulations/SoPs and non-recoupment of loan amounting to Rs. 5.470 million in the Student Funds was irregular and unauthorized.

The management replied that there was less budget allocation in 10 years as compared to day to day increase in the Electricity and POL rates. This expenditure was necessary to run the Institution smoothly. Therefore, payments were made to

IESCO and POL on an emergency basis. Donation to flood affectees was made with the direction of Ministry not as loan basis.

The management reply is not acceptable as all the expenditure was incurred without approved rules/regulations/SOPs. Further, the payment of Rs. 100,000 out of the Student Funds was not intended for donations.

The DAC in its meeting held on 15-16.01.2025 directed to comply with the Audit observation.

Audit recommends fixing of responsibilities for the said lapses beside approval of rules/regulations/SOPs at the earliest.

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 DI Khan
vii. FPSC, Regional Office Sukkur
viii. FPSC, Regional Office, Multan

(Rs. in million)

Sr. No.	Description	Total number	Audited	Expenditure Audited (FY-2023-24)	Revenue/ Receipt Audited (FY-2023-24)
1	Formations	9	1	1078.43	-
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

11.2 Comments on Budget and Accounts (Variance Analysis)

The final budget allocated to the Federal Public Service Commission for the financial year 2023-24 was Rs. 1,184.163 million, out of which the Commission

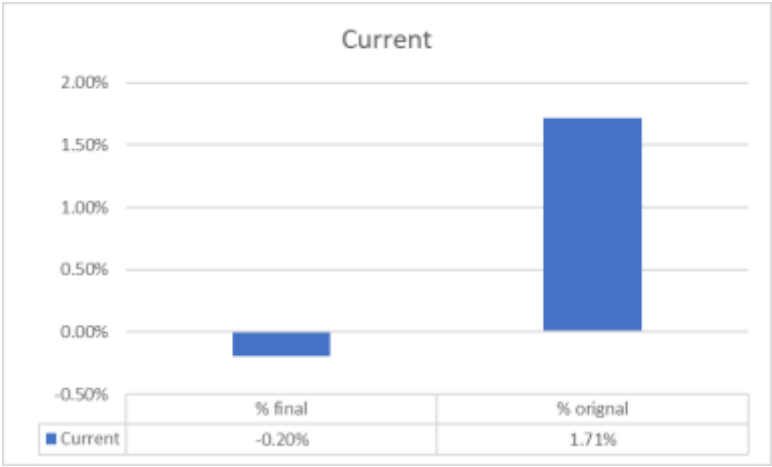
expended an amount of Rs. 1,186.483 million. Detail of current expenditure is as under:

(Rs. in million)

Grant Number	Type of Grant	Original Grant	Suppl-ementary Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)
17	Current	1,207.16	0.00	23.00	1,184.16	1,186.48	2.32

Audit noted that there was an overall excess of Rs. 2.320 million in the current grant.

As shown in the chart below, it is observed that, for current expenditure, there was excess of 1.71% w.r.t Original grant which finally become savings of -0.20 % w.r.t Final Grant.



11.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 8.000 million were raised in this report during the current audit of the **Federal Public Service Commission**. Summary of the audit observations classified by nature is as under:

(Rs. 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	8.000
C	Management of account with commercial banks	
D	Recovery	
E	Internal Control	
4	Value for money and service delivery	
5	Others	

11.4Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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/unauthorized procurement beyond the original tender cost - Rs. 8.000 million

Rule 42(c)(iv) of the PPRA Rules, 2004 states that a procuring agency may utilize the following alternative methods of procurement of goods, services and works, namely Repeat Orders not exceeding 15% of the original procurement.

Management of the FPSC incurred an expenditure of Rs. 21.089 million for the procurement of stationery items in the financial year 2022-23.

Audit observed as under:

i. Management of the FPSC initially floated a tender for the procurement of stationery items in the financial year 2022-23 at a cost of Rs. 13.090 million.
ii. Later on, the management of the FPSC incurred an expenditure of Rs. 21.089 million in the above-mentioned head which caused 62% increase in the expenditure as compared to the original tender cost.

iii. In the light of Rule 42(c)(iv) of the PPRA Rules, 2004, the FPSC was not allowed to increase amount of procurement more than 15% of the original tender cost.

iv. Management was supposed to initiate a new tender for the procurement of Rs. 21.089 million instead of making 62% increase in the procurement amount that was stated as the original tender cost.

Audit is of the view that the procurement with an increase of more than 15% in the original tender cost is a violation of the PPRA Rules, 2004.

The management of the Federal Public Service Commission, Islamabad replied that the cost of the tender had been increased due to the increase in the prices in the market and management did not find it feasible to initiate the new tender.

Management accepted the observation that it did not initiate the new tender even when the increase in the tender cost was beyond 15% causing a violation of the PPRA Rules, 2004.

The PAO and the audited formation were informed on 13.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends stoppage of such practice in future. Further, responsibility be fixed for the lapse.

11.5.2 Non-framing of rules for conduct of business of the Commission

Section 7(A) of the Federal Public Service Commission Ordinance, 1977 states that the Chairman of the Commission may, with the approval of the Federal Government, make rules for regulating the conduct of business of the Commission; and such rules may provide for any of the functions of the Commission specified by it being performed by a committee composed of two or more members constituted by the Chairman for the purpose.

Federal Public Service Commission (FPSC), Islamabad was established in pursuance of the FPSC Ordinance, 1977.

Audit observed that the rules for regulating the conduct of business of the Commission had not been framed as of 30.06.2024.

Audit is of the view that non-framing of rules for regulating the conduct of business of the Commission since 1977 is lapse on the part of the Commission.

The management accepted the observation.

The PAO and the audited formation were informed on 13.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that rules for regulating the conduct of business of the Commission may be framed as stated in the FPSC Ordinance, 1977.

CHAPTER 12

FINANCE DIVISION

12.1 Introduction

Following functions are the 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 the 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 and Exchange Commission of Pakistan

(Rs. in million)

Sr. No.	Description	Total number	Audited	Expenditure Audited (FY-2023-24)		Revenue/ Receipt Audited (FY 2023-24)
1	Formations	58	14	41,325.66		264.49
2	Assignment Accounts (Excluding FAP)	1	-	-		-
3	Authorities/ Autonomous Bodies etc. under the PAO	14	3	30,142.60		-
4	Foreign Aided Project (FAP)	5	-	-		-

12.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Finance Division for the financial year 2023-24 was Rs. 34,045,487.280 million, out of which the Division expended an amount of Rs. 33,806,533.980 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

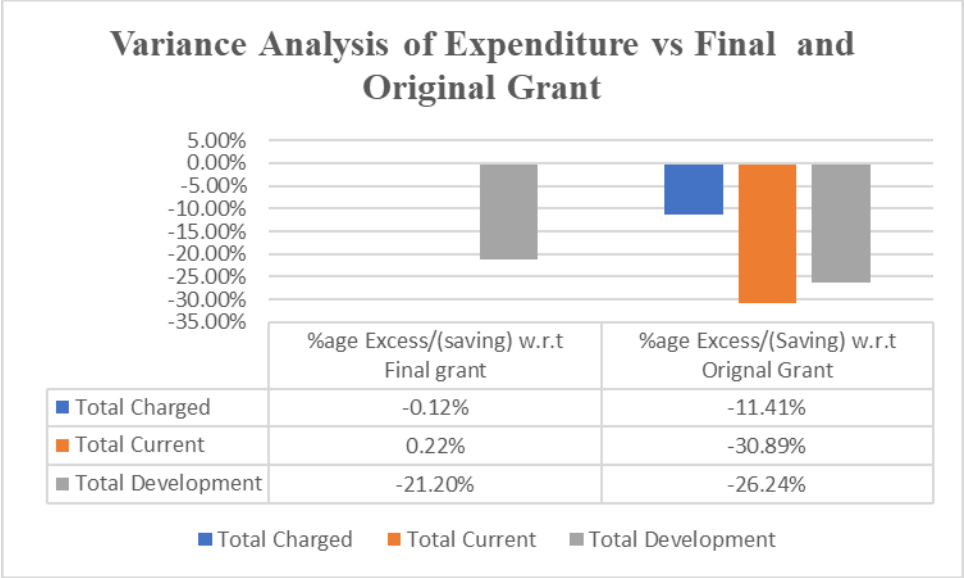
Grant Numb-er	Type of Grant	Original Grant	Supplemen - tary Grant	Surrender	Final Grant	Actual Expenditure	Excess/ (Savings)
G	Charged	6,430,305.00	816,400.53	(3.46)	7,246,702.08	7,186,770.68	(59,931.40)
H	Charged	28,898,039.59	-	(4,809,104.93)	24,088,934.67	24,109,770.56	20,835.90
Total Charged		**35,328,344.60**	**816,400.53**	**(4,809,108.39)**	**31,335,636.74**	**31,296,541.24**	**(39,095.50)**
41	Current	4,232.51	-	(1,203.32)	3,029.20	2,929.33	(99.87)
42	Current	6,185.34	-	(68.56)	6,116.78	6,117.38	0.60
43	Current	11,878.97	1,591.62	(444.49)	13,026.10	13,024.30	(1.80)
44	Current	801,000.00	8,625.00	-	809,625.00	808,809.85	(815.15)
45	Current	1,549,913.00	32,657.71	(809,891.97)	772,678.74	778,850.29	6,171.55
90	Current	163,601.00	10,684.42	(29,441.30)	144,844.12	143,399.39	(1,444.74)
Total Current		**2,536,810.82**	**53,558.76**	**(841,049.63)**	**1,749,319.94**	**1,753,130.53**	**3,810.58**
107	Dev.	3,220.00	17,453.40	(3,119.75)	17,553.65	3,171.27	(14,382.38)
108	Dev.	164,750.00	2,501.73	(51,584.75)	115,666.98	115,666.98	-
127	Dev.	254.65	-	-	254.65	34.32	(220.33)
128	Dev.	157,313.56	-	(30,780.99)	126,532.57	126,532.56	(0.01)
129	Dev.	700,522.75	-	-	700,522.75	511,457.08	(189,065.67)
	Total Dev.	**1,026,060.96**	**19,955.13**	**(85,485.49)**	**960,530.60**	**756,862.21**	**(203,668.38)**
Grand total		**38,891,216.37**	**889,914.42**	**(5,735,643.51)**	**34,045,487.28**	**33,806,533.98**	**(238,953.30)**

Audit noted that there was an overall savings of (Rs. 238,953.300 million), which was mainly due to savings in the development expenditure.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 in current, development and charge expenditure, it is observed that, in case of charged expenditure, there was -11.41% of savings w.r.t. original grant which finally became -0.12% excess w.r.t. final grant, in case of development grant -26.24% of savings was reduced to -21.20% saving and in case of current grant -30.89 % saving finally became 0.22% excess.



12.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 102,803.741 million were raised in this report during the current audit of the **Finance Division**. Summary of the audit observations classified by nature is as under:

(Rs. 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	14,104.009
E	Internal Control	88,054.930
4	Value for money and service delivery	
5	Others	

12.4Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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	-
2023-24	20	0	0	20	-
Total	**332**	**68**	**33**	**299**	-

12.5AUDIT PARAS

Ministry of Finance

12.5.1 Excess payment of Wheat Subsidy to the Government of Gilgit-Baltistan - Rs.183.930 million

The Directorate of Food, Gilgit-Baltistan's Notification No. General-22(04)/DCS&T/2022-23 dated 26.12.2023 states that in pursuance of the approval of the Gilgit-Baltistan's Cabinet circulated vide S&GAD and the Cabinet Department, GB's Letter No.DSC-Admin-3/2020/Cabinet Business dated 25.12.2023, same were communicated through the Secretary Food, GB's Letter No. F&A-4(8)/2016/dated 26.12.2023, the sale rate of wheat is hereby increased from Rs. 20.000 per Kg to Rs. 36.000 per Kg with effect from 01.01.2024 and till further orders.

The Food Department of GB was issued 4,884.568 MT of wheat for Rs.527,285,631 and 6,611.040 MT for Rs.718,657,500 by the PASSCO for the period 01.01.2024 to 15.01.2024 and 16.01.2024 to 31.01.2024, respectively. The Finance Division made releases for the issued wheat quantity based on the rate notified vide Notification No. General-22(4)/DCS&T/2022-23 dated 01.02.2024 by the Food Department of GB, in which per Kg rate of wheat was reduced from Rs. 36 per Kg to Rs. 20 per Kg.

Audit observed that the Food Department of GB charged Rs.36 per Kg for the month of January, 2024 to the general public whereas, the subsidy payment was adjusted against it at the rate of Rs.20 per Kg. Therefore, excess payment of Rs.183,929,728 on account of wheat subsidy was made to GB for the month of January, 2024. Details are as under:

(Rs.)

Period	Quantity issued (KG)	Notified rate per Kg	Adjusted rate per Kg	Difference per Kg	Excess payment
(1)	(2)	(3)	(4)	(5=3-4)	(6=2*5)
01.01.2024 to 15.01.2024	4,884,568	36	20	16	**78,153,088**
16.01.2024 to 31.01.2024	6,611,040	36	20	16	**105,776,640**
Total					**183,929,728**

The management replied that the period of price revision of wheat by the GB Government was only one month. It may also be mentioned that the Finance Division did not receive any of the bills from the PASSCO during the price revision date between the periods 20.12.2024 to 01.02.2024. The bills from the PASSCO were actually received in this Division on 08.02.2024 and 20.02.2024. Henceforth, the price fluctuation/difference could not be accounted for and the payment was made as per the revised Notification @ Rs.20/Kg in lump sum afterwards.

The reply of the management is not tenable because there were two bills which covered the whole month of January, 2024 when the prices of the wheat remained/charged @ Rs. 36, as the same was given in the above-mentioned table.

Audit is of the view that an overpayment of subsidy of Wheat was made to GB.

The DAC in its meeting held on 13.01.2025 directed the Finance Division to recalculate the excess payment and adjust/recover the excess amount paid to the GB from the next payment.

Audit recommends that the recovery be made for the excess payment of subsidy.

12.5.2 Irregular deduction of 1% collection charges - Rs. 87.871 billion

Clause 2 (a) of the Distribution of Revenues and Grants-in-Aid Order, 2010 states that net proceeds mean, in relation to any tax, duty or levy, the proceeds thereof reduced by the cost of collection as ascertained and certified by the Auditor-General of Pakistan.

The management of the Finance Division distributed an amount of Rs. 4,928.382 billion as National Commission Award to the Provinces and also deducted Rs. 87.871 billion as 1% Collection Charges during 2023-24. Detail is as under:

S. No.	Description	Rs. in billion
1.	**Divisible Pool of Taxes (DPT)**	**8,787.072**
2.	Collection Charges 1% of DPT	87.871
3.	Income Tax	41.524
4.	1% War on Terror for KPK	86.576
5.	***Net Divisible Pool of Taxes***	8,571.099
	Provincial share (57.50%)	**4,928.382**
6	Punjab (51.74%)	2,549.945
7	Sindh (24.55%)	1,209.918
8	KPK (14.62%)	720.529
9	Balochistan (9.09%)	447.989
Total		**4,928.382**

Audit observed as under:

i. Finance Division was deducting 1% as collection charges amounting to Rs.87.871 billion on notional basis and does not have actual amount of collection charges, which was against Clause 2 (a).
ii. No proof for ascertaining and certifying the collection charges from the Auditor-General of Pakistan was produced to Audit.

The management replied that the Finance Division deducted 1% of the divisible pool of taxes as collection charges pursuant to the recommendations of the 7th NFC Award. The accounts of the Federation are submitted to the Auditor-General of Pakistan for certification by the AGPR. During certification, the collection charges so determined by the Auditor-General would be adjusted accordingly. Furthermore, the NFC transfers for the FY 2023-24 have already been reconciled with the Provincial Finance Departments, AGPR Sub Offices and AG Offices. The provincial governments have no objection on this account.

The reply of the management is not tenable because collection charges need to be deducted after determination and certification of the Auditor-General of

Pakistan. Afterwards, the amount needs to be disbursed to the Provinces, which was not done by the Finance Division.

Audit is of the view that non-deduction of actual collection charges was irregular. Besides, it was an essential requirement of the Order to get the collection charges determined and certified by the Auditor-General of Pakistan.

The DAC in its meeting held on 13.01.2025 directed the Finance Division to take up the matter with the Auditor-General of Pakistan for the purpose.

Audit recommends that necessary requirement of the Distribution of Revenues and Grants-in-Aid Order, 2010 regarding certification and ascertainment of deduction charges by the Auditor-General of Pakistan be complied with. Further, record of collection charges be provided to Audit for verification,

12.5.3 Non-appointment/creation of the post of the Chief Internal Auditor

Section 29 (1) of the Public Finance Management Act, 2019 states that within a period not exceeding eighteen months from the date of commencement of this Act, the position of Chief Internal Auditor (CIA) shall be created who shall work under the direct supervision of the Principal Accounting Officer. Appointment, roles and responsibilities of the Chief Internal Auditors shall be as may be prescribed under the Civil Servant Act, 1973 (LXXI of 1973) and in consultation with the Auditor-General of Pakistan.

Section 29 (1) of the Public Finance Management Act, 2019 states that there shall be an Internal Audit Policy Board for overall policy making and setting scope and standards, approving internal audit manuals and charter of internal audit, monitoring the overall effectiveness of internal audit function for the Government institutions.

The Finance Division was required to create/appoint a post of the Chief Internal Auditor within eighteen months from the date of commencement of the PFM Act, 2019.

Audit observed that the Finance Division did not create the post of the Chief Internal Auditor even after lapse of 04 (four) years.

The management did not reply till finalization of the report.

Audit is of the view that non-creation of the post of CIA and its non-appointment has led to weak internal controls which resultantly may cause irregularities.

The DAC in its meeting held on 13.01.2025 directed that the Audit Para stands till creation of the post and conduct of internal audit.

Audit recommends that the post of the Chief Internal Auditor be created and appointment be made without any further delay. Further, the Finance Division needs to replicate it in other Ministries/Divisions in the light of Financial Management and Powers of the PAOs Regulations of 2021.

Securities and Exchange Commission of Pakistan

12.5.4 Non-deposit of surplus balance in the Federal Consolidated Fund - Rs. 6,993.374 million

Section 45 of the Public Finance Management Act, 2019 states that this Act shall have an overriding effect over all other laws and any law inconsistent with this Act in contradiction with this Act shall be amended to the extent of the inconsistency.

Section 24(3)(A) of the SECP Act, 1997 states that any surplus of receipts over the actual expenditure including budgeted capital expenditure in the year shall be remitted to the Federal Consolidated Fund and any deficit from the actual expenditure shall be made up by the Federal Government.

The audited financial statement of the SECP, Islamabad showed that an amount of Rs. 6,993.374 million was transferred to assets acquisition reserve during the financial years 2022-23 and 2023-24. Details are as under:

(Rs.)

Sr. No.	Financial year	Amount of surplus balance
1	2022-23	4,455,663,000
2	2023-24	2,537,711,000
	Total	**6,993,374,000**

Audit observed that the surplus balances of Rs. 6,993.374 were transferred to assets acquisition reserve instead of depositing it in the Federal Consolidated Fund. Further, Finance Division had clarified vide OM No. 4(3)R-4/2011 dated 23.01.2024 that annual surpluses may be promptly deposited in the Federal Consolidated Fund.

As per management's reply, Section 3(3) of the SECP Act, 1997 states that the Commission shall be administratively, financially and functionally independent and the Federal Government shall use its efforts to promote, enhance and maintain independence of the Commission. Section 24(3A) states that any surplus of receipts over the actual expenditure including budgeted capital expenditure in a year shall be remitted to the Federal Consolidated Fund and any deficit from the actual expenditure shall be made up by the Federal Government. The Commission prepares it financial statements as per the International Financial Reporting Standards (IFRS) as applicable in Pakistan. Accordingly, for determining whether surplus in any year is payable to the Federal Consolidated Fund in terms of the SECP Act, 1997, all revenue expenditures, capital expenditures for the relevant year and budgeted capital expenditures for one year are considered. The amount of surplus in 2022-23 mentioned in comparatives of 2023-24 is 2.244 billion. The audit of 2023-24 is conducted by AF Ferguson and Co., which was appointed by the Federal Cabinet. The surplus figure as per audited financial statements is Rs. 2.244 billion which represents only surplus of revenue receipts over revenue expenditures. Surplus figure also includes an amount of tax refund of Rs. 905 million, which is receivable from the FBR after winning case from the Supreme Court of Pakistan. The amount has been booked as income under IFRS, and it is still not received from the FBR. According to the approved budget for the financial year 2023-24, total capital expenditure budget was 1.454 billion. After considering actual capital expenditures, approved capital expenditure budget and amount of tax refund, nothing is payable in the Federal Consolidated Fund against the surplus for the financial year 2022-23.

The reply is not satisfactory as it is evident from the financial statements provided by the SECP management, that during the financial year 2022-23, an amount of Rs. 2,379.411 million was shown as excess of income over expenditure, out of which Rs. 1,544.996 million was transferred to asset acquisition reserve and Rs. 700.000 million to reserve for loan to the employees. Similarly, during the

financial year 2023-24, an amount of Rs. 2,875.906 million was shown as excess of income over expenditure. The SECP management transferred surpluses just to avoid the deposit of the same in the Federal Consolidated Fund as per Section 24(3)(A) of the SECP Act, 1997.

Audit is of the view that non-deposit of surplus balance in the Government treasury was a violation of the SECP Act, 1997 and the Public Finance Management Act, 2019.

The PAO and the audited formation were informed on 14.01.2025 and 06.02.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that surplus balances may be deposited in the Government treasury beside fixing responsibility for non-compliance of the SECP Act, 1997.

12.5.5 Non-deposit of revenues in the Government treasury – Rs. 7,110.365 million

Section 37(1) of the Public Finance Management Act, 2019 states that revenues collected by an autonomous entity, which arise from any Act or statutory instruments of the Federal Government shall be deposited in the treasury single account.

Section 45 of the Public Finance Management Act, 2019 states that this Act shall have an overriding effect over all other laws and any law inconsistent with this Act in contradiction with this Act shall be amended to the extent of the inconsistency.

The management of the SECP, Islamabad collected Rs. 7,110.365 million on account of various receipts and recoveries and deposited in the SECP account during the financial year 2023-24. Detail is as under:

(Rs.)

Sr. No.	Description/income heads	Amount
1.	Licensing and registration	4,133,666,000
2.	Insurance	591,569,000
3.	Security market	467,773,000

4.	Specialized companies	1,917,357,000
	TOTAL	**7,110,365,000**

Audit observed that the revenues collected by the SECP, Islamabad were retained by the SECP instead of depositing in the Government treasury.

The management replied that the SECP was established under Section 3 of the Securities and Exchange Commission of Pakistan Act, 1997, Subsequent to which, Corporate Law Authority stood dissolved under Section 43 of the SECP Act, 1997. Section 3(3) of the SECP Act, 1997 stipulates that "the Commission shall be administratively, financially and functionally independent and the Federal Government shall use its best efforts to promote, enhance and maintain independence of the Commission." Section 21 of the Public Finance Management Act, 2019 states that the public entities shall arrange remittance in the Federal Consolidated Fund, if so required by their statutes. The SECP Act requires the following to be submitted to the Federal Consolidated Fund:

1) Any surplus of receipts over the actual expenditure including budgeted capital expenditure under Section 24(3)(A) of the SECP Act;

2) Fines and penalties recovered by the Commission under Section 40AA of the SECP Act.

The SECP is mandated by law to deposit the aforementioned in the Federal Consolidated Fund in the light of the SECP Act, 1997 and Section 21 of the Public Finance Management Act, 2019. In view of the above, no additional amount is required to be deposited by the SECP under the law.

The reply is not tenable as Section 45 of the PFM Act, 2019 overrides all other laws and any law inconsistent and in contradiction with this Act, shall be amended to the extent of the inconsistency. Moreover, when a new law overrides an existing law, the new law takes precedence over existing laws when there is a conflict between the two laws. Hence, non-deposit of revenues in the Government treasury was a clear violation of the Public Finance Management Act, 2019.

The PAO and the audited formation were informed on 14.01.2025 and 06.02.2025 for convening of the DAC meeting but no response was received till finalization of the report.

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

12.5.6 Unlawful revision/increase of pay and allowances of the SECP employees without prior concurrence of the Finance Division - Rs. 377.221 million

Para 5(iii) of the Finance Division's clarification vide OM No. 4(3)R-4/2011 dated 23.01.2024 states that pay, allowances and their revision of all Government employees including those employed in Autonomous/Semi-Autonomous/Corporate bodies requires prior approval of the Finance Division.

Finance Division's (Regulations Wing) OM No. 4(3)R-4/2011 dated 23.01.2024 states that the Auditor-General of Pakistan should insure that during audits of all offices of the Federation, Finance Division's specific approvals, are available and are verified in respect of all expenditures and charges including pays and allowances.

The management of the SECP, Islamabad revised/increased pay and allowances of the SECP employees in 119th Policy Board's meeting dated 17.10.2024 w.e.f. 01.07.2023. An expenditure of Rs. 377.221 million was incurred on account of payment of arrears due to revision of pay and allowances during the financial year 2023-24.

Audit observed as under:

i. The pay and allowances of the Chairman and Commissioners were increased without prior concurrence of the Finance Division and approval of the Federal Government.

ii. The pay and allowance of the SECP employees were revised without concurrence of the Finance Division which was a violation of the Finance Division's (Regulations Wing) OM No. 4(3)R-4/2011 dated 23.01.2024. The SECP was notified vide Cabinet Division's OM No. 4-11/2019-Min-I dated 23.12.2019 as an autonomous body under the Finance Division therefore, Rules of Business, 1973 and instructions of the Finance Division issued vide OM No. 4(3)R-4/2011 dated 23.01.2024 were binding. Hence,

revision of payment of pay and allowance without concurrence of the Finance Division was unauthorized.

The management replied that the SECP had been established under Section 3 of the Securities and Exchange Commission of SECP Act, 1997, subsequent to which Corporate Law Authority stood dissolved under the Section 43 of the SECP Act, 1997.

The reply is not acceptable as per Rule 12(1)(h) of the Rules of Business, 1973 which specifically states that any change in the terms and conditions of service of Government servants on their statutory rights and privileges, which have financial implications, cannot be made without previous consultation with the Finance Division. Further, Finance Division had clarified vide OM No. 4(3)R-4/2011 dated 23.01.2024 that prior concurrence of the Finance Division is required for pay, allowances and their revision.

Audit is of the view that revision of pay and allowances without approval of the Federal Government and prior concurrence of the Finance Division was unauthorized. It was a violation of the Rules of Business, 1973 and Government instructions.

The PAO and the audited formation were informed on 14.01.2025 and 06.02.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that this practice may be stopped and concurrence of the Finance Division may be sought.

12.5.7 Irregular payment of pay, allowances and other perks and privileges to the SECP Commissioners including Chairman without approval of the Federal Government - Rs. 156.640 million

Para 5 (iii) of the Finance Division's (Regulations Wing) OM No. 4(3)R-4/2011 dated 23.01.2024 states that pay, allowances and their revision of all Government employees including those employed in Autonomous/Semi-Autonomous/Corporate bodies requires prior approval of the Finance Division.

Finance Division's (Regulations Wing) OM No. 4(3)R-4/2011 dated 23.01.2024 states that the Auditor-General of Pakistan should insure that during audits of all offices of the Federation, Finance Division's specific approvals, are available and are verified in respect of all expenditures and charges including pays and allowances.

The management of the SECP, Islamabad incurred an expenditure of Rs. 156,640,037 on account of pay and allowances and other perks and privileges to the Chairman and the Commissioners with the approval of Policy Board during the financial year 2023-24. Detail is as under:

(Rs.)

Name	Mr. AAK	Mr. AS	Mr. ARW	Mr. MAL	Amount
Basic Salary	13,823,424	13,823,424	13,823,424	13,823,424	55,293,696
House Rent Allowance	8,294,054	8,294,054	8,294,054	8,294,054	33,176,218
Medical Allowance	1,382,342	1,382,342	1,382,342	1,382,342	5,529,370
Utilities Allowance	1,382,342	1,382,342	1,382,342	1,382,342	5,529,370
Personal Pay	5,252,892	2,488,212	-	-	7,741,104
Special Allowance	-	2,764,680	-	-	2,764,680
Orderly Allowance	240,000	240,000	240,000	240,000	960,000
Driver Allowance	480,000	480,000	480,000	480,000	1,920,000
LFA	1,151,952	1,151,952	1,151,952	1,151,952	4,607,808
Bonus	5,759,758	3,543,435	3,189,094	3,189,094	15,681,381
Provident Fund	1,382,342	1,382,342	1,382,342	1,382,342	5,529,370
VPS	1,382,342	1,382,342	1,382,342	1,382,342	5,529,370
Club Monthly Subscription	70,675	77,300	-	77,300	225,275
Cost of Mobile Phone	60,000	-	-	-	60,000
Security Guard Payment	1,480,229	1,898,658	1,702,980	1,522,000	6,603,867
Petrol	1,390,789	1,103,297	1,188,685	1,389,177	5,071,948
Mobile Phone Running Cost	133,806	139,426	40,499	102,849	416,580
Total payment	**43,666,949**	**41,533,808**	**35,640,058**	**35,799,220**	**156,640,037**

Audit observed as under:

i. The Commissioners including the Chairman were paid pay, allowances and other perks and privileges with the approval of the Policy Board or the Commission instead of prior concurrence of the Finance Division and approval of the Federal Government. This was a violation of Para 12(1)(h) of the Rules of Business, 1973 and Para

84(i) of the Honorable Supreme Court of Pakistan's Judgment dated 18.08.2016 wherein, it was clearly mentioned that the Rules of Business, 1973 were binding on the Government and a failure to follow them would lead to an order lacking any legal validity.

ii. Finance Division clarified vide OM No. 4(3)R-4/2011 dated 23.01.2024 that prior approval of the Finance Division was required for pay and allowances and their revision for the employees working in Autonomous/Semi-Autonomous/Corporate bodies.

iii. Audit requested to provide the record relating to recruitment/appointment of Commissioners but despite repeated requests no record was produced.

The management replied that the Commissioners of SECP were appointed under Section 5 of the Securities and Exchange Commission of Pakistan Act, 1997 ("SECP Act") by the Federal Government and Section 5(4) of the SECP Act, the Commissioners and Chairman are to be paid such remunerations and allowances as determined by the Policy Board. Finance Division's instructions are applicable/relevant to the extent of the employees of the Autonomous bodies/semi-autonomous bodies who have adopted the Federal Government Basic Pay Scales Scheme in totality. However, SECP has made its own pay scales which are required to be approved by the Commission and the Policy Board and therefore, aforementioned OM is not attracted in the case of the SECP.

The reply is not acceptable as per Rule 12(1)(h) of the Rules of Business, 1973 which specifically states that any change in the terms and conditions of service of Government servants on their statutory rights and privileges, which have financial implications, cannot be made without previous consultation with the Finance Division. Further, Finance Division had clarified vide OM No. 4(3)R-4/2011 dated 23.01.2024 that prior concurrence of the Finance Division is required for pay, allowances and their revision.

Audit is of the view that payment of pay, allowances and other perk and privileges without approval of the Federal Government and the Finance Division was irregular and unauthorized.

The PAO and the audited formation were informed on 14.01.2025 and 06.02.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that this practice may be stopped henceforth and salary structure including other perks and privileges may be got approved from the Federal Government.

12.5.8 Unauthorized payment of Rest and Recreation Allowance to the Chairman, Commissioners and SECP employees - Rs. 110.941 million

Para 12(1)(h) of the Rules of Business, 1973 states that no Division shall, without previous consultation with the Finance Division, authorize the issue of any orders, other than orders in pursuance of any general or special delegation made by the Finance Division, which will affect directly or indirectly the finances of the Federation or which in particular involve a change in the terms and conditions of service of Government servants on their statutory rights and privileges, which have financial implications;

Para 84(i) of the Honorable Supreme Court's Judgment dated 18.08.2016 states that the Rules of Business, 1973 were binding on the Government and a failure to follow them would lead to an order lacking any legal validity.

The management of the SECP, Islamabad incurred an expenditure of Rs. 110.941 million on account of payment of rest and recreation allowance to the Chairman, Commissioners and SECP employees during the financial year 2023-24.

Audit observed that as SECP was notified vide Cabinet Division's OM No. 4-11/2019-Min-I dated 23.12.2019 as an autonomous body under the Finance Division, therefore, the instructions contained in the Rules of Business, 1973 and Finance Division's Clarification vide OM No. 4(3)R-4/2011 dated 23.01.2024 were binding on the SECP. However, the Rest and Recreation Allowance was paid without prior concurrence of the Finance Division.

The management replied that the SECP had been established under Section 3 of the Securities and Exchange Commission of the SECP Act, 1997, subsequent

to which Corporate Law Authority stood dissolved under Section 43 of the SECP Act, 1997. Commissioners of SECP are appointed under Section 5 of the Securities and Exchange Commission of Pakistan Act, 1997 ("SECP Act") by the Federal Government and Section 5(4) of the SECP Act, the Commissioners and Chairman are to be paid such remunerations and allowances as determined by the Policy Board. Detail of salary structure is provided in Annex-VIII of the HR Manual, which is duly approved by the SECP Policy Board. Finance Division's instructions are applicable/relevant to the extent of the employees of the Autonomous bodies/semi-autonomous bodies who have adopted the Federal Government Basic Pay Scales Scheme in totality. However, SECP has made its own pay scales which are required to be approved by the Commission and Policy Board and therefore, aforementioned OMs are not attracted in the case of SECP.

The reply is not acceptable as per Rule 12(1)(h) of the Rules of Business, 1973, which specifically states that any change in the terms and conditions of service of Government servants on their statutory rights and privileges, which have financial implications, cannot be made without previous consultation with the Finance Division. Further, Finance Division had clarified vide OM No. 4(3)R-4/2011 dated 23.01.2024 that prior concurrence of the Finance Division is required for pay, allowances and their revision.

Audit is of the view that payment of allowance without concurrence of the Finance Division was a violation of Government's instructions and Judgment of the Honorable Supreme Court of Pakistan.

The PAO and the audited formation were informed on 14.01.2025 and 06.02.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that practice may be stopped and concurrence of the Finance Division be sought.

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 the 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

(Rs. in million)

Sr. No.	Description	Total number	Audited	Expenditure Audited (FY 2023-24)	Revenue/Receipt Audited (FY 2023-24)
1	Formations	27	21	90,380.54	9,723.40
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	1,980.85	

13.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Higher Education Commission for the financial year 2023-24 was Rs. 116,757 million, out of which the Commission

expended an amount of Rs. 116,368 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

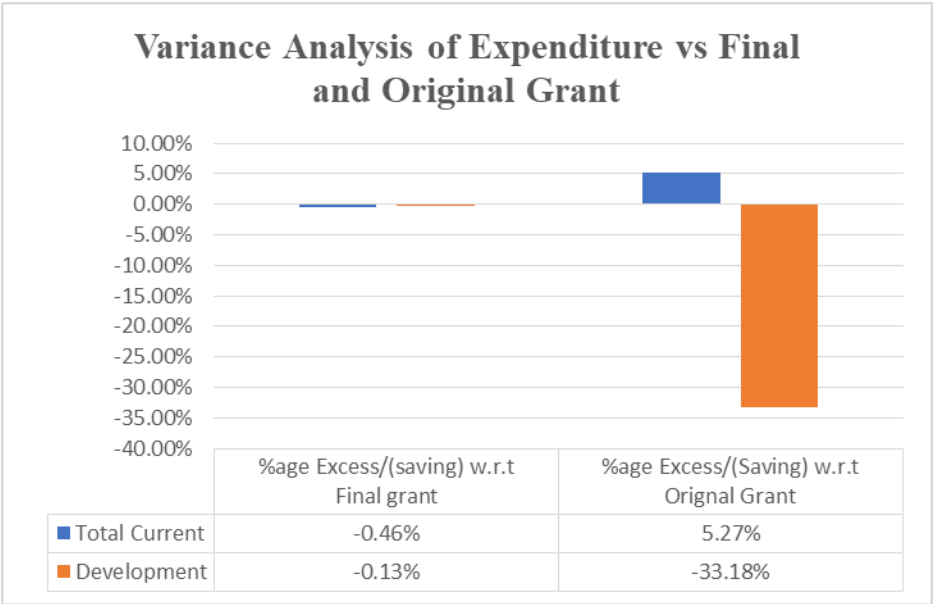
Grant Numb-er	Type of Grant	Origi-nal Grant	Sup-plem-tary Gra-nt	Surrender (-)	Final Grant	Actual Expendit-ure	Excess/ (Saving)
37	Current	66,300	3,820	0.00	70,120	69,794	(325.86)
104	Development	69,700	0.00	(23,063)	46,637	46,575	(62.33)
	Total	**136,000**	**3,820**	**(23,063)**	**116,757**	**116,368**	**(388.20)**

Audit noted that there was an overall saving of (Rs. 388.20 million), which was mainly due to saving in the development grant.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 development grant, there was 0.13% of saving w.r.t. final grant, in case of current grant, there was savings of 0.46%.



13.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 8,078.363 million, were raised in this report during the current audit of the **Higher Education Commission**. Summary of the audit observations classified by nature is as under:

(Rs. 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*	955.157
B	*Procurement related irregularities*	186.378
C	*Management of account with commercial banks*	1,167.568
D	*Recovery*	4974.646
E	*Internal Control*	410.681
4	Value for money and service delivery	
5	Others	383.933

13.4 Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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	-
2023-24	49	0	0	49	-
Total	**459**	**145**	**56**	**403**	-

13.5AUDIT PARAS

Higher Education Commission

13.5.1 Non-deposit of revenues in the Government treasury - Rs. 4,852.610 million

Section 37(1) of the Public Finance Management Act, 2019 states that revenues collected by an autonomous entity, which arise from any Act or statutory instruments of the Federal Government shall be deposited into the treasury single account.

Section 37(2) of the Public Finance Management Act, 2019 states that the Finance Division shall, with the approval of the Federal Government, notify policy and guidelines and may issue regulations on the utilization of revenues generated by the autonomous entities.

The Finance Division vide Notification No. 1(1)/S.O(TSA)/2020/47 dated 31.01.2023 included the Higher Education Commission in the list of Public Entities falling under the scope of TSA system under Section 30 of the Public Finance Management Act, 2019.

The management of the HEC collected Rs. 4,852,610,449 on account of various receipts and recoveries and deposited in the HEC Income account during the financial year 2023-24. Detail is as under:

(Rs.)

S. No.	Description/income heads	Amount
1	Attestation and Equivalence Fee	1,134,403,521
2	Tender Fee	117,000
3	Other Income/Miscellaneous	2,564,064
4	Establishment of Private Universities fee	23,800,000
5	Guest House Income	17,027,794
6	Interest Income	163,739,323
7	PERN Recoveries	2,434,221,597
8	Digital Library Recoveries	343,772,177
9	Education Testing Council	408,964,973
	Total	**4,852,610,449**

Audit observed that the revenues collected by the Higher Education Commission, Islamabad were deposited in the HEC income account instead of the Government treasury.

Audit is of the view that non-deposit of revenues in the Government treasury was a violation of the Public Finance Management Act, 2019.

The management apprised that the budgetary expenditures of the autonomous entities (HEC and Universities) were not fully funded by the Federal Government. These entities are provided "grant-in aid" with the expectation to club public grants with own income and incur total expenditures as per the budgetary provisions approved by their governing bodies, Commission in case of HEC.

Further, the Public Account Receipt and Payment Procedure is at draft level and yet to be finalized by the Finance Division, Islamabad after addressing the observations and views/comments of all the autonomous organizations including HEC. Implementation of the Section 37(1) of the PFM Act, 2019 on issuance of finalized Public Account Receipt and Payment Procedure (by the Finance Division, Government of Pakistan) is neither practicable nor possible.

Audit contented that the revenues/receipts collected by the HEC were not deposited in the Government treasury. Non-deposit of revenue in the Government treasury was a violation of the Public Finance Management Act, 2019.

The DAC in its meeting held on 04.12.2024 discussed the Para in detail and directed the management that clarification may be obtained from the Finance Division, Islamabad regarding implementation of TSA II and correspondence may be shared with Audit.

Audit recommends that amount be deposited in the Government treasury.

13.5.2 Non-compliance of Prime Minister's Directives - Rs. 376.809 million

Section 3 of the Higher Education Commission (HEC) Ordinance, 2002 states that the Controlling Authority of the Commission shall be the Prime Minister or, as the case may be, the Chief Executive of the Islamic Republic of Pakistan who may supervise the affairs of the Commission.

Rule 5(4) of the Rules of Business, 1973 states that no decisions of policy taken by the Prime Minister shall be varied, reversed or infringed without consulting him.

The Prime Minister's Office vide a Letter No. 1993/M/PSPM/2023 dated 07.06.2023 informed the Chairman, HEC that the Prime Minister had considered the request of the Election Commission of Pakistan, in view of emergent need and difficulties, for provision of 2,000 laptops from the Prime Minister's Youth Laptop Program for use by Returning Officers across the country during the conduct of General Elections.

Audit observed as under:

i. The management of HEC did not comply with the directions of the Prime Minister.
ii. The 2,000 laptops were purchased on 07.09.2023 for Rs. 376.809 million (US$ 1.290 million) although 100,000 laptops were available on 14.08.2023 in the stock of the Prime Minister's Youth Laptop Program. Moreover, after lapse of almost one-year period and distribution of 99,000 laptops among students under Prime Minister Youth Laptop Program, 1,000 laptops were still available in stock on 12.08.2024. Detail is as under:
iii.

S. No.	Date	Stock of laptops	Place /warehouse/ destination
1	30.06.2023	2,000	Karachi
2	23.07.2023	21,280	Islamabad
3	01.08.2023	24,070	Karachi
4	05.08.2023	18,490	Islamabad
5	09.08.2023	11,160	Islamabad
6	14.08.2023	23,000	Islamabad
	Total	100,000	

Audit is of the view that non-compliance of the Prime Minister's directions and initiation of procurement process resulted in extra financial burden of Rs. 376.809 million on the public exchequer.

The DAC in its meeting held on 04.12.2024 discussed the Para in detail and directed the management that all the relevant record may be provided to Audit for necessary verification and scrutiny.

Audit recommends that matter may be probed beside fixing responsibility for deviation from the Order of the PM Office.

13.5.3 Loss due to purchase of laptops on higher rates - Rs. 134.320 million

Regulation 7(a) of the Financial Management and Powers of Principal Accounting Officers Regulations, 2021 states that the Principal Accounting Officer shall be responsible to adhere to and enforce the principles of financial propriety, including the compliance of laws, rules, regulations, maintaining high standard of prudence, vigilance, due diligence and ensuring value for money while incurring expenditure and collecting Government receipts.

Clause 2(vii)(2) of the Contract Agreement between HEC and M/s NRTC/ Megaplus states that the HEC may increase or decrease the quantity up to 15% as per RFP BDS No. 44 and ITB No. 40.1.

The management of the Higher Education Commission, Islamabad paid Rs. 376,809,000 (US$ 1,290,000) to M/s APPINSNAP Pvt. Ltd., Islamabad for the purchase of 2,000 laptops on behalf of the Election Commission of Pakistan during the financial year 2023-24.

Audit observed as under:

i. There was no need for fresh procurement process as there was a provision in "Prime Minister's Youth Laptop Program" Contract Agreement, signed between the Higher Education Commission and M/s NRTC/Megaplus, that the quantity of laptops may increase or decrease up to 15% of the Contract price.
ii. The 2,000 laptops purchased from M/s APPINSNAP Pvt. Ltd., Islamabad were at the cost of US$ 645 per laptop whereas, the firm M/s NRTC hired for "Prime Minister's Youth Laptop Program" was charging US$ 415 per laptop, which resulted in a loss of Rs. 134.320 million.

Name of firm	M/s APPINSNAP Pvt. Ltd., Islamabad	M/s NRTC/Megaplus
Cost per laptop	US$ 645	US$ 415
1 US$ = PKR	292	292
Number of laptops	2,000	2,000
Total amount in Rs.	376,680,000	242,360,000
Loss in Rs.	134,320,000 (376,680,000 – 242,360,000)	

Audit is of the view that the purchase of laptops on higher rates resulted in a loss to the public exchequer.

The management apprised that 15% Repeat Order could not be placed because 2,000 laptops were purchased for ECP. The same was not covered under the scope of PC-I of the PM Laptop Scheme. The procurement of 100,000 laptop was specifically an initiative of the Prime Minister for talented students. Further, Laptops were pre-installed with Prime Minister Laptop Scheme Logo embossed on Laptops and embedded in BIOS, Laptop Back Cover and on Laptop backpack, which could not be offered to the Election Commission of Pakistan. There was a need of fresh procurement process as per signed MOU between the HEC and ECP. The matter was discussed in detail with ECP, to provide a feasible solution to procure 2,000 laptops for the highly sensitive matter of the General Election, 2024. A comprehensive MOU was signed after multiple meetings with the ECP to cover the sensitivity such as without logo and other commercial signs. HEC initiated a tendering process for procurement of 2,000 Laptops for ECP. Procurement of 100,000 Laptops was in bulk quantity therefore, the laptop was comparatively lower in price.

Audit contented that there was no need for fresh procurement process as there was a provision in the "Prime Minister's Youth Laptop Program" Contract Agreement, signed between the Higher Education Commission and M/s NRTC/ Megaplus, that the quantity of laptops may increase or decrease up to 15% of the contract price. Further, the 2,000 laptops were purchased from M/s APPINSNAP Pvt. Ltd., Islamabad at the cost of US$ 645 per laptop whereas, the firm, M/s NRTC hired for "Prime Minister's Youth Laptop Program" was charging US$ 415 per laptop, which resulted in a loss of Rs.134.320 million.

The DAC in its meeting held on 04.12.2024 discussed the Para in detail and directed the management that all relevant record may be provided to Audit.

Audit recommends that responsibility may be fixed for causing loss.

13.5.4 Unauthorized retention of project funds in private bank account - Rs. 518.907 million

Para 95 of GFR, Vol-I requires that unspent funds are to be deposited into Government treasury before 30th June of each year.

The management of the Higher Education Commission, Islamabad deposited the unspent balances of development projects in the Higher Education Commission, Islamabad Income Account. Detail is as under:

(Rs.)

S. No.	Name of the projects	Amount
1	Overseas Scholarship Phase II	46,245,125
2	Overseas Scholarship Scheme for MSM. Phil. Ph. D.	17,131,113
3	Scholarship for Ph. D. Studies in Social Sciences, Arts and Humanities for University Teachers	169,280
4	Development of High-level S&T Manpower through Split program	3,438,500
5	Ph. D. Fellowship for 5,000 Scholars Revised ECNEC	2,965,292
6	Development of S&T Manpower through Indigenous Ph. D. (300) Scholars	756,315
7	Ph. D. Scholarships for Engineering Sciences in Germany	1,200,000
8	MS., M. Phil. Leading to Ph. D. Scholarships in Engineering, Natural and Basic Sciences Humanities Social Sciences for the Teachers	750,000
9	Human Resource Development Initiative-HRDI MS. and MS. leading to Ph. D. Program of Faculty Development for Universities of Engineering Science and Technology (Phase I)	10,612,238
10	Pak-US Academic and Research Programme (Phase 3)	2,223,854
11	Indigenous Ph. D. Fellowships for 5,000 Scholars Phase II	34,964,790
12	Master leading to Ph. D. (Aghaz-e-Haqooq-e-Balochistan)	2,909,562
13	USAID Merit and Needs Based Scholarship Program – Phase II	480,560
14	Prime Minister's Laptop Scheme - HEC (Phase II)	46,447
15	Higher Education Opportunities FATA (Phase II)	134,777
17	Faculty Development Program	571,500
18	Pak-Sri Lanka Higher Education Cooperation Programme	297,000
19	Post-Doctoral Phase III	1,822,501
20	Pak-UK Education Gateway	383,818
21	Establishment of Kamyab Jawan Sport Academics	7,274,904
22	Green Youth Movement, PM Youth Program	1,470
23	Kamyab Jawan Talent Hunt Youth Sports League	11,251,492
24	Kamyab Jawan Markaz (KJM) PM Youth Program/Youth Development Center	15,000

25	Provision of Higher Education Opportunities for students of Balochistan and FATA (Phase III)	13,442
26	Technology Development Fund	164,671,015
27	University of Karachi	3,352,259
28	Federal Urdu University of Science and Technology, Karachi	9,630,645
29	Quaid-e-Azam University, Islamabad	8,583,238
30	NED University of Engineering and Technology, Karachi	4,672,000
31	Institute of Space Technology	22,143,191
32	University of Engineering and Technology, Lahore	6,196,148
33	Ehsaas UG Scholarship Program	154,000,000
Total		**518,907,476**

Audit observed that the unspent balances of the development projects were not deposited in the Government treasury.

Audit is of the view that the Government suffered a loss due to non-deposit of unspent balances of the development projects.

Audit contented that the unspent balances of the development projects were not deposited in the Government treasury and Government suffered a loss due to non-deposit of unspent balances of the development projects.

The management apprised that the Project Management Units assured, that the funds would be surrendered to the Federal treasury in the due course of time and record of surrender would be submitted to the Audit for verification. Reconciliation with the HEC Finance Department is in process, the amount of recovery will be surrendered to the National Treasury and the treasury challan will be submitted to the Audit.

The DAC in its meeting held on 04.12.2024 directed to deposit the unspent amount in the treasury.

Audit recommends that the amount be deposited in the Government treasury beside fixing of responsibility for the unauthorized retention.

13.5.5 Wasteful expenditure on Business Incubation Centers - Rs 174.933 million

Regulation 7(1) of the Financial Management and Powers of Principal Accounting Officers Regulations, 2021 states that the Principal Accounting Officer shall be responsible:

a) To adhere to and enforce the principles of financial propriety, including the compliance of laws, rules, regulations, maintaining high standard of prudence, vigilance, due diligence and ensuring value for money while incurring expenditure and collecting Government receipts;

b) For use of resources and shall ensure the effective, efficient, economical and transparent use of funds, budget, assets and human resources available to him, in accordance with the relevant policies, rules and regulations, for achieving the stated objectives of his Ministry, Division, Department or offices, program, project and services;

The management of the Higher Education Commission, Islamabad incurred an expenditure of Rs. 174,932,756 for the Establishment of Business Incubation Center (BIC) at different public sector universities. Detail is as under:

(Rs.)

S. No	Name of the HEI	Establishment date	HEC approved budget	Total released	Category
1.	Abbottabad University of Science and Technology, Abbottabad	31.08.2022	23,089,950	22,866,594	Z
2.	Abdul Wali Khan University, Mardan	14.062016	11,990,000	6,850,000	Z
3.	Fatima Jinnah Women University, Rawalpindi	18.04.2022	24,000,000	20,697,046	Y
4.	Government College University, Faisalabad	14.06.2016	10,910,000	6,510,000	Y
5.	Government College University, Lahore	07.06.2017	10,910,000	6,510,000	Z
6.	Karakoram University, Gilgit	25.04.2015	11,150,000	11,150,000	Y
7.	Khyber Medical University, Peshawar	06.06.2017	11,990,000	11,613,015	Y

8.	Pakistan Institute of Engineering and Applied Sciences, Islamabad	02.05.2017	12,200,000	6,795,000	Z
9.	Quaid-e-Azam University, Islamabad	04.10.2012	11,150,000	6,630,000	Y
10.	Sindh Agriculture University, Tandojam	12.06.2014	11,150,000	6,000,000	Z
11.	University of Azad Jammu & Kashmir	14.06.2015	11,150,000	8,990,228	Z
12.	University of Engineering and Technology, Lahore	04.06.2014	11,150,000	5,480,000	Y
13.	University of Engineering and Technology, Peshawar	17.03.2011	8,033,000	6,389,000	Z
14.	University of Gujrat, Gujrat	12.06.2015	11,150,000	10,720,574	Z
15.	University of Haripur, Haripur	14.06.2016	11,650,600	9,395,096	Y
16.	University of Malakand, Malakand	27.05.2014	11,150,000	6,630,000	Z
17.	University of the Punjab, Lahore	23.05.2018	11,150,000	10,556,203	Z
18.	University of Veterinary and Animal Sciences, Lahore	20.06.2011	11,150,000	11,150,000	Z
TOTAL			**225,123,550**	**174,932,756**	

Audit observed that:

i. The above-mentioned universities were to establish Business Incubation Centers.
ii. The performance of these Business Incubation Centers was unsatisfactory which fall under the category of Z (non-complying) and Y (Average) even though HEC released Rs. 47.327 million to these universities during the financial year 2023-24.

Audit is of the view that the incurrence of expenditure without fruitful results was wasteful.

The management apprised that the BIC Program was an essential component of research, innovation and commercialization ecosystem and provided necessary technical and operational support and mentoring opportunities to

transform a viable and innovative startup into a productive and successful business thus, addressing the issue of unemployability. Public sector universities having will and ability to establish BIC are supported through a joint funding model where 40% is contributed by the university and 60% by the HEC. The approved funding is released in two installments. The release of the second trench is contingent upon accomplishment of predefined deliverables which mainly include initiation of incubation and entrepreneurial activities. Innovation and research commercialization are a long and hard process which needs consistent support from all the stakeholders, hence, the clear understanding of research commercialization and entrepreneurship ecosystem is required.

The DAC in its meeting held on 04.12.2024 discussed the Para in detail and directed the management that revised reply and updated status may be shared with the Audit.

Audit recommends that the responsibility for the wasteful expenditure may be fixed by holding an inquiry.

COMSATS University, Islamabad

13.5.6 Non-framing of statutes to regulate the University fees and other charges

Section 27(1)(b) of the COMSATS University Islamabad Act, 2018 states that statutes may be made to regulate or prescribe the university fees and other charges.

The management of the COMSATS University, Islamabad was required to frame Statutes to regulate fees and other charges of the University.

Audit observed that the University did not frame the Statutes to regulate the fees and other charges as per requirement of Section 27(1)(b) of the COMSATS University Islamabad Act, 2018.

Audit is of the view that non-framing of statutes to regulate fees and other charges of the University is a serious lapse on the part of the management.

The management replied that in compliance with Clause 27 (1)(b) of the COMSATS University Islamabad Act, 2018, the Statutes for the "University Fee and Other Charges," have been framed /drafted and recommended by the Syndicate in its 11th meeting held on March 06, 07, 21 and 12.04.2023 for approval of the Senate of CUI. The said draft Statutes were placed before the Senate of CUI in its 6th meeting held on 09.10.2023. The Senate constituted a committee for reviewing the Statutes. The meetings of the Committee were held on 15.12.2023, 04.01.2024 and 13.06.2024 in addition to sideline meetings with the HEC representative of the committee on 01.08.2024 and 06.08.2024 for finalization of draft statutes.

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

The DAC in its meeting held on 08.01.2025 directed the management to expedite the case vigorously.

Audit recommends that statutes may be framed to regulate the University fees and other charges on priority basis.

13.5.7 Irregular procurement of computer equipment during ban period - Rs. 52.058 million

Finance Division's OM No. 7(1) Exp.IV/2016-340 dated 07.07.2022 states that there shall be a complete ban on purchase of machinery and equipment including air conditioners, microwave, fridge, photocopier etc.

The management of the COMSATS University, Islamabad incurred an expenditure of Rs. 52,058,244 on procurement of computer equipment which include desktop computers, multimedia projectors, LEDs, printers etc. during the financial year 2022-23.

Audit observed that the physical assets were purchased during ban period and without obtaining NOC from the Finance Division.

Audit is of the view that the purchase of physical assets during ban period was irregular.

The management replied that the CUI always tried to provide the best infrastructure facilities to its students and faculty for innovative education. Further,

CUI Islamabad, Campus introduced new disciplines in the Computer Sciences Programs for which procurement of computer equipment is utmost requirement. Hence, during the financial year 2022-23, equipment like Computers, LEDs, Multimedia, Printers etc., were purchased to meet the dire needs of the students.

Audit contented that physicals assets were purchased during ban period and without obtaining NOC from the Finance Division. The purchase of physical assets during ban period was irregular.

The DAC in its meeting held on 08.01.2025 directed the management that expenditures may be regularized from the Finance Division, Islamabad and report be shared with Audit.

Audit recommends that matter may be taken up for seeking ex post facto approval of the Finance Division otherwise an inquiry be conducted to fix the responsibility against the persons held responsible for the irregularity.

13.5.8 Irregular payment of insurance without approved Rules - Rs. 33.872 million

Section 27(c) of the COMSATS University, Islamabad Act, 2018 states that statutes may be made to regulate or prescribe for the constitution of any pension, insurance, gratuity, provident fund and benevolent fund for the University employees.

The management of the COMSATS University, Islamabad paid an amount of Rs. 33.872 million on account of insurance to M/s Askari Insurance Limited, Islamabad during the financial year 2022-23.

Audit observed that the payment of insurance was made without approved Rules and Policy as per Section 27(g)(b) of the COMSATS University Islamabad Act, 2018.

Audit is of the view that payment of insurance without approved Rules and Policy was irregular and unauthorized.

The DAC in its meeting held on 08.01.2025 directed the management that revised reply with all the relevant record may be provided to Audit.

Audit recommends that matter may be inquired for payment of insurance without approved policy and rules. Further, the matter may be taken up with the Federal Government for further guidance and action.

13.5.9 Non-recovery of Government dues from the Scholar/Guarantors - US $ 99,000 and Rs. 228,675

Clause IX of the terms and conditions of undertaking for study abroad states that the scholar shall resume the employment/service of the CIIT on full time basis and upon his return to Pakistan as aforesaid, he shall at the discretion of the CIIT, serve the CIIT full for at least five years commencing from the date of his joining/resumption of duties with CIIT after his reporting to the CIIT as aforesaid, the said period is hereby acknowledged by the Scholar as reasonable and fair in the circumstances.

Clause X (b) of the terms and conditions of undertaking for study abroad states that the scholar shall neither solicit or pursue, nor shall accept any other employment, work or assignment, whether part time or otherwise, paid or unpaid/ honorary, with/from any other person or entity, nor shall engage in any business activity or beneficial relationship directly or indirectly with such person or entity during the said period except as may be allowed by the CIIT in writing in its sole absolute discretion.

As per the terms and conditions of undertaking for study abroad signed between the CUI and Scholar, in case of breach of any of the above terms and conditions as well as the rules/terms and conditions those governing scholarship award and/or his/her failure to return to and serve in Pakistan as directed by the CIIT for the specified period, the Scholar shall be bound to pay the CIIT, a penalty as prescribed by the CIIT beside compensating the CIIT by making a refund of the total amount of expenditure including travel cost incurred on him/her in Pakistan Rupees and in foreign currency or its equivalent in Pakistan Rupees at the official rate of exchange prevalent on the date of making the payment. The amount of penalty and the compensation as prescribed and assessed by the CIIT shall be final and conclusive.

The management of the COMSATS University, Islamabad awarded scholarship to an individual who proceeded abroad on 15.08.2010. After

completion of the degree program, the officer joined back duties at CUI on 31.12.2014, however, the officer was again granted ex-Pakistan leave for the period, as mentioned below:

S. No.	Period of Ex-Pakistan leave
1.	01.03.2015 to 16.04.2015
2.	10.02.2017 to 14.10.2017
3.	11.12.2017 to 07.02.2018
4.	13.02.2019 to 18.02.2020

Audit observed as under:

1. The officer was required to serve in the CUI for the remaining service period until completion of five years mandatory as per surety bond.
2. The officer after serving for five months only again requested for grant of ex-Pakistan leave from July, 2020, while his application was in process, he became absent from the duty without any intimation.
3. The request of the officer for ex-Pakistan leave was regretted by the authority and he submitted his resignation from service on 24.09.2020
4. The CUI accepted the resignation vide Order No.CUI-HR/PF-1405/2009-21/4047 dated 29.04.2021 with the condition to deposit three-month salary against unserved mandatory notice period along with following:
    a. Refund of scholarship amount (s) incurred on his studies abroad by the CUI of US$99,000 and Rs. 228,675 remitted as tuition fee, living allowances and economy class air fare etc for Ph. D. Studies.
    b. 25% of the total amount as penalty for not fulling contractual obligations towards the CUI.

Audit is of the view that acceptance of resignation without recovery of study abroad expenditure either from the Scholar concerned or Guarantor was unauthorized.

The management replied that the matter had been in the court of law. Further, the management is pursuing the case vigorously for recovery.

Audit contented that acceptance of resignation without recovery of study abroad expenditure either from the Scholar concerned or Guarantor was unauthorized.

The DAC in its meeting held on 08.01.2025 directed the management that the court case may be pursued and process of recovery may be invoked from the guarantor.

Audit recommends that the dues may be recovered from the concerned at the earliest and deposited in the government treasury.

13.5.10 Irregular appointment of Registrar, COMSATS University

Section 14(1) of the COMSATS University Islamabad Act, 2018 states that there shall be a Registrar of the University to be appointed by the Senate on the recommendation of the Rector on such terms and conditions as may be prescribed.

Section 14(4) of the COMSATS University Islamabad Act, 2018 states that the term of Office of the Registrar shall be a renewable period of three years.

Section (a) of Statutes and Rules, 2009 of COMSATS University states that experience for the post of Rector shall be fifteen-year relevant administrative experience in a University or other National or International Organization.

The management of the COMSATS University, Islamabad appointed Registrar on acting Charge Basis vide COMSATS University OM No.CUI-HR(PS)/Notif(1-54)/2021/14669 dated 06.04.2021.

Audit observed as under:

1. The post of Registrar was not filled on whole time basis with an eligible person despite the lapse of four years and affairs of COMSATS University were being run on acting charge basis since 2021.
2. There was no provision for acting charge of the Registrar in the COMSATS University Islamabad Act, 2018.
3. The officer who had been posted as Registrar on acting charge basis was Professor of Department of Computer Science and did not fulfill the

criteria for the post of Registrar as he had no experience of the administrative matters.

4. The post of Registrar was neither filled through open competition nor renewed after completion of three years.

Audit is of the view that the appointments of ineligible person as Registrar was irregular and violation of Section (a) of Statutes and Rules, 2009 of COMSATS University.

The management replied that for the appointment of Registrar, an advertisement was published in the newspapers on 24.12.2019 and 07.09.2020. The recommendations of the Search Committee, constituted for the purpose as per Statutes, were presented in the 4th meeting of the Senate held on 20.01.2021. The Senate after brief discussion on eligibility directed the Rector/Convener of Search Committee, to reevaluate the recommendations.

Audit contented that the appointment of ineligible person as Registrar was irregular and violation of Section (a) of Statutes and Rules, 2009 of the COMSATS University.

The DAC in its meeting held on 08.01.2025 directed the management that process for appointment of Registrar may be completed within 90 days and report be shared with Audit.

Audit recommends that the post of Registrar be filled through open competition on regular basis as per provisions of the COMSATS University Islamabad Act, 2018.

Karakorum International University (KIU), Gilgit

13.5.11 Whereabouts of 189,000 "A type" answer sheets not known

Para 148 GFR, Vol-I provides that all the materials received should be examined counted, measured, or weighed as the case may be, when delivery is taken and these should be taken in charge by a responsible Government officer who should see that the quantities are correct and their quality is 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.

During the scrutiny of Stock Register of Internal Examinations of Karakorum International University (KIU), Gilgit, it was revealed that 189,000 "A" answer sheets were entered in the Stock Register, Page No. 13 from 21.10.2019 to 15.05.2021 but no further detail of its issuance or disposal was available in the record.

Audit is of the view that due to non-maintenance of complete record, the actual sheets issued, used and return could not be ascertained.

The management replied that 189,000 A sheets had not been received from 2019 onwards. The Para is not understandable as the examination has not received 189,000 'A' sheets.

The reply is not cogent as Page No. 13 of the Stock Register of Internal Exam showed a receipt of 189,000 A Sheets, which negates the management response:

Date	Quantity
21.10.2019	12,000
25.10.2019	13,000
11.11.2019	2,000
26.12.2019	142,000
15.05.2021	20,000
Total	**189,000**

The DAC in its meeting held on 27.01.2025 directed to conduct the inquiry and report be shared with Audit within 1 month.

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

13.5.12 Loss due to non-recovery from the absconders - Rs. 45.395 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.

During the audit of Karakorum International University, it was revealed that the four Lecturer – (BPS 18) and one Assistant Professor – (BPS-19) of Karakorum International University (KIU), Gilgit moved abroad on study leaves and also withdrew salaries, and on completion of study leave period, they neither joined duty nor deposited the withdrawn salaries amounting to Rs. 45.395 million.

Audit is of the view that due to non-recovery of salaries from the absconders, Karakorum International University (KIU), Gilgit suffered a financial loss amounting to Rs. 45.395 million.

The management replied that the University followed the case at different levels. After necessary proceedings and follow up, the University dismissed all the absconders from the service. The University has initiated recovery from the guarantors of the absconders. Currently, recovery is being made from the guarantor of an ex-Lady Lecturer on monthly basis. Furthermore, another ex-Lecturer has deposited 1st installment of the total receivable amount. The University has initiated the legal actions against the other absconders for recovery of salaries and bond amount where applicable.

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

The DAC in its meeting held on 27.01.2025 directed to recover the amount from the absconders.

Audit recommends that amount may be recovered and deposited in the Government treasury.

13.5.13 Wasteful expenditure on construction of Boys Hostels

Para 7.1 of the Manual of Development Projects states that the objectives of any effort in project planning and analysis is to have a project that can be implemented to the benefit and socio-economic uplift of the society. The Project Director is appointed, staff of all categories arranged, the detailed designs got prepared, if need be, with the assistance of consultants, contractors prequalified and short-listed, tenders floated for civil works, equipment, and their installation, contracts awarded, all in timelines with the objective of initiating the operations and getting them fully underway for achieving the goals envisaged without any time

and cost over-run, in order that the economic benefits accrue according to the promises made in the scheme.

During the audit of the Karakorum International University, it was revealed that the Boys Hostel was handed over on 21.09.2023 to the University.

Audit observed that the Boys Hostel was vacant since 21.09.2023 and there was not a single occupant of any room in the hostel.

Audit is of the view that due to the non-utilization of the Hostel Building, the expenditure incurred was wasted.

The DAC in its meeting held on 27.01.2025 directed to conduct an inquiry regarding non-utilization of the hostel.

Audit recommends that matter may be inquired to fix responsibility.

Pakistan Study Centre, University of the Punjab, Lahore

13.5.14 Irregular payment of Medical Allowance over the prescribed rates - Rs. 8.112 million

Finance Division's OM No. F-16(1)-Reg-6/2010-778 dated 05.07.2010 states that the Medical Allowance is allowed to civil servants in BPS 1 to BPS 15 @ Rs. 1,000 per month and from BPS 16 to BPS 22 @ 15% of the existing basic pay in Basic Pay Scales, 2008 w.e.f. 01.07.2010.

The management of the Pakistan Study Centre, University of the Punjab, Lahore, paid Medical Allowance @ 17.5% and 35% for unmarried and married staff, respectively, and incurred an expenditure of Rs. 8,111,905 during the Financial Years 2019-24. The details are as under:

Period	Amount (Rs.)
2019-20	1,482,213
2020-21	1,633,154
2021-22	1,601,710
2022-23	1,834,561
2023-24	1,560,267
Total	**8,111,905**

Audit observed that the management did not obtain the approval of the Finance Division for the grant of Medical Allowance over the prescribed rates.

Audit is of the view that the grant of Medical Allowance above the rates approved by the Finance Division was irregular and unauthorized and resulted in a loss to the Government.

The DAC in its meeting held on 27.01.2025 directed the Centre's management to provide all the relevant record and revised reply along with justification to Audit.

Audit recommends that the Medical Allowance paid over the rates approved rate by the Finance Division be recovered from the employees beside discontinuing the irregularity.

Sheikh Zayed Islamic Centre (SZIC), Karachi

13.5.15 Less recovery of gas charges from the residents - Rs. 7.719 million

Para 10 of GFR, Vol-I states that every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety and every public officer is 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 the Sheikh Zayed Islamic Centre, University of Karachi paid Rs. 7,719,560 as gas charges and made recovery thereof from employees Rs. 19,200 during the financial year 2023-24.

Audit observed that:

i. The monthly expenditure on gas charges borne by the management was as high as Rs. 800,000 approximately, the complaint of which was already lodged with the SSGC regarding leakage if any since April, 2024 but no action has been taken as yet.

ii. Single monthly gas bill was being paid in respect of Office, canteen and residential houses of employees and others located within the premises of the Centre from the budget of the Centre without installation of separate meters, which was not admissible.

iii. Only a nominal amount of Rs. 19,200 was recovered from the employees' salaries on account of gas charges during the financial year 2023-24.

Audit is of the view that due to non-installation of separate meters, the higher cost on account of gas charges was borne by the management on behalf of the employees from the budget of the Centre.

The management replied that as separate gas meters were not installed by the SSGC, therefore, the Centre has to pay the lumpsum amount in lieu of gas charges and recovery of the gas charges from the residents in accordance with the KU rules. As soon as the Centre will get installation of separate meters for the residential colony, the gas charges shall be rationalized.

The reply of the management was not justified as gas billing charges of the SSGC was on higher side as also complained by the management. Furthermore, the department accepted the irregularity regarding installation of separate gas meters for residential colony.

The PAO and the audited formation were informed on 31.10.2024 and 16.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends installation of separate gas meters for the residential colony and recovery be effected.

Federal Urdu University of Arts, Science and Technology, Islamabad

13.5.16 Irregular opening of bank accounts and retention of funds - Rs. 648.661 million

Rule 5(13) of the Cash Management and Treasury Single Account Rules, 2020 dated 24.07.2020 states that the Principal Accounting Officers, overseeing the Government offices on the instructions of the Finance Division, shall close all bank

accounts in commercial banks and provide evidence of such closure to the Finance Division. Principal Accounting Officers shall transfer to treasury single account, balances of accounts that contain public moneys appropriated through the Government.

Rule 4(3) of the Cash Management and Treasury Single Account Rules, 2020 dated 24.07.2020 further states that subject to Sub-Rule (5), any approval granted by the Finance Division prior to commencement of these rules, for opening of bank accounts in the scheduled banks by Government offices stand revoked on commencement of these rules.

The management of the Federal Urdu University of Arts, Science and Technology (FUUAST), Islamabad is maintaining fourteen (14) bank accounts in commercial banks and retained an amount of Rs. 648.661 million in these bank accounts as on 30.06.2023. The details are under:

(Rs.)

S. No.	Name of bank	Title of Account	Account No.	Balance 30.06.2023
1	Habib Bank Ltd. Bahria Enclave Branch, Islamabad	FUUAST Fee Collection, Morning	2481-7000251801	892,045.310
2		FUUAST Endowment Fund	2481-7000251901	1,329,583.320
3		FUUAST Fee Collection, Evening	2481- 7000252001	414,121.900
4		FUUAST MIS Receipt	2481-700252101	767,699.380
5		FUUAST Research Projects	2481-7000252201	3,729,980.780
6		FUUAST Pension Fund	2481-70002522301	505,956,488.800
7		FUUAST Transport Fund	2481-7000252401	25,741,630.970
8		FUUAST Scholarship	2481-7000252501	3,903,505.630
9		FUUAST Exam Fee Collection	2481-7000252601	236,031.600
10		FUUAST Freedom Account	2481-7000252703	2,573,929.270
11		FUUAST Al-Wafaq Journals	2481-700025801	299,511.080
12		FUUAST GP Fund	2481-7000252901	75,685,409.470
13		FUUAST Recurring grant	2481-7000253001	18,599.670
14	NBP, Aabpara Branch	Uni. Establishment of Main Campus of FUUAST, Islamabad	4114755530	27,112,750.200
Total				648,661,287.380

Audit observed that:

1. Management did not close above bank accounts after issuance of the Cash Management and Treasury Single Account Rules, 2020.

2. These bank accounts were operational without the approval of the Finance Division.
3. The management retained an amount of Rs. 648.661 million in the bank accounts in violation of the Government instructions.

Audit is of the view that maintaining bank accounts/retention of money in violation of instructions of the Finance Division and non-inclusion of receipts in the annual budget was irregular and unauthorized.

The management replied that the University was an autonomous body that could make its rules and regulations. FUUAST, Islamabad has opened 13 bank accounts in AAA rating bank at HBL, Bahria Enclave Branch, Islamabad as per its desired needs/requirements and 01 bank account in NBP, Aabpara Branch, Islamabad for PSDP funds, "Establishment of Main Campus of FUUAST at Islamabad." The aforementioned bank accounts are opened with the approval of the competent authority of the University. As per University Ordinance, there is no further need for the approval of the Ministry of Finance regarding opening of the official bank accounts of FUUAST.

The reply is not correct as all bank accounts were opened without the approval of the Finance Division.

The PAO and the audited formation were informed on 24.10.2024 and 16.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the instructions of the Finance Division and the Cash Management and Treasury Single Accounts Rules, 2020 need be followed in letter and true spirit beside inclusion of receipts in the annual budget.

13.5.17 Irregular expenditure on hiring of visiting faculty without advertisement - Rs. 718.147 million

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

The management of the Federal Urdu University of Arts, Science and Technology (FUUAST), Islamabad made recruitments of the visiting faculty and incurred an expenditure of Rs. 718.146 million during the financial year 2022-23. Details are as under:

(Rs.)

S. No.	Semester	Number of visiting faculties hired	Amount
1	Spring	109	407,817,903
2	Autumn	126	310,328,995
Total		**235**	**718,146,898**

Audit observed that members of visiting faculty were hired without advertisement of posts in the print media. Heavy expenditure on payment of salaries of the visiting faculty was incurred. Furthermore, there was a pending liability regarding claims of visiting faculty amounting to Rs. 27,384,749 at the end of the year.

Audit is of the view that:

1. The appointment of visiting faculty members for a semester was made without proper procedure as eligibility criteria for selection of visiting faculty members was not placed on record.
2. Need assessment report for each discipline/faculty was not placed on the record.

The management replied that in every semester (Spring/Autumn), visiting faculty is hired by the Head of Department of each Department who share the information on their teaching social media groups etc. for hiring of the visiting faculty of the University as per their requirements. Every Department has formed an Internal Selection Committee consisting of senior teachers for hiring of visiting faculty. This Committee interviews the candidates and select most suitable teachers as per requirement of the Department. After selection process and on the recommendations of the Selection Committee, Head of Department has forwarded the case to the Administration for its formal administrative approval from the competent authority.

The reply was not accepted as hiring process without fulfilling the codal formalities deprived the rights of many competent candidates.

The PAO and the audited formation were informed on 24.10.2024 and 16.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the rule/regulation/policy/provision which allows the management to make such recruitments, may be provided to Audit. In case of failure, open competition be resorted and the current practice be stopped.

13.5.18 Irregular appointments of Associates Professors, Assistant Professors and Lecturers

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

The management of the Federal Urdu University of Arts, Sciences and Technology (FUUAST), Islamabad advertised for recruitment of Professors, Associates Professors, Assistant Professors and Lecturers in the newspaper on 15.06.2017.

Audit observed that meeting of the Selection Board was held in response to this advertisement on 11.07.2021 which recommended appointments of the following Assistant Professors and the recommendations of the Selection Board were approved in 48th meeting of the Senate of the University. Later on, appointment letters of all the employees were issued on 29.06.2022.

S. No.	Name of the candidate	Appointment on ad hoc basis	Date of appointment
01	Dr. Mumtaz Ali	26.06.2012	26.06.2012
02	Dr. Sadaf Shahab	20.11.2012	20.11.2012
03	Dr. Sadia Saffder	10.06.2013	10.06.2013
04	Dr. Syed Auoun Sajid Naqvi	07.03.2013	07.03.2013
05	Dr. Abdul Qayum	02.10.2014	02.10.2014
06	Dr. Zaheen Khan	10.11.2015	10.11.2015
07	Dr. Hanif Ullah	28.06.2016	28.06.2016
08	Dr. Zubair Khalid	04.07.2017	04.07.2017
09	Dr. Mohi ud Din	15.12.2017	15.12.2017

10	Dr. Azra Khan	14.12.2018	14.12.2018
11	Dr. Mehtab Ahmed Khan	25.05.2018	25.05.2018
12	Dr. Zui Jwairya	22.06.2018	22.06.2018
13	Dr. Imran Anwar Mir	08.02.2016	08.02.2016

Audit further observed that the following appointments of Associate Professors were made:

S. No.	Name of the candidate	Appointment on ad hoc basis	Date of appointment
01	Dr. Ihtsham ul Haq Pada	18.06.2022	18.06.2022
02	Dr. Saba Bashir		18.06.2022
03	Dr. Naheed Qamar		18.06.2022
04	Dr. Fehmida Tabassum		18.06.2022
05	Dr. Ejaz Ahmed		18.06.2022
06	Dr. Zubair Khan		18.06.2022
07	Dr. M. Shiraz		18.06.2022

The following Lecturers were appointed:

S. No.	Name of the candidate	Senate meeting	Date of appointment
1	Ms. Sania Shaheen	18.06.2022 and 15.09.2022	01.01.2023
2	Mr. Muhammad Saddique		01.01.2023
3	Ms. Ammara Sheikh		01.01.2023
4	Mr. Muhammad Asif		01.01.2023
5	Mr. Muhammad Atif		01.01.2023
6	Ms. Sarwat Farid		01.01.2023
7	Mr. Abdul Ghani		01.01.2023
8	Ms. Saima Azhar		01.01.2023

Audit is of the view that:

1. All appointments were made during the Selection Board meeting held on 09.07.2021 and 11.07.2021 against the advertisement dated 15.06.2017 which was irregular as validity period of any advertisement is 06 months only while these appointments took place after 04 years of the advertisement.
2. Selection Board meetings convened as on 09.07.2021 and 11.07.2021 and appointments of Assistant Professors were made from back dates as mentioned in the above table. Moreover, appointments of Assistant Professors were made without sanctioned posts which was irregular and unauthorized.

The management replied that the FUUAST's management advertised for recruitment of Professors, Associates Professors, Assistant Professors and Lecturers in the newspaper on 15.06.2017 while Selection Board meeting could not be conducted due to non-availability of a permanent Vice Chancellor and also due to rapid changes in the management and acting Vice Chancellors.

The management accepted the view point of Audit.

The PAO and the audited formation were informed on 24.10.2024 and 16.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the matter may be inquired at appropriate level to fix responsibility.

Federal Urdu University of Arts, Science and Technology, Karachi

13.5.19 Illegal appointment of 184 Professors/Associates Professors/ Assistant Professors/Lecturers and payment of salaries - Rs. 210.540 million

As per Code, Vol-II, Chapter 1, Rule 26(4)(iv), Employees Services Rules (5) appointments (IV), appointments of BS 17 and above will be submitted before the Senate for approval and BS 1 to 16 appointments' approval will be accorded from the Syndicate.

Para 1(xv) and (xii) of the Establishment Division's OM No.F-53/1/ 2008-SP dated 22.10.2014 states that the 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.

As per Establishment Division's recruitment policy issued vide OM No.F53/1/2019/SP(Pt) dated 04.03.2019, the Ministries/Divisions/Departments/ Attached Departments/Sub-Ordinate Offices/Autonomous Bodies/Semi-Autonomous Bodies/Corporations/Authorities etc. are required to finalize the recruitment within 120 days from the date of advertisement.

The management of the Federal Urdu University Arts, Science and Technology, Karachi made appointments of 184 Professors/Associates Professors/Assistant Professors/Lecturers through Selection Board held in 2021 on the basis of advertisements published/advertised during the 2013 and 2017. Appointment were made in the month of June and July, 2022 against the posts of Professors, Associate Professors, Assistant Processors and Lecturers. Whereas, pay was started from the month of January, 2023. Detail is given below:

Positions	For Karachi Campus	For Islamabad Campus	Total
Professors (BS 21)	02	0	02
Associate Professors (BS 20)	14	07	21
Assistant Professors (BS 19)	65	31	96
Lecturers (B 18)	59	06	65
Total	**140**	**44**	**184**

Audit observed that:

1. The management made appointments of the faculty on the basis of advertisements of the years 2013 and 2017 in disregard of the aforementioned Cabinet Division's Order and also the HEC's Policy.
2. The approval of appointments was not got obtained from the Senate as required under above Code.
2. The payment of pay and allowances of Rs. 210,540,764 was made to the faculty without approval of the Senate/HEC.
3. The Chairman, HEC constituted a committee to validate the record of appointments made by the Selection Board. The committee submitted facts and findings and recommended that:
    i. It is not possible for the Committee to validate the proceedings of the Selection Board held in 2021 against the advertisements published in 2013 and 2017.
    ii. There are serious issues in the conduct of the Selection Board that include provision of the sanctioned positions, missing referees' reports, incomplete scrutiny reports, tampering in official records, nepotism and discrimination.

iii. The University may publish fresh advertisement (as per prevailing HEC criteria) of all the positions against which the Selection Board proceedings were conducted in 2021 and complete the process within 90 days.

Audit is of the view that appointments made in contravention to the above Rules were non-transparent.

The management did not reply.

The PAO and the audited formation were informed on 29.11.2024 and 16.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the appointments being illegal be set aside. Inquiry committee's findings and recommendations be implemented beside fixing responsibility.

13.5.20 Illegal award of Personal Grades (P 20) to Assistant Professor (B 19) - Rs. 26.470 million

Senate of the Federal Urdu University in its meeting held on 05.08.2009 accepted the proposal of Rationalization Committee Report for grant of personal Grade 19/20 under the one-time policy for teaching and non-teaching cadres of the University.

The management of the Federal Urdu University Arts, Science and Technology, Karachi (FUU&AST), Karachi granted Personal Grade B 20 to Assistant Professors of B 19 and incurred an expenditure of Rs. 26,470,101 on payment of pay and allowance during the period 2023-2024.

Audit observed that the Personal Grade (B 20) was awarded to the six Assistant Professors (B 19) in violation of the above Policy.

Audit is of the view that the committee allowed only a one-time Personal Grade B 20 to Assistant Professors (B 19) on 05.08.2009 and grant of Personal Grade after 2009 to the Assistant Professors was illegal and payments of pay and allowances of B 20 were irregular.

The management did not reply.

The PAO and the audited formation were informed on 29.11.2024 and 16.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that irregular grant of Personal Grade be stopped forthwith beside recovery from the beneficiaries.

13.5.21 Non-recovery of outstanding fee from the affiliated colleges/ institutions - Rs. 21.200 million

Para 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.

Para 28 of GFR, Vol-I 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 the competent authority for their adjustment must be sought.

The management of the Federal Urdu University of Arts, Science and Technology, Karachi granted affiliation to different colleges/institutions and charged fee.

Audit observed that the management did not collect outstanding amount of Rs. 21.200 million against the affiliated colleges.

Audit is of the view that due to non-recovery of above amount, the University was deprived from its due receipts.

The management did not reply.

The PAO and the audited formation were informed on 29.11.2024 and 16.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the outstanding dues be recovered from the affiliated colleges/institutes at the earliest.

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13.5.22 Non-framing of rules for appointment of the President, IIUI

Section 17(6) of the IIU Ordinance, 1985 states that subject to the provisions of this Ordinance, the Board of Trustees shall be the supreme authority of the University in all matters and its decisions shall be final and binding.

The Board of Trustees in its 14th meeting held on 30.06.2020 decided that the Rector IIUI, in consultation with the HEC, would frame and finalize the rules for the future appointment of the President, IIUI, through the BoG. The Board of Trustee of the IIU in its 14th meeting held on 30.06.2020 appointed the President, IIUI under Section 3(1) of the IIU Ordinance, 1985 w.e.f. 17.07.2020. Pay of the officer was fixed by the Rector @ maximum of MP I vide Office Order dated 16.11.2020 and the same was ratified by the BoG in its 87th meeting held on 15.04.2021.

Audit observed that the rules for appointment of the President were neither framed nor placed before the BoG as the same were not provided to Audit. Furthermore, record of appointment and pay fixation was also not provided by the management.

Audit is of the view that non-implementation of BoT's decision was a lapse on the part of the management.

Management did not reply till finalization of the report

The PAO and the audited formation were informed on 28.08.2023, 03.07.2024 and 17.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the rules for appointment of the President be framed in compliance with BoT's decision.

13.5.23 Unauthorized establishment and recurring loss in operations of the IQRA College of Technology (ICT) - Rs. 209 million

Section 17(7) (b) of the IIU Ordinance, 1985 states that Board of Trustees shall exercise and perform the powers and functions hereinafter specified, namely to review and approve the creation of any component of the University, such as faculties, colleges, programs, institutes, standing committees, councils and other administrative bodies, necessary to assist or improve the working of the University.

The management of the Iqra College of Technology under the administrative control of the IIU provided soft financial data (accounting software) for the last five financial years 2017-18 to 2021-22, which reflects income/receipts and expenditure as under:

(Rs.)

Sr. No.	Financial year	Total income/receipts			Expenditure	Surplus / deficit	Loss in as compared to income from own source
		Own source	Funds from other faculties/ departments	Total receipts			
1	2017-18	28.483	34.800	63.283	63.467	0.184	-34.984
2	2018-19	30.347	44.500	74.847	75.086	0.239	-44.739
3	2019-20	28.919	44.500	73.419	73.013	-0.406	-44.094
4	2020-21	28.098	40.500	68.598	68.816	0.218	-40.718
5	2021-22	27.684	38.500	66.184	72.148	5.964	-44.464
		143.531	**202.800**	**346.331**	**352.53**	**6.199**	**-209.00**

Audit observed as under:

i. The Iqra College was neither an affiliated institute/component of IIUI as per the IIU Ordinance, 1985 nor approved by the Board of Trustee.
ii. The management of the IIU granted financial support of Rs. 202.800 million to the institute during the last five financial years to meet its operational cost.
iii. The income and expenditure statement of the Iqra College showed that the college had been facing a budget operational loss of Rs. 209 million during the last five years.

Audit is of the view that:

i. Operation of institutes affiliated with the Board without approval of the BoT was unauthorized
ii. The continuous loss in the operations of the institute results in extra burden on the University's budget.
iii. Financial support to the institute by the University was also unauthorized.

The management replied that the ICT was established with the purpose of technical education for low income sections of the society. The financial support, infact is investment in the human resource.

The reply of the management was not in accordance with the observations raised by Audit.

The PAO and the audited formation were informed on 28.08.2023, 03.07.2024 and 17.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the management needs to reply the observations raised by the Audit.

13.5.24 Recovery on account of unauthorized payment of Dean Allowance to the Directors/Directors General of the institutes - Rs. 5.885 million

The BoG in its 64th meeting held on 07.08.2010 approved the remuneration on account of additional duties as Dean Chairperson and In charge as under: -

1. Deans Rs. 10,000 pm
2. Chairperson Rs 7,500 pm
3. In charge Rs 5,000 pm
4.

The management of the Islamic International University (IIU), Islamabad incurred an expenditure of Rs. 5.885 million on account of Dean Allowance for additional duties during 2017-22, as detailed below: -

(Rs.)

Institute	Financial year (2020-21)	Five years
IIE	435,000	2,175,000
IRI	388,000	1,940,000
Sharia	233,000	1,165,000
Dawa	121,000	605,000
Total	**1,177,000**	**5,885,000**

Audit observed that the said remunerations were approved by the Board for Deans for their additional duties and the same facility was paid to the Directors and Directors General working against the regular posts.

Audit is of the view that the Government has sustained a loss due to the unauthorized payment.

The management replied that the BoG in its meeting held on 07.08.2010 approved the Dean/Director Allowance to the faculty members who held the charge of Dean/DG in addition to their normal duties.

The reply was not satisfactory as the said remuneration was approved by the Board only for the Deans for their additional duties. Therefore, facility was not applicable to the Directors and DGs working against regular posts.

The PAO and the audited formation were informed on 28.08.2023, 03.07.2024 and 17.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the amount may be recovered from the concerned officers.

13.5.25 Recovery on account of overpayment of salary to the Director (BIC) - Rs 6.500 million

An agreement between the IIU and HEC for the Establishment of Business Incubation Center (BIC) at IIUI 07.03.2017 took place. Clause 3 of the agreement sates that all funds in the account of BIC including any income received and

disbursements paid out, shall be held and used solely for the project and grantee shall repay to the Grantor any portion of the amount granted which is not distributed for that specific use. Any change in the purpose or use for which grant funds are spent must be submitted by the University for written approval of the HEC before implementation of the same.

Annexure C of the agreement states that an Incubator Director/Manager @ Rs.75,000 per month with 10% annual increment will be hired for the project.

The management of the IIU appointed a Director, BIC w.e.f. 01.02.2018 on monthly remuneration of Rs.200,000.

Audit observed that the salary was fixed @ Rs 200,000 instead of Rs,75,000 in violation of the MoU of BIC which resulted in an overpayment of Rs. 6,505,410, as detailed below:

(Rs.)

Sr. No.	Period	Authorized salary	Actual paid	Overpaid
1	02.2018 to 01.2019	75,000	200,000	1,500,000
2	02.2019 to 01.2020	82,500	200,000	1,410,000
3	02.2020 to 01.2021	90,750	200,000	1,311,000
4	02.2021 to 01.2022	99,825	200,000	1,202,100
5	02.2022 to 01.2023	109,808	200,000	1,082,310
	Total			**6,505,410**

Audit is of the view that salary in violation of the agreement needs to be recovered.

The management replied that the salary was paid after consulting the HEC. It was informed by the HEC that they would not be bound for any additional financial liability of the project.

The reply was not tenable as the salary stood paid in violation of the approved terms and conditions, and without its revision.

The PAO and the audited formation were informed on 28.08.2023, 03.07.2024 and 17.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that amount may be recovered beside fixing responsibility for the overpayment.

13.5.26 Illegal occupation of canteens, cafeterias, shops and banks by the contractors without lease agreement

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.

There are 45 canteens, cafeterias, shops and banks in the premises of the IIUI which were rented out to various private persons on monthly rent basis. Contract agreements were also signed by the both parties and all stood expired on different dates before June, 2022.

Audit observed that the contractors illegally occupied the University premises without any lawful agreement and tendering process.

Audit is of the view that the utilization of University premises without agreements was unauthorized and the IIUI suffered a recurring loss due to non-tendering of the said canteens and shops.

The management replied that lease agreements were extended up to 30.09.2022.

The reply of the management is not tenable as the agreements were extended without any tendering process.

The PAO and the audited formation were informed on 28.08.2023, 03.07.2024 and 17.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that matter may be inquired and contracts be awarded after due tendering process.

13.5.27 Encroachment of the IIUI land measuring 29.600 Kanals and illegal utilization of the University's land by the CDA

Section 17(6) states that subject to the provisions of this Ordinance, the Board of Trustees shall be the supreme authority of the University in all matters and its decisions shall be final and binding.

The management of the IIUI placed the following issues before the Board of Trustees during 14th meeting held on 30.06.2020: -

i. Wafaqi Mohtasib on 09.07.2015 gave a verdict for removal of Asphalt Plant and MPO Directorate from the lIU premises and construction of service roads around the University. The CDA has constructed 42% service roads on West and North sides of the University, while remaining work is pending. No steps have been taken by the CDA to shift the MPO Directorate and Asphalt Plant from the University premises. Implementation report was submitted to the Wafaqi Mohtasib on 20.10.2017 but no reply has yet been received from the Wafaqi Mohtasib. Members of the BoT also requested the Chair to ask the CDA/MCI to remove the Asphalt Plant and the MPO Directorate from the Campus being a big environmental hazard for the 30,000 students of the University.
ii. The CDA issued two letters to Pir Sahib of Lunda Mastal, one to utilize 20 Kanals land and the other to utilize 9.600 Kanals land adjacent to the Darbar in addition to the land already occupied by them. The University did not agree to this and requested the CDA to withdraw the allotment letters as CDA cannot allow anyone to utilize the land allotted to the University. However, no action has yet been taken by the CDA. When asked by the Chancellor, the Chairman, CDA promised to remove the plant and the MPO Directorate within three months. He also promised that the letters issued in the case of Dargah would be withdrawn as requested by the University. The Chancellor reemphasized to settle the matter, once for all, before it becomes a public law and order issue.
iii. The BoT directed the management to submit implementation report on the above matters within three months.

Audit observed that the compliance of above decision was not made by the management as the same was not provided to Audit.

Audit is of the view that the management of the IIUI and CDA failed to maintain possession of state land which also created a big environmental and security hazard for the 30,000 students of the University.

The management replied that:

i. Matter regarding shifting of the Asphalt Plant has already been decided by the IHC in favor of the IIUI, however, matter is still pending before the IHC after the filing of the ICA by the CDA.
ii. An inquiry committee constituted by the BoT and its report is still pending.

The PAO and the audited formation were informed on 28.08.2023, 03.07.2024 and 17.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that matter be taken up at Ministry level to finalize the issue and court case be pursued.

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 the Federal Government buildings, except those under the Defence Division.

ii. Provision of Government owned office accommodation and residential accommodation for officers and staff of the Federal Government.

iii. Coordination of Civil Works Budget.

iv. Execution of the Federal Government works.

v. Provision of the 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.

x. Insert that function from the Rules of Business which deals with the administration of Federal Government lands in Karachi.

ATTACHED DEPARTMENTS/AUTONOMOUS BODIES

1. Estate Office.
2. National Housing Authority.
3. Ex-Office of the Director General, Pakistan Public Works Department.

4. Federal Government Employees Housing Authority.
5. Pakistan Housing Authority.

(Rs. in million)

Sr. No.	Description	Total number	Audited	Expenditure Audited (FY-2023-24)	Revenue/Receipt Audited (FY 2023-24)
1	Formations	2	1	382.47	-
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

14.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Housing and Works Division for the financial year 2023-24 was Rs. 84,407.350 million, out of which the Division expended an amount of Rs. 76,542.260 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

Grant Number	Type of Grant	Original Grant	Supplementary Grant	Surrender	Final Grant	Actual Expenditure	Excess/ (Savings)
50	Current	7,134.48	1,008.95	-	8,143.43	8,119.16	(24.26)
130	Development	41,880.87	47,149.00	(12,765.95)	76,263.92	68,423.10	(7,840.82)
	Grand total	**49,015.35**	**48,157.95**	**(12,765.95)**	**84,407.35**	**76,542.26**	**(7,865.08)**

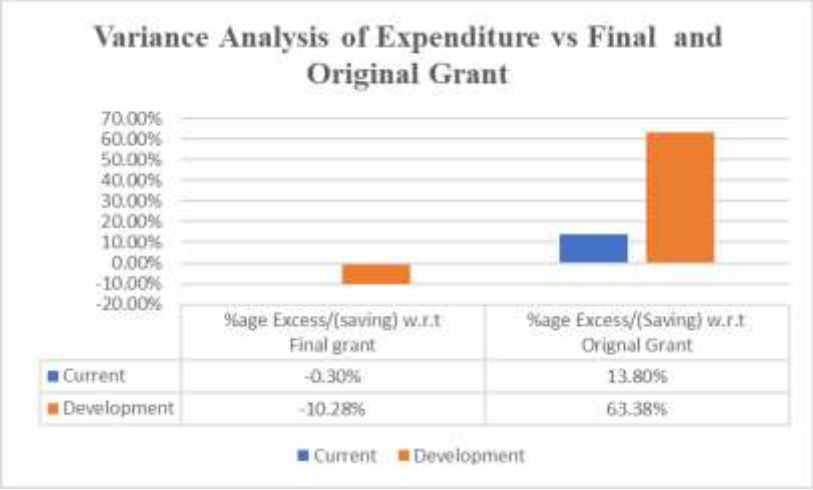
Audit noted that there was saving of (Rs. 7,865.08 million), which was mainly due to saving in the development grant.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 in current and development expenditure, it was observed that for current grant, there was 13.80%

of excess expenditure w.r.t. original grant which was reduced to -0.30% savings w.r.t. final grant and for development grant, there was an excess expenditure of 63.38% which was reduced to savings of 10.28%.



14.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 2,681.068 million, were raised in this report during the current audit of the **Housing and Works Division**. Summary of the audit observations classified by nature is as under:

(Rs. 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	27.816
E	Internal Control	2,653.252
4	Value for money and service delivery	
5	Others	

14.4 Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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
2023-24	12	0	0	12	-
Total	**27**	**15**	**8**	**19**	-

14.5AUDIT PARAS

Ministry of Housing and Works

14.5.1 Illegal holding of the Federal Government land in Karachi by the Cooperative Housing Societies despite non-renewed expired License Agreements

Section 15(7) of the Schedule II of the Rules of Business, 1973, titled, "Distribution of Business among the Divisions," discusses the functions of the Ministry of Housing and Works and states that the Ministry of Housing and Works is responsible for the management of the matters relating to the Federal Government lands' licenses to various cooperative housing societies in Karachi, except those under the Defence Division.

Section 7(1) of the Financial Management and the Powers of Principal Accounting Officers Regulations, 2021 states that the Principal Accounting Officer shall be responsible:

a) to adhere to and enforce the principles of financial propriety, including the compliance of laws, rules, regulations, maintaining high standard of prudence, vigilance, due diligence and ensuring value for money while incurring expenditure and collecting Government receipts.
b) for use of resources and shall ensure the effective, efficient, economical and transparent use of funds, budget, assets and human resources available to him, in accordance with the relevant policies, rules and regulations, for achieving the stated objectives of his Ministry, Division, Department or offices, Program, and services.
c) to formulate plans, programs and projects and deliver public service carefully and efficiently, as ultimate planner in respect of his areas of activity.
o) for safe custody of assets.

The Ministry of Housing and Works, Islamabad entered into the following lease agreements with various Cooperative Housing Societies for development and allotment of plots to the general public in Karachi:

Sr. No.	Societies	Land allotted (Acres)	Date of agreement
1.	Pakistan Employees CHS	1,268	August, 1958
2.	Karachi Union CHS	1,175	January, 1954
3.	MAM CHS	92.700	August, 1950
4.	Rizvia CHS	56	January, 1963
5.	Firdous CHS	57.700	August, 1958
6.	Allama Usmani CHS	26.440	January, 1958

Audit observed the following:

i. As per the lease agreement, Pakistan Employees Cooperative Housing Society (PECHS) had to complete the task within five years. Later on, the lease was extended till 31.03.1974.

ii. After the completion of deadlines and the extension periods for all the aforementioned lease agreements, no further extensions of the lease agreements were granted. Further, no other agreement or deed was executed in this regard.

iii. The Ministry of Housing and Works consulted the Law and Justice Division vide its UO Note dated 02.01.2013 to seek legal opinion, response of which, vide its Letter No.18/2013/Law-I, is submitted as under:

    1. After the expiry of the license agreement w.e.f. 01.04.1974, the societies under the agreement cannot be treated as licensees and are not authorized to perform the functions as assigned under the expired license agreements.
    2. The Ministry, being owner of the land, can appoint administrator or arrange any other course for the purpose of administration of the said land.

iv. Despite the expiry of the agreements on 31.03.1974, the Ministry neither renewed the license agreements nor took the in-time control of the land and allowed the societies to continue with their activities. In addition, advice by the Law and Justice Division was not implemented as well.

Audit is of the view that continuation of operations with the Cooperative Housing Societies after the expiry and without the renewal of the license agreements, not taking an in-time control of the lands, non-arrangement of an alternative course of action for the management of the land in the light of the suggestions given by the Law and Justice Division, are violations of the Rules and also negligence on the part of the management.

No reply was received till the finalization of the report.

The PAO and the audited formation were informed on 10.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that a committee may be constituted to resolve this issue at the earliest.

14.5.2 Non-recovery of rent from the Pakistan Cricket Board - Rs 27.816 million

Rule 28 of GFR, Vol-I states that no amount due to Government shall be left outstanding without sufficient reasons, and where any dues appear to be recoverable the orders of competent authority for their adjustment must be sought.

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.

The Ministry of Housing and Works leased a piece of land, that is equal to 505,700 Sq. Yards to the Pakistan Cricket Board, under a 99-year lease agreement, at a lease rent of Rs.10/Sq. Yard.

Audit observed that the Ministry of Housing and Works did not recover the outstanding rent of Rs. 27.816 million from the PCB for the period starting from 01.01.2019 to 30.06.2024.

Audit is of the view that non-recovery of outstanding dues is a negligence on the part of the management, which ultimately deprived the Ministry from its due receipts in time.

No reply was received till the finalization of the report.

The PAO and the audited formation were informed on 10.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the outstanding rent may be recovered from the PCB and recovery/collection mechanism may also be updated at the earliest.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 11.5.11 having financial impact of Rs. 17.702 million. Recurrence of same irregularity is a matter of serious concern.

14.5.3 Non-recovery of rent for the space allocated to various entities in Kohsar Block Secretariat and Shaheed e Millat Secretariat, Islamabad

Rule 28 of GFR, Vol-I states that no amount due to Government shall be left outstanding without sufficient reasons, and where any dues appear to be recoverable the orders of competent authority for their adjustment must be sought.

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.

The Ministry of Housing and Works allocated space to various entities in Kohsar Block Secretariat and Shaheed e Millat Secretariat, Islamabad. Details are as under:

Sr. No.	Entity	Space allocation	Covered Area SFT
Kohsar Block Secretariat, Islamabad			
01.	Cafe	Ground floor (Hall B-1)	4,608
02.	Banks	Ground floor (Hall A-2) (Hall B-2)	3,456
Shaheed e Millat Secretariat, Islamabad			
03.	PHA	Ground floor	5,449
		1st floor	4,787
		3rd floor	6,780
04.	NHA	1st floor	1,408
05.	NCHD	1st floor	729
		13th floor	14,011
		4th and 15th floors	15,674
06.	Gawadar Port Authority	1st floor	898

07.	EPZA (Exports Processing Zones Authority)	1st floor	3,484
08.	National Industries Park	6th floor	870
09.	Livestock and Dairy Development Board	8th floor	5,494
10.	Pakistan Environmental Planning and Architectural Consultants (PEPAC) Ltd.	12th floor	1,221
Total			**68,869**

Audit observed the following:

i. The Ministry of Housing and Works did not recover the outstanding rent.
ii. Record related to lease/rental agreements was not provided.

Audit is of the view that the non-recovery of outstanding dues deprived the Ministry from its due receipts in time.

No reply was received till the finalization of the report.

The PAO and the audited formation were informed on 10.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the outstanding rent may be recovered from the entities and recovery/collection mechanism may also be updated at the earliest.

14.5.4 Non-submission of audited accounts by M/s Akhuwat Islamic Microfinance to the Ministry of Housing and Works - Rs. 2,653.252 million

Article 2(11) of the Agreement dated 20.11.2019 executed between the Ministry of Housing and Works and M/s Akhuwat Islamic Microfinance (AIM), Lahore states that the AIM shall be responsible to have its accounts audited by an internationally recognized well-reputed Chartered Accountant Firm. The audited accounts will be submitted to the Ministry of Housing and Works within 30 days after issuance of the audit report.

M/s Akhuwat Islamic Microfinance (AIM) made disbursements of Rs. 2,653.252 million for Low-Cost Housing Scheme under the Naya Pakistan Housing Programme during the financial year 2023-24.

M/s Akhuwat Islamic Microfinance (AIM) was required to submit the audited accounts for the financial year 2023-24 to the Ministry of Housing and Works as per the Agreement.

However, Audit observed that M/s Akhuwat Islamic Microfinance did not submit the audited accounts for the financial year 2023-24 to the Ministry of Housing and Works, Islamabad.

Audit is of the view that M/s Akhuwat Islamic Microfinance did not fulfil the contractual obligation.

No reply was received till the finalization of the report.

The PAO and the audited formation were informed on 10.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends submission of the audited accounts for the financial year 2023-24 by M/s Akhuwat Islamic Microfinance (AIM) for necessary check and scrutiny.

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 01.12.2021), following main business have been assigned to the Division amongst the other functions.

1. Policy, Planning and Development for Gilgit-Baltistan.
2. Coordination with the Government of Gilgit-Baltistan and Gilgit-Baltistan Council.
3. Coordination with the Azad Government of the State of Jammu and Kashmir and the AJ&K Council.
4. Matters relating to the Settlement of the 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. Coordination between the Federal Government Organizations and the Government of Gilgit-Baltistan and the Gilgit-Baltistan Council.
8. Mainstreaming population factor in the 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 ancillary matters including distribution setup and monitoring and auditing thereof.

ATTACHED DEPARTMENTS/AUTONOMOUS BODIES

i. Administrator, Jammu and Kashmir State Properties, Lahore.
ii. Gilgit-Baltistan Council.
iii. AJK Council.

(Rs. in million)

Sr. No.	Description	Total number	Audited	Expenditure Audited (FY-2023-24)	Revenue/ Receipt Audited (FY 2023-24)
1	Formations	3	2	178.31	
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

15.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Kashmir Affairs and Gilgit-Baltistan Division for the financial year 2023-24 was Rs. 1,299.680 million, out of which the Division expended an amount of Rs. 1,292.640 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

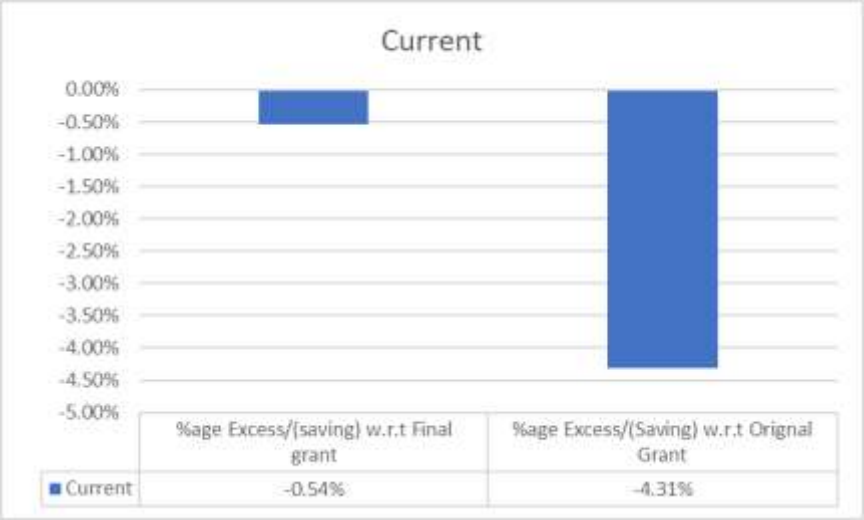
Grant Number	Type of Grant	Original Grant	Supple-mentary Grant	Surrender	Final Grant	Actual Expenditure	Excess / (Savings)
64	Current	1,350.86	-	(51.18)	1,299.68	1,292.64	(7.03)

Audit noted that there was an overall saving of (Rs. 7.030 million).

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 the current grant, there was -4.31% savings w.r.t. original grant which finally became -0.54% saving w.r.t the final grant.



15.3Classified Summary of Audit Observations

Audit observations, amounting to Rs. 14,076.235, were raised in this report during the current audit of the **Kashmir Affairs and Gilgit-Baltistan Division**. Summary of the audit observations classified by nature is as under:

(Rs. 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	89.765
B	Procurement related irregularities	
C	Management of account with commercial banks	
D	Recovery	13,971.545
E	Internal Control	14.925
4	Value for money and service delivery	
5	Others	

15.4Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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	-
2023-24	1	0	0	1	-
Total	**30**	**4**	**2**	**28**	**-**

15.5AUDIT PARAS

Administrator, Jammu and Kashmir State Property, Lahore

15.5.1 Illegal construction of seven housing societies on J&K State Property Land measuring 71 Acres, 04 Kanals and 11 Marlas

Section 3A (1) of the J&K State Property Ordinance, 1961 states that the Administrator shall upon the express consent in writing of the previous tenant, change the tenancy of a unit in favor of a new tenant subject to:

a) Payment of outstanding arrears of rent or any other outstanding dues:

b) Execution of fresh tenancy agreement by the new tenant at the rent determined in accordance with Rule 4A: and

c) Payment of fee for transfer of tenancy as mentioned in Schedule "A" annexed with these rules.

Section 3B (3) of the J&K State Property Ordinance, 1961 regarding change in use of property states that in case of change of use from agricultural to commercial due to urbanization, a committee comprising 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.

Section 3D (1) of the J&K State Property Ordinance, 1961 states that if a person makes any unauthorized construction on the property being managed under the Ordinance, the Administrator may, after such notice as may be considered necessary, demolish or dismantle the unauthorized construction with such force as may be necessary.

Section 5(c) of the 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.

The Administrator, Jammu and Kashmir State Property, Lahore leased out its agriculture land measuring 71 Acres, 04 Kanals and 11 Marlas situated at Lahore. Detail is as under:

Sr. No.	Illegal society name	Location	Khasra number	Area (A-K-M)
1.	Ayan Garden	Wara Allah Dad Rehmanpura, Lahore	1227, 1228, 1235 and 1239	32 Kanals
2.	Awan Garden	Rehmanpura, Lahore	434, 435, 436, 437, 438, 439, 440, 441, 442,446, 448, 449, 450, 452, 455, 581, 792, 793, 795, 836, 837, 838, 839, 840, 841, 842, 843 and 844	156 Kanals and 17 Marlas
3.	Mian Hafeez Garden	Rehmanpura, Lahore	1241-Min, 1242, 1243, 1244, 1245, 1250, 1251 and 1259	56-Kanals
4.	Rafi Garden	Sultan, Village Sultanpura, Tehsil Shalamar, Lahore	1774, 1775, 1776, 1780, 1782, 1785, 1787, 1788, 1789, 1778, 1778-Min, 1772 and 1777-Min	42 Kanals and 01 Marla
5.	Ali Garden	Sultan, Village Sultanpura, Tehsil Shalamar, Lahore	1520, 1521-min, 1516 and 1517	20 Kanals and 13 Marlas
6.	Mina Khalil Garden	Sultan, Village Sultanpura, Tehsil Shalamar, Lahore	1406, 1408, 1420, 1414, 1421, 1413, 1409, 1418, 1419, 1435, 1415, 1463, 1464, 1465, 1460, 1461, 1320, 1325 and 1323	10 Acres
7.	Sadi Garden	Sultan, Village Sultanpura, Tehsil Shalamar, Lahore	1717, 1648, 1649, 1647, 1656, 1657, 1655, 1646, 1704, 1658 and 1705	65 Kanals
			Total	**71 Acres, 4 Kanals and 11 Marlas**

Audit observed that:

i. Jammu and Kashmir Property Land measuring 71 Acres, 04 Kanals and 11 Marlas was illegally occupied by different illegal occupants and seven different housing societies were built by them on the precious department's land.
ii. The Rent Collector did not communicate the forcible possession by the illegal occupants.
iii. The management neither demolished the illegal societies nor assumed control of the department's land till date.
iv. The management did not take up the matter with the Ministry and District Administration to demolish illegal constructions on the said land.
v. The Administrator allowed the illegal occupants to use the agriculture land as residential but he had no power to change the status of land.

Audit is of the view that actions by the management put the department's valuable land at stake.

Audit is also of the view that the conversion of status of land from agriculture to residential was illegal.

The department did not reply.

The PAO and the audited formation were informed on 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to investigate the matter and to fix the responsibility and retrieve the agriculture land in question from the illegal occupant and auction it.

15.5.2 Irregular/unauthorized retention of funds - Rs. 4,507.218 million

Finance Division vide its Notification No.F.1(1)/(TSA)/2020-08/20 dated 12.08.2020 states that in pursuance of Sub-Rule (3) of the Rule 5 of the Cash Management and Treasury Single Account Rules, 2020, J&K State Property in Pakistan, Lahore is hereby included in the Treasury Single Account (TSA) System.

The Management of Administrator, Jammu and Kashmir State Property, Lahore maintained one bank account in the National Bank of Pakistan and retained an amount of Rs. 4,507.218 million in the bank account as on 30.06.2024.

Audit observed that:

1. The management did not close the above bank account after issuance of the Cash Management and Treasury Single Account Rules, 2020.
2. The management retained an amount of Rs. 4,507.218 million in its bank account in violation of the Government instructions.

Audit is of the view that the retention of funds outside the Treasury Single Account is a violation of the instructions issued by the Finance Division. Furthermore, retention of funds outside the TSA also deprived the Government of its optimal utilization.

The management did not reply.

The PAO and the audited formation were informed on 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to investigate the unauthorized retention of cash outside the Federal Consolidated Fund beside transfer the funds to the Government treasury.

15.5.3 Non-recovery of arrears of lease money from the tenants - Rs. 12.791 million

Section 5(c) of the 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.

The management of Administrator Jammu and Kashmir State Property, Lahore leased out its properties situated at Village Purab, Tehsil Muridke, District Sheikhupura to different tenants during the financial years 2022-23 and 2023-24.

Audit observed that an amount of Rs.12.791 million on account of lease money was not recovered from the different lessees/tenants. Detail is given below:

(Rs.)

S. No.	Name	Lot No.	Total amount	Amount recovered	Remaining amount
1	Mr. Zulfiqar Ali S/o Mr. Wakeel Ahmad	1	2,271,074	52,000	2,219,074
2	Mr. Rana Khalil-ur-Rehman S/o Mr. Nawab	3	2,321,514	Nil	2,321,514
3	Mr. Rana Moharam Ali S/o Mr. Rehmat Ali	9	2,458,658	Nil	2,458,658
4	Mr. Amir Rehmat S/o Mr. Rehmat Ali	10	1,780,127	Nil	1,780,127
5	Mr. Irfan Ali Yousaf S/o Mr. Muhammad Yousaf	14	2,046,629	Nil	2,046,629
6	Mr. Sharafat Ali Virk S/o Mr. Muhammad Yousaf	15	1,964,804	Nil	1,964,804
	Total		**12,842,806**		**12,790,806**

Audit is of the view that non-recovery of lease money from the tenants deprived the department of its due receipts.

The management did not reply.

The PAO and the audited formation were informed on 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to recover the arrears of lease money from the tenants.

15.5.4 Non-recovery of pending liability on accounts of sale of Poonch House Chaburji, Lahore - Rs. 7,916.950 million

Section 6(2) of the J&K State Property Ordinance, 1961 states that the income on account of rent or other dues of property shall continue to be deposited in the existing separate account mentioned in Sub-Rule (1) of Rule 10.

Public Accounts Committee (PAC) in its meeting held on 14.11.2012 directed the PAO of AJ&K State Property to recover the amount of 76 Kanals according to the present rate of market value and submit a report to the PAC/Audit within 30 days.

The Administrator, Jammu and Kashmir State Property, Lahore sold its valuable property, Poonch House, Chaburji, Lahore measuring 176 Kanals to the Government of Punjab in 1987 @ Rs. 400,000 per Kanal.

Audit observed that:

1. Management received Rs.40.000 million in 1992 for 100 Kanals from the Government of Punjab.
2. Payment for remaining 76 Kanals was not recovered by the department till 08.2024.
3. Audit in its previous report pointed out the non-recovery of pending amount from the Government of Punjab on which the PAC directed to recover the amount of 76 Kanals on the present market rate and report to the PAC and Audit within 30 days.
4. Management did not implement the PAC directions in letter and spirit.
5. As per FBR rates, 2022, the present market value of the said land is Rs.7,916.950 million.

Audit is of the view that non-implementation of the PAC directions after lapse of considerable period of 12 years is a serious irregularity.

Audit is further of the view that non-recovery of Rs. 7,916.950 million deprived the Government of its due revenue.

The management did not reply.

The PAO and the audited formation were informed on 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to investigate the matter to fix the responsibility beside recovery of the remaining amount as per PAC directions at the earliest.

15.5.5 Non-recovery of rent as per market rate from tenants of Sard Shah Bagh and Ahata Kirpa Ram, Lahore - Rs. 1,241.474 million

Section 4A (1) of the J&K State Property Ordinance, 1961 states that the Administrator may review the rent periodically and may raise the same in accordance with Clause (aa) of the Sub-Section (3) of the Section 3 of the Ordinance after holding such inquiry as he thinks fit. While raising the rent, the Administrator may take into consideration the following factors:

a) The rent paid by the tenants of similar nature in the same vicinity and other connected matters.

b) The rent of the similar building in similar conditions in the locality at the time of and during the period of twelve month prior to the date of making application or serving notice.

The Administrator, Jammu and Kashmir State Property, Lahore rented out its commercial properties situated at Sard Shah Bagh and Ahata Kirpa Ram, Lahore to 379 different tenants and monthly rent of Rs.1.544 million was recovered from them. Detail is given below:

(Rs.)

S. No.	Location	Number of tenants	Monthly rent recovered
1.	Sard Shah Bagh, Lahore	276	1,304,554
2.	Ahata Kirpa Ram, Lahore	103	238,950
Total		**379**	**1,543,504**

Audit observed that:

1. The Administrator did not enhance the rates of rent of the commercial properties according to the prevalent market rent rates of private properties in the same locality/vicinity.
2. The management was not charging rent as per market rates.
3. As per Audit calculation, the monthly rent of commercial properties situated at Sard Shah Bagh, Lahore may be charged @ Rs. 43.813 million per month and Rs. 9.459 million for Ahata Kirpa Ram, Lahore during the financial years 2022-23 and 2023-24. Calculation is as under:

(Rs.)

S. No.	Location	Per Sft. rate	Total Sft.	Amount
1.	Sard Shah Bagh, Lahore	200	219,063	43,812,600
2.	Ahata Kirpa Ram, Lahore	200	47,295	9,459,000
		Total	**266,358**	**53,271,600**

Audit is of the view that non-recovery of rent as per market rates put the Government to a huge financial loss of Rs.1,241.474 million, as per following Audit calculations:

(Rs.)

S. No.	Location	Number of months	Rent recovered	Rent due	Difference
1.	Sard Shah Bagh, Lahore	24	31,309,296	1,051,502,400	1,020,193,104
2.	Ahata Kirpa Ram, Lahore	24	5,734,800	227,016,000	221,281,200
	Total		**37,044,096**	**1,278,518,400**	**1,241,474,304**

Audit is also of the view that the management put the department to a financial loss of Rs.1,241.474 million due to non-enhancement of rent as per prevalent market rent rates of private properties in the same locality/vicinity.

Audit is further of the view that non-implementation of J&K State Property Ordinance, 1961 is an undue favor to the private parties and a serious financial irregularity.

The management did not reply.

The PAO and the audited formation were informed on 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to investigate the matter in order to fix the responsibility beside enhancement of the rent at the earliest.

15.5.6 Non-recovery of arrears from the tenants of AJ&K State Property - Rs. 37.837 million

Section 5(c) of the 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.

The Administrator, Jammu and Kashmir State Property, Lahore rented/ leased out its properties to different tenants during the financial years 2022-23 and 2023-24. Detail is as under:

(Rs.)

S. No.	Location	Nature (Urban/ Agriculture)	Amount
1.	Changar Mohallah	Urban	2,532,898
2.	Haveli Dhyan Singh	Urban	53,980
3.	Tharian	Urban	197,617
4.	Katri	Urban	573,809
5.	Serai Sultan	Urban	1,716,639
6.	Jhugian	Urban	539,123
7.	Trunk Bazaar	Urban	194,619
8.	Loha Bazaar	Urban	98,520
9.	Ahata. Mian Sultan	Urban	2,918,686
10.	Landa Bazar	Urban	1,262,316
11.	Sard Ch. Bagh	Urban	612,681
12.	Ahata Kirpa Ram	Urban	122,260
13.	Ahata Gulab Bibi	Urban	14,097
14.	Jhelum	Urban	0
15.	Sialkot	Urban	0
16.	Sultanpura	Agriculture	391,072
17.	Rehmanpura	Agriculture	2,672,490
18.	Jangu Chak	Agriculture	38,624
19.	Purab	Agriculture	22,798,772
20.	Poonch House, Rawalpindi	Urban	1,099,133
21.	Gowal Mandi, Rawalpindi	Urban	0
Total			**37,837,336**

Audit observed that the rent/lease amounting to Rs. 37.837 million was not recovered from the different tenants.

Audit is of the view that non-recovery of rent/lease deprived the Government from its due receipts.

The management did not reply.

The PAO and the audited formation were informed on 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends recovery of the arrears of rent/lease at the earliest.

15.5.7 Non-recovery of arrears of lease money from the tenants - Rs. 27.012 million

Section 5(c) of the 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.

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

The Administrator, Jammu and Kashmir State Property, Lahore leased out its agriculture land situated at Village Purab, Tehsil Muridke, District Sheikhupura to 41 different tenants.

Audit observed that:

1. The management leased out its 41 agriculture lots measuring 834 Acres situated at Village Purab, Tehsil Muridke, District, Sheikhupura to the different tenants.
2. The Administrator issued Lease Cancellation Orders dated 09.05.2016 for all the 41 tenants and ordered the concerned staff to recover the arrears of Rs. 27.012 million along with penalty from all the tenants under Section 5C of the Ordinance III of 1961.
3. The management reauctioned the 41 lots on 15.11.2022.
4. Despite lapse of 08 years, management failed to recover arrears from the defaulters.
5. The irregularity was also pointed out by Audit during Special Audit for the financial years 2016-17 to 2021-22, but no steps were taken to recover the government dues.

Audit is of the view that non-recovery of lease money from the tenants despite lapse of considerable time shows weak financial control on the part of the management.

Audit is further of the view that the management deprived the Government of its due revenue.

The management did not reply.

The PAO and the audited formation were informed on 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to investigate the matter to fix the responsibility beside recovery of the arrears of lease money from the tenants.

15.5.8 Loss due to non-enhancement of rent of J&K State Properties situated at Jangoo Chak, Narowal - Rs. 14.925 million

Section 4A (1) of the J&K State Property Ordinance, 1961 states that the Administrator may review the rent periodically and may raise the same in accordance with Clause (aa) of the Sub-Section (3) of the Section 3 of the Ordinance after holding such inquiry as he thinks fit. While raising the rent, the Administrator may take into consideration the following factors:

(f) In case of agriculture land, the lagan or rent of the similar land in similar condition in the locality at the time of and during the period of twelve month prior to the date of making application or notice.

A meeting under the Chairmanship of the Federal Minister for Kashmir Affairs and Gilgit-Baltistan was held on 29.11.2013, constituted a Rent/Lease Enhancement Committee under the Chairmanship of Mr. Muhammad Pervez Malik, MNA, Mr. Anjum Mahmood Butt, General Secretary, Steel Sheet Market, Ahata Gulab Bibi and Administrator, J&K State Property as its members.

Audit observed that:

1. The management leased out its agriculture land measuring 597 Acres situated at Jangoo Chak, Narowal to 151 tenants.
2. No proposal was approved/finalized by the Committee for enhancement of lease of agriculture land situated at Jangoo Chak, Narowal.
3. Currently, management is receiving lease money at the rates comparatively lower to the private lands in the vicinity. Detail is given below:

(Rs.)

Location	Area in Acres	Lease collected	Lease per Acer as per Audit	Total lease
Jangoo Chak	597 Acres	38,600	25,000 per Acre	14,925,000

Audit is of the view that due to non-enhancement of rent of the said property, management deprived the Government of its due revenue of Rs. 14.925 million annually.

The management did not reply.

The PAO and the audited formation were informed on 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to investigate the matter to fix the responsibility beside placing the matter before the Management Committee and enhance the rent of the properties as per market rates, situated at Jangoo Chak.

15.5.9 Non-recovery of rent as per market rate from the tenants of Landa Bazar and Loha Bazar, Lahore - Rs. 119.868 million

Section 4A (1) of the J&K State Property Ordinance, 1961 states that the Administrator may review the rent periodically and may raise the same in accordance with Clause (aa) of the Sub-Section (3) of the Section 3 of the Ordinance after holding such inquiry as he thinks fit. While raising the rent, the Administrator may take into consideration the following factors:

a) The rent paid by the tenants of similar nature in the same vicinity and other connected matters.

b) The rent of the similar building in similar conditions in the locality at the time of and during the period of twelve month prior to the date of making application or serving notice.

The Administrator, Jammu and Kashmir State Property, Lahore rented out its commercial properties situated at Landa Bazar and Loha Bazar, Lahore to 135 different tenants. Detail is given below:

(Rs.)

S. No.	Location	Number of tenants	Monthly rent recovered
1.	Landa Bazar, Lahore	108	359,882
2.	Loha Bazar, Lahore	27	45,626
	Total	**135**	**405,508**

Audit observed that:

1. The Administrator did not enhance the monthly rent of Jammu and Kashmir commercial properties according to the prevalent market rent rates of private properties in the same locality/vicinity.
2. The management did not make strenuous efforts to bring the tenant's rent at par with the private property rent rates.
3. Audit calculated, a net difference of Rs. 119.868 million on account of less recovery of rent from the tenants due to non-revision of per month rate of rent. Detail is given below:

(Rs.)

S. No.	Location	Rent collected	Rent due	Difference	2 years difference
1	Landa Bazar, Lahore	359,882	4,320,000	3,960,118	95,042,832
2	Loha Bazar, Lahore	45,626	1,080,000	1,034,374	24,824,976
Total		**405,508**	**5,400,000**	**4,994,492**	**119,867,808**

Audit is of the view that department sustained a loss of Rs. 119.868 million due to non-recovery of rent as per market rates.

The management did not reply.

The PAO and the audited formation were informed on 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to investigate the matter to fix the responsibility beside placing the matter before the Management Committee and enhance the rent of properties as per market rates.

15.5.10 Irregular payment of honorarium to the employees of the Ministry out of AJ&K State Property funds - Rs.31.533 million

Section 9 of the J&K State Property Ordinance, 1961 regarding utilization of sale proceeds and income states that the money kept in the account maintained under the Sub-Rule (1) of the Rule-6 or the Sub-Rule 1 of the Rule 10 may be utilized in the implementation of any scheme or plan for the rehabilitation of refugees from the State of Jammu and Kashmir approved by the Federal Government.

Section 10 of the J&K State Property Ordinance, 1961 regarding utilization of amount of rent or lease states that:

2) All necessary expenditure on the management, maintenance and improvement of, additions to, and alterations in, the property shall be debitable to the said account.
3) The amount of rent or lease money of other dues of the property may be utilized for the following purposes, namely:
    a) Grant of stipends or financial assistance as well as electronic devices to students from the State of Jammu and Kashmir.
    b) For purposes connected with furtherance of the objects of the Kashmir Liberation Movement.

In terms of Column No. 3 against Sr. No. 17 of Annex-I of Para 8 (a) of the New System of Financial Control and Budgeting issued vide Finance Division's OM No.F.3(2)Exp.III/2006 dated 13.09.2006, full powers up to the level of Section Officer and equivalent is delegated to the Ministries/Divisions. The amount should not exceed one month's pay of the Government servant concerned on each occasion. In the case of recurring honoraria, this limit applies to the total of recurring payments made to an individual in a financial year.

As per S. No.17 of the Power of Delegation of Financial Power issued vide Letter No. F. (22)/2006-Estt-I dated 03.01.2020, the power will be exercised

subject to the condition that the relevant rules and policy instructions issued by the Finance Division from time to time are duly observed and that the grant of Honorarium is not used as a device to compensate a Government servant for special pay etc.

The Administrator, Jammu and Kashmir State Property, Lahore incurred an expenditure of Rs. 31.533 million on account of payment of honorarium.

Audit observed that the expenditure was incurred on payment of honorarium to the employees of the Ministry, Azad Jammu and Kashmir Council Secretariat, Islamabad, etc. for more than one time. Details are as under:

(Rs.)

S. No.	Letter date	Number of employees	Amount
1	14.10.2021	8	643,470
2	29.10.2021	64	2,116,460
3	17.02.2022	170	5,373,640
4	15.08.2022	17	1,008,320
5	09.02.2023	113	4,932,980
6	20.03.2023	20	671,530
7	16.08.2023	26	934,400
8	05.01.2024	5	151,460
9	01.11.2023	109	5,543,760
10	23.02.2024	124	3,373,797
11	16.02.2024	125	6,782,795
Total			**31,532,612**

Audit observed that the employees of the Ministry and other offices were not on the payroll of the AJ&K State Property.

Audit is of the view that payment of honorarium from the funds of Jammu and Kashmir State Property to the employees of Ministry and other offices was irregular and unauthorized.

Audit is further of the view that department sustained a loss of Rs. 31.533 million due to an extra burden on the Jammu and Kashmir State Property funds.

The management did not reply.

The PAO and the audited formation were informed on 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends discontinuation of this irregular/ongoing practice beside fixing of responsibility on the person(s) at fault.

15.5.11 Payment of pension without approved Rules/Regulations - Rs. 58.232 million

Section 10 of the J&K State Property Ordinance, 1961 regarding utilization of amount of rent or lease states that:

2) All necessary expenditure on the management, maintenance and improvement of, additions to, and alterations in, the property shall be debitable to the said account.

3) The amount of rent or lease money of other dues of the property may be utilized for the following purposes, namely: -

   a) Grant of stipends or financial assistance as well as electronic devices to the students from the State of Jammu and Kashmir.
   b) For purposes connected with the furtherance of the objects of the Kashmir Liberation Movement.

There is no provision of payment of pension to the employees of Jammu and Kashmir State Property in the J&K State Property Ordinance, 1961.

The Administrator, Jammu and Kashmir State Property, Lahore incurred an expenditure of Rs. 58.232 million on the payment of pension to the retired employees during the financial years 2022-23 and 2023-24.

Audit observed that the payment of pension was made from the Jammu and Kashmir State Property funds without any provision in the J&K Ordinance, 1961.

Audit is of the view that the payment of pension/commutation without any provision in the Ordinance was irregular and unauthorized.

Audit is further of the view that incurrence of expenditure out of the funds of Jammu and Kashmir State Property on other than the specified purposes of the Ordinance was unlawful and extra burden on the Fund.

The management did not reply.

The PAO and the audited formation were informed on 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the payment of pension from the Jammu and Kashmir State Property Fund be stopped beside making Rules for the payment of pension.

15.5.12 Loss due to non-imposition of rent/lease of agriculture land as per market rate - Rs. 101.156 million

Section 4A (1) of the J&K State Property Ordinance, 1961 regarding procedure of raising rent states that the Administrator may review the rent periodically and may raise the same in accordance with the Clause (aa) of the Sub-Section (3) of the Section 3 of the Ordinance after holding such inquiry as he thinks fit. While raising the rent, the Administrator may take into consideration the following factors namely:

(f) In case of agricultural land, the lagan or rent of the similar land is similar condition in the locality at the time of and during the period of twelve months prior to the date of making application or notice.

The Administrator, Jammu and Kashmir State Property, Lahore possessed 925 Acres agricultural land in Sultanpura and 1,400 Acres agriculture land in Rehmanpura, Lahore.

Audit observed that:

1. The management of AJ&K has been charging the following lease money:

(Rs.)

S. No.	Period	Rate per Acre per annum
1.	1978 to 1994	78
2.	1995 to 2020	120
3.	2021 to 2024	2,000

2. As per survey of the area (certificate of rates of same vicinity by the Numberdar), rates of the agricultural land (lagan) was Rs. 40,000 to 45,000 per annum whereas, the management was collecting rent/lease @ Rs. 2,000 per Acre per annum (at Sr. No.3 above).

3. As per the current rate in the vicinity, Audit calculated a difference of Rs. 101.156 million less recovered annually:

(Rs.)

S. No.	Name of area	Rent/lease charged	Rent/lease should be	Difference
1	Rehmanpura	1,400/1,469,413	1400 x 45,000 = 63,000,000	61,530,587
2	Sultanpura	925/1,999,900	925 x 45,000 = 41,625,000	39,625,100
	Total	**3,469,313**	**104,625,000**	**101,155,687**

Audit is of the view that non-revision/enhancement of lease rates of agriculture land as per market rates by the Administrator, deprived the department from its due revenue of Rs. 101.156 million annually.

The management did not reply.

The PAO and the audited formation were informed on 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to investigate the matter to make the loss good by fixing responsibility beside placing matter before the Management Committee and enhance the rent as per market rates.

15.5.13 Loss due to non-recovery of arrears of commercial property Nos. 229 and 230, Loha Bazar, Lahore - Rs.7.239 million

Section 3C(d) of the J&K State Property Ordinance, 1961 regarding procedure of ejectment states that the Administrator may, after above notice, eject the tenant or occupant from the property and take its possession. For this purpose, Administrator may use such force as may be necessary and when required.

Section 5C of the J&K State Property Ordinance, 1961 regarding recovery of arrears states that 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, Jammu and Kashmir State Property, Lahore granted tenancy rights of its property Nos. 229 and 230 situated at Loha Bazal, Lahore to Mr. Qasim Ali vide a lease agreement dated 01.02.1956.

Audit observed that:

1. A tenant after the death of his father continued the tenancy of the subject shops without seeking the transfer of tenancy of the shops by paying rent @ Rs.17 per month.
2. The tenant claimed that the department had sold the said shops to him vide alleged Sale Offer Letter dated 01.09.1967.
3. Management is under litigation of same case for the last 48 years.
4. The legal heir is running iron business till date.
5. Department did not receive rent of Rs.7,239,384 from the illegal occupants of the shops for the period w.e.f. December, 1979 to June, 2023.
6. Management Committee issued Ejectment Notice dated 05.06.2023 to legal heir.
7. Administrator evicted the illegal occupants from the department's property with immediate effect by his Order dated 20.11.2023 and recovery of arrears of rent Rs.7,238,384 from the illegal occupant was directed.

8. Administrator directed that the Admin. Officer and Rent Collector submit the implementation report of the said Orders within 30 days.
9. The Shops Nos. 229 and 230 are still under the illegal possession of the legal heir.

Audit is of the view that non-collection of rent Rs. 7,239,384 since December, 1979 to June, 2023 from the occupants of shops Nos. 229 and 230 deprived the department from its due receipts.

Audit is further of the view that non-retrieval of shops from the illegal occupant shows weak departmental control over its properties.

The management did not reply.

The PAO and the audited formation were informed on 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to investigate the matter, fix the responsibility and recover the amount in question.

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 23.04.2019), 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 the 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.

(Rs. in million)

Sr. No.	Description	Total number	Audited	Expenditure Audited (FY 2023-24)	Revenue/Receipt Audited (FY 2023-24)
1	Formations	10	2	84.69	-
2	Assignment Accounts (Excluding FAP)	2	2	251.32	-
3	Authorities/ Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

16.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Industries and Production Division for the financial year 2023-24 was Rs. 64,067.120 million, out of which the Division expended an amount of Rs. 63,908.980 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

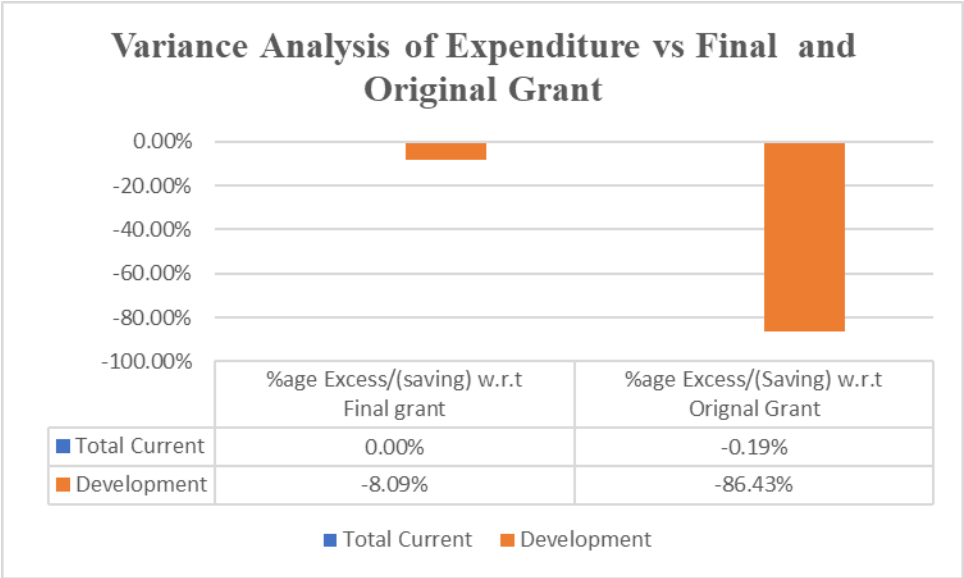
Grant Number	Type of Grant	Original Grant	Supplementary Grant	Surrender	Final Grant	Actual Expenditure	Excess / (Savings)
53	Current	62,182.40	-	(112.23)	62,070.16	62,069.65	(0.51)
54	Current	78.94	-	(1.46)	77.47	75.04	(2.43)
Total Current		**62,261.33**	**-**	**(113.70)**	**62,147.63**	**62,144.70**	**(2.94)**
131	Dev.	13,000.00	-	(11,080.51)	1,919.49	1,764.28	(155.21)
Grand total		**75,261.33**	**-**	**(11,194.21)**	**64,067.12**	**63,908.98**	**(158.14)**

Audit noted that there was an overall savings of (Rs. 158.140 million), which was due to saving in the Development grants.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 in current, development and charge expenditure, it was observed that, in case of development grant, there was -86.43% of saving w.r.t. the original grant which was finally reduced to -8.09% w.r.t. the final grant and in case of the current grant -5.11% savings was finally reduced to -3.14% saving.



16.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 3282.299 million, were raised in this report during the current audit of the **Ministry of Industries and Production**. Summary of the audit observations classified by nature is as under:

(Rs. 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	4.049

B	Procurement related irregularities	
C	Management of account with commercial banks	
D	Recovery	22.250
E	Internal Control	3,256.000
4	Value for money and service delivery	
5	Others	

16.4Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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 reimbursement of Medical Charges - Rs. 4.049 million

Finance Division's OM No. F.3(2)R-4/2011 dated 14.07.2017 states that the medical facilities for MP scale holders shall be limited to the reimbursement of medical and hospitalization charges for self, spouse and children for the treatment received at Government or Government recognized institutions in Pakistan.

The management of the EDB, Islamabad incurred an expenditure of Rs. 4,049,074 on reimbursement of medical charges in respect of the ex-CEO for treatment of his mother.

Audit observed that the medical charges were reimbursed in violation of the instructions of the Finance Division.

Audit is of the view that the reimbursements of parents' medical bills to MP scale holders in violation of the Finance Division's instructions were irregular and unauthorized.

The management did not reply.

The management explained that the ex-CEO was appointed as CEO, EDB initially w.e.f. 19.12.2019 to 2021 under the MP Scale. Whereas, he was again selected through an advertisement as CEO, EDB on 25.01.2023 as a regular CEO but not under MP Scale.

The DAC in its meeting held on 31.12.2024 directed that the case may be reviewed in the light of terms and conditions of employment signed during the appointment, proving whether the employee was under the MP I Scale or otherwise. Moreover, LED Wing in I&P Division will scrutinize and provide findings to Audit in this matter. The DAC directed that if the recruitment falls under MP I scale then recovery be initiated or otherwise.

Audit recommends that the unauthorized reimbursed amount be recovered as the officer was appointed in MP Scale and not as a regular employee for which formal terms and conditions are required to be agreed upon at the time of the appointment.

16.5.2 Non-recovery of rent from the tenant - Rs. 22.250 million

Rule 26 of GFR, Vol-1 states that it is the duty of the departmental controlling officers to see all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

The Engineering Development Board (EDB), Islamabad rented out 9,934 Sft. area of its building to the Federal Tax Ombudsman Secretariat, Islamabad @ Rs. 80 per Sft.

Audit observed that a total of Rs. 22,252,160 was outstanding on the part of the FTO Secretariat since 01.04.2022. Furthermore, the recent contract was concluded on 31.07.2023. The management of the EDB neither renewed the contract nor asked FTO to vacate the building. As a result, FTO Secretariat has been accommodated in the building without a rental contract.

Audit is of the view that non-recovery of rent dues and accommodating FTO Secretariat without renewing the contract is a lapse on the part of the management.

The management replied that out of total recovery of rent of Rs. 22.250 million, an amount of Rs. 4.680 million had been recovered and efforts were underway for recovery of the remaining amount.

The DAC in its meeting held on 31.12.2024 directed the management to expedite the recovery of rent under intimation to Audit and Ministry.

Audit recommends raising the matter at an appropriate level to ensure recovery of the outstanding rent amount, and renewing the rental contract.

16.5.3 Non-framing of the EDB Act, Accounting Procedures and Service Rules

The Engineering Development Board was set up in pursuance of the Cabinet's decision vide Ministry of Planning and Development's Notification No. 4 (37) PD/I&C/95 dated 04.10.1995.

Section 5(c) of the CGA Ordinance, 2001 states that CGA is the competent authority to approve/vet the Accounting Procedures/Manual as to prepare and maintain accounts of such organizations and authorities established/set up controlled by the Federation or Provinces as may be assigned to him by the president or, as the case may be by the Governor of a Province.

Section 5(e) of the CGA Ordinance, 2001 states that CGA should render advice on accounting procedure for new scheme, programs or activities undertaken by the Government concerned.

Audit observed that the EDB, Islamabad has been functioning without an Act, approved accounting procedures and service rules (especially matters pertaining to recruitment, discipline and conduct and promotion) for the last 28 years.

Audit is of the view that non-framing of the EDB Act, accounting procedures and service rules is a serious lapse on the part of the management, and

it renders all the decisions related to promotions and other relevant matters as irregular.

The management did not reply.

The DAC in its meeting held on 31.12.2024 directed that efforts be taken for framing/approval of the Act, Rules and Procedures. DAC further directed to get approved the EDB Act, Accounting Procedures and Service Rules from the Ministry and share with Audit.

Audit recommends framing of the EDB Act, Accounting Procedures and Service Rules on top priority and getting them approved from the competent offices beside regularization of all decisions taken/implemented in their absence.

16.5.4 Doubtful issuance of verification reports of 2 and 3 wheelers vehicles

SRO No. 496 (1)/2013 dated 12.06.2013 issued by the Ministry of Finance and Revenue states the minimum in-house assembling/manufacturing facilities required for assemblers/manufactures of vehicles are:

- Assembly line for 2 and 3 wheelers is the essential motorcycle production equipment for the motorcycle manufacturer. Assembly line is transferred sequentially by workbench during the assembly process, and components are delivered step by step according to the process. Thereby, reducing the trouble for workers to directly transfer by hand or product turnover.
- Motorcycle automatic assembly product line is a sequence of workers and machines that each perform a set of specific tasks on a product that move it closer to a finished form. Components are delivered step by step according to the process. Thereby, reducing the trouble for workers to directly transfer by hand or product turnover, which can increase productivity. The benefit of using this assembly line in the 2 and 3 wheelers production is that it allows workers to specialize at performing specific assembly, which improve running stability and can increase productivity.

Condition (ia) of SRO 656(I)/2006 dated 22.06.2006 states that the input output ratio of the items to be manufactured and total annual requirements of materials shall be determined by the Engineering Development Board (EDB).

Condition (ix) of above referred SRO states that the Chief Executive Officer of the importing company or his duly authorized officer shall furnish all the relevant information online to the EDB.

Audit observed that:

1. Management allowed different production capacities to different firms without observing the criteria, such as the consideration of frame welding shop, body paint shop, testing instruments, final assembly and storage capacity etc.
2. Management did not check the financial capacity of the different companies.
3. Imports documents were not provided to Audit.

Audit is of the view that inefficient physical verification of assembling /manufacturing facilities is a serious violation of the SRO 656/2006 dated 22.06.2006.

The management did not reply.

The DAC in its meeting held on 31.12.2024 directed the management to get the relevant record verified from Audit. It was further decided that the Audit may verify the 20% of the record as sample-based verification.

Audit recommends holding a fact-finding inquiry to fix the responsibility for issuing manufacturing certificates without due verification.

16.5.5 Failure to implement Automotive Industry Development and Export Plan 2021-26 and non-collection of data

Page 65 of the Auto Industry Development and Export Policy (AIDEP), 2012-26 states that all the Original Equipment Manufacturer (OEM) contracts which forbid or refrain exports from Pakistan, to any country, need to be renegotiated/amended to allow exports to target countries, and make Pakistan an export base, both for auto-parts and vehicles. Obligatory export of parts/vehicles by the manufacturers will be introduced under AIDEP. The OEMs shall be asked to comply with following, for export promotion, however meeting of targets earlier than schedule will be incentivized.

Financial year	Mandatory export as % of cost and freight value
2021-22	0%
2022-23	2%
2023-24	4%
2024-25	7%
2025-26	10%

It was observed during audit that;

1. No efforts have been initiated to renegotiate/amend OEM contracts that forbid or refrain exports from Pakistan.
2. Obligatory export of parts/vehicles by the manufacturers as per above mentioned percentage have not been achieved.
3. EDB does not collect any data pertaining to the obligatory exports.

Audit is of the view that the failure to implement AIDEP, 2021-26 Policy is a serious lapse on the part of the management.

The management did not reply.

The DAC in its meeting held on 31.12.2024 directed to submit the revised reply and pursue the court cases vigorously.

Audit recommends holding a fact-finding inquiry to ascertain causes of the failure of AIDEP Policy beside taking solid steps to ensure policy implementation in the future.

16.5.6 Inefficient mechanism for addressing grievances and non-collection of data from the industry

The Engineering Development Board was set up in pursuance of the Cabinet's decision vide Ministry of Planning and Development's Notification No. 4 (37) PD/I&C/95 dated 04.10.1995. Point (vii) of its TORs relate to EDB acting as a platform for "appeal for grievances" for the engineering sector.

Page 69 of the Auto Industry Development and Export Policy, 2021-26 states that the complete details of booking, delivery and reimbursement of amount to the customers will be submitted by the companies to the EDB for revalidation of

Importer of Records (IORs)/manufacturing certificates. Furthermore, in order to compensate the customer in case of delay in delivery beyond 60 days from booking, reimbursement on deposited amount to be made to the customer @ KIBOR + 3% from the date of initial booking till the date of final payment.

Audit observed that:

1. Many car manufacturing companies are not providing periodic data in respect of (r/o) booking, delivery and reimbursement of amount in a timely manner.
2. Complaints in r/o late delivery are routed from various avenues towards EDB. However, there is no mechanism in place to ensure that all such cases are disposed of in an efficient manner.
3. Late delivery of cars has been a serious issue in the recent years. However, there is no record to ascertain if it was considered at the time of revalidation of IORs/manufacturing certificates.

Audit is of the view that in the absence of an efficient data collection and grievance redressal mechanism, the EDB has failed to serve as the apex Government body for overseeing the engineering sector in the country.

The management did not reply.

The DAC in its meeting held on 31.12.2024 directed to submit the revised reply and pursue the court cases vigorously.

Audit recommends redesigning the grievance redressal mechanism and bounding car manufacturing companies to ensure timely provision of required data.

Special Audit on the accounts of Automobile Policy implemented by the Engineering Development Board

16.5.7 Non-verification of data provided by the automobile companies relating to the reimbursement of KIBOR+3% - Rs. 3.256 billion

Para 2(xivb) of the SRO 656(I)/2006 dated 22.06.2006 (Amended up to 30.06.2021) states that the importer-cum-assembler or OEM shall pay KIBOR plus three percent per annum to the customer against late delivery exceeding 60 days of

the initial booking on the whole of the deposited amount. Statement/details of reimbursement @ KIBOR+3% against deliveries beyond 60 days shall be submitted to the EDB or IOCO bi-annually.

The management of the Engineering Development Board (EDB), Islamabad provided data relating to reimbursement of KIBOR+3% payments amounting to Rs 3.256 billion by eight (08) automobile companies/assemblers to 86,964 customers who were delivered vehicles late after the delivery date, as under:

S. No.	Assembler	Number of bookings	Delivered in time	Late deliveries	Amount paid (Rs.)
1	M/s Honda Atlas Cars	NA	NA	10,241	265,260,833
2	M/s Hyundai Nishat Motors	NA	NA	6,724	448,081,056
3	M/s Master Changan Motors Ltd.	NA	NA	NA	27,108,707
4	M/s Indus Motor Co.	NA	NA	13,630	402,141,648
5	M/s Kia Lucky Motors Pakistan Ltd.	NA	NA	3,452	80,927,244
6	M/s Pak Suzuki Motor Co.	NA	NA	33,847	728,463,868
7	M/s AL HAJ Automotive PVT. Ltd.	NA	NA	290	6,221,839
8	M/s Regal Automobile Industries	NA	NA	16	524,636
9	M/s United Motor	291	291	0	-
10	M/s Sazgar Engineering Works	162	162	0	-
11	M/s Gandhara Nissan Ltd.	622	622	0	-
12	M/s Al-Haaj FAW Motors PVT. Ltd.	NA	NA	0	-
Sub total (November, 21 - April, 22)				**68,200**	**1,958,729,831**
1	M/s Indus Motor Co.	NA	NA	14,427	1,222,557,764
2	M/s Honda Atlas Cars	NA	NA	4,337	74,869,186
Sub total (May, 2022 - October, 2022)				**18,764**	**1,297,426,950**
Grand total				**86,964**	**3,256,156,781**

Audit observed that data relating to reimbursement on account of KIBOR+3% payments was not verified/validated by the EDB management to check the authenticity and accuracy of the amounts reimbursed to customers viz-a-viz delayed delivery period and rate of interest applied by the companies. Furthermore, the amount paid/reimbursed by the automobile companies/ assemblers was not verified from the customers (Even on sample basis).

Audit is of the view that the non-verification of the authenticity and accuracy of the amount reimbursed was an open/glaring lapse on the part of the EDB management.

The management replied that the Auto Industry Development and Export Policy (AIDEP) 2021-26 provides the governing framework for regulating the automotive sector in Pakistan. Section 9.1 of the Policy covers Consumer Welfare which states that the complete details of booking, delivery and reimbursement of amount to the customers will be submitted by the companies to the EDB for revalidation of IORs/manufacturing certificates. Furthermore, the OEMs will submit data of bookings and deliveries online to the EDB for traceability.

As per the above Policy guidelines, the EDB collects this data from OEMs on six monthly basis and compliance to this form one of the bases for revalidation of IORs/Manufacturing Certificates.

There were 86,964 cases of late delivery from 8 OEMs for the period of November, 2021 to October, 2022. Verification and acknowledgment from the customers are practically not possible with the current manual system and shortage of manpower with the EDB. However, as has also been stipulated in the Policy, EDB has developed an Online Booking System through which the OEMs will submit data of bookings and deliveries online to the EDB for traceability. This is in the final stages of implementation. The EDB has also recommended that the online submission of data may be included as a prerequisite in the SRO 656(I)2006, which governs vehicle manufacturing, so that it can be institutionalized.

Presently, the data provided by the OEMs is validated through the customer complaints received at the EDB from different channels including the Prime Minister Portal (PMDU), Federal Ombudsman (Wafaqi Mohtasib), Prime Minister Office, President Office, National Assembly, Senate, Ministries, etc. on regular basis. These complaints are first verified from the available data and OEMs are contacted to provide the justification. In most of the cases, the issues are resolved.

The management has accepted the audit observation relating to non-verification of the authenticity and accuracy of the amount(s) paid/reimbursed by the automobile companies/assemblers.

The PAO and the audited formation were informed on 16.06.2023 and 20.05.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the EDB needs to devise a mechanism of verification of the authenticity and accuracy of the amounts reimbursed. Further, the reimbursements made by the automobile companies/assemblers be verified by the EDB beside acknowledgement from the customers.

16.5.8 Different markup rates reimbursed by the automobile assemblers to the customers

Para 2(xivb) of the SRO 656(I)/2006 dated 22.06.2006 (Amended up to 30.06.2021) states that the importer-cum-assembler or OEM shall pay KIBOR plus three percent per annum to the customer against late delivery exceeding 60 days of initial booking on the whole of the deposited amount. Statement/details of the reimbursement @ KIBOR+3% against deliveries beyond 60 days shall be submitted to the EDB or IOCO bi-annually.

As per data provided by the Engineering Development Board (EDB), Islamabad, eight (08) automobile companies/assemblers reimbursed Rs 3.256 billion to 86,964 customers who were delivered vehicles late after the delivery date for the period 2021-22.

Audit observed that the different automobile assemblers/companies calculated/worked out the amount(s) of markup reimbursable to the customers on different rates (For the same period). The discount rate(s) applied different companies for the same period (On the date of booking/date of invoice/date of delivery) did not match with one another.

Audit is of the view that the reimbursement of markup at different rate(s) for the same periods, questions the authenticity of calculations and payment of the markup paid to the customers.

The management replied that to address the issue of delayed delivery of vehicles, the Government tied the local vehicle manufacturers under the Automotive Development Policy, 2016-21 to provide vehicles to the consumers within 60 days from the date of booking of vehicle and any delay beyond 60 days may result in a penalty of late delivery charges. To ensure consumer welfare and

further restrict local vehicle manufacturers, the Government in Budget 2021-22 increased the penalty from KIBOR+2% to KIBOR+3% in addition to enforcement of the said condition through the related SRO 837 dated 30.06.2021.

Auto Development Policy, 2016-21 was announced in 2016 which created competition in the local market and resulted in start of assembly operations of cars and SUVs by the Korean Brands (KIA and Hyundai), Chinese Brands (Master Motors, United Motors, Sazgar Engineering and Regal Automobile) and Malaysian Brand (Proton) etc.

The OEMs which established operations under the ADP, 2016-21 signed agreements with the Government of Pakistan that state that the First Party or New Investor shall invest in the Automotive Sector of Pakistan as per Investment/Business Plan and duly comply with the conditions of the ADP, 2016-21 and other related SROs, Rules and Regulations i.e. SRO 656(I)/2006, SRO 693(I)/2006, SRO 655(I)/2006 as of date of signing of the Agreement. Based on this Clause, the new entrant OEMs are of the viewpoint that applicable SROs, duties taxes will remain frozen in their cases for a period of 5 years, in line with the committed incentive period by the Government. It is also apprised that the shareholders of their partners are foreign entities which have made the foreign direct investment (FDI) in the country and breach of contract may not leave good impression on the foreign investors.

Summarizing above, the new entrants under the ADP, 2016-21 are paying late delivery charges at the rate of Kibor+2% as per their investment agreements with the Government of Pakistan and the previously operating OEMs are paying at Kibor+3% as per SRO 837 dated 30.06.2021.

The reply was not accepted as the data of three major automobile assemblers/companies (Honda, Toyota and Suzuki) was compared, and it was revealed that different markup rates were applied for the same dates of bookings by these assemblers/companies.

The PAO and the audited formation were informed on 16.06.2023 and 20.05.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that markup rate on delayed delivery be paid at a uniform and actual rate applicable for the same period.

16.5.9 Non-booking of vehicles/cars at 20% of the MRP

Section 9.1 (Consumer Welfare) of the Auto Industry Development and Export Policy, 2021-26 states that in order to avoid delays in delivery and access to information by the customer, all the car manufacturing companies will display booking status and tentative delivery period online on respective websites. This will increase visibility, and status of booking, to the customer. In addition, the booking of a car, SUV, Van and LCV will be done on partial payment. The amount of partial payment by the company from the customer will not exceed 20% for the MRP.

The management of the Engineering Development Board (EDB), Islamabad was responsible for the implementation of the policy regarding booking of a car, SUV, Van and LCV on partial payment, not exceeding 20% for the MRP.

Audit observed that the policy regarding booking of a car, SUV, Van and LCV on partial payment, not exceeding 20% for the MRP was not adopted by the car manufacturers/assemblers.

Audit is of the view that the non-implementation of the policy regarding booking of vehicles on partial payment, not exceeding 20% of the MRP is a violation of the provisions of the Auto Industry Development and Export Policy, 2021-26 and one of the customer welfare measures was not extended to the customer(s).

The management replied that the auto industry had submitted their rationale vide a Letter dated 10.01.2023. The Pakistan Automotive Manufacturers Associations (PAMA) rationale on the said guidelines is that the members strictly follow vehicle booking based on partial payment. However, there are certain customers who book their vehicles through banking channels and due to banking procedures, they are restrained from booking the vehicle by making partial payment and are restricted to book the same at full payment. Their voluntary willingness is being recorded through an undertaking statements duly signed by the customer. Fixing 20% partial booking amount is not advised in the SRO 656 that is being regarded as its legal instrument for policy implementation. We trust partial booking procedure is pro investor and therefore, it should not be made mandatory. Each should have option to fix the booking amount based on market dynamics and competition.

In case, the delivery is within the stipulated time i.e. 60 days, the companies take the payment as per the contract agreement. Furthermore, the under-implementation Online Booking System through which the OEMs will submit data of bookings and deliveries online to the EDB for traceability is in the final stages of implementation, the implementation of which will enable the EDB to better track the booking process of OEMs and easily identify violations, if any. The EDB has also proposed that the amount/percentage of upfront payment may be notified in the financial budget 2023-24 as an essential part of the SRO 656 (I), 2006. A significant progress has been achieved on development of the said system.

The management has accepted the audit observation.

The PAO and the audited formation were informed on 16.06.2023 and 20.05.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends implementation of the Auto Industry Development and Export Policy, 2021-26 in true letter and spirit.

16.5.10 Non-implementation of the Consumer Welfare Measure i.e. reimbursement @ KIBOR+2% in case of delayed deliveries under the ADP, 2016-21

In terms of Section 2.1.4 of the Automotive Development Policy (ADP), 2016-21, the salient features of ADP, 2016-21 included Consumer Welfare i.e. reimbursement @ KIBOR+2% in case of delayed deliveries.

The management of the Engineering Development Board (EDB), Islamabad was responsible for implementation of the consumer welfare measures i.e. reimbursement @ KIBOR+2% in case of delayed deliveries under the Automotive Development Policy (ADP, 2016-21).

Audit observed that the reimbursement @ KIBOR+2% in cases of delayed deliveries under the Automotive Development Policy, (ADP) 2016-21 were not made by the manufacturers/assemblers of the vehicles.

Audit is of the view that non-implementation of the Consumer Welfare Measure is a violation of the ADP, 2016-21 on one hand and deprived the consumer from the benefits of the opportunity cost on the other hand.

The management replied that to address the issue of delayed delivery of the vehicles, the Government bound the local vehicle manufacturers under the Automotive Development Policy, 2016-21 to provide vehicles to the consumers within 60 days from the date of booking of vehicle and any delay beyond 60 days may result in a penalty of late delivery charges. Some of the OEMs like Toyota and Honda paid reimbursement to customers in compliance to the policy. The other OEMs like Pak. Suzuki do not comply with the Policy, with a stance that the Policy is a guideline document and not legally binding on companies as they are regulated through the relevant SROs.

To resolve the above anomaly, ensure consumer welfare and further restrict local vehicle manufacturers, the Government in Budget 2021-22, ensured its enforcement through the SRO 837 dated 30.06.2021 under which the said payment has been made an integral part of the law.

The companies are paying reimbursement to the customers thereafter, the details of which have also been submitted periodically to forums like the National Assembly of Pakistan, Senate Standing Committee on Industries and Production, Office of the Federal Ombudsman and Ministry of Industries and Production. Furthermore, the development of online system for data reporting by the OEMs to EDB will streamline the process.

The management has accepted the audit observation. However, the management did not provide data/record relating to reimbursements of markup paid by some assemblers as management claimed in the reply.

The PAO and the audited formation were informed on 16.06.2023 and 20.05.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends fixing of responsibility for non-implementation of the provision of approved ADP, 2016-21 beside reimbursements to the consumers who were delivered vehicles late.

16.5.11 Non-carrying out comprehensive exercise by the EDB for elimination of import of parts and components through illegal channels

Section 7 (Promotion of Local Part Manufacturing) of the Auto Industry Development and Export Policy (AIDEP), 2021-26 states that the EDB will carry out a comprehensive exercise for elimination of import of parts and components through illegal channels. This will facilitate shifting of part manufacturing to local industry.

The management of the Engineering Development Board (EDB), Islamabad was required to carry out a comprehensive exercise for elimination of import of parts and components through illegal channels.

Audit observed that the EDB management did not carry out a comprehensive exercise for elimination of import of parts and components through illegal channels.

Audit is of the view that non-carrying out a comprehensive exercise for elimination of import of parts and components through illegal channels is a violation of the provisions of the AIDEP, 2021-26.

Audit is also of the view that the import of vehicles' components through grey channel imports are affecting the local manufacturing of parts and components.

The management replied that the observation of Audit was valid. The exercise could not be carried out till date because of the stressed economic situation due to which imports were restricted in any case. This activity cannot be solely carried out by the EDB but needs active participation from the FBR, Customs, Commerce, National Tariff Commission, etc. However, as advised by the Audit, FBR will be approached for remedial measures for elimination of import of parts and components through illegal channels.

The management has accepted that the audit observation.

The PAO and the audited formation were informed on 16.06.2023 and 20.05.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends implementation of provisions of the AIDEP 2021-26 at the earliest.

16.5.12 Inclusion/exclusion of components in CKD kits of vehicles without approval of the EDB Board

Para 1(a) of the SRO 656(I)/2006 dated 22.06.2006 (Amended up to 30.06.2021) states that in exercise of the powers conferred by the Section 19 of the Customs Act, 1969 (IV of 1969), the Federal Government is pleased to exempt, namely components (Which include sub-components, components, sub-assemblies and assemblies but exclude consumables) mentioned in the Column (3) of the Table I below, imported in any kit form, and direct materials for assembly or manufacture of vehicles falling under the Pakistan Customs Tariff (PCT) Code of the Chapter 87 as mentioned in the Column (2) of the Table I, from so much of customs duty as specified in the First Schedule to the said Act, as is in excess of the rates specified in Column (4) of the Table I, subject to the general conditions (i) to (xiv) in Paragraph 2.

Para 2(iii) of the SRO 656(I)/2006 dated 22.06.2006 (Amended up to 30.06.2021) states that the importer-cum-assembler or manufacturer shall submit hard and soft copy of list of components with parts numbers along with respective PCT headings intended to be imported by him to the EDB or IOCO as per 'Annex-B'. The description of components and their parts numbers shall be in accordance with that given in the Service Manual/Parts Catalogue of the vehicles. The EDB or IOCO shall verify the list of components identified as aforesaid by the importer on the lists and determine the CKD kit of each vehicle in accordance with the terms set out in the First Schedule of the Customs Act, 1969, and update the Customs Computerized System. The Customs department will release the consignments of components for assembly or manufacture of vehicles on the basis of lists (Part number and description) verified by EDB; or IOCO.

The management of the Engineering Development Board (EDB), Islamabad determined the CKD kits of the vehicles to be assembled by the cars'/vehicles' manufacturers/assemblers' companies of Pakistan.

Audit observed that the components identified for inclusion/exclusion in the CKD kits of vehicles were determined and approved by the officers of the EDB without obtaining approval of the EDB Board.

Audit is of the view that inclusion/exclusion of components in the CKD kits of vehicles determined and approved by the officers of the EDB without obtaining approval of the EDB Board was irregular and unauthorized.

The management replied that the inclusion/exclusion of components in the CKD Kit of vehicles was a routine matter and activities were carried out on regular basis. The routine and daily matters are not taken to the Board of Management. Such matters have been reported to the Board of Management previously wherein, BOM decided that the routine matters may be dealt by the EDB itself, and EDB Board may be approached for the policy matters only. It is further clarified that the Board of Management has delegated its powers to the CEO, EDB and the approval of inclusion or exclusion of parts from the CKD quota, if any, is approved by the CEO, EDB.

The reply was not accepted as inclusion of components in the CKD Kits of vehicles cannot be termed as a routine matter because it involves reduction in the Customs Duty/taxes on imports and vice versa.

The PAO and the audited formation were informed on 16.06.2023 and 20.05.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends inclusion/exclusion of components in the CKD kits of vehicles only after obtaining approval of the EDB Board.

CHAPTER 17

INFORMATION AND BROADCASTING DIVISION

17.1 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 23.04.2019), 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 the 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 the 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 the selection of Press Officers for posting in the 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.

ATTACHED DEPARTMENTS/AUTONOMOUS BODIES

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.

(Rs. in million)

Sr. No.	Description	Total number	Audited	Expenditure Audited (FY 2023-24)	Revenue/Receipt Audited (FY 2023-24)
1	Formations	68	3	9,654.42	-
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities/ Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

17.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Information and Broadcasting Division for the financial year 2023-24 was Rs. 17,820.78 million, out of which the Division

expended an amount of Rs. 17,698.00 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

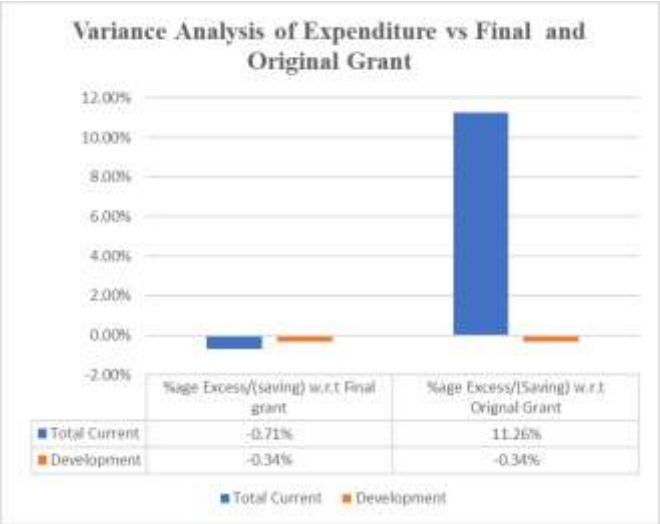
Grant Number	Type of Grant	Original Grant	Supplementary Grant	Surrender	Final Grant	Actual Expenditure	Excess/ (Savings)
55	Current	4,768.00	1,811.50	-	6,579.50	6,483.69	(95.81)
56	Current	10,259.95	-	-	10,259.95	10,236.27	(23.68)
Total Current		**15,027.95**	**1,811.50**	**-**	**16,839.45**	**16,719.95**	**(119.49)**
111	Dev.	981.34	-	-	981.34	978.05	(3.29)
Grand total		**16,009.28**	**1,811.50**	**-**	**17,820.78**	**17,698.00**	**(122.78)**

Audit noted that there was an overall excess of (Rs. 122.78 million), which was mainly due to excess in the current grants.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 in the current, development and charge expenditure, it was observed that, in case of development grant, there was -0.34% of saving w.r.t. the original grant and final grant and in case of the current grant, 11.26% excess was finally reduced to -0.71% savings.



17.3Classified Summary of Audit Observations

Audit observations, amounting to Rs. 3850.634 million, were raised in this report during the current audit of the **Information And Broadcasting Division**. Summary of the audit observations classified by nature is as under:

(Rs. 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	3,606.68
E	Internal Control	243.95
4	Value for money and service delivery	
5	Others	

17.4Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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	-
2023-24	7	0	0	7	-
Total	**130**	**38**	**8**	**122**	-

17.5AUDIT PARAS

Pakistan Information Commission (PIC)

17.5.1 Non-preparation/non-approval of Service and Financial Rules to carry out operations

As per Clause 26 of the Right of Access to Information Act, 2017, the Federal Government may, by Notification in the official gazette and within one hundred and twenty days from the commencement of this Act, make rules for carrying out the purposes of this Act.

Section 5(e) of the Controller General of Accounts (Appointment, Functions and Powers) Ordinance, 2001 states that the CGA should render advice on accounting procedure for new schemes, programs or activities undertaken by the Government concerned.

Section 5(c) of the Controller General of Accounts (Appointment, Functions and Powers) Ordinance, 2001 states that the CGA is competent to approve/vet the Accounting Procedures/Manual as to prepare and maintain accounts of such organizations and authorities established/set up and controlled by the Federation or Provinces as may be assigned to him by the President or, as the case may be the Governor of a Province.

The Pakistan Information Commission, Islamabad was established in 2017 and the management did not prepare/formulate Service and Financial Rules to carry out operational objectives since inception.

Audit observed that despite lapse of considerable time, the Commission failed to frame Service and Financial Rules to carry out operational objectives of the Commission since its establishment.

Audit is of the view that failure of the management to frame Service and Financial Rules is a violation of the provisions of the Act. Besides, in the absence of these rules, chances of lapses and irregularities cannot be ruled out.

The management replied that the Pakistan Information Commission had already submitted the draft rules to the MOIB for submission to various departments for vetting. The process is underway and will be finalized soon.

DAC in its meeting held on 23.01.2025 directed the management to frame the Service and Financial Rules and get these approved from the Establishment and Finance Division.

Audit recommends that the decision of the DAC may be implemented.

Pakistan Electronic Media Regulatory Authority (PEMRA)

17.5.2 Non-collection of the outstanding license fees - Rs. 62.674 million

Section 29B of the Pakistan Electronic Media Regulatory Authority (Amendment) Act, 2023 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 the Pakistan Electronic Media Regulatory Authority (PEMRA), Islamabad provided details of recoverable/receivable dues amounting to Rs. 62,673,751 as on 30.06.2024, as per following details:

(Rs.)

S. No.	Heads	Amount
1	Cable TV	45,763,751
2	Satellite TV	12,050,000
3	FM Radio	1,220,000
4	Landing Rights	3,640,000
Total		**62,673,751**

Audit observed that the PEMRA management did not recover the outstanding dues in violation of the Section 29B of the Pakistan Electronic Media Regulatory Authority (Amendment) Act, 2023.

Audit is of the view that the non-recovery/collection of outstanding fees is a lapse on the part of the PEMRA management which deprived the Authority/Government from its due receipts.

The management did not reply.

The PAO and the audited formation were informed on 10.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends strengthening of the recovery system beside recovery of the outstanding dues at the earliest.

17.5.3 Non-recovery of outstanding dues from the licensee of Direct-To-Home Distribution Service - Rs 3.495 billion

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 10.000 million to the PEMRA. A late payment fee @ 5% per month, up to a maximum of 15% for the late payment of fixed annual fee shall be payable.

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 the grant of the license.

The management of the Pakistan Electronic Media Regulatory Authority (PEMRA), Islamabad held a bidding process for award of three DTH licensees in November, 2016. M/s Shahzad Sky Pvt. (Ltd.), Islamabad, one of the successful bidders with a bid price of Rs. 4,898,000,000 was issued the DTH license on 11.02.2019. The successful bidder deposited 50% of the Applicable License Fee (ALF) amounting to Rs. 2,449,000,000 and the balance 50% was payable in ten (10) equal installments along with interest @ KIBOR on remaining/outstanding amount.

Audit observed that the licensee i.e. M/s Shahzad Sky Pvt. (Ltd.), Islamabad did not pay the outstanding dues amounting to Rs. 3,495,322,977 to the PEMRA as on 30.06.2024, as per following details:

(Rs.)

S. No.	Description	Amount
01	Fixed annual fee payable on or before 10.02.2020	10,000,000
02	Fixed annual fee payable on or before 10.02.2021	10,000,000
03	Fixed annual fee payable on or before 10.02.2022	10,000,000
04	Fixed annual fee payable on or before 10.02.2023	10,000,000
05	Fixed annual fee payable on or before 10.02.2024	10,000,000
Sub-total		**50,000,000**
01	Late payment fee/surcharge on annual fee for the year 2020	1,500,000
02	Late payment fee/surcharge on annual fee for the year 2021	1,500,000
03	Late payment fee/surcharge on annual fee for the year 2022	1,500,000
04	Late payment fee/surcharge on annual fee for the year 2023	1,500,000
05	Late payment fee/surcharge on annual fee for the year 2024	1,500,000
Sub-total		**7,500,000**
01	1/10th of ALF (First installment for the year 2020)	244,900,000
02	1/10th of ALF (First installment for the year 2021)	244,900,000
03	1/10th of ALF (First installment for the year 2022)	244,900,000
04	1/10th of ALF (First installment for the year 2023)	244,900,000
05	1/10th of ALF (First installment for the year 2024)	244,900,000
Sub-total		**1,224,500,000**
01	Interest (Based on KIBOR) from 12.02.2019 to 30.06.2024	2,213,322,977
Total		**3,495,322,977**

Audit further observed that the population of the country was deprived from the DTH services.

Audit is of the view that non-realization of the outstanding dues from the licensee was a very serious lapse on the part of the PEMRA management which deprived the Authority/Government of Pakistan from its due receipts amounting to Rs. 3,495,322,977 million in due course of time.

Audit is also of the view that non-availability/provision of the DTH services to the Pakistani population is a failure on the part of the PEMRA.

The management did not reply.

The PAO and the audited formation were informed on 10.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends early recovery of the outstanding dues from the licensee beside provision/availability of the DTH services to the Pakistani population at the earliest.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 12.5.6 having financial impact of Rs. 1,103.397 million. Recurrence of same irregularity is a matter of serious concern.

17.5.4 Loss due to delay in the grant of various licenses to the provisionally successful bidders - Rs. 243.950 million

Section 22 of the Pakistan Electronic Media Regulatory Authority Ordinance, 2002 as amended vide PEMRA (Amendment) Act, 2023 states that the Authority shall take decision on the application for a license within one hundred days from the receipt of the application.

Rule 9(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.

The Islamabad High Court in its decision dated 02.05.2023, in the Writ Petition No. 2225/ 2022, declared the Rule 9(5) of the PEMRA Rules, 2009 ultra vires.

The management of the Pakistan Electronic Media Regulatory Authority (PEMRA), Islamabad awarded provisional Licenses to the five (05) successful bidders (4 licenses to the provisionally successful bidders on 03.05.2019 and 01 license to a provisionally successful bidder on 11.10.2018) amounting to Rs. 287.000 million. The earnest money @ 15% of the total bid price amounting to Rs. 43.050 million was retained by the PEMRA from these five (05) successful bidders, as per following details:

(Rs.)

S. No.	Company name	Category	Bid price	15% ALF (EM) paid	85% ALF balance
1	M/s Media Able (Pvt.) Ltd.	Regional Language	102,000,000	15,300,000	86,700,000
2	M/s S&F (Pvt.) Ltd.	Agriculture	52,000,000	7,800,000	44,200,000
3	M/s Strawberry Sports Management (Pvt.) Ltd.	Sports	42,500,000	6,375,000	36,125,000

4	M/s S&F (Pvt.) Ltd.	Health	42,000,000	6,300,000	35,700,000
5	M/s Bol Enterprises (Pvt.) Ltd., Karachi	Entertainment	48,500,000	7,275,000	41,225,000
Toting			**287,000,000**	**43,050,000**	**243,950,000**

Audit observed that:

1. The five (05) selected/successful bidders were not granted licenses despite lapse of more than five (05) years in violation of the Section 22 of the PEMRA Ordinance, 2002 as amended by the PEMRA (Amendment) Act, 2023 and decision of the Islamabad High Court dated 02.05.2023.
2. The public exchequer was deprived from the remaining 85% of the Applicable License Fee (ALF) revenue amounting to Rs. 243.950 million, resulted in loss, due to alleged non-clearance of the security by the Ministry of Interior.
3. Grant of a license could not be pended for an indefinite period of time.

Audit is of the view that non-grant of licenses is a violation of the provisions of the PEMRA Ordinance, 2002 and the decision of the Islamabad High Court dated 02.05.2023 which was a serious lapse on the part of the PEMRA management.

Audit is also of the view that non-grant of license resulted in a loss to the public exchequer.

The management did not reply.

The PAO and the audited formation were informed on 10.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends issuance/award of licenses to the successful bidders at the earliest. Besides the due amount be recovered.

17.5.5 Issuance of fresh license without digitalization of existing analog distribution system

Serial No. 43 of item No. 9 of the Minutes of the 155th PEMRA Authority meeting held on 28.02.2020 states that as per agreement with the International Telecommunication Union (ITU), all the cable operators in Pakistan have to shift from analog to digital.

The management of the Pakistan Electronic Media Regulatory Authority (PEMRA), Islamabad issued 3,749 Cable TV (CTV) licenses since inception in different categories of CTV.

Audit observed that:

1. The existing analogue Cable TV system does not have the capacity to carry more than 70 channels.
2. Out of 3,749 Cable TV Networks, only 20 % of the total CTVs have been digitalized.
3. Issuance of licenses to more Cable TV Networks without the capacity of the digital Cable TV Networks to carry them, may lead to illegal charges of extra carriage fee from the licensees by the cable operators.

Audit is of the view that the non-fulfillment of agreement with the ITU and issuance of new licenses to the TV Channels without the capacity of digital Cable TV Networks for their distribution, was irregular and unjustified.

The management did not reply.

The PAO and the audited formation were informed on 10.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends implementation of the provisions of the agreement with the ITU and enforce shifting of Cable TV networks from analog to digital at the earliest.

17.5.6 Non-recovery of fines imposed by the PEMRA on various licensees - Rs. 15.900 million

Rule 5 of the Pakistan Electronic Media Regulatory Authority (PEMRA) Rules, 2009 states that the license shall be granted for a period of five, ten or fifteen-years subject to the payment of fee as set out in the Schedule B.

Rule 8(2) of the Pakistan Electronic Media Regulatory Authority (PEMRA) Rules, 2009 states that every licensee shall follow the specified timeline relating to the payment of any dues of the Authority.

Section 29(A) of the Pakistan Electronic Media Regulatory Authority Ordinance, 2002 as amended vide PEMRA (Amendment) Act, 2007 states that the Authority may, after the licensee has been given a 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 thereunder.

The Pakistan Electronic Media Regulatory Authority (PEMRA) imposed fines amounting to Rs. 15,900,000 on various licensees during the financial year 2023-24.

Audit observed that the PEMRA management did not recover the imposed fines from the licensees.

Audit is of the view that non-recovery of fines is a lapse on the part of the PEMRA management which deprived the Authority/Government from its due receipts.

The management did not reply.

The PAO and the audited formation were informed on 10.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends discontinuation of the irregular practice beside recovery of the imposed fines at the earliest.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide para number 18.5.4 having financial impact of Rs. 24.350 million. Recurrence of same irregularity is a matter of serious concern.

17.5.7 Non-depositing of taxes withheld from the suppliers and employees - Rs. 33.110 million

Rule 7(i) of the FTR states that all moneys received by or tendered to Government officers on account of the revenues of the Federal Government shall without undue delay be paid in full into a treasury or into the Bank, and shall be included in the Federal Consolidated Fund of the Federal Government.

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

The Pakistan Electronic Media Regulatory Authority (PEMRA), Islamabad is a withholding agent under Sections 149, 152, 153 and 155 of the Income Tax Ordinance, 2001 and the Sales Tax Act, 1990.

The management of the Pakistan Electronic Media Regulatory Authority (PEMRA), Islamabad deducted and withheld an amount of Rs. 33,109,610 under Sections 149, 152 and 153 of the Income Tax Ordinance, 2001 and under the Sale Tax Act, 1990 being withholding agent, as per the following details:

(Rs.)

S. No.	Deductions made under Section(s)	Amount
1	149-Income Tax on Salaries	27,049,784
2	153-Income Tax (Payment against Supplies and Services)	5,328,027
3	155-Income Tax (Income from Property)	343,345
4	GST withheld (20% under Sale Tax Act, 1990)	388,454
Total		**33,109,610**

Audit observed that the PEMRA management did not deposit the withheld taxes amounting to Rs. 33,109,610 in the Federal Consolidated Fund (FCF) within 15 days after closing the month in which the amount was withheld.

Audit is of the view that non-depositing of withheld taxes deprived the Government from its due receipts beside gross negligence on the part of the PEMRA management.

The management did not reply.

The PAO and the audited formation were informed on 10.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends deposit of the withheld taxes in the Government account at the earliest beside discontinuation of the irregular practice.

CHAPTER 18

MINISTRY OF INTER-PROVINCIAL COORDINATION

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 23.04.2019), 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 the Federally Administered Tribal Areas for admission to the Medical College.
10. Legislation covering all aspects of sports affairs and matters ancillary thereto.
11. Administrative control of the Board established for the promotion and development of sports under the Sports (Development and Control) Ordinance, 1962.
12. Pakistan Sports Board (PSB).
13. Dealing and agreements with other countries and international organizations in matters relating to the Youth Exchange Programs (External).
14. National Internship Program.

15. National Volunteer Movement.
16. Paralympics.
17. Gun and Country Club.
18. Federal Land Commission.
19. International Organizations and agreements relating to tourism.

ATTACHED DEPARTMENTS/AUTONOMOUS BODIES

i. Department of Tourist Services in Islamabad.
ii. Pakistan Sports Board.
iii. Guns and Country Club
iv. Pakistan Veterinary Medical Council, Islamabad.

(Rs. in million)

Sr. No.	Description	Total number	Audited	Expenditure Audited (FY-2023-24)	Revenue/Receipt Audited (FY 2023-24)
1	Formations	25	6	14,965.54	21,431.38
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities/ Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

18.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Inter-Provincial Coordination Division for the financial year 2023-24 was Rs. 3,336.240 million, out of which the Division expended an amount of Rs. 3,314.090 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

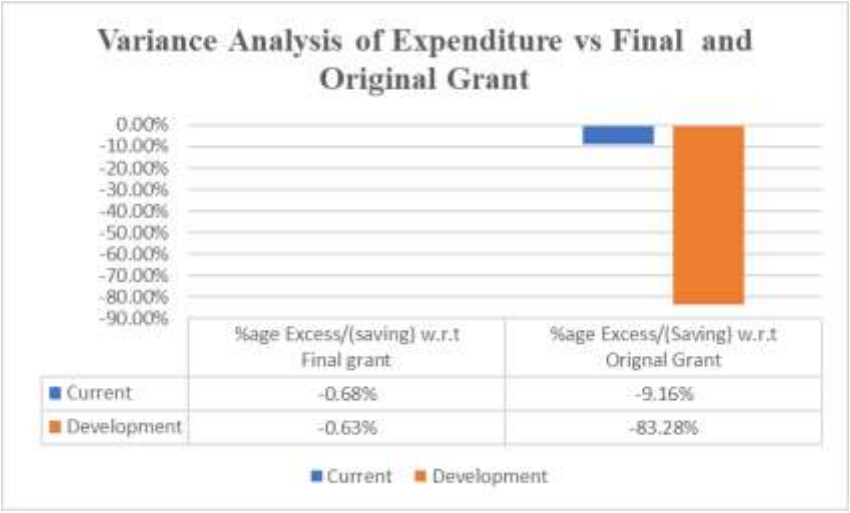
Grant Numb-er	Type of Grant	Original Grant	Supplementary Grant	Surrender	Final Grant	Actual Expenditure	Excess/ (Savings)
63	Current	2,378.00	100.00	(303.03)	2,174.96	2,160.17	(14.79)
114	Development	6,900.00	-	(5,738.73)	1,161.27	1,153.92	(7.35)
	Grand Total	**9,278.00**	**100.00**	**(6,041.76)**	**3,336.24**	**3,314.09**	**(22.14)**

Audit noted that there was an overall savings of (Rs. 22.140 million), which was mainly due to saving in both the grants.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 in the current and development expenditure, it was observed that, in case of the development grant, there was -83.28% of the saving w.r.t. the original grant which was finally reduced to -0.63% w.r.t. the final grant and in case of the current grant, -9.16% saving was finally reduced to -0.68%.



18.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 2,123.003 million, were raised in this report during the current audit of the **Ministry of Inter-Provincial Coordination**. Summary of the audit observations classified by nature is as under:

(Rs. 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	45.803
B	Procurement related irregularities	926.188
C	Management of account with commercial banks	
D	Recovery	402.234
E	Internal Control	664.529
4	Value for money and service delivery	
5	Others	84.249

18.4Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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	-
2023-24	28	0	0	28	-
Total	**211**	**30**	**7**	**204**	-

18.5 AUDIT PARAS

Gun and Country Club, Islamabad

18.5.1 Irregular grant of honorarium and salary to the IPC officers - Rs. 6.557 million

Para 71 (a) of the Civil Service Regulations, 2018 states that unless in any particular case it be otherwise distinctly provided, the whole time of a public officer must be held to be paid for by the State, and he may be employed in any manner required by proper authority within his own branch of duty, without claim for additional remuneration.

Finance Division's SRO (1)2013 dated 27.11.2013 states that the allowance, fee, honorarium, etc. in excess of six hundred thousand rupees per annum received by a civil servant as member of the Board of Directors of any one or more statutory corporations, companies, autonomous bodies, institutions, societies etc. whether fully or partially owned or controlled by the Federal Government, shall be credited to the general revenue.

It was observed during audit that the management of GCC paid Rs. 6,557,938 in terms of recurring honorarium and salaries to the different officers of the Inter-Provincial Coordination Division in violation of the above referred Regulation and Government instructions.

Audit is of the view that the payment of recurring honorarium and salary to the officers who were on the payroll of the Inter-Provincial Coordination Division and serving in the GCC on attachment basis or as member of the Management Committee is irregular.

The management did not reply till the finalization of this report.

The DAC meeting was held on 24.12.2024. The DAC directed to provide the Minutes of the Management Committee meetings wherein it was decided to pay honorarium and salary to the employees of Ministry.

Audit recommends immediate stoppage of these payments beside recovery of the irregularly paid amount.

18.5.2 Non-claiming of withheld tax - Rs. 24.216 million

Para 170 of the Income Tax Ordinance, 2001 (amended 30.06.2024) states that a taxpayer who has paid tax in excess of the amount which the taxpayer is properly chargeable under this Ordinance may apply to the Commissioner for a refund of the excess.

Balance Sheet of the GCC as on 30.06.2024 shows a refundable tax asset balance of Rs. 24,216,207.

It was observed that the amount of refundable tax had increased over the years as tabulated below, and GCC had not claimed the refund with the tax authorities.

(Rs.)

Financial year	Amount
2020-21	7,907,486
2021-22	13,378,755
2023-23	24,216,207

Audit is of the view that not claiming due refunds is a lapse on part of the management as it has deprived the GCC from the potential cash that could be invested elsewhere.

The management did not reply till the finalization of this report.

The DAC meeting was held on 24.12.2024. DAC was apprised that the GCC had hired the services of consultant and the claim would be processed accordingly. DAC directed to expedite the matter and report at the earliest.

It is recommended to make concrete efforts to ensure full reclaim of the available refunds on priority basis.

Pakistan Olympic Association

18.5.3 Doubtful return of payment of accommodation and damage deposit fee of the Pakistan contingent in 18th Asian Games at Jakarta - Rs. 20.107 million

Para 89 (viii) of GFR, Vol-I states that the head of the department and the Accountant-General will be jointly responsible for the reconciliation of the figures given in the accounts maintained by the head of the department.

The management of the Pakistan Sports Board transferred an amount of Rs. 20,106,600 to the Pakistan Olympic Association (POA) on account of accommodation and damage deposit fee of the Pakistan contingent for 18th Asian Games - Jakarta Palembang, Indonesia (18.08.2018 to 02.09.2018)

Audit observed that:

i. PSB transferred an amount of USD 162,100 (USD to PKR 122) directly to the Organizing Committee of the 18th Asian Games, Jakarta.
ii. In the meantime, another amount of Rs. 20,106,600 was also transferred by the PSB to POA for the same event.
iii. POA was liable to return back the amount of Rs.20.106 million to the PSB but the acknowledgement of the PSB/reconciliation of figures was not available in the department.

Audit is of the view that in the absence of documentary evidence regarding reconciliation of figures, the return of Rs. 20.107 million to the PSB by POA was doubtful.

The reply was not submitted by the department.

The DAC meeting was held on 24.12.2024. The DAC observed that autonomy did not mean non-accountability. By giving examples of the international best practices of Sri Lanka and India, and in order to ensure transparency in the flag bearer of Pakistan, DAC directed the Pakistan Olympic Association (POA) management to provide international funding record to Audit. Moreover, it was also directed that a special audit of POA will be conducted by the Office of the DG Audit (Federal Government) at the earliest.

Audit recommends that the matter may be inquired at appropriate level and necessary records be provided to Audit.

18.5.4 Irregular/doubtful expenditure due to non-rendering of vouched accounts in the event of 4th Islamic Solidarity Games at Baku, Azerbaijan - Rs. 9.387 million

Rule 28(2) of FTR, Vol-I states that a Government Officer supplied with funds for expenditure shall be responsible for such funds until an account of them has been rendered to the satisfaction of the Accountant-General and of the Audit Officer concerned.

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

The management of the Pakistan Olympic Association (POA), Lahore received an amount of Rs. 9,387,170 (USD 88,600) from the Pakistan Sports Board, Islamabad on account of accommodation and damage deposit fee of the Pakistan contingent in the event of 4th Islamic Solidarity games at Baku, Azerbaijan from 12.05.2017 to 23.05.2017. POA however, transferred an amount of USD 82,280 to the Azerbaijan Islamic Solidarity Games Operation Committee, Baku, Azerbaijan.

Audit observed that: -

i. Pakistan Sports Board, Islamabad vide an e mail dated 30.05.2017 requested the POA to furnish them original bills/vouchers and surrender the unspent amount before 10.06.2017 but the original bills/vouchers pertaining to accommodation and damage charges were neither furnished to the PSB nor produced to Audit.
ii. Record for recommendation/minutes of the selection committee of athletes and team officials/selection criteria of athletes and team officials was not produced to Audit.
iii. Documentary evidence/boarding passes/passports' copies of athletes/team officials was also not produced to Audit.
iv. Boarding/lodging, air ticket, check in/check out/acknowledgement receipts was also not available on record.
v. Proof for participation in the games/results of the games were not available on record.

Audit is of the view that the expenditure of Rs. 9.387 million without supporting evidence was irregular and doubtful.

The reply was not submitted by the department.

The DAC meeting was held on 24.12.2024. The DAC directed the management to produce the relevant record during the Special Audit of the Pakistan Olympic Association.

Audit recommends to provide the complete record for verification of the expenditure of Rs.9.387 million.

Pakistan Sports Board, Islamabad

18.5.5 Unauthorized payment of Eid Bonus - Rs. 24.400 million

Clause 19(3) of the Constitution of Pakistan Sports Board, 2022 states that the Board shall follow applicable financial, procurement and other regulations with due care and diligence, in compliance with the Government instructions.

Rule 10(i) of Grant-in-Aid Rules, 2021 states that all the organizations which receive more than fifty percent of their recurring expenditure in the form of grant-in-aid, should ordinarily formulate terms and conditions of service of their employees which are, by and large, not higher than those applicable to similar categories of employees in the Federal Government. In exceptional cases, relaxation may be made in consultation with the Finance Division.

Federal Government provided Grant-in-Aid of Rs. 999.975 million (99% of the recurring budget of the PSB) to the Pakistan Sports Board (PSB), Islamabad during the Financial Year 2023-24.

The management of the Pakistan Sports Board incurred an expenditure of Rs. 24,400,270 on payment of Eid Bonus to its employees. Detail is as under:

(Rs.)

S. No.	Description	Voucher No.	Date	Amount
1	Eid ul Fitr	502	03.04.2024	11,502,410
2	Eid ul Azha	602	30.05.2024	11,408,050
3	EPI employees	588	16.05.2024	1,489,810
			TOTAL	**24,400,270**

Audit observed that 99% Recurring Budget of the Pakistan Sports Board, Islamabad was provided by the Federal Government through Grant-in-Aid. Moreover, there was no provision in the perks and privileges/terms and conditions of the Federal Government Employees for the payment of Eid Bonus.

Audit is of the view that the payment of Eid Bonus without the concurrence of the Finance Division was unauthorized.

The management replied that the honorarium was paid to the employees of the PSB with the approval of the Vice President, PSB. The honorarium paid on the eve of Eid ul Fitr was also ratified in the 29th Board's meeting held on 17.05.2024.

The reply was not accepted as the Pakistan Sports Board incurred more than fifty percent of its recurring expenditure from the grant-in-aid, hence, Eid Bonus paid to the PSB employees without approval of the Finance Division, was a violation of the Grant-in-Aid Rules, 2021. Furthermore, Finance Division vide OM No. 4(3)R-4/2011 dated 23.01.2024 has clarified that pay, allowances and their revision, of all the Government employees, including those employees in the Autonomous/Semi-Autonomous/Corporate bodies require prior approval of the Finance Division.

The PAO and the audited formation were informed on 20.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the practice may be stopped beside recovery of the unauthorized payment of Eid Bonus.

18.5.6 Unauthorized retention of unspent balances of Grant-in-Aid in the commercial bank account - Rs. 24.356 million

Clause 19(3) of the Constitution of Pakistan Sports Board, 2022 states that the Board shall follow applicable financial, procurement and other regulations with due care and diligence, in compliance with the Government instructions.

Para 95 of GFR, Vol-I requires that unspent funds are to be deposited in the Government treasury before 30th June of each year.

The management of the Pakistan Sports Board, Islamabad deposited the unspent balances of Grant-in-Aid amounting to Rs. 24,356,026 in the PSB commercial bank account No. 4007923015, maintained at NBP, Islamabad.

Audit observed that the unspent balances were deposited in the PSB commercial bank account instead of the Government treasury.

The management replied that PSB was a body corporate established under the provisions of the Sports Ordinance, 1962. As per Section 3(2) of the said Ordinance, all the funds and moneys of the Board and its subordinate offices shall be kept in the National Bank of Pakistan. Pakistan Sports Board has taken the necessary steps to comply with the Cash Management and Treasury Single Account Rules, 2020. In this regard, the PSB approached the controlling Ministry for opening of Public Account as per the above-mentioned Rule vide Letters No. 23-08/2023-24/PSB(Fin) dated 16.08.2023, 17.10.2023 and 10.11.2023. The direction will be implemented as and when the approval is granted by the Finance Division.

The management has accepted the audit observation that the unspent balances against the releases out of the assignment account were retained in a commercial bank instead of the Government treasury.

The PAO and the audited formation were informed on 20.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the amount be deposited in the Government treasury. Further, this practice may not be repeated.

18.5.7 Irregular payment of the Executive Allowance - Rs. 29.590 million

Clause 19(3) of the Constitution of Pakistan Sports Board, 2022 states that the Board shall follow applicable financial, procurement and other regulations with due care and diligence, in compliance with the Government instructions.

Rule 10(i) of Grant-in-Aid Rules, 2021 states that all the organizations which receive more than fifty percent of their recurring expenditure in the form of grant-in-aid, should ordinarily formulate terms and conditions of service of their employees which are, by and large, not higher than those applicable to similar categories of employees in the Federal Government. In exceptional cases, relaxation may be made in consultation with the Finance Division.

Para 2(i) of the Finance Division's OM No.10(02)R-3/2018-297 dated 19.07.2022 states that the Executive Allowance will be granted subject to the following conditions:

"This allowance will be admissible to all officers posted by the Establishment Division against the sanctioned posts of the Section Officers, Deputy Secretaries, Joint Secretaries, Senior Joint Secretaries, Additional Secretaries, Additional Secretaries (In charge), Special Secretaries and Secretaries in the Federal Secretariat (Ministries/Divisions), Prime Minister's Office and President's Secretariat."

Para 84 (iii) of the Supreme Court's Judgment dated 18.08.2016 states that 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 the fiscal matters, is constitutionally invalid and a nullity in the eyes of the law. Similarly, budgetary expenditure, or discretionary Governmental expenditure can only be authorized by the Federal Government i.e. the Cabinet, and not the Prime Minister on his own.

The management of the Pakistan Sports Board paid Rs. 29,590,067 as Executive Allowance/Pakistan Sports Board Allowance to the Board employees during the financial year 2023-24.

Audit observed that:

1. 99% Recurring Budget of the Pakistan Sports Board, Islamabad was provided by the Federal Government through Grant-in-Aid, therefore, payment of the Executive Allowance without the concurrence of the Finance Division was unauthorized.

2. The Executive Allowance was paid with the approval of the President, PSB i.e. Minister In charge instead of the Federal Government which was a violation of the Judgment of the Honorable Supreme Court of Pakistan.

The management replied that the case for payment of the Executive Allowance was placed before the 28th meeting of the Board held on 01.08.2023. The Board approved the Executive Allowance for the BPS 17 and above officers of the PSB with effect from 01.08.2023 vide Office Orders dated 22.06.2023 and 08.08.2023. However, the Ministry of IPC vide a Letter dated 10.05.2024 discontinued the same**.** The concerned officers of the PSB challenged the

discontinuation order of the Ministry of IPC in the Islamabad High Court and the Court directed not to recover any amount. Irrespective of this litigation, the said Executive Allowance was approved by the Board of the PSB.

The reply is not tenable as the Executive Allowance was admissible to the employees working in the Federal Ministries or Division. Furthermore, the Board was not competent to grant the Executive Allowance/PSB Allowance without prior approval of the Finance Division as per Grant-in-Aid Rules, 2021 and Finance Division's Clarification dated 23.01.2024.

The PAO and the audited formation were informed on 20.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the irregular payment be stopped forthwith beside recovery of already paid amount.

18.5.8 Non-deposit of revenues in the Government treasury - Rs. 50.079 million

Clause 19(3) of the Constitution of Pakistan Sports Board, 2022 states that the Board shall follow applicable financial, procurement and other regulations with due care and diligence, in compliance with the Government instructions.

Section 37(1) of the Public Finance Management Act, 2019 states that Revenues collected by an autonomous entity, which arise from any Act or statutory instruments of the Federal Government shall be deposited in the treasury single account.

Section 37(2) of the Public Finance Management Act, 2019 states that the Finance Division shall, with approval of the Federal Government, notify policy and guidelines and may issue regulations on the utilization of revenues generated by the autonomous entities.

Section 18 of the Constitution of the Pakistan Sports Board, 2022 states that the Board shall subject to the applicable laws, for the time being in force maintain such bank accounts as may be determined by the Board on the recommendation of

the Chief Financial Officer with the concurrence of the President in accordance with the conditions laid down by the Government.

The management of the Pakistan Sports Board, Islamabad collected Rs. 50,079,824 on account of different types of receipts and deposited the same in different bank accounts maintained by the Pakistan Sports Board during the financial year 2023-24. Detail is as under:

(Rs.)

S. No.	Description	Amount
1	Swimming Poll Income	6,390,600
2	Ground Hall and Membership income	11,227,440
3	Hostel Income	4,856,010
4	Rental Income	3,753,840
5	Miscellaneous Income	46,000
6	5% House Rent Recovery	555,210
7	Staff Advance Recovery	7,125,555
8	PSB Coaching Centre, Lahore	4,191,297
9	PSB Coaching Centre, Karachi	8,190,713
10	PSB Coaching Centre, Peshawar	2,757,479
11	PSB Coaching Centre, Quetta	985,680
	Total	50,079,824

Audit observed that the revenues collected by the Pakistan Sports Board, Islamabad were not deposited in the Government treasury.

The management replied that Section 39 of the PFM Act clearly stated that the Audit must be conducted under the relevant law. In this case, the governing law for the PSB was the PSB Constitution, 2022, as PSB is an autonomous body. Additionally, the General Financial Rules (GFR), Cash Management Rules, and such other instructions or rules of the Finance Division are not applicable to the PSB, as these are designed for the Federal Government departments and not applicable to autonomous bodies. Applying these rules would undermine the autonomy granted to the PSB and similar organizations, which contradicts the intent of the law governing autonomous bodies. Accepting this misinterpretation would effectively eliminate the independence of all the federal autonomous bodies, which clearly is not the legislative intent of the PFM Act or the PSB Constitution. Pakistan Sports Board is a body corporate established under the provisions of Sports Ordinance, 1962. As per Section 3(2) of the said ibid Ordinance, Board shall

be a body corporate having perpetual succession and a common seal with power to acquire, hold or dispose of property both movable and immoveable.

Rule 8 of Pakistan Sports Board Rules, 1981 states that: -

1. The Board shall have its own funds.
2. The funds of the Board are the part of the Annual Budget and utilize the estimated/actual income amount during each financial year.
3. Once the overall budget provision has been made/approved by the Board, the Board shall have complete control over its utilization.
4. All the funds and income of its subordinate offices shall also be the part of budget and utilized accordingly.

The reply was not acceptable as non-deposit of revenues in the Government treasury was a violation of the Public Finance Management Act, 2019. Furthermore, Section 45 of the PFM Act, 2019 has an overriding effect over all other laws and any law that is inconsistent with it.

The PAO and the audited formation were informed on 20.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that revenues be deposited in the Government treasury.

18.5.9 Non-provision of adjustment accounts - Rs 509.133 million

Clause 16(7) of the Constitution of Pakistan Sports Board, 2022 states that the national sports federations may receive funds from the Board and also generate funds through their own efforts, for their utilization. The national sports federations shall ensure proper and transparent application of the funds and shall provide audited accounts and such management reports and financial information annually, failing which the future grant for the defaulting national sports federations may be withheld.

Clause 20(11) of the Constitution of Pakistan Sports Board, 2022 states that the Federation shall update their accounts immediately after completion of the financial year and bring out annual report covering salient features of their activities

during the year. The Federation shall appoint a practicing-chartered accountant to audit their accounts. The records and accounts of the Federation shall be accessible to the Government and these shall have to be produced as and when asked to do so.

The management of the Pakistan Sports Board, Islamabad provided funds of Rs 509,133,872 to 26 National Sports Federations (NFS) during the financial year 2023-24.

Audit observed as under:

1. The adjustment accounts including vouchers in support of expenditure were not obtained.
2. The funds were released without evaluating the performance of the National Sports Federations.

Audit is of the view that in the absence of adjustment record, the authenticity of expenditure cannot be ascertained.

The management did not reply.

The PAO and the audited formation were informed on 20.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that adjustment accounts/expenditure vouchers be provided to Audit for scrutiny.

18.5.10 Unauthorized payment of house rent ceiling without approval of the Finance Division - Rs. 23.827 million

Clause 19(3) of the Constitution of Pakistan Sports Board, 2022 states that the Board shall follow applicable financial, procurement and other regulations with due care and diligence, in compliance with the Government instructions.

Rule 10(i) of Grant-in-Aid Rules, 2021 states that all the organizations which receive more than fifty percent of their recurring expenditure in the form of grant-in-aid, should ordinarily formulate terms and conditions of service of their employees which are, by and large, not higher than those applicable to similar

categories of employees in the Federal Government. In exceptional cases, relaxation may be made in consultation with the Finance Division.

The Ministry of Housing and Works' OM No. F 2(3)/2003-Policy dated 31.07.2014 states that it is the responsibility of the respective Ministries/Divisions/ Departments to hire residential accommodation for their employees within their budgetary resources. The specification, covered area of house and the present rental ceiling of the Federal Government Employees (BPS 1 to 22) at the six specified stations should be observed beside adoption of procedure/modalities for hiring of the residential accommodation e.g. application for permission to occupy the house, consent of owner, copy of ownership documents, copy of map/approved plan of the house, CNIC of allottee and owner, relevant affidavits on given specimen, issuance of permission letter, inventory report, measurement report, assessment report, execution of agreement etc.

The Pakistan Sports Board paid Rs. 23,827,788 to 226 employees of the Board from BPS 1 to 10 as House Rent Ceiling along with monthly salaries during the financial year 2023-24.

Audit observed as under:

1. The rental ceiling was paid to the employees of BPS 1 to BPS 10 with their salary without the concurrence of the Finance Division as 99% of recurring budget of the PSB was paid by the Federal Government.
2. The rental ceiling was also paid to 120 employees of the PSB, who were residing in the Government accommodations.
3. The rental ceiling was paid in violation of the instructions notified by the Ministry of Housing and Works dated 31.07.2014.

The management replied that the then Federal Minister for Sports/ President, PSB on the basis of 3rd Charter of Demand and the Memorandum of Settlement signed between the management of the PSB and CBA approved the rental ceiling to the employees BPS 1-10 with their salaries. However, a Committee was constituted by the Executive Committee in its 81st meeting held on 18.09.2015 to thoroughly examine and review the unauthorized decisions and make a viable proposal for rationalizing the perks and privileges to the employees of PSB over the normal facilities given under the Financial Rules of the Government of Pakistan

granting benefits under the Charter of Demand within the frame work of the relevant law viz-a-viz the rules applicable. The 3rd and 4th Memorandum of Settlement (MOS) were placed before the 83rd Executive Committee meeting for ratification and the Executive Committee ratified the same. Later, in the 84th meeting of the Executive Committee, it was decided to thoroughly examine the settlement and deferred for submission of report within 10 days. Earlier in 2012, the President, PSB constituted a committee for scrutinizing the demands of CBA under the Memorandum of Settlement. The CBA challenged the composition of the committee in the Islamabad High Court through Writ Petition which was dismissed. The Order was challenged through Intra Court Appeal in the Islamabad High Court which was also dismissed. Finally, the CBA challenged the Order of the Islamabad High Court in the Honorable Supreme Court of Pakistan. The case was lastly heard by the Supreme Court of Pakistan on 24.02.2021. The Legal Advisor, PSB attended the hearing on behalf of the PSB and recorded a statement on behalf of the PSB on the query of the Honorable Court. The Supreme Court held that the subject settlements arrived between the parties had admittedly been implemented and cannot be reversed, particularly in view of the statement recorded on behalf of the petitioner-Board. The Registrar, Supreme Court of Pakistan forwarded a copy of the said decision to the Registrar, Islamabad High Court for implementation. The Registrar, Islamabad High Court, Islamabad forwarded the same to the Secretary, Ministry of IPC and the Director General, Pakistan Sports Board for information and compliance. As per decision of the Supreme Court of Pakistan stated above, the expenditure was incurred with the approval of the competent authority i.e. Executive Committee, therefore it cannot be termed as unauthorized expenditure.

The reply is not satisfactory as the rental ceiling was paid to the employees without approval of the Finance Division and necessary documents required for the hiring of residential accommodations. Furthermore, the employees were receiving rental ceilings beside residing in the Government accommodations, which was unlawful.

The PAO and the audited formation were informed on 20.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the irregular practice be stopped forthwith.

18.5.11 Loss due to non-imposition of the liquidated damages - Rs. 188.793 million

Clause 47.1 of the contract agreement states that if the contractor fails to comply the construction approved schedule than liquidated damages of Rs.0.1% for each day of delay in completion of work subject to maximum of 10% of contract price will be applicable to the contractor.

The management of the Pakistan Sports Board entered into contract agreements with various firms for the execution of different works of the components of PC-I, "Rehabilitation and Upgradation of different facilities at Pakistan Sports Complex, Islamabad for Preparation/Holding of South Asian Games." Details are as under:

(Rs.)

S. No.	Name of work	Date of contract award	Completion period	Expected completion date	Cost of work
1	Hamidi Hall	15.06.2021	05-Months	14.11.2021	11,011,810
2	Players Cafeteria	15.06.2021	05-Months	14.11.2021	19,055,364
3	Roshan Khan Squash Complex	17.06.2021	08-Months	16.02.2022	154,528,103
4	Storm Water/ Sewerage/Drainage /Water Supply System	17.06.2021	08-Months	16.02.2022	43,602,981
5	Staff Cafeteria	19.07.2021	05-Months	18.12.2021	12,162,517
6	Allama Iqbal Hostel	28.04.2022	07-Months	27.11.2022	113,351,356
7	Boxing Gymnasium	28.04.2022	04-Months	27.08.2022	22,476,398
8	External Electrification	28.04.2022	03-Months	27.07.2022	14,946,071
9	Grassy Futsal Ground	28.04.2022	04-Months	27.08.2022	20,111,612
10	Hamidi Hall Extension	28.04.2022	02-Months	27.06.2022	6,911,754
11	Head Office Building	28.04.2022	04-Months	27.08.2022	38,243,433
12	Liaquat Gymnasium	28.04.2022	04-Months	27.08.2022	28,267,009
13	Jamia Masjid	28.04.2022	03-Months	27.07.2022	18,302,336
14	Jinnah Stadium (External)	28.04.2022	07-Months	27.11.2022	177,997,313
15	Jinnah Stadium (Internal)	28.04.2022	07-Months	27.11.2022	390,955,553
16	Naseer Bunda Hockey Stadium	28.04.2022	04-Months	27.08.2022	22,524,587
17	Sports Medicine Centre	28.04.2022	03-Months	27.07.2022	11,323,358

18	Synthetic Athletic Track	28.04.2022	07-Months	27.11.2022	243,834,279
19	Rodham Hall	25.05.2022	05-Months	24.10.2022	42,541,235
20	Swimming Pool	25.05.2022	10-Months	24.03.2023	173,355,951
21	Players Hostel	25.05.2022	18-Months	24.11.2023	230,195,651
22	Remaining Works of Cafeteria	24.02.2023	06-Months	23.08.2023	31,708,704
23	Furniture and Miscellaneous	24.02.2023	01-Month	23.03.2023	34,499,996
24	Surfacing/Repairing of Tennis/Basketball Courts and Squash Court Floorings	31.03.2023	06-Months	30.09.2023	25,485,985
Total					**1,887,393,356**

Audit observed that the contractors failed to complete the works within the stipulated time periods. Neither, the extensions were granted for the execution of work nor the liquidated damages of Rs. 188.793 million @ 10% of the contract price were imposed on the contractors.

Audit is of the view that non-imposition of liquidated damages was a violation of the contract agreements' clauses and undue favour was extended to the contractors.

The management did not reply.

The PAO and the audited formation were informed on 20.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the liquidated damages be recovered from the contractors beside fixing responsibility for non-imposition of the penalty.

18.5.12 Irregular selection of the Panel Hospitals - Rs. 14.846 million

Clause 19(3) of the Constitution of Pakistan Sports Board, 2022 states that the Board shall follow applicable financial, procurement and other regulations with due care and diligence, in compliance with the Government instructions.

Rule 10(i) of the Grant-in-Aid Rules, 2021 states that all the organizations which receive more than fifty percent of their recurring expenditure in the form of

grant-in-aid, should ordinarily formulate terms and conditions of service of their employees which are, by and large, not higher than those applicable to similar categories of employees in the Federal Government. In exceptional cases, relaxation may be made in consultation with the Finance Division.

Rule 12(2) of the 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.

The management of the Pakistan Sports Board, Islamabad hired the services of the following private hospitals and laboratories and placed them at the PSB panel. An amount of Rs. 14,846,291 was paid to these private hospitals and laboratories during the financial year 2023-24. Details are as under:

(Rs.)

S. No.	Name of the Private Hospital	Amount
1	M/s Ali Medical Centre, Islamabad	3,433,051
2	M/s Bilal Hospital, Rawalpindi	2,097,474
3	M/s Kulsoom International Hospital, Islamabad	4,147,207
4	M/s Excel Labs., Islamabad	2,059,207
5	M/s Islamabad Diagnostic Centre, Islamabad	3,109,352
Total		**14,846,291**

Audit observed that:

1. The services of the private hospitals and laboratories were selected without open competition.
2. 99% Recurring Budget of the Pakistan Sports Board, Islamabad was provided by the Federal Government through Grant-in-Aid. There was no provision for hiring the services of private hospitals and placing them at the panel of the Government department in the Federal Service Medical Attendance Rules, 1990.
3. The terms and conditions of service of the Pakistan Sports Board's employees were not vetted by the Finance Division

The management replied that in the light of the decision of the 90th meeting of the Executive Committee of the PSB regarding finalization of medical facility, a

medical committee was constituted for defining the procedure/mechanism for provision of medical facilities to in-service/retired employees of the PSB vide Office Order of even number dated 01.06.2022. On the recommendations of the said medical committee, the Director General, PSB was pleased to approve the procedure and mechanism for provision of medical facility to the employees of the Pakistan Sports Board w.e.f. 23.07.2022. In this regard, the selection of hospitals/laboratories was carried out through quotations basis on lowest rates by the committee.

The management has accepted that the services of the private hospitals and laboratories were hired without open competition.

The PAO and the audited formation were informed on 20.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the irregular practice be stopped forthwith beside fixing of responsibility for the irregularity.

18.5.13 Non-preparation of rate analysis of non-scheduled items prior to the award of contract - Rs 667.184 million

Para 296 of the CPWA Code states that to facilitate the preparation of estimates, as also to serve as a guide in settling rates in connection with contact agreements, a schedule of rates for each kind of work commonly executed should be maintained in the division and kept up to date. It should be prepared based on the rates prevailing in each locality and necessary analysis of the rates for each description of work and for the varying conditions thereof should, so far as may be practicable, be recorded.

Clause 2.38 of the Appendix A of the contract agreement between Pakistan Sports Board and Consultant [M/s Allied Engineering Consultants (Pvt.) Ltd.] states that the Consultant shall ensure, demonstrate and substantiate that materials, products and equipment specified for use on the project can be competitively procured by the Client from at least three different independent sources.

Clause 2.52 of the Appendix A of the contract agreement between the Pakistan Sports Board and Consultant [M/s Allied Engineering Consultants (Pvt.) Ltd.] states that all cost estimates activities shall be carried out by the Consultant.

The management of the Pakistan Sports Board, Islamabad hired the consultancy services of M/s Allied Engineering Consultants (Pvt.) Ltd., Lahore for detailed drawing, design, tendering process and supervision of 24 development schemes of Rs. 1,887.393 million, comprised of scheduled and non-scheduled items, under the project, "Rehabilitation and Upgradation of existing facilities at PSC, Islamabad for preparation/holding of South Asian Games 2021-22" up to the financial year 2023-24.

Audit observed that the non-scheduled items, based on prevailing market rates were used without rate analysis duly supported with the quotations.

Audit is of the view that in the absence of rate analysis, rates put in tenders were unauthentic/uneconomical, hence, it could not be ascertained that the procurement process was efficient, economical and had achieved value for money.

The management did not reply.

The PAO and the audited formation were informed on 20.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that strict measures be taken to review and cover losses due to non-preparation of rate analysis of non-scheduled items.

18.5.14 Inadmissible and illegal expenditure beyond the provisions of PC-I - Rs 74.862 million

Para 2.46 of the Manual for Development Projects, 2021 circulated by the Ministry of Planning, Development and Special Initiative vide Notification No. 7(239) E&R/PD & SI/21 dated 29.12.2021 states that once approved, the executing agency is required to implement the project in accordance with the PC-I provisions. It has no authority to change or modify any approved parameter of the project. If the project executing agency determines (based on detailed justification) that the project cannot be implemented under the approved parameters and it requires

revision of scope, physical components or financial allocation, a revised PC-I must be submitted to the competent forum for approval. No expenditure may be incurred beyond the approved scope and cost of the project, and if it is done, it will be considered as an inadmissible and illegal expenditure.

The management of the Pakistan Sports Board, Islamabad incurred an expenditure of Rs. 74.862 million for the execution of four development schemes under the project, "Rehabilitation and Upgradation of existing facilities at PSC, Islamabad for preparation/holding of South Asian Games 2021-22" up to the financial year 2023-24. Detail is as under:

(Rs.)

S. No.	Contractor	Work	Original cost	Total expenditure	IPC No.
1	M/s Maxcons Contractors	Players Cafeteria	19,055,364	19,038,638	5
2	M/s Ibrahim Jan and Sons	External Electrification	14,946,071	14,928,726	3
3	M/s Sadaat Int. Company	Hamidi Hall Extension	6,911,754	6,636,714	5
4	M/s ZEDCO Construction	Remaining Works of Cafeteria	34,499,996	34,258,120	5
Total			**75,413,185**	**74,862,198**	

Audit observed that the development schemes did not fall in the scope of PC-I.

Audit is of the view that the expenditure incurred on development schemes which were not in the scope of the PC-I, was inadmissible and illegal.

The management did not reply.

The PAO and the audited formation were informed on 20.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends provision of justification, if any.

18.5.15 Non-recovery of electricity and water charges from the contractors - Rs 22.549 million

Clause 15.3.1 of the special provisions of the contract agreement provides that the contractor shall supply in sufficient quantity all necessary portable and other water for construction purposes for all trades at point within a reasonable distance of any building being constructed. The Contractor shall make arrangement and pay charges for water service installation, maintenance and removal thereof, and pay the costs of water for all trades. At completion of the work, the temporary water services equipment and piping shall be removed by the Contractor at his own expense.

Condition No. 6 of the CPWD Form 7 and 8 of the Pakistan Public Works Department provides that, water supply will be allowed by the department to the contractor from main line passing through areas where the work is required to be carried out and he shall pay the cost of the water to the department at ½% of the total cost of work for drinking purposes and 1 % of the total cost of work involving use of water (i.e. for constructional purposes). The contractor will bear all charge for laying his water line from the mains to the site of his undergrounds tanks which he may require and construct for storage purposes at his own cost.

Clause 15.6.5 of the special provisions of the contract agreement provides that the contractor shall make his own arrangement, at his own expense for provision, operation and maintenance of electric supply, reasonable supplies of raw and portable water and sewerage system at the site of works and his labour camps, staff residences and offices. The contractor shall pay all fees and charges (including bills) of whatsoever nature to the concerned departments in order to procure connections of the above facilities and thereafter using these facilities.

The management of the Pakistan Sports Board, Islamabad paid Rs. 1,503.305 million on account of different works carried out under the PSDP project, "Rehabilitation and Upgradation of existing facilities at PSC, Islamabad for preparation/hosting of South Asian Games 2021-22" up to the financial year 2023-24.

Audit observed as under:

1. The water charges @ 1 % for construction works and ½ % charges for drinking water were not recovered or deducted from the contractor's bill.
2. Neither record of consumption of electricity units was available nor was the recovery made from the contractors.

Audit is of the view that non-recovery of water and electricity charge from the contractors was a loss to the public exchequer due to non-adherence of relevant rules and weak internal controls.

The management did not reply.

The PAO and the audited formation were informed on 20.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that recovery be made from the contractors.

18.5.16 Unauthorized payment of escalation over the approved revised PC-I - Rs. 62.302 million

As per revised PC-I for "Rehabilitation and Upgradation of existing facilities at PSC, Islamabad for preparation/hosting of South Asian Games 2021-22" approved by the DDWP in its meeting held on 11.12.2020, the Project cost is Rs. 1,949.606 million which included the escalation cost of Rs. 92.410 million for the development schemes at Sr. Nos. 1, 5, 8, 9, 11 and 12.

The management of the Pakistan Sports Board, Islamabad provided the Price Adjustment Summary which reflects that the escalation of Rs. 154.712 million was paid to the contractors up to the financial year 2023-24. Detail is as under:

(Rs.)

S. No.	Name of contractor	Name of work	Escalation paid
1	M/s Kumrat Construction (Pvt.) Ltd.	Swimming Pool Complex Works	24,829,040
2	M/s MAZ Enterprises	Jinnah Stadium (Internal Works)	49,754,807
3	M/s Unique Builders	Jinnah Stadium (External Works)	29,004,977

4	M/s Maxcons	Roshan Khan Squash Complex	25,525,148
5	M/s MAZ Enterprises	Players Hostel	9,732,095
6	M/s Burki construction company (Pvt.) Ltd.	Allama Iqbal Hostel	15,866,637
		TOTAL	**154,712,704**

Audit observed that the escalation amount as per Summary provided was over the approved cost of escalation in PC-I by Rs. 62.302 million.

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

The management did not reply.

The PAO and the audited formation were informed on 20.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

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

18.5.17 Irregular/unauthorized award of additional works without open competition - Rs 104.796 million

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 Inter-Departmental Committee (IDC) of the Public Accounts Committee (PAC) in its meeting dated 17.07.2001 decided that the management was not empowered to award a new work as additional work to an existing contractor without calling open tenders. It only allows minor adjustments in the already awarded work so as to complete it in all respects.

The management of the Pakistan Sports Board, Islamabad incurred an expenditure of Rs. 104,796,408 on additional/extra work on five development schemes under the project, “Rehabilitation and Upgradation of existing facilities at

PSC, Islamabad for preparation/holding of South Asian Games 2021-22" up to the financial years 2023-24. Detail is as under:

(Rs.)

S. No.	Contractor	Work	Cost of work	Cost of additional work	Percentage increase
1	M/s Ibrahim Jan and Sons	Storm Water/ Sewerage/Drainage /Water Supply System	43,602,981	7,570,144	17 %
2	M/s Shabbir Ahmad	Head Office Building	38,243,433	6,980,809	18 %
3	M/s Shabbir Ahmad	Liaquat Gymnasium	28,267,009	5,693,569	20 %
4	M/s MAZ Enterprises	Jinnah Stadium (Internal)	390,955,553	75,116,848	19 %
5	M/s ZEDCO Construction	Naseer Bunda Hockey Stadium	22,524,587	9,435,038	42 %
Total				**104,796,408**	

Audit observed as under:

1. During execution, the scope of work was enhanced and additional/extra work of Rs 104.796 million was awarded to the same contractor which was over 15% of the contract. This resulted in an unauthorized award of additional/extra work without open competition.
2. The additional/extra work was carried out without prior approval of the competent authority.
3. It was the weak/improper estimation by the Consultant that the additional/extra work was included at the time of execution of the development schemes that put an extra burden on the public exchequer.

Audit is of the view that the award of additional works without open competition was a violation of the Public Procurement Rules, 2004 and PAC's directives.

The management did not reply.

The PAO and the audited formation were informed on 20.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the matter may be inquired for fixing responsibility for violation of the Public Procurement Rules and PAC directives.

Special Audit of the Pakistan Hockey Federation

18.5.18 Illegal retention and non-disbursement of the Government money - Rs.3.546 million

Para 14 of GFR, Vol-I states that delay in the payment of money indisputably due by Government is contrary to all rules and budgetary principles and should be avoided.

The management of the PHF, Lahore received a sum of Rs.3,545,633 for disbursement to the different hockey players.

Audit observed that the management did not disburse the said amount to the concerned and the amount was still lying with the management as shown in the audited financial statements.

Audit is of the view that:

i. Non-disbursement of Rs. 3,545,633 to the hockey players was an irregular and unauthorized act on the part of the management.
ii. Unlawful retention of the Government money deprived the hockey players of their legal rights.

The PAO and the audited formation were informed on 03.10.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the Government money needs to be disbursed to the concerned without any delay. Further, investigation of the delay in disbursement be conducted to fix responsibility.

18.5.19 Loss due to non-recovery of advance payment from the supplier - Rs.3.664 million

Rule 3(b) of the Revised Financial Rules of the PHF dated 23.07.2019 states that the Secretary General, PHF is empowered to withdraw cash from the PHF Bank

Accounts within the PHF annually approved budget and purchase the foreign currency from open market, and is bound to settle the same within 15 days after the completion of activity/tour.

The management of the PHF, Lahore paid an amount of Rs.3,663,874 to M/s Supreme Travels for the purpose of travelling of players.

Audit observed that:

i. The payment to the Supreme Travels amounting to Rs.3.664 million was made in advance but the players did not travel. The money was retained by the vendor illegally.
ii. No efforts were made by the management for the recovery of the said money.

Audit is of the view that:

i. The PHF sustained a loss of Rs. 3.664 million due to non-recovery of the advance payment from the Supreme Travels. Non-reconciliation of figures of travel expenses with the Supreme Travels resulted in illegal retention of the Government money.

The PAO and the audited formation were informed on 03.10.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that an inquiry may be held at an appropriate level to fix the responsibility along with recovery of the Government money at the earliest.

18.5.20 Wasteful expenditure on account of Pakistan Hockey League - Rs. 6.920 million

Rule 4(a) of the Revised Financial Rules of the PHF dated 23.07.2019 states that any unforeseen expenditures, the President, PHF can approve and take it to the PHF Executive Board Meeting, for vetting and further from the PHF Congress body in the Congress Meeting.

Rule 4(b) of the Revised Financial Rules of the PHF dated 23.07.2019 further states that the President, PHF must sanction expenditures if exceed Rs. 500,000 at once.

The management of the PHF, Lahore planned to hold the event, "PHF Hockey League" during 2022-23 and incurred an expenditure of Rs.6,919,524, as per following details:

(Rs.)

Sr. No.	Description	Expenditure
1.	Salaries	2,742,000
2.	Press Conference	570,620
3.	Brand development Services	918,000
4.	The Blue Dot	950,000
5.	Room Renovation Expenditure	472,661
6.	Furniture and Fixture Expenditure	433,890
7.	Social Media Expenditure	132,353
8.	FGE Ebrahim Hossain	500,000
9.	Hash Tag	200,000
Total		**6,919,524**

Audit observed that:

i. Approval of the Competent Authority/Minutes of the meeting of Executive Board/Congress of the PHF for the conduct of the above event was not available on record.
ii. The management of the PHF, Lahore did not conduct the above event despite lapse of considerable time.

Audit is of the view that the expenditure of Rs. 6.920 million was wasteful because the event stood not held by the PHF.

Audit is further of the view that the expenditure without approval of the Competent Authority was irregular and unauthorized

The PAO and the audited formation were informed on 03.10.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that an inquiry may be held at appropriate level to fix the responsibility beside making the loss good.

18.5.21 Concealment of bank account

Rule 3 of the Revised Financial Rules of the PHF dated 23.07.2019 states that all the funds of the PHF, from whatever source shall be kept in the scheduled bank approved by the PHF Congress/President, PHF and any other profitable schemes approved by the State Bank of Pakistan. Withdrawals shall only be made through cross cheques signed jointly by two signatories i.e. Honorary Treasurer, PHF and Secretary General, PHF as stipulated in the PHF Constitution.

The management of the PHF, Lahore presented three (3) bank accounts in its Audited Financial Statements for the financial year 2022-23, as per following details:

(Rs.)

Sr. No	Description	Balance as on 30.06.2023
1.	HBL A/c CD 2575-59	7,654,082
2.	HBL A/c CD 1066-75	40,208,325
3.	HBL USD Dollar A/c 2875-11($34.18)	5,762
Total bank balance		**47,868,169**

Audit observed that the management of the PHF disclosed only three bank accounts being maintained in HBL, but did not disclose its bank account No. PK16SIND0006123753221000 being maintained at the Sindh Bank, Gulberg Branch, Lahore as intimated by the Ministry of Inter-Provincial Coordination (F&A) Section, Government of Pakistan vide their Letter No. 2(54)/F&A/IPC/PHF/SA/2023 dated 27.11.2023.

Audit is of the view that the concealment of bank account in the Audited Financial Statements by the management of the PHF may lead to the misappropriation of the Government money and put the credibility of the Audited Financial Statements as doubtful.

The PAO and the audited formation were informed on 03.10.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that an inquiry may be held at appropriate level to fix the responsibility.

18.5.22 Doubtful repayment of loan - Rs. 2.161 million

Rule 3 (c) of the Revised Financial Rules of the PHF dated 23.07.2019 states that cash amount can be deposited and withdrawn from the PHF scheduled bank only, Secretary General and the President will hold the approval authority for the same. All payments shall be received through cross cheques in favour of the Pakistan Hockey Federation into the schedules bank accounts.

The management of the PHF, Lahore paid an amount of Rs. 2,160,900 as repayment of loan to private persons for South Africa Tour during 2022-23. The detail is following:

(Rs.)

Sr. No.	Description	Cheque No.	Dated	Amount repaid
1.	Loan to an individual for South Africa	00002018	26.12.2022	1,500,000
2.	Loan to an individual for South Africa	00001441	02.03.2023	660,900
Total				**2,160,900**

Audit observed that the management of the PHF repaid the above loan amounts but record/whereabouts of borrowing money was neither produced to Audit nor shown in the books of accounts.

Audit is of the view that the non-reflection of borrowed money in the books of accounts made the repayment of Rs.2.161 million doubtful.

The PAO and the audited formation were informed on 03.10.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that an inquiry may be held at appropriate level to fix the responsibility.

18.5.23 Non-execution of sponsorship rights agreement - Rs.23.511 million

Para 12(1) of the Public Procurement Rules, 2004 states that procurements over five hundred thousand rupees and up to the limit of three million rupees shall

be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.

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

The management of the PHF received an amount of Rs.23.511 million on account of Sponsorship Rights during the financial year 2022-23. Detail is as under:

(Rs.)

Sponsor	Financial year	Tour	Amount
Engro	2022-23	Sponsorship for Azlan Shah	16,511,000
PSB	2022-23	Sponsorship for South Africa Tour	7,000,000

Audit observed that:

i. Management did not auction the sponsorship rights through open competition vide electronic and print media.
ii. Agreements with the sponsors were not produced to Audit.

Audit is of the view that auction of sponsorship rights without advertisement was irregular and unauthorized.

Audit is also of the view that the Government was deprived of the benefits of open and fair competition due to awarding of sponsorship rights without advertisement in electronic and print media.

The PAO and the audited formation were informed on 03.10.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that an inquiry may be held for fixing responsibility at appropriate level.

18.5.24 Loss due to non-enhancement of monthly rent - Rs.108.058 million

Article 9.5 of the PHF Constitution, 2010 states that the object is to raise and utilize funds for the promotion of the game including purchase, lease, sale, hire, or exchange of movable or immovable properties.

Section 9(2) of the Sindh Rented Premises Ordinance, 1979 states that the increase in rent shall not, in any case, exceed ten per cent per annum on the existing rent.

Rule 2(1)(c) of the Public Procurement Rules, 2004 states that "Competitive bidding" means a procedure leading to the award of a contract whereby all the interested persons, firms, companies or organizations may bid for the contract and includes both national competitive bidding and international competitive bidding.

PHF, Lahore rented out its sixty-seven (67) commercial properties, including shop, open premises and go downs, situated at Hockey Club Pakistan Stadium, Karachi to thirty different tenants.

Audit observed as under:

i. Management of the PHF rented out the properties either without inserting 10 percent annual increase clause in the contract agreement or 10 percent enhancement was not recovered as per the agreement.
ii. The properties were rented out without adopting competitive bidding process.

Audit is of the view that:

iv. The PHF sustained a loss of Rs.108.058 million due to non-enhancement of rent annually and due to non-recovery of the rent as per the agreement.

Renting out the properties without adopting competitive bidding process was irregular and non-transparent.

The PAO and the audited formation were informed on 03.10.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that:

i. Strenuous efforts may be made to recover the Government money and make the loss good.
ii. System of renting out the properties may be revisited to bring transparency and to safeguard the Government interest beside condonation of the irregularity from the Competent Authority.

18.5.25 Non-recovery of rent from a tenant - Rs.33.173 million

Article 9.5 of the PHF Constitution, 2010 states that the object is to raise and utilize funds for the promotion of the game including purchase, lease, sale, hire, or exchange of movable or immovable properties.

Section 9 (2) of the Sindh Rented Premises Ordinance, 1979 states that the increase in rent shall not, in any case, exceed ten per cent per annum on the existing rent.

Rule 2(I)(c) of the Public Procurement Rules, 2004 states that "Competitive bidding" means a procedure leading to the award of a contract whereby all the interested persons, firms, companies or organizations may bid for the contract and includes both national competitive bidding and international competitive bidding.

The management of the PHF, Lahore rented out its commercial properties situated at Hockey Club of Pakistan Stadium, Karachi to a tenant on 27.05.1985. The detail is as under:

(Rs.)

Sr. No.	Property nature	Date of tenancy	Monthly rent (3 shops)	Monthly rent per shop
1	Shop No. 31, 32 and 33	27.05.1985 to 30.06.1990	4,970	1,657
2	Shop No. 31, 32 and 33	01.07.1990 to 30.06.1992	5,467	1,822
3	Shop No. 31, 32 and 33	01.07.1992 to 30.06.1994	6,014	2,005
4	Shop No. 31, 32 and 33	30.06.1998	8,805	2,935
5	Shop No. 31, 32, 33 and 34	01.1998	13,301	3,325

6	Go down No. 25, 26, 31 to 36	01.1998	8,000	1,000

Audit observed as under:

i. First agreement for renting of three (03) shops mentioned at Sr. No. 01 above was executed on 27.05.1985 which continued till 30.06.1990 with no increase of 10 percent annually. As per agreement, 10 percent increase was made after every two (02) years by 30.06.1994. Further, the rent was increased by 10 percent annually w.e.f. 01.07.1994 to 30.06.1998.
ii. The agreement was revised w.e.f. 01.07.1998 by adding one more shop with monthly rent of Rs.13,301 per month for four (04) shops as mentioned at Sr. No. 02. As per agreement, 10 percent increase in the rent was made after every two (02) years instead of per annum.
iii. Agreement to rent out the 08 go downs was executed w.e.f. 01.01.1998 to date. The monthly rent of eight (08) go downs was Rs.8,000 per month. Ten percent enhancement clause was not inserted in the agreement.
iv. In this way, less payment of rent of Rs.33,173,252 was made by the tenant.

Audit is of the opinion that the PHF sustained a loss of Rs.33.173 million either due to non-insertion of the enhancement clause in the agreement or due to enhancement of rent after two years instead of per annum.

The PAO and the audited formation were informed on 03.10.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that:

i. Strenuous efforts may be made to recover the Government money and make the loss good.
ii. System of renting out the properties may be revisited to bring transparency and to safeguard the Government interest beside condonation of the irregularity from the Competent Authority.

18.5.26 Non-recovery of rent from the tenants

Article 9.5 of the PHF Constitution, 2010 states that the object is to raise and utilize funds for the promotion of the game including purchase, lease, sale, hire, or exchange of movable or immovable properties.

Section 9 (2) of the Sindh Rented Premises Ordinance 1979 states that the increase in rent shall not, in any case, exceed ten per cent per annum on the existing rent.

The management of the PHF rented out its commercial properties situated at the Hockey Club of Pakistan, Liaqat Barracks, Karachi. The detail is given as under:

Sr. No.	Name of tenants	Property number
1.	M/s Rose Wood	A: Block 1, 1st Floor 4 and 5 C: 17, 18, 27 and 28
2.	M/s Daily Ummat	A: 1, 2, 3 (Central Block) 3

Audit observed that the properties were rented out since long but the PHF had no record showing the collection of rent from the above-mentioned tenants. The amount of outstanding rent could not be calculated due to non-provision of the record.

Audit is of the view that the PHF sustained a loss of considerable amount due to non-recovery.

The PAO and the audited formation were informed on 03.10.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that matter may be investigated at appropriate level for making the loss good beside fixing responsibility.

18.5.27 Irregular/doubtful payment of team expenses for international tournaments - Rs.84.986 million

Rule 3(b) of the Revised Financial Rules of the PHF dated 23.07.2019 states that the Secretary General, PHF is empowered to withdraw cash from the PHF Bank Accounts within the PHF annually approved budget and purchase the foreign currency from the open market and is bound to settle the same within 15 days after the completion of the activity/tour.

Rule 29 (9) of the Revised Financial Rules of the PHF dated 23.07.2019 states that record keeping of the PHF accounts will be prepared by the PHF accounts department under monitoring of the PHF Treasurer.

Management of the Pakistan Hockey Federation, Lahore incurred an expenditure of Rs.84.986 million on account of team expenses for international tournaments, as per following details:

(Rs.)

Sr. No.	Name of event	Expenditure
1.	Azlan Shah Cup, Malaysia	24,497,461
2.	FIH Nations Cup, South Africa	22,267,370
3.	Junior Asia Cup, Oman	14,371,299
4.	Common Wealth Games, UK	14,925,236
5.	Women Indoor Asia Cup, Thailand	8,924,426
Total		**84,985,792**

Audit observed that:

i. Record for recommendation/minutes of the selection committee of team players/team officials/selection criteria was not produced to Audit.
ii. Documentary evidence of exit/passport copies of the players/team officials were also not produced to Audit.
iii. Boarding passes/lodging, check-in/check-out were also not available on record.
iv. Vouched accounts in support of the expenditure were not available.

Audit is of the view that the expenditure of Rs. 84.986 million without supporting documents and vouched accounts was irregular and doubtful.

Audit is also of the view that the selection of the hockey team/players without any selection criteria resulted in continuous decline of the National Game.

The PAO and the audited formation were informed on 03.10.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the matter may be investigated at appropriate level beside obtaining vouched accounts from the concerned.

CHAPTER 19

MINISTRY OF INTERIOR

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 23.04.2019), 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 AR. 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 Balochistan Constabulary and Frontier Constabulary) Rangers and Coast Guards.
18. Arms Act jurisdictions to the Federal areas.
19. Border incidents and disputes.
20. Permission to the Government servants to visit India.
21. Political asylum, genocide.
22. Surrender of criminals and accused persons to the 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 the 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
30. Islamabad Capital Territory Administration.
31. Advocate General (ICT), Metropolitan Corporation Islamabad, Capital Development Authority.
32. 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, Balochistan.
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.

(Rs. in million)

Sr. No.	Description	Total number	Audited	Expenditure Audited (FY-2023-24)	Revenue/Receipt Audited (FY 2023-24)
1	Formations	191	65	193,873.07	20,533.31
2	Assignment Accounts (Excluding FAP)	3	3	352.47	
3	Authorities/ Autonomous Bodies etc. under the PAO	2	2	1,682.63	693.12
4	Foreign Aided Project (FAP)				

19.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Interior Division for the financial year 2023-24 was Rs. 263,493.400 million, out of which the Division expended an amount of Rs. 269,514.720 million. The Division had five current and one development grant. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

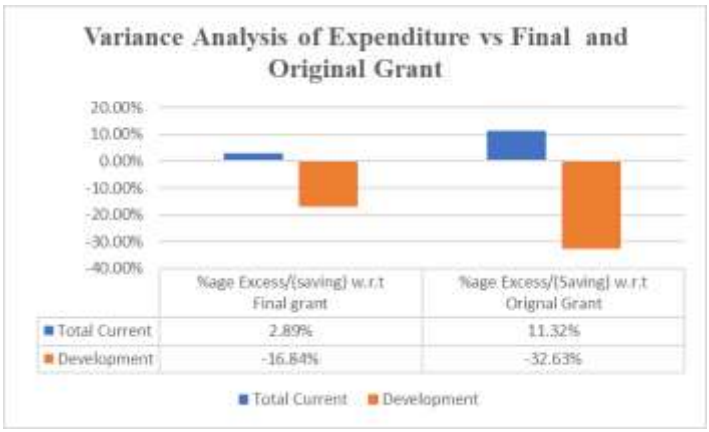
Grant Number	Type of Grant	Original Grant	Supplementa-ry Grant	Surrender	Final Grant	Actual Expenditure	Excess/ (Savings)
58	Current	13,239.66	1,702.63	(887.65)	14,054.64	10,583.35	(3,471.29)
59	Current	9,303.12	2,685.00	(274.61)	11,713.50	11,775.45	61.94
60	Current	18,015.96	159.13	-	18,175.09	19,164.13	989.04
61	Current	194,701.05	16,139.16	(155.46)	210,684.75	220,486.73	9,801.99
62	Current	819.38	-	(14.01)	805.37	802.24	(3.14)
Total Current		**236,079.16**	**20,685.91**	**(1,331.72)**	**255,433.35**	**262,811.90**	**7,378.55**
113	Dev.	9,950.00	54.49	(1,944.44)	8,060.05	6,702.82	(1,357.23)
Grand total		**246,029.16**	**20,740.40**	**(3,276.17)**	**263,493.40**	**269,514.72**	**6,021.32**

Audit noted that there was an overall excess of Rs. 6,021.320 million, which was mainly due to excess in the current grants.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 in current, development and charge expenditure, it was observed that, in case of the development grant, there was -32.63% of saving w.r.t the original grant which was decreased to -16.84% w.r.t the final grant and in case of current grant, 11.32% excess is reduced to 2.89% excess.



19.3Classified Summary of Audit Observations

Audit observations, amounting to Rs. 18,859.436 million, were raised in this report during the current audit of the **Ministry of Interior**. Summary of the audit observations classified by nature is as under:

(Rs. 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*	152.287
B	*Procurement related irregularities*	16,291.939
C	*Management of account with commercial banks*	
D	*Recovery*	2,364.814
E	*Internal Control*	
4	Value for money and service delivery	
5	Others	50.396

19.4Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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
2023-24	73	0	0	73	-
Total	**590**	**218**	**99**	**491**	-

19.5 AUDIT PARAS

Directorate General Immigration and Passport, Islamabad

19.5.1 Less deposit of passport fee in the Government treasury - Rs. 1.289 billion

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.

Para 89(4) (viii) of GFR, Vol.-I states that the Head of the Department and the Accountant-General, will be jointly responsible for the reconciliation of the figures given in the accounts maintained by the Head of the Department with those that appear in the Accountant-General's books.

The management of the Directorate General of Immigration and Passports, Islamabad reported a receipt of Rs. 45,405,270,342 on account of Passport fee whereas, AGPR's figure indicated a receipt of Rs. 44,116,209,484 during the Financial Year 2023-24. The details are as under:

(Rs.)

Department figures	AGPR figures	Less deposited in the treasury
45,405,270,342	44,116,209,484	1,289,060,858

Audit observed that there was a significant difference of Rs. 1,289,060,858 between the department and AGPR figures which may be due to less deposit of the Passport fee in the Government treasury.

Audit is of the view that the less deposit of Passport fee in the Government treasury and its non-reconciliation was a serious lapse on the part of the management.

The management did not reply till the finalization of this report.

The DAC meeting was held on 08.01.2025. The DAC directed the management to reconcile the amounts with the treasury offices and share with Audit.

Audit recommends the investigation of the matter for less deposit of huge amount in the Government treasury.

19.5.2 Non-observance of foreign posting policy

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 6 of the Policy of posting of IMPASS staff at the Pakistan missions abroad issued by the Ministry of Interior vide a Letter No.4/31/2013-Estt(I&P) dated 12.02.2020 states that the posting shall be actualized after all codal formalities i.e. IB clearance, visa issuance, and issuance of no objection certificate (NOC). All the staff selected will be posted for a period of 36 months (non-extendable), which will be deemed started at the day of assumption of charge at the respective Mission. The posting shall cease at the end of 36 months automatically and pay shall be stopped forthwith. An employee may be repatriated even before expiry of posting abroad with the prior approval of the Director General, IMPASS. The replacement process will be started at least one year before the expiry of the posting period of already posted employees, so that the MRP operations are not affected.

The management of the Directorate General of Immigration and Passports, Islamabad provided a list of 46 officers and officials who were posted in the foreign missions during different tenures as mentioned against each name. The details are as under:

S. No.	Post	Name of Mission	Joining/ travel date	Completi-on date
1.	Assistant Director (BS 17)	Dubai	08.08.2021	07.08.2024
2.	APS (BS 16)	Jeddah	16.09.2021	15.09.2024
3.	Data Entry Operator (BS 14)	Jeddah	06.08.2021	05.08.2024
4.	Assistant Director (BS 17)	Riyadh	29.08.2021	28.08.2024

5.	Assistant Director (BS 17)	Abu Dhabi	30.10.2019	28.04.2024
6.	Data Entry Operator (BS 14)	Abu Dhabi	16.09.2021	15.09.2024
7.	Superintendent (BPS 16)	Muscat	24.06.2021	23.06.2024
8.	Assistant Director (BS 17)	Doha	30.05.2021	29.05.2024
9.	Assistant Director (BS 17)	Manama	27.05.2021	26.05.2024
10.	Assistant Director (BS 17)	Kuwait	06.09.2021	05.09.2024
11.	Deputy Assistant Director (BS 16)	Milan	02.07.2021	01.07.2024
12.	Data Entry Operator (BS 14)	Milan	28.12.2020	27.12.2023
13.	Data Entry Operator (BS 14)	London	27.05.2021	26.05.2024
14.	Data Entry Operator (BS 14)	Barcelona	10.09.2021	09.09.2024
15.	Deputy Assistant Director (BS 16)	Paris	23.08.2021	22.08.2024
16.	Data Entry Operator (BS 14)	Rome	28.12.2020	27.12.2023
17.	Assistant (BS 16)	Frankfurt	20.09.2021	19.09.2024
18.	Data Entry Operator (BS 14)	Frankfurt	20.05.2021	19.05.2024
19.	Assistant Director (BS 17)	Manchester	15.07.2021	14.07.2024
20.	Data Entry Operator (BS 14)	Manchester	13.06.2021	12.06.2024
21.	Deputy Assistant Director (BS 16)	Toronto	13.07.2021	12.07.2024
22.	Assistant Director (BS 17)	New York	03.05.2021	02.05.2024
23.	Data Entry Operator (BS 14)	New York	17.06.2021	16.06.2024
24.	UDC (BS 11)	New York	26.05.2021	25.05.2024
25.	Deputy Assistant Director (BS 16)	Bradford	04.06.2021	03.06.2024
26.	Data Entry Operator (BS 14)	Madrid	30.08.2021	22.08.2024
27.	Data Entry Operator (BS 14)	Hong Kong	14.01.2022	13.01.2024
28.	Assistant Director (BS 17)	Pretoria	03.06.2021	02.06.2024
29.	Data Entry Operator (BS 14)	Houston	17.09.2021	02.06.2024
30.	Assistant Director (BS 17)	Amman	16.04.2021	15.04.2024
31.	Assistant Director (BS 17)	Washington DC	24.04.2021	23.04.2024
32.	UDC (BS 11)	Washington DC	24.04.2021	23.04.2024

33.	Data Entry Operator (BS 14)	Sydney	21.09.2021	20.09.2024
34.	Deputy Assistant Director (BS 16)	Chicago	23.04.2021	22.04.2024
35.	Data Entry Operator (BS 14)	Chicago	13.09.2021	12.09.2024
36.	Assistant Director (BS 17)	Berlin	19.05.2021	18.05.2024
37.	UDC (BS 11)	Glasgow	03.06.2021	02.06.2024
38.	Deputy Assistant Director (BS 16)	Bangkok	06.08.2021	05.08.2024
39.	Assistant Director (BS 17)	Copenhagen	21.06.2021	20.06.2024
40.	Data Entry Operator (BS 14)	Lisbon	14.09.2021	13.09.2024
41.	Deputy Assistant Director (BS 16)	Los Angeles	19.04.2021	18.04.2024
42.	Data Entry Operator (BS 14)	Stockholm	19.09.2021	18.09.2024
43.	Data Entry Operator (BS 14)	The Hague	22.09.2021	21.09.2024
44.	Data Entry Operator (BS 14)	Tokyo	08.09.2021	07.09.2024
45.	Deputy Assistant Director (BS 16)	Tehran	25.07.2021	24.07.2024
46.	Deputy Assistant Director (BS 16)	Vancouver	13.07.2021	12.07.2024

Audit observed as under:

i. The employees mentioned have neither returned to Pakistan after completing their foreign postings, nor has management acted to replace them.
ii. The payment of salaries, allowances, and other benefits to these officers/officials after their foreign posting tenures have been deemed irregular and unauthorized.
iii. The replacement process should have begun at least one year prior to the expiry of the current employees' posting periods, but this has not yet been initiated.

Audit is of the view that the non-observance of foreign posting policy was a violation of the instructions issued vide Establishment Division's OM No. 04.03.2016-T. IV dated 16.02.2016 and Ministry of Interior vide Letter No.4/31/2013-Estt(I&P) dated 12.02.2020.

The management did not reply till the finalization of this report.

The DAC meeting was held on 08.01.2025. The DAC directed the managmenet to comply with the foreign posting policy in letter and spirit beside regularization of overstayed period from the competent forum.

Audit recommends investigation of the matter to fix responsibility for non-implementation of foreign posting policy beside regularization of overstayed period from the competent forum.

Frontier Constabulary, Headquarters, Peshawar

19.5.3 Loss due to non-recovery of dues against other Government departments - Rs. 844.899 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 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 Commandant, Frontier Constabulary, Khyber Pakhtunkhwa deployed various platoons on requisition by the Government of Sindh, Balochistan and Gilgit- Baltistan, as per following details:

S. No.	Particulars	Number of platoons	Amount (Rs. in million)
1	Government of Sindh (Karachi)	11	226.905
2	Government of Balochistan	25	456.200
3	Government of Gilgit-Baltistan	10	161.794
	Total		**844.899**

Audit observed that an amount of Rs. 844.899 million was not recovered on account of Internal Security Duty and additional deployment cost from the requisitioning agencies till June, 2024.

Audit is of the view that non-recovery of outstanding dues caused a loss to the department.

The management did not reply.

The DAC meeting was held on 30.12.2024. The DAC directed the management to get the recovery effected through the Federal Adjuster and outcome be shared with Audit.

Audit recommends that the amount may be recovered and deposited in the Government treasury immediately.

Gilgit-Baltistan Scouts, Gilgit

19.5.4 Unauthorized payment of Health Allowance to the Medical Officers - Rs. 1.162 million

Para ii of the Finance Division's UO No. F.2(13)R-2/2012-172 dated 27.03.2012 clarified the term "Health Personnel" which means a person who holds a post in any institute or organization delivering services in the health sector and included in the Schedule I, but does not include a person who is employed on contract or on work charge basis or who is paid from contingencies."

Finance Division's No. F.2 (13) R-2/2011-1006 dated 27.10.2014 states with reference to the Finance Division's UO No. F.2(13) R- 2/2012-172 dated 27.03.2012 that the health allowance is admissible to the health personnel serving in the Federal Government hospitals and clinics.

The management of the Gilgit-Baltistan Scouts paid Health Allowance amounting to Rs.1,162,768 to the Medical Officers of Scouts Medical Complex during the financial year 2023-24.

Audit observed that the Health Allowance was paid to the nine Medical Officers who were serving in the GB Scouts, which is not a hospital of the Federal Government. The Medical Officers/Doctors have been appointed on contract basis.

Audit is of the view that the payment of Health Allowance to the contract employees is unauthorized.

The management replied that the Authorization/Rule under which the Civil Doctors withdrew the Health Allowance was as under: -

i. Government of Pakistan, Finance Division' (Regulation Wing) Letter No. F.2(13)R-2/2011-777 dated 06.02.2012.
ii. Government of Pakistan, Ministry of National Health Services Regulations and Coordination's Letter No. F.No. 10-368/2019 H.I dated 30.09.2020 received vide the Finance Division's Letter No. F-No-2(13)-2018/464 dated 01.10.2020.

The reply is not cogent. As per clarification of the Finance Division referred above, Health Allowance is admissible to the health personnel serving in the Federal Government hospitals and clinics. These Medical Officers are not entitled to the Health Allowance.

The DAC meeting was held on 14.01.2025. The DAC directed that the matter may be taken up with Ministry of Interior.

Audit recommends recovery of the Health Allowance from the concerned Medical Officers beside stoppage of this practice in the organization.

Pakistan Rangers, Punjab

19.5.5 Misprocurement of goods and services with brand name and country of origin - Rs. 116.417 million

Rule 50 of the Public Procurement Rules (PPRA) Rules, 2004 states that any unauthorized breach of these rules shall amount to misprocurement.

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

The management of the Pakistan Rangers (Punjab), Lahore incurred an expenditure of Rs. 116,417,706 for the procurement of different goods during the financial year 2023-24. Detail is as under:

Sr. No.	Description	Amount in Rs.
1	Purchase of spare parts	76,440,199
2	Lab. kits	23,428,373
3	Radiology	1,477,120
4	Dialysis	3,443,700
5	OT material	3,813,434
6	Dental	3,814,880
7	Veterinary medicines	4,000,000
	Total	**116,417,706**

Audit observed that the goods were purchased with brand names, model number and country of origin mentioned in the specification of the bidding document.

Audit is of the view that the procurement of goods through advertisement demanding brand, model and country of origin was misprocurement of goods as it narrowed the competition and deprived the public exchequer of the benefits of the competitive rates.

The DAC meeting was held on 30.12.2024. The DAC directed that a fact-finding inquiry may be conducted including one member from the Ministry of Interior of Deputy Secretary level.

Audit recommends that the responsibility be fixed for the irregularity.

19.5.6 Irregular purchase of spare parts of vehicles resulted in a loss due to payments on highest quoted rates - Rs. 15.970 million

Rule 2 (1)(a) of the Public Procurement Rules, 2004 states that the “bid” means a tender, or an offer, in response of an invitation, by a person, consultant, firm company or an organization expressing his or its willingness to undertake a specified task at a price.

Para 7 of the Special Instructions of the tender, Pakistan Rangers (Punjab) stated that only one type of sample as well as one rate would be offered against a tender.

Para 9 of the Special Instructions for the tender, Pakistan Rangers (Punjab) stated that the store/equipment should conform to specification. Offer not conforming to the required specification or multi offer will be rejected.

The management of the Pakistan Rangers (Punjab), Lahore published a tender dated 22.07.2023 for the purchase of spare parts of vehicles maintained by the Pakistan Rangers Punjab, Lahore. Three firms participated in the bidding process and stood selected for the supply of spare parts of the vehicles. An expenditure of Rs. 76,440,199 was incurred for the purchase of spare parts of the vehicles during the financial year 2023-24. Detail is as under:

Sr. No.	Name of firm	Amount in Rs.
1	M/s Tayyab Traders, Lahore	29,429,031
2	M/s Hashim Traders, Lahore	40,112,773
3	M/s Syed Enterprises, Lahore	6,898,395
	Total	**76,440,199**

Audit observed as under:

i. The procedure for opening of bid was ambiguous. It was neither defined in the advertisement nor in the bidding document.

ii. The firms quoted more than one rates against the single item instead of a single rate against each item specified in the bidding document.

iii. The firms were paid on highest quoted rate by ignoring the lowest quoted rate which resulted in a loss/overpayment of Rs. 15,970,181, which is 21% of the total payments.

(Rs.)

Sr. No.	Name of firm	Amount	Number of bills	Loss/overpaid amount
1	M/s Tayyab Traders, Lahore	29,429,031	08	4,983,590
2	M/s Hashim Traders, Lahore	40,112,773	09	10,425,741
3	M/s Syed Enterprises, Lahore	6,898,395	03	560,850
Total		**76,440,199**	**20**	**15,970,181**

Audit is of the view that the procurement of spare parts in violation of the Public Procurement Rules, 2004 was irregular which resulted in a loss to the public exchequer.

The DAC meeting was held on 30.12.2024. The DAC directed that a fact-finding inquiry may be conducted including one member from the Ministry of Interior of Deputy Secretary level.

Audit recommends that responsibility may be fixed for the irregularity. Further, this practice needs immediate discontinuation.

19.5.7 Irregular purchase of goods from the firms not conforming the required specifications of bidding document - Rs. 43.874 million

Rule 36(v) of the Public Procurement Regulatory Authority (PPRA) Rules, 2004 states that the procuring agency shall evaluate the technical proposal in a manner prescribed in advance, without reference to the price and reject any proposal which does not conform to the specified requirements.

Rule 36(vi) of the PPRA, 2004 states that during the technical evaluation, no amendments in the technical proposal shall be permitted.

The management of the Pakistan Rangers (Punjab), Lahore floated tenders in the national newspapers dated 06.08.2023 and 19.08.2023 for the purchase of different uniform and communication items respectively. An expenditure of Rs. 43,874,415 was incurred during the financial year 2023-24. Details are as under:

Sr. No.	Name of item	Name of firm	Rate/ item	Quantity	Cheque No.	Date	Amount in Rs.
1	132 Km drop wire	M/s Mantech	34,800	43 Km	9677989	18.03.2024	1,496,400
				89 Km	9992443	15.06.2024	3,097,200
2	Woolen socks	M/s Sultan Enterprises	530	3,006	9677179	10.01.2024	1,593,180
				27,515	9991017	07.06.2024	14,582,950
3	Half sleeves shirt	M/s Ali Traders	745	5,013	9677772	05.03.2024	3,734,685
				13,000	9677891	11.03.2024	9,685,000
				13,000	9990709	03.06.2024	9,685,000
						Total	**43,874,415**

Audit observed that the firms did not conform to the required specifications as per bidding document but the Technical Committee declared the firms responsive and awarded the contracts for the purchase of the uniform items.

Name of firm	Name of item	Description required	Required specification	Specifications as per Lab. report
M/s Mantech	Drop wire	Manufacturing year Impedance/Resistance	2023-2024 16.5 Ohm per Km	10.02.2023 65 Ohm /500 meters
M/s Sultan Enterprises	Woolen socks	Blending composition: a. Wool % b. Nylon %	 50% 50%	 56.5 % 43.5 %
		Count of yarn: a. Body b. Splicing	 2/120 +- 8% 1/80.5 +- 3%	 2/106.6 89.30
M/s Ali Traders	Half sleeves shirt	Material: c. Cotton d. Polyester	 48% +- 1% 52% +- 1%	 45.9 % 54.1 %
		Count of yarn	32.6 Tex +- 3%	38.4
		Weight per Square Meter (gm)	230 gms (Min. 220)	265.3

Audit is of the view that the award of work to the non-responsive firms, even after lab. test proved that the items were not as per requirements, was an undue favour to the firms beside violation of the Public Procurement Rules, 2004.

The DAC meeting was held on 30.12.2024. The DAC directed that a fact-finding inquiry may be conducted including one member from the Ministry of Interior of Deputy Secretary level.

Audit recommends that responsibility may be fixed for the irregularity.

19.5.8 Non-availability of procurement and disbursement record of medicines, animal feed and others - Rs. 97.605 million

According to Rule 11 of 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 the Pakistan Rangers (Punjab), Lahore incurred an expenditure of Rs.97,605,830 under different heads of accounts during the financial years 2023-24. Detail is as under:

Sr. No.	Description	Amount in Rs.
1	Repair and maintenance record	50,860,830
2	Medicines	31,545,000
3	Animal medicines	4,000,000
4	Animal feed	11,200,000
	Total	**97,605,830**

Audit observed that the supporting record/disbursement record of spare parts, medicines and animal feed was not available.

Audit is of the view that in the absence of supporting/disbursement record, the authenticity of the expenditure cannot be ascertained.

The DAC meeting was held on 30.12.2024. The DAC directed that the management to provide complete record to Audit but the relevant record was not provided.

Audit recommends that complete record may be provided to Audit for scrutiny.

19.5.9 Irregular purchase of joggers by giving undue favour to the technically non-responsive firm - Rs. 45.571 million

Rule 36(v) of the Public Procurement Regulatory Authority (PPRA) Rules, 2004 states that the procuring agency shall evaluate the technical proposal in a manner prescribed in advance, without reference to the price and reject any proposal which does not conform to the specified requirements.

Rule 36(vi) of the PPRA Rules, 2004 states that during the technical evaluation, no amendments in the technical proposal shall be permitted.

The management of the Pakistan Rangers (Punjab), Lahore floated a tender in the national newspaper dated 06.08.2023 for the purchase of 19,000 pairs of jogger shoes. Two firms participated in the bidding process. The qualifying marks as per required specification of the bidding document were 26. The lab. tests

of the sample were carried out on 01.09.2023 wherein, both the firms scored 23 marks each. The financial bid was opened on 08.09.2023. M/s Askari Shoes was awarded the contract 25.09.2023 and paid Rs. 45,571,404 on account of purchase of jogger shoes during the financial year 2023-24. Detail is as under:

(Rs.)

Cheque No.	Date	Number of pair of shoes	Rate/shoe	Total payment
9678818	30.11.2023	1,996	2,399	4,788,404
9677181	10.01.2024	5,000	2,399	11,995,000
9678836	28.03.2024	4,000	2,399	9,596,000
9992563	26.06.2024	8,000	2,399	19,192,000
Total		**18,996**	**2,399**	**45,571,404**

Audit observed that the bids of the firms did not conform to the required specifications as per the bidding document but the Technical Committee declared the firms responsive.

Audit is of the view that undue favour was extended to the firms by accepting the bids of technically non-responsive firms at the cost of pubic exchequer.

The DAC meeting was held on 30.12.2024. The DAC directed that a fact - finding inquiry may be conducted including one member from the Ministry of Interior of Deputy Secretary level.

Audit recommends that responsibility may be fixed.

19.5.10 Non-deduction of Income tax on IS Duty Allowance - Rs. 29.399 million

Section 12(1) of the 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 the 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 2023-24
Up to 600,000	0%
600,001-1,200,000	2.5 % of the amount exceeding Rs. 600,000
1,200,001-2,400,000	Rs.15,000 + 12.5 % of the amount exceeding Rs. 1,200,000
2,400,001-3,600,000	Rs 165,000 + 22.5 % of the amount exceeding Rs. 2,400,000
3,600,001-6,000,000	Rs 435,000 + 27.5 % of the amount exceeding Rs. 3,600,000
Above 6,000,000	Rs 1,095,000 + 35% of the amount exceeding Rs. 6,000,000

Serial No. 39A of the Second Schedule of Section 53 of the Income Tax Ordinance, 2001 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 the Northern Areas and height allowance to the Armed Forces personnel.

The management of the Pakistan Rangers (Punjab) paid Rs. 587,994,060 to its officers and official deployed at Islamabad as Internal Security Duty Allowance during the financial year 2023-24. Detail is as under:

(Rs.)

Description	1st Quarter	2nd quarter	3rd Quarter	4th Quarter	Total
Sec HQ	30,379,860	31,370,820	32,720,910	33,636,270	128,107,860
17 Wing	38,439,120	36,015,300	37,177,800	38,842,200	150,474,420
21 Wing	35,526,180	38,337,720	37,738,800	38,364,720	149,967,420
26 Wing	41,111,520	39,937,080	39,605,640	38,790,120	159,444,360
Total	**145,456,680**	**145,660,920**	**147,243,150**	**149,633,310**	**587,994,060**

Audit observed as under:

i. The Internal Security Duty Allowance was not exempted from Income Tax for Civil Armed Forces. Neither the amount paid against IS Duty allowance was included in the gross annual taxable

income of officers and official of Rangers nor was the Income Tax of Rs. 29,399,703 @ 5% deducted.

ii. The record of Internal Security Duty Allowance paid to the officers /officials deployed at Gilgit-Baltistan, General Election Duty and PSL was not provided.

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. Moreover, non-provision of the record of the IS duty allowance of Gilgit-Baltistan, General Election Duty and PSL was a serious violation of the Government instructions.

The DAC meeting was held on 30.12.2024. The DAC directed to recover the amount of tax on IS Duty beside provision of the Internal security duty record of Gilgit-Baltistan, General Election and PSL to Audit for scrutiny.

Audit recommends that the tax amount may be recovered and deposited in the Government treasury beside provision of record. Further, responsibility be fixed for non-provision of the record

Pakistan Coast Guards, Karachi

19.5.11 Unauthorized grant of advance payment to a supplier and non-delivery of boats thereof - Rs. 560 million

Para 10 (f and e) of the Tender Document for the Procurement of Rigid-Hulled Inflatable Boat (RHIB) states that the delivery of store will be 120 days, otherwise bid will not be accepted in financial opening.

According to Para 11 (a) of the Tender Document, the payment will be made through cross cheque after satisfactory delivery and inspection of the items against invoices/demands.

As per Clause 26 of the Contract Agreement dated 21.02.2024 signed between the Pakistan Coast Guards and M/s MAQASID Pvt. Ltd., "Liquidated Damages up to 02% per month are liable to be imposed on the supplier by the purchaser, if the equipment/stores are supplied after expiry of the delivery date, except where the delay is attributable to reasons of force majeure. The total value of LD shall not exceed 10% of the value of equipment/store delivered date."

The management of the Pakistan Coast Guards, Karachi floated an open tender on 15.08.2023 in the newspapers for procurement of a Rigid-Hulled Inflatable Boat (RHIB). The closing and opening date of the tender was 31.08.2023. The Supply Order No. Ord/1662/Tpt dated 26.03.2024 was issued to M/s MAQASID Pvt. Ltd. for supply of two (02) RHIB Boats, as per following details:

(Rs.)

S. No.	Nomenclature	Accounting unit	Quantity	Rate Per Unit	Amount
A	Rafnar -1,100 of Rigid-Hulled Inflatable Boat (RHIB) Turkish as per specification including following items: A. 6x Complete Diving Sets B. 1x Trolley for RHIB	Numbers	02	280,000,000	560,000,000
				Total	**560,000,000**

The breakup of cost of two boats and taxes and duties was as under:

(Rs.)

Breakup of cost and taxes/duties	Amount claimed by the supplier	Amount paid by the PCG
Original Cost of two boats	398,194,972	398,194,972
Custom Duty	11,945,849	11,945,849
Sales Tax (18%)	71,675,095	57,340,076
Income Tax	23,891,698	0
Additional CD	7,963,899	7,963,899
Clearing Charges (1.5%)	5,972,925	5,972,925
Shipment Charges	40,356,562	40,356,562
Total	**560,001,000**	**521,774,283**

The contract was executed with the firm on 21.02.2024. The sanction for payment of Rs.560,000,000 (gross) was issued on 02.04.2024. Net payment of Rs.521,773,283 was made to M/s MAQASID Pvt. Ltd. vide a cheque No.9785436 dated 02.04.2024 after deduction of Income Tax of Rs. 23,891,698 and Withholding GST of Rs.14,335,019.

As per the Contract Agreement, the supplier was bound to supply the boats within 04 months from the date of signing of the Contract with 21 days grace period i.e. up to 12.07.2024.

Audit observed as under:

i. The advance payment of Rs.560.000 million was made to the firm in violation of the provision of the Tender Document by extending undue favour.
ii. Despite receiving advance payment during April, 2024, the firm had not supplied the boats up to 23.07.2024. Due to non-supply of the boats by the supplier within the stipulated period, the Liquidated Damages of Rs.4,696,774 (@ 2% of Rs.560,000,000/31x11) for thirteen days w.e.f. 13.07.2024 to 25.07.2024) were recoverable from the firm.
iii. In addition to the cost of two boats amounting to Rs. 398.194 million, the taxes and duties amounting to Rs. 123.579 million have also been paid to the firm without admissibility.

Audit is of the view that the grant of advance payment of Rs.560.000 million in violation of the provision of the Tender Document is unauthorized. Due to non-supply of the boats, the advance payment is lying unadjusted up till now.

The management replied that the procurement of boats had been made after fulfilling all the codal formalities as per PPRA Rules, 2004. However, the advance payment in question has been made to the contractor for supply of the said boats in time for which the Pre-Shipment Inspection of 2x boat has also been carried out by the board of officers at OEM premises. The boats are to be received shortly.

The reply is not cogent. Nothing has been explained about the advance payment made to the firm in violation of the agreement, recovery of LD Charges from the firm and payment of duties and taxes to the firm (in advance) without admissibility. The boats have not been received so far.

The DAC meeting was held on 14.01.2025. The DAC directed that the firm be pursued for timely delivery of boats and liquidated damages be imposed as per rules.

Audit recommends fixing of responsibility against the persons concerned for the above lapses beside getting delivery of the boats, recovery of LD Charges and adjustment of taxes and duties paid to the firm in advance.

Land Revenue Department, Islamabad

19.5.12 Loss due to non-recovery of Mutation Fee, Advance Tax and Gain Tax - Rs. 24.257 million

Rule 26 of the 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.

According to the Assistant Commissioner, Inland Revenue's Letter No. 02 dated 03.07.2023, the following rates of Advance Taxes were applicable w.e.f. 01.07.2023, and recoverable from sellers and purchasers of Immovable Property:

Section	For Filer	For Non-Filer
236C-Advance Tax recoverable from sellers of Immovable Property	3% of total value of Immovable Property	6% of value of Immovable Property
236K- Advance Tax recoverable from purchasers of Immovable Property	3% of value of Immovable Property	10.5% of value of Immovable Property

The Sub-Register (Rural) of the Registry Branch (Rural) approved/registered fifty-nine (59) Mutation cases valuing Rs.176,324,000 during the financial year 2023-24. The Sub-Registrar (Rural) was required to recover Mutation Fee and Advance Taxes from both the sellers and purchasers of immovable properties.

Audit observed as under

i. The Sub-Registrar (Rural) had not recovered the Mutation Fee of Rs.9.779 million and Advance Tax of Rs.9.208 million from the purchasers.
ii. The Gain Tax of Rs.5.268 million had not been recovered from the sellers.

Audit is of the view that the Public Exchequer was put to a loss of Rs. 24.257 million due to non-recovery of Mutation Fee, Advance Tax and Gain Tax from the concerned purchasers and the sellers of the land.

The DAC meeting was held on 23.01.2025. The DAC directed to recover the amount.

Audit recommends recovery of the amount from the concerned beside taking appropriate action against the persons responsible for the lapses.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide para number 20.5.73 and 20.5.74 having financial impact of Rs. 6.330 million and Rs. 56.452, respectively. Recurrence of same irregularity is a matter of serious concern.

ICT Police, Islamabad

19.5.13 Loss to the Government due to less deduction of income tax from the vendor - Rs. 40.600 million

According to Section 153(2)(i) of the Income Tax Ordinance, 2001, the Income Tax chargeable is 4% of the gross amount payable, in the cases of transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in Section 2, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services including architectural services, warehousing services, services rendered by the asset management companies, data services provided under license issued by the Pakistan Telecommunication Authority, telecommunication infrastructure (tower) services, car rental services, building maintenance services, services rendered by the Pakistan Stock Exchange Limited and the Pakistan Mercantile Exchange Limited, inspection, certification, testing and training services, oilfield services, telecommunication services, collateral management services, travel and tour services, REIT management services, services rendered by the National Clearing Company of Pakistan Limited.

According to Section 153(2)(ii)(b) of the Income Tax Ordinance, 2001, in case of rendering or providing of services other than Sub-Clause (i) (a), the rate of Income Tax chargeable shall be 9% of the gross amount payable in case of a company, (b) in any other case, 11% of the gross amount payable for the Financial Year 2023-24 and 10% of the gross amount payable for the Financial Years 2021-22 and 2022-23.

The management of the Islamabad Police hired the services of M/s Taha Enterprises, Lahore and M/s HS Engineering, Lahore for provision of Containers for placement in the ICT area during different law and order situations. A payment of Rs. 579,851,546 was made to the vendors during the Financial Years 2021-22 to 2023-24 and deduction of Income tax was made from the vendors @ 4% under Section 153(2)(i) of Income Tax, 2001. The detail is as under:

(Rs.)

S. No..	Financial year	Vendor name	Amount
1.	2021-22	M/s Taha Enterprises	84,433,000
2.	2022-23	M/s Taha Enterprises	402,602,500
3.	2023-24	M/s Taha Enterprises	36,292,046
4.	2023-24	M/s HS Engineering	56,524,000
		Total	**579,851,546**

Audit observed that the Income Tax rate applicable on the vendors' services was 11 % for the Financial Year 2023-24 and 10% for the Financial Years 2021-22 and 2022-23 under Section 153(2)(ii)(b) of the Income Tax Ordinance, 2001, however, the management deducted tax @ 4 % for the Financial Year 2023-24 and @ 3% for previous Financial Years which resulted in a revenue loss to the Government of Rs. 40,599,608. Detail is as under:

(Rs.)

S. No.	Financial year	Vendor name	Gross amount of the bill	Income tax deducted	Income Tax to be deducted @ 11%	Loss
1.	2021-22	M/s Taha Enterprises	84,433,000	2,522,990	8,443,300	5,920,310
2.	2022-23	M/s Taha Enterprises	402,602,500	12,078,075	40,260,250	28,182,175
3.	2023-24	M/s Taha Enterprises	36,292,046	1,451,682	3,992,125	2,540,443
4.	2023-24	M/s HS Engineering	56,524,000	2,260,960	6,217,640	3,956,680
		Total	**579,851,546**	**18,313,707**	**58,913,315**	**40,599,608**

Audit is of the view that less deduction of income tax from the vendors caused a revenue loss to the public exchequer.

The management did not reply till finalization of this report.

The PAO and the audited formation were informed on 14.01.2025 and 17.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that matter be inquired and overpayment be recovered from the vendor and deposited in the Government treasury.

19.5.14 Overpayment due to inclusion of Income Tax in the quoted rate by the vendor - Rs. 52.333 million

According to Section 153(2)(i) of the Income Tax Ordinance, 2001, the Income Tax chargeable is 4% of the gross amount payable, in the cases of transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in Section 2, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services including architectural services, warehousing services, services rendered by the asset management companies, data services provided under license issued by the Pakistan Telecommunication Authority, telecommunication infrastructure (tower) services, car rental services, building maintenance services, services rendered by the Pakistan Stock Exchange Limited and the Pakistan Mercantile Exchange Limited, inspection, certification, testing and training services, oilfield services, telecommunication services, collateral management services, travel and tour services, REIT management services, services rendered by the National Clearing Company of Pakistan Limited.

Section 153(2)(ii)(b) of the Income Tax Ordinance, 2001 states that in case of rendering or providing of services other than Sub-Clause (i) (a), the rate of Income Tax chargeable shall be 8% of the gross amount payable in case of a company, (b) in any other case, 10% of the gross amount payable.

The management of the Islamabad Police hired the services of containers through open tenders for the Financial Years 2021-22 and 2022-23 for placement in the ICT area. The vendor, M/s Taha Enterprises was selected after technical and financial bidding process, quoted the following rates:

(Rs.)

S. No.	Description	Rate (Including Income Tax and GST)	Income Tax included in the bid price i.e. 10%	Rate (Including GST only)
2.	Container Large (40 Feet) Shifting from Lahore	130,000	13,000	117,000
3.	Container Large (40 Feet) Shifting from Peshawar	125,000	12,500	112,500
4.	Container Small (20 Feet) Shifting from Tarnowl, Islamabad	70,000	7,000	63,000
5.	Container Small (20 Feet) Shifting from Lahore	90,000	9,000	81,000
6.	Container Small (20 Feet) Shifting from Peshawar	85,000	8,500	76,500
7.	Container Rent Large (40 Feet) after 05 days package	7,000	700	6,300
8.	Container Rent Small (20 Feet) after 05 days package	5,000	500	4,500
9.	Transportation/Shifting Charges Container Large (40 Feet) *(after first deployment)*	50,000	5,000	45,000
10.	Transportation/ Shifting Charges Container Small (20 Feet) *(after first deployment)*	40,000	4,000	36,000
11.	Crane Services *(12 hours duty with 01 Crane Operator and including all repairs)*	65,000	6,500	58,500
12.	Fork Lifter *(12 hours duty with 01 Operator and including all repairs)*	50,000	5,000	45,000

The management of the Islamabad Police hired the services of containers through open tenders for the Financial Years 2021-22 and 2022-23 for placement in the ICT area, and an amount of Rs. 523.327 million was paid to M/s Taha Enterprises during the period 2021-22 to 2023-24. Details of payments are as under:

(Rs.)

Financial year	Amount paid for the services (Including Income Tax as quoted by the vendor)
2023-24	36,292,046
2022-23	402,602,500
2021-22	84,433,000
Total	**523,327,546**

Audit observed as under:

i. The vendor quoted the rate including the amount of Income Tax in their bids, which was to be paid by the vendor himself from his earnings and not to be included in the quoted rates.

ii. Due to inclusion of Income Tax by the vendor, the ICT Police overpaid Rs. 52,332,755 on account of income tax, which is calculated in the below mentioned tabular form:

(Rs.)

Financial year	Amount paid for the services (Including Income Tax as quoted by the vendor)	Amount required to be paid (excluding the Income Tax @10%)	Difference
2023-24	36,292,046	32,662,841	3,629,205
2022-23	402,602,500	362,342,250	40,260,250
2021-22	84,433,000	75,989,700	8,443,300
Total	**523,327,546**	**470,994,791**	**52,332,755**

Audit is of the view that undue favour was extended to the vendors by including Income Tax in the quoted rates which resulted in an overpayment.

The management did not reply till finalization of this report.

The PAO and the audited formation were informed on 14.01.2025 and 17.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that matter be inquired, overpayment be recovered from the vendor and responsibility be fixed.

19.5.15 Unauthorized procurement of used Government vehicles for making use of their parts in the existing vehicles of the ICT Police - Rs. 19.474 million

According to Para 2(L) of the Public Procurement Rules, 2004, "value for money" means best returns for each rupee spent in terms of quality, timeliness, reliability, after sales service, upgrade ability, price, source, and the combination of whole-life cost and quality to meet the procuring agency's requirements.

According to Para ii of the Finance Division's (Expenditure Wing) OM No. 7(1) Exp-IV/2023-463 dated 20.02.2024, "there shall be complete ban on purchase of all types of vehicles except ambulances, buses for educational institutions, solid waste vehicles, tractors, fire fighting vehicles, and motor bikes."

The Islamabad Capital Territory Police purchased twenty-two (22) used vehicles at book value/reserve price from the National Highways and Motorways Police, Islamabad and deposited Rs. 19,474,000 in the Government treasury on 22.02.2024 under receipt object code C-03802 Sale of Store and Material for the procurement. The expenditure incurred was charged to the A13-Repair and Maintenance, A130-Transport, and A13001-Transport from ID No.1457-Police Department of the Federal Area, Islamabad.

Audit observed as under:

i. The department purchased the vehicles during the ban period under the head "A13001-Repair and maintenance of Transport."
ii. There existed no provision in the rules for procurement of used vehicles to make use of their parts in the existing vehicles. The initial proposal indicated that the parts of these 22 vehicles would be used for existing vehicles of the ICT Police.
iii. There was no evidence that the similar-nature vehicles were on the strength of the ICT Police, Islamabad which needed replacement of parts. Further, the logbooks showing the replacement of parts and entry in the stock of the ICT Police were not available.
iv. As the vehicles were got transferred to the ICT Police from the Excise and Taxation Office record, the disposal of the chassis of the procured vehicles is not forthcoming from the record.

Audit is of the view that the procurement was made in violation of the Public Procurement Rules, 2004 with the intended purpose of using parts of the purchased vehicles in the existing vehicles without any lawful authority. Further, the Finance Division's instructions regarding austerity measures were also violated.

The management did not reply till finalization of this report.

The PAO and the audited formation were informed on 14.01.2025 and 17.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that matter be inquired and responsibility be fixed for the unauthorized procurement.

19.5.16 Unjustified charging for printing of digital driving license card fee to general public - Rs. 50.396 million

Section 9 (3) of the Provincial Motor Vehicles Ordinance, 1965 states that no fee other than a fee for the test of competence to drive shall be charged for an addition to a license.

Islamabad Police, Headquarter invited tenders during the Financial Year 2023-24 for printing of driving license cards. The tender was awarded to M/s Kamera Kraft @ Rs. 370 per card. During the year, the firm printed a total 136,205 driving licenses at a total cost of Rs. 50,395,850 to the Government.

During scrutiny of record, Audit observed that:

i. The management of the Islamabad Police was charging the general public @ Rs. 400 as printing charges for the period up to 12.05.2024 in the light of the Chief Commissioner, Islamabad's Notification dated 02.04.2018.
ii. From 13.05.2024 to 30.06.2024, the general public was being charged @ Rs. 2,000 as printing charges of the Driving License in the light of the Chief Commissioner, Islamabad's Notification dated 13.05.2024.
iii. Detail of the overcharged amount to the general public is as under;

(Rs.)

Period	Rate as per tender	Fee charged	Difference/ over charged amount per card	Total number of Driving Licenses issued	Total overcharged amount
01.07.2024 to 12.05.2024	370	400	30	118,804	3,564,120
13.05.2024 to 30.06.2024	370	2,000	1,630	17,401	28,363,630
			Total	**136,205**	**31,927,750**

Audit is of the view that charging more than the cost of printing of Driving License to the general public was unjustified. This overcharging has an impact on the poor public, who are already barely managing to cover their basic expenses.

The management did not reply till finalization of this report.

The PAO and the audited formation were informed on 14.01.2025 and 17.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that unjustified charging of the Card Printing Fee from the general public may be stopped forthwith and fee mechanism may be reviewed.

19.5.17 Unauthorized drawal on account of Fixed DA Allowance - Rs. 104.722 million

According to Para iii of the Government of Pakistan, Ministry of Interior's Letter No. 14/4/2004-ICT-I dated 14.03.2009, sanction of the President of Pakistan regarding granting of the following incentive to the employees of the Capital Territory Police, Islamabad was conveyed w.e.f. 01.04.2009;

"20 days fixed Daily Allowance (DA) per month to official on operational duties only."

During audit of the accounts of the ICT Police, Islamabad for the financial year 2023-24, it was observed that a total 454 employees who were not performing operational duties, as evident from their job titles, have drawn the Fixed DA amounting to Rs. 104,722,478 in violation of the aforesaid government Order.

Audit is of the view that unauthorized drawal on account of Fixed DA occurred due to weak internal control.

The management did not reply till finalization of this report.

The PAO and the audited formation were informed on 14.01.2025 and 17.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends recovery of the unauthorized Fixed DA Allowance paid to the employees beside stoppage to those who are not entitled to receive.

19.5.18 Loss to the Government due to non-deduction of Income Tax from payment made on account of rent of office building - Rs. 3.707 million

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

S. No.	Gross amount of rent	Rate of Tax
1	Where the gross amount of rent does not exceed Rs.300,000.	Nil
2	Where the gross amount of rent exceeds Rs.300,000 but does not exceed Rs.600,000.	5 per cent of the gross amount exceeding Rs.300,000.
3	Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.2,000,000.	Rs.15,000 plus 10 per cent of the gross amount exceeding Rs.600,000.
4	Where the gross amount of rent exceeds Rs.2,000,000.	Rs.155,000 plus 25 percent of the gross amount exceeding Rs.2,000,000.

In this Section, "prescribed person" means - (i) the Federal Government; (ii) a Provincial Government; (iii) 3 [Local Government]; (iv) a company; (v) a non-profit organization4 [or a charitable institution]; (vi) a diplomatic mission of a foreign state; 5 [ ] 6 [(via) a private educational institution, a boutique, a beauty parlour, a hospital, a clinic or a maternity home;] 7 [(vib) individuals or association of persons paying gross rent of rupees one and a half million and above in a year;

During audit of the accounts of the ICT Police, Islamabad for the financial year 2023-24, it was observed that the payment on account of rent of office building amounting to Rs. 16,207,000 stood made to the owner; however, income tax at the prescribe rate to the tune of Rs. 3,706,750 was not deducted. Detail of non-deduction of income tax is as under:

(Rs.)

S. No.	Gross amount of rent	Tax to be deducted
1	Rent up to Rs. 2,000,000 (Fixed tax)	155,000
2	Amount of rent exceeding Rs. 2,000,000 25% of Rs. 14,207,000 (16,207,000-2,000,000)	3,551,750
Total tax to be deducted		**3,706,750**

Audit is of the view that non-deduction of income tax occurred due to weak internal control which resulted in a revenue loss to the public exchequer.

The management did not reply till finalization of this report.

The PAO and the audited formation were informed on 14.01.2025 and 17.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends recovery of the amount and depositing it in the Government treasury.

19.5.19 Less deduction of Income Tax on account of food charges - Rs. 3.068 million

According to Section 153(1)(b), "payment for goods or services" of the Income Tax Ordinance, 2001, the rate of tax to be deducted in the case of sale of goods "(i) in case of a company 5% of the gross amount payable in any other 5.5% of the gross amount payable."

During audit of the accounts of the ICT Police, Islamabad for the financial year 2023-24, it was observed that the department has made a payment amounting to Rs. 145,220,974 on account of "feeding diet food charges" to two vendors; however, tax amounting to Rs. 3,067,593 has been less deducted. Detail is as under;

(Rs.)

S. No.	Vendor name	Gross amount of bills	Tax deducted	Tax to be deducted @5.5%	Less deducted
1	Chohan Catering and Tent Services	116,908,573	3,503,940	6,429,972	2,926,032
2	Abdullah Catering and Tent Service	28,312,401	1,415,620	1,557,182	141,562
Total		**145,220,974**	**4,919,560**	**7,987,154**	**3,067,594**

Audit is of the view that less deduction of income tax occurred due to weak internal control.

The management did not reply till finalization of this report.

The PAO and the audited formation were informed on 14.01.2025 and 17.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the less deducted income tax may now be recovered and deposited in the Government treasury.

19.5.20 Less deduction of Income Tax on account of hiring of vehicles - Rs. 3.054 million

According to Section 153(2)(i) of the Income Tax Ordinance, 2001, the Income Tax chargeable is @ 4% for the financial year 2023-24 of the gross amount payable, in the cases of transport services, freight forwarding services, air cargo services, car rental services, etc. whereas @ 3% is applicable for the financial year 2022-23.

During audit of the accounts of the ICT Police, Islamabad for the financial year 2023-24, it was observed that the department made a payment of Rs. 240,418,082 on account of "Hiring of Vehicles" during the Financial Years 2022-23 and 2023-24; however, tax amounting to Rs. 3,053,763 has been less deducted. Detail is as under:

(Rs.)

FY	Amount	Income Tax deducted	Income Tax to be deducted @4%	Less deducted
2023-24	39,705,050	1,191,152	1,588,202	397,050
2023-24	35,686,200	1,070,586	1,427,448	356,862
2023-24	20,713,500	311,402	828,540	517,138
2023-24	20,442,100	613,263	817,684	204,421
2023-24	19,366,200	580,986	774,648	193,662
2023-24	18,251,350	547,754	730,054	182,300
2023-24	16,138,500	484,155	645,540	161,385
2023-24	3,493,750	104,813	139,750	34,937
Sub total	**173,796,650**	**4,904,111**	**6,951,866**	**2,047,755**
2022-23	22,805,184	342,078	684,156	342,078
2022-23	43,816,248	650,557	1,314,487	663,930
Sub total	**66,621,432**	**992,635**	**1,998,643**	**1,006,008**
Total	**240,418,082**	**5,896,746**	**8,950,509**	**3,053,763**

Audit is of the view that less deduction of income tax occurred due to weak internal control.

The management did not reply till finalization of this report.

The PAO and the audited formation were informed on 14.01.2025 and 17.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the Income Tax may now be recovered and deposited in the Government treasury.

19.5.21 Whereabouts of sale proceeds of Used Lubricants not made known to Audit - Rs. 1.920 million

Para 23 of GFR, Vol-1 states that every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

The management of the ICT Police was maintaining 1,241 vehicles and 16,282 Litres of Lubricant were purchased during the Financial Year 2023-24.

Audit observed that the receipt accounts of used lubricant were not made available to Audit. Further, receipts of the used oils were also not available in the record. The approximate value of used oil is Rs. 1,920,000 (16,000 Litres x 120).

Audit is of the view that non-production of record relating to the sale proceeds of used lubricant is a lapse on the part of the management.

The management did not reply till finalization of this report.

The PAO and the audited formation were informed on 14.01.2025 and 17.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the recovery be effected.

Commandant, Scouts Training Academy, Warsak

19.5.22 Non-obtaining of Contractor's Securities - Rs. 4.764 million

Clause 5 of the Contract Agreement executed between the management and the Contractor dated 01.07.2022 states that the Contractor shall deposit a security in the form of Demand Draft/Pay Order in the name of the Commandant, Scouts Training Academy to ensure smooth running of this contract.

The Commandant, Scouts Training Academy at Warsak executed the contract agreements for supply of fresh ration during the financial year 2022-23.

Audit observed that the management did not obtain securities of Rs. 4,764,000 as specified in Clause 5 of the contract agreements. Details are as under:

(Rs.)

S. No.	Item	Supplier	Amount
1	Meat	M/s Pir Masam Shah	1,215,000
2	Milk	M/s Ihsan Ullah and Co.	2,025,000
3	Fruit	M/s Imran Bashar	324,000
4	Vegetables	M/s Inayat ur Rehman	810,000
5	K-II oil	M/s Ihsan Ullah and Co.	390,000
		Total	**4,764,000**

Audit is of the view that by violating the Clause of the contract agreement(s), the contractors were extended undue favour and the Government's interest was not safeguarded.

The management replied that all the ration contracts were awarded by the HQ, FC, North through proper tendering system. The point raised by the Audit will be looked into by scrutinizing the relevant record and Audit will be informed accordingly.

The reply of the management was not accepted as no documentary evidence showing collection of the subject securities were provided.

The PAO and the audited formation were informed on 11.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that responsibility for non-obtaining the security amounts be fixed beside stoppage of irregular practice.

Kurram Militia

19.5.23 Loss due to irregular purchase of firewood - Rs. 6.143 million

Clause 21 of the Contract Agreement for supply of firewood for 2021-22, provides that the contract shall become effective from 01.11.2021. It shall remain valid till 30.06.2022 unless terminated by the purchaser with one month notice and shall be renewed for similar periods if agreed by both the parties. The actions taken during the validity of this agreement shall continue to be governed by the provisions of this agreement till their successful completion.

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.

The Commandant, Kurram Militia incurred an expenditure amounting to Rs. 84,651,622 on purchase of Firewood from M/s Ihsan Ullah and Co. during the financial year 2023-24.

Audit observed that the contract for the purchase of firewood for the financial year 2021-22 stood expired on 30.06.2022 and the same was not extended/renewed. However, the same contractor was authorized for supply during the financial year 2023-24 without signing any agreement. Furthermore, rates of choice were allowed to the contractor which resulted in a loss of Rs. 6.143 million as worked out below:

(Rs.)

Item	Existing rate	Revised rate	Difference	Quantity (Kgs)	Financial impact
Firewood	47	51	04	1,535,970	6,143,880

Audit is of the view that the incurrence of expenditure on purchase of firewood without signing any agreement, and with rate of choice, without open

competition was irregular and unauthorized. The same caused a loss of Rs. 6.143 million to the Government.

The management replied that the extension/renewal of agreement would be shared with Audit.

The PAO and the audited formation were informed on 20.11.2024 and 11.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the matter may be inquired to fix responsibility beside recovery of the loss and regularization of the expenditure.

Commandant, Bara Rifle

19.5.24 Irregular expenditure on Hot and Cold Weather Charges and non-maintenance of Stock Register - Rs. 5.727 million

Rule 12(1) of the Public Procurement Regulatory Authority (PPRA) 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.

Para 148 of GFR, Vol-I, states that all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken, and they should be taken in charges 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 Commandant, Bara Rifles incurred an expenditure of Rs. 5,726,999 on purchase of ice from M/s Sardar Ali Shah and K II Oil from M/s Ihsan Ullah and Co. during the financial year 2022-23, as detailed below:

(Rs.)

S. No.	Item	Cheque No.	Date	Quantity	Rate	Amount
1	Ice	8710437	10.10.2022	42,000 Kg	100	945,000
2	Ice	8710877	20.12.2022	43,200 Kg	100	972,000
3	Ice	8711606	10.4.2023	43,200 Kg	100	972,000
4	K II Oil	9463302	22.06.2023	13,149.237 Liters	215.83	2,837,999
					Total	5,726,999

Audit observed that:

i. The expenditure was incurred without open competition.
ii. No Stock Register was maintained for the receipt and issuance of the ice and K II Oil.

Audit is of the view that the extension of contracts and incurrence of expenditure without open competition through open tenders and non-maintenance of the Stock Register for the receipt and issuance of ice and K II Oil was irregular and unauthorized.

The management replied that the stock register had been maintained regularly and inspection of all the entries of stock register was carried out on daily basis.

The reply was not acceptable as the procurement was made without open competition. Furthermore, stock register was neither provided during the course of audit nor with the replies.

The DAC meeting was held on 23.01.2025. The DAC directed that a fact-finding inquiry may be conducted including one member from the Ministry of Interior of Deputy Secretary level.

Audit recommends fixing of responsibility for the irregularities.

Inspector General, Frontier Corps (North), KP

19.5.25 Irregular expenditure due to extension of contract agreements for vegetable, fruits transportation and Animal Ration - Rs.1,792.919 million

Rule 12(1) of the Public Procurement Regulatory Rules (PPRA) 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 12(2) of the PPRA 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.

The Inspector General Frontier Corps KP (N) incurred an expenditure of Rs.1,792,919,277 on account of vegetables, fruits, transportation of goods and animal ration during the financial year 2023-24.

Audit observed that the contract agreements of 2021-22 were extended for the period of 2023-24 with enhanced rates instead of calling for fresh tenders.

Audit is of the view that the contracts were required to be awarded through open competition according to the above-mentioned Rule.

The DAC meeting was held on 08.01.2025. The DAC directed that the Para may be placed before the PAC.

Audit recommends that the responsibility may be fixed beside regularization of the expenditure from the competent authority. Further, the practice in question needs not to be repeated.

19.5.26 Irregular expenditure without executing contract agreements - Rs. 7,836.889 million

Para 13 of the Standing Operating Procedure (SOP) issued by the IGFC, KP for award of contracts in the Frontier Corps, KP states that prior to calling of tenders, units be asked for the willingness of the existing contractors if they agree to run the contract on the existing rates. Such contracts may not be retendered without prior approval of the IGFC.

Clause 21 of the contract agreements for the supply of meat, chicken, milk and K II oil for the financial year 2022-23, approved by the IGFC, KP (North) states that this contract shall remain valid till 30.06.2023 unless terminated by the purchaser with one month notice and shall be renewed for similar periods if agreed by both the parties.

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.

The Inspector General Frontier Corps, KP (N) incurred an expenditure of Rs. 7,836,889,182 under the object head A03942-Cost of Other Stores on account of purchase of Meat, Chicken, Milk and K II oil during the financial year 2023-24 and paid to the contractors.

Audit observed that the contracts executed for the financial year 2022-23 were continued for the next financial, 2023-24 by revising/enhancing the rates of various items by the IGFC, KP (N). Neither, the previous contract agreements were renewed by the IGFC, KP in accordance with the SOP referred above, and in the light of Clause 21 of the agreement, nor fresh tenders were invited as required under the Public Procurement Rules, 2004 to execute new contract agreements.

Audit is of the view that the revision of rates of items in the old contract was done instead of new tender. The management was required to call for fresh tenders and to execute new contract agreements in terms of the Public Procurement Rules, 2004 which was not done. Hence, the expenditure was irregular and unauthorized.

The DAC meeting was held on 08.01.2025. The DAC directed that the Para may be placed before the PAC.

Audit recommends discontinuation of irregular practice, fixing of responsibility on the person(s) at fault beside regularization of the expenditure.

19.5.27 Non-deduction of skin charges on supply of meat on hoof from the contractor - Rs. 9.306 million

Clause 02 of the Meat and Chicken contract agreement approved by the Inspector General Frontier Corps (N) states that on supply of Meat on Hoof, the contractor will deposit Rs. 50 per skin in the Government treasury.

Annexure B, Serial No. 2 to the contract agreement provides that the slaughter or purchase for slaughter of sheep/goat which appears ill healthy and having less than 30 - 35 Kgs of weight while alive, is prohibited.

The Inspector General, Frontier Corps KP (N) procured 6,141,980 Kg of Meat on Hoof during the financial year 2023-2024.

Audit observed that the skin charges for 186,119 skins (6,141,980 Kgs/33 Kgs average) @ Rs. 50 per skin amounting to Rs. 9,306,030 were not deducted by the management.

Audit is of the view that due to non-deduction/non-deposit of skin charges, the Government was put to a loss of Rs. 9.306 million.

The DAC meeting was held on 08.01.2025. The DAC directed that the Para may be placed before the PAC.

Audit recommends discontinuation of irregular practice, fixing of responsibility beside recovery of the charges and its deposit in the Government treasury.

19.5.28 Irregular extension of contracts for supply of vegetable and fruits, firewood, carriage and animal ration - Rs. 2,381.549 million

Rule 12(2) of the 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.

The following offices incurred an expenditure of Rs. 2,358,661,917 on purchase of vegetable and fruits, transportation of goods, supply of firewood and animal of ration during the financial years 2022-23 and 2023-24. Details are as under:

(Rs.)

S. No.	Office	FY	Para No. of the AIR	Amount
1	Commandant, Scouts training Academy, South, Mir Ali	2022-23	06	58,207,142
2	Commandant, Gomal Scouts at Manzai	2022-23	02	234,794,823
3			04	22,886,652
4	Commandant, Tochi Scouts at Miranshah	2022-23	02	272,740,675
5			03	13,832,952
6	Inspector General Frontier Corps KP (N)	2023-24	07	1,792,919,277
Total				**2,395,381,521**

Audit observed that the previous contracts for the financial year 2021-22, awarded to the contractors, were extended for the financial year 2022-23 in case of offices at Sr. No. 1 to 5 and for the financial year 2023-24 in case of office at Sr. No. 6 with enhanced rates. No fresh tenders were invited to have competitive rates as required under the Public Procurement Rules, 2004.

Audit is of the view that the extension of contracts at the enhanced rates without inviting open tenders is a violation of the Public Procurement Rules, 2004. Incurrence of the expenditure was irregular and unauthorized.

The Commandant, Scouts Training Academy, South, Mir Ali replied that the matter would be looked into and after verification of the facts, the Audit would be informed accordingly. HQ, Gomal Scouts replied that it was not the contracting authority and the case may be taken up with the relevant authorities. Tochi Scouts replied that the carriage contract for the financial year 2022-23 was revised centrally by the HQFC (South) whereas, the management of IGFC KP (N) did not reply.

The replies submitted were not accepted as the contracts stood extended at enhanced rates in violation of the Public Procurement Rules, 2004.

The PAO and the audited formation were informed on 24.10.2024 and 11.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends fixing of responsibility on the person(s) at fault beside recovery of loss.

19.5.29 Loss to Government due to non-deduction of income tax on purchase of K-II Oil - Rs. 19.446 million

Section 153(1)(a) of Income Tax Ordinance, 2001 (Amended up to 30.06.2023) states that every prescribed person making a payment in full or part including a payment by way of advance to a resident person for the sale of goods, shall, at the time of making the payment, deduct tax at the rate of 5.5% of the gross amount payable.

The Inspector General Frontier Corps, KP (N) incurred an expenditure of Rs.353,572,255 vide cheque No. 9926482 dated 28.06.2024 for purchase of K-II Oil (dumping for winter), for its units during the financial year 2023-24.

Audit observed that income tax at the prescribed rate of 5.5% to the tune of Rs.19,446,474 (353,572,255 x 5.5%) was not deducted from the contractor's bill. The supplies were made by the contractor, M/s Ihsan Ullah, who is a tax payer as was evident from payment record to the contractor. Income tax at the specified rate has been deducted from all other bills except this one.

Audit is of the view that due to non-deduction of Income Tax on purchase of K-II Oil, the Government was put to a loss of Rs.19.446 million.

The management was asked vide Letter No. FG (A) /Pesh/Audit/O.S/2024-25/ dated 26.08.2024 to offer their reply. However, no reply was received till date of finalization of the report.

The PAO and the audited formation were informed on 24.10.2024 and 11.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that recovery of the income tax and its deposit in the government treasury may be made.

Commandant, Shawal Rifle

19.5.30 Unjustified expenditure on procurement and enhancement of rates of fresh ration - Rs. 810.005 million

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.

Clause 21 of the fresh ration contract agreements states that this contract shall become effective from 01.08.2022. It shall remain valid till 30.06.2023, unless terminated by the purchaser with one month notice and shall be renewed for similar periods if agreed by both the parties. The actions taken during the validity of this agreement shall continue to be governed by the provisions of this agreement till their successful completion.

Para 13 of the Standard Operating Procedure (SOP) for award of contracts in the Frontier Corps, KP states that prior to calling of tenders, units be asked for the willingness of the existing contractors, if they agree to run the contract on the existing rates, such contracts may not be retendered without prior approval of the IGFC.

The management of Shawal Rifles incurred an expenditure of Rs. 810,005,783 under the object head A03942-Cost of Other Stores, on purchase of various fresh ration items, during the financial year 2023-24.

Audit observed that:

i. The rates of contracts were revised and enhanced by the Inspector General, Frontier Corps, KP (South). However, the duration/time period of the contract agreements was not renewed/extended in the light of Clause 21 of the contract agreements

ii. The rates for purchase of various fresh ration items were enhanced by the IGFC, KP (South) without advertisement.
iii. The management enhanced the rates of various items without considering the benefit of obtaining competitive rates from the market through advertisement, which resulted in a loss of Rs. 93,579,540.
iv. The rate for fresh milk was once enhanced from Rs. 245/Kg to 280/Kg w.e.f. July, 2023 and again enhanced to Rs. 330/Kg w.e.f. October, 2023 till June, 2024.

Audit is of the view that due to enhancement of rates of various fresh ration items, and non-renewal/extension of the contracts, the expenditure on procurement and enhancement of rates of fresh ration items was irregular and unjustified.

The management replied that the tender process and signing of the contract agreements for the supply of fresh ration was done centrally by the HQFC, KP (South), and the payment was made by this unit in accordance with the rates approved by the competent authority. Furthermore, the revision of rates was approved centrally by the HQFC, KP (South) in accordance with Clause 17 of the contract agreement, and no loss was involved.

The reply was not accepted as the revision and enhancement of rates without fresh tenders was a violation of the SOPs of the contracts in the Frontier Corps, KP and Public Procurement Rules, 2004.

The PAO and the audited formation were informed on 29.10.2024 and 11.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends discontinuation of irregular practice beside fixing of responsibility for the irregularities.

FIA, Lahore

19.5.31 Unauthorized payment of house rent ceiling to employees of the FIA Circle Offices at non-specified stations - Rs. 46.403 million

Ministry of Housing and Works' OM No. F.4(8)/92-Policy dated 18.10.2011 states that there are only six specified stations for the purpose of rental ceiling throughout Pakistan which are Islamabad, Rawalpindi, Lahore, Quetta, Peshawar and Karachi. In Sindh, only Karachi is the specified station for which house rent ceiling is admissible to the personnel who are not provided official accommodation.

The management of the Federal Investigation Agency, Lahore Zone incurred an expenditure of Rs. 46.403 million on the payment of House Rent Ceiling to its 231 employees during the Financial Year 2023-24. The detail is as under:

(Rs.)

Sr. No.	Designation	BPS	Total number of posts	House rental ceiling rate per month	Expenditure
i.	Additional Director	19	01	46,816	561,792
ii.	Deputy Director	18	04	35,898	1,723,104
iii.	Assistant Director	17	14	35,898	6,030,864
iv.	Inspector	16	10	27,134	3,256,080
v.	Sub-Inspector	14	27	27,134	8,791,416
vi.	ASI/ASI Driver	9	32	14,682	3,523,680
vii.	Head Constable	7	62	14,682	10,923,408
viii.	Foot Constable	5	56	9,654	6,487,488
ix.	APS	16	02	27,134	651,216
x.	Assistant	15	01	27,134	325,608
xi.	Steno typist	14	01	27,134	325,608
xii.	Senior Clerk	13	01	21,462	257,544
xiii.	UDC	13	05	21,462	1,287,720
xiv.	LDC	11	06	21,462	1,545,264
xv.	Staff Car Driver	04	01	6,591	79,092
xvi.	Naib Qasid	01	06	6,591	474,552
xvii.	Sweeper	01	02	6,591	158,184
			231	**Total**	**46,402,620**

Audit observed that the management paid House Rent Ceiling to its employees posted at its Circle Offices situated at non-specified stations i.e. Gujranwala, Gujrat, Sialkot and Narowal.

Audit further observed that an expenditure of Rs.46.403 million was incurred on this account.

Audit is of the view that:

i. Payment of the House Rent Ceiling amounting to Rs.46.403 million in respect of employees posted at non-specified stations was irregular.
ii. Payment of House Rental Ceiling beyond the specified stations put the Government to a financial loss.

The management replied that the House Rent Ceiling with the salary of employees of FIA was approved by the Government of Pakistan w.e.f. 19.05.2015 (BS 17 and above) and w.e.f. 08.09.2016 (BS 16 and below) vide Sanctions dated 27.05.2015 and 21.10.2016 respectively. The rental ceiling being paid as an allowance in the salary from the head of account A01202-House Rent Allowance as the Finance Division has allocated funds in the same head. Therefore, normal procedure of hiring of the residential accommodation may not be applied in this case. FIA is not the only department which has been allotted rental ceiling with salary, but other departments such as Motorway Police, ICT Police, Intelligence Bureau and NAB etc. have also been granted the same facility.

The DAC meeting was held on 14.01.2025. The DAC directed that the case may be referred to the Finance Division for clarification.

Audit recommends that the House Rental Ceiling paid to the employees posted at non-specified stations may be recovered and deposited in the Government treasury. Further, payment needs to be stopped.

Inspector General Frontier Corps (South), Turbat, Balochistan

19.5.32 Recovery due to non-deduction of Balochistan Sales Tax on Services on account of Contribution and Subscription - Rs. 6.822 million

According to the Balochistan Sales Tax on Services Act, 2015, Second Schedule Part B (tariff classification 9813.1000), Sales Tax @ 15 % is required to be deducted on services provided or rendered by the Insurance companies.

The management of the Inspector General, Frontier Corps (South), Balochistan incurred an expenditure of Rs. 45,482,580 on account of purchasing a Group Insurance Policy from the State Life Insurance during the financial year 2023-2024. It was revealed that 15% sales tax on services, amounting to Rs. 6,822,387 stood not deducted from the State Life Insurance as per the above Order. Details are provided below:

(Rs.)

S. No.	Head of account	Financial year	Amount	15 % BST
1	A03913-Contribution and Subscription	2023-2024	45,482,580	6,822,387

Audit is of the view that the non-deduction of sales tax from the firm was a violation of the above-mentioned Order, which resulted in a revenue loss to the Provincial Government.

The PAO and the audited formation were informed on 17.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the subject amount be recovered from the concerned firm and deposited in the Government treasury.

Inspector General, Frontier Corps (South), DI Khan

19.5.33 Unjustified advance payment on procurement of various items - Rs.297.042 million

Para 148 of GFR, Vol-I, states that all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken, and they should be taken in charge by a responsible Government officer who should see that the quantities are correct and their quality good, and record a certificate to that effect. The officer receiving the stores should also be required to give a certificate that he has actually received the materials and recorded them in the appropriate stock register.

The Inspector General, Frontier Corps, KP (South) floated a tender for the purchase of various items on 08.08.2023. Subsequently, bids were received and contracts for the supply of these items were awarded to various contractors.

Audit observed that an amount of Rs.297,042,160 was paid in advance to the suppliers, however, the items were not received, as no entry of receipt of such stores was made in the relevant stock register. Details are as under:

(Rs.)

S. No.	Item	Quantity	Rate	Amount
1.	Jogger Shoes	20,000	2,950	59,000,000
2.	Jogger Shoes	847	2,950	2,498,650
3.	Vest Green Half Sleeve	9,275	488	4,526,200
4.	Drones RTK/300	4	8,400,000	33,600,000
5.	Drones Matric/30T	3	3,175,000	9,525,000
6.	Socks Green	15,586	168	2,618,448
7.	Net Mosquito	3,200	945	3,024,000
8.	Vallon Mine Detector (VMH3)	25	650,000	16,250,000
9.	Oil PX 4 (Lit)	2,500	845	2,112,500
10.	Green Oil (Lit)	330	1,050	346,500
11.	Desert Boot Double Density	2,198	7,249	15,933,302
12.	Axes Pick with Handle	350	1,080	378,000
13.	Degcha 20" with Lid	30	9,990	299,700
14.	Ballistic Sheet	44	570,000	25,080,000
15.	Gloves Green	5,000	168	840,000
16.	Ballistic Sheet (6.5 mm)	35	570,000	19,950,000
17.	Vest Green Full Sleeves	5,000	738	3,690,000
18.	Trouser Warm	5,000	735	3,675,000
19.	Blanket Fleece	8,000	1,798	14,384,000

20.	Cap comforter	5,500	179	984,500
21.	SMG Chinese	200	230,000	46,000,000
22.	Ballistic Shield	14	883,920	12,374,880
23.	Ballistic Shield	19	883,920	16,794,480
24.	Cooking Utensil 45 Men set	55	57,400	3,157,000
			Total	**297,042,160**

Audit is of the view that the advance payment of Rs.297.042 million on account of procurement of aforementioned items was made merely to avoid lapse of funds. No supplies were received till the payment date, which was unjustified and violation of the aforementioned rules.

The management replied that all the stores procured during the financial year 2023-24 has been received from the firms concerned and nothing was pending. Furthermore, no advance payment was made to the firm and a few contracts were included in the month of June due to late allocation of funds in the month of June, 2024. All the procedural formalities were completed before award of contracts and all stores stood received well in time.

The DAC in its meeting held on 30.12.2024 directed to conduct a departmental fact-finding inquiry to ensure transparency.

Audit recommends that responsibility may be fixed for advance payment of the aforementioned items beside stoppage of this practice in future. Further, receipts of the items be got verified by Audit.

19.5.34 Irregular procurement of 20,847 pairs of jogger shoes - Rs.61.499 million

Rule 397 of FTR, Vol-I, states that no payment can be made to a contractor, except for work actually done or supplies actually received.

Para 148 of GFR, Vol-I states that all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken, and they should be taken in charge by a responsible Government officer who should see that the quantities are correct and their quality good, and record a certificate to that effect. The officer receiving the stores should also be required to give a certificate that he has actually received the materials and recorded them in the appropriate stock register.

Clause 62 of the Contract Agreement executed between the management IGFC and M/s International Defence Technology (IDT) for the supply of Jogger Shoes states that the supplier shall provide security against 100% amount paid in advance in shape of the Bank Guarantee within 30 days after signing of the contract.

The Inspector General, Frontier Corps KP (South) floated a tender for the purchase of Joggers Shoes on 08.08.2023. Subsequently, bids were received and the contract for the supply of 20,847 pairs of Joggers Shoes was awarded to M/s International Defence Technology (IDT), as per details given below:

(Rs.)

S. No.	Cheque No.	Date	Item	Quantity	Rate	Amount
1	9473893	14.06.2024	Jogger Shoes	20,000	2,950	59,000,000
2	9474069	26.06.2024	Jogger Shoes	847	2,950	2,498,650
			Total	**20,847**		**61,498,650**

Audit observed that:

i. Technical evaluation report of the jogger shoes was not signed by the Board/Army Store Inspection Depot (ASID), Lahore.
ii. Security in shape of the Bank guarantee was not available on record.
iii. Color fastness guarantee by the supplier was not obtained.
iv. Inspection report of the entire supply was not available on record.
v. 20,847 pairs of jogger shoes were not received till payment date, as these were not taken on the stock.
vi. Advance payment of Rs.61,498,650 was made to the supplier.
vii. Supply completion certificates were not found on record.

Due to the above-mentioned irregularities, the procurement of jogger shoes was held as irregular.

The management replied that detailed reply would be submitted after scrutiny of the relevant record.

The management apprised that the technical evaluation, security deposits, inspection report and all other relevant record was available for verification.

The DAC in its meeting held on 30.12.2024 directed to conduct a departmental fact-finding inquiry to ensure transparency.

Audit recommends that either aforementioned deficiencies may be justified through provision of relevant record or responsibility be fixed for the irregularity.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide para number 20.5.57 having financial impact of Rs. 46.124 million. Recurrence of same irregularity is a matter of serious concern.

19.5.35 Irregular procurement of 14,198 pairs of desert boot - Rs.102.921 million

Rule 397 of FTR, Vol-I, states that no payment can be made to a contractor, except for work actually done or supplies actually received.

Para 148 of GFR, Vol-I, states that all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken, and they should be taken in charge by a responsible Government officer who should see that the quantities are correct and their quality good, and record a certificate to that effect. The officer receiving the stores should also be required to give a certificate that he has actually received the materials and recorded them in the appropriate stock register.

Clause 6.2 of the Contract agreement executed between the management and M/s International Defence Technology (IDT) for the supply of Desert Boot states that the supplier shall provide security against 100% amount paid in advance in the shape of Bank Guarantee within 30 days after signing of the contract.

The Inspector General, Frontier Corps, KP (South) floated a tender for the purchase of Desert Boot on 08.08.2023. Subsequently, bids were received and a contract for the supply of 14,198 pairs of Desert Boot was awarded to M/s International Defence Technology (IDT), as per details given below:

(Rs.)

S. No.	Cheque No.	Date	Item	Quantity	Rate	Amount
1	9474043	26.06.2024	Desert Boot Double Density	12,000	7,249	86,988,000
2	9474068	26.06.2024	Desert Boot Double Density	2,198	7,249	15,933,302
			Total	**14,198**		**102,921,302**

Audit observed that:

i. Technical evaluation report of the Desert Boots was not signed by the Board/Army Store Inspection Depot (ASID), Lahore.
ii. Security in shape of the Bank Guarantee was not available on record.
iii. Color fastness guarantee was not obtained from the supplier.
iv. Inspection report of the entire supply was not available on record.
v. 14,198 pair of Desert Boots were not received till date as these were not taken on the stock.
vi. Advance payment of Rs.102,921,302 was made to the supplier.
vii. Supply completion certificates were not found.

Audit holds that due to the above-mentioned irregularities, the procurement of Desert Boot was irregular.

The management replied that the technical evaluation, security deposits, inspection report and all other relevant record were available for verification.

The DAC in its meeting held on 30.12.2024 directed to conduct a departmental fact-finding inquiry to ensure transparency.

Audit recommends that either aforementioned deficiencies may be justified, or responsibility be fixed for the irregularity.

19.5.36 Unauthentic expenditure on purchase of ice in excess of the required quantity - Rs.43.154 million

Para 11 of GFR, Vol-I, states that each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

The Inspector General, Frontier Corps, KP (South), incurred an expenditure of Rs.43,153,992 on purchase of ice from M/s Imran Bashar and Co. during the financial year 2023-2024. Details are as under:

(Rs.)

S. No.	Month	Cheque No.	Date	Quantity (Kg)	Rate	Amount
1.	July-2023	8966579	22.08.2023	1,798,083	24	43,153,992
			Total	**1,798,083**		**43,153,992**

Audit observed that as per ice goshwara for the month of July, 2023, attached with the bill of the contractor, the authorization of ice per Heat Stroke Center per day was 200 Kgs which works out as 800 Kgs per day for 04 Centers. Thus, the total required ice for these centers was 24,800 Kgs whereas, the contractor claimed a quantity of 1,798,083 Kgs.

During verification of record, it was further observed that the contract was also awarded without any competition and on enhanced rates.

Audit is of the view that the contractor claimed excess quantity of ice and the payment was made to him.

The management at the end of the audit apprised that all the relevant record was available for verification.

The DAC in its meeting held on 30.12.2024 directed to conduct a departmental fact-finding inquiry to ensure transparency.

Audit recommends that the matter may be inquired and overpayment may be recovered from the contractor.

19.5.37 Unauthentic expenditure on account of POL issued to South Waziristan Scouts (SWS) – Rs.35.382 million

Para 149 of GFR, Vol-I, states that when materials are issued from stock for departmental use, manufacture, sale, etc., the officer in charge of the stores should see that an indent in the prescribed form has been made by a properly authorized person, examine it carefully with reference to the orders or instructions for the issue of stores and sign it, after making suitable alternations under his dated initials in the description and quality of material, if he is unable to comply with the requisition in full. He should then prepare and sign the form of the invoice attached to the indent according to the supply actually made. The indent should be returned at once to the requisitioning officer for signature. When materials are issued, a written acknowledgement should be obtained from the person to whom they are ordered to be delivered or dispatched, or form his duly authorized agent.

The Inspector General, Frontier Corps KP (South) incurred an expenditure of Rs.35,382,000 under the object head A03807 – POL Charges Aeroplanes, Heli,

Staff Cars, MCYC on the purchase of below mentioned POL during the financial year 2023-24.

Audit observed that POL amounting to Rs.35,382,000 was shown issued by the management of Headquarter, Frontier Corps (HQFC), KP (South) to South Waziristan Scouts (SWS), and other under command wings during the financial year 2023-24. However, Issue and Receipt Vouchers (IRVs) were not available on record. Details of POL shown issued to SWS are as under:

(Rs.)

S. No.	Month	Item	Issued to	Quantity	Rate	Amount
1	August-2023	Diesel	SWS/Wings	64,000	294	18,816,000
2	October-2023	Diesel	252W PS	12,000	319	3,828,000
3	May-2024	Diesel	252W PS	12,000	274	3,288,000
4	June-2024	Diesel	SWS	35,000	270	9,450,000
			Total	**123,000**		**35,382,000**

Audit is of the view that in absence of IRVs, the drawal on account of POL amounting to Rs.35.382 million shown issued to SWS, and other under command wings was unauthentic.

The management replied that detailed reply would be submitted after scrutiny of relevant record.

The management did not address the audit observation.

Audit recommends provision of related record.

Pakistan Rangers (Sindh)

19.5.38 Award of contracts to firms for supply of uniform items without carrying out laboratory tests - Rs.73.287 million

Rule 30 of the Public Procurement Regulatory Authority (PPRA) 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.

According to the Condition No. 29 of the Tender Notice No. 1702/CCD/ordinance dated 31.07.2023, laboratory tests may be carried out from bulk supplies, if desired by the competent authority and test charges to this effect will be borne by the firm.

The management of the Pakistan Rangers (Sindh), Karachi had floated an open tender in the newspaper on 25.07.2023, for the purchase of Camouflage Combat Dress and Shirt and Trousers (Green). The closing and opening date of the tender was 11.08.2023. After finalization of tendering process, the management has awarded the contracts for supply of 16,000 pairs of Camouflage Combat Dress and 3,000 pairs of Green Uniform, as detailed below:

(Rs.)

S. No.	Name of firm	Items purchased	Quantity	Amount
01	Nishat Mills Ltd., Lahore	Camouflage Combat Dress	16,000	62,247,360
02	Nishat Mills Ltd., Lahore	Green Uniform	3,000	11,040,000
Total				**73,287,360**

As per condition of the tender document, laboratory tests were required to be carried out to ascertain/confirm the specifications and quality of the uniform given in the tender document.

Audit observed that the uniform items amounting to Rs. 73.287 million were purchased without carrying out laboratory tests as per condition of the tender document.

Audit is of the view that the quality and specifications of the uniform had not been ascertained by carrying out laboratory tests in violation of the provision of the Tender Documents and PPRA Rules, 2004. The possibility of purchase of substandard quality of the uniform items could not be ruled out.

The management replied that the Headquarters Pakistan Rangers (Sindh) procured Camouflage Combat Dress and Shirt and Trouser Green (Green Uniform) from M/s Nishat Mills Ltd., Lahore through open tender after recommendation of the evaluation committee, headed by a Brigadier Rank and approved by the Director General Pakistan Rangers (Sindh).

In the light of serial 29 of the bidding documents, before delivery of stores, laboratory test was carried out at testing laboratory, ex M/s Nishat Mills Ltd. Lahore. Results fulfill the required specifications. Moreover, quality of above-mentioned uniforms was also inspected/recommended by the Board of Officers.

The reply is not correct. M/s Nishat Mills Pvt. Ltd. is neither a laboratory nor authorized to issue laboratory test reports of its own cloth and other uniform

items. Therefore, the possibility of purchase of substandard uniform items, at the cost of Public Exchequer, could not be ruled out.

The PAO and the audited formation were informed on 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends an inquiry to fix the responsibility against the persons concerned for the lapses beside avoiding this practice in future.

19.5.39 Non-deposit of registration fee in the Government account - Rs. 67.675 million

Rule 5 of the GFR, Vol-I states that the moneys received as dues of Government or for deposit in the custody of Government should be credited into the Public Account in accordance with the Treasury Rules.

The management of the Pakistan Rangers (Sindh), Karachi had floated an advertisement on 20.06.2023 for recruitment of staff in BPS 02 to BPS 13. As per advertisement, each applicant in BPS 05 and above was required to deposit Registration Fee of Rs.500.

Total 135,351 candidates applied against 910 posts in BPS 05 to BPS 13. The management had collected Registration Fee of Rs.67,675,500 (Rs.500 x 135,351) from them. The amount was required to be deposited in the Government account.

Audit observed that the management had not deposited the Registration Fee of Rs.67.675 million in the Government account.

Audit is of the view that non-deposit of the Registration Fee of Rs.67.675 million is a violation of rules.

The management replied that the Federal Audit team had raised the point that the Pakistan Rangers (Sindh) had not deposited the registration fee of Rs.67.675 million in the Government account. Position/clarification on the raised point is as under:

a. Total 138,284 x candidates registered on website for enrolment in the Pakistan Rangers (Sindh).

b. At the time of online registration on the Pakistan Rangers (Sindh) recruitment website, there is no option for collection/submission of registration fee.

c. Due to no fee collection/submission at the time of online registration, huge quantity of candidates registered themselves online on website.

d. Out of 138,284 x online registered candidates, 26,976 x candidates were shortlisted to appear in the recruitment process and called via short message service (SMS).

e. Out of 26,976 x shortlisted candidates, only 11,082 x candidates reported to appear in the recruitment process.

f. Out of 11,082 reported candidates, 1,373 x candidates were selected/called for training.

g. Pakistan Rangers (Sindh) has collected an amount of Rs.621,500 on account of registration fee from 1,243 x selected candidates (excluding 120 x Non-Combatant Enrolled - NCsE).

h. The amount collected on account of registration fee from the selected candidates i.e. Rs. 621,500 was utilized by 4 x Mobile Recruitment Teams (MRTs) during the recruitment process on transportation and food/light refreshment for candidates as no federal budget has been allotted to the Pakistan Rangers (Sindh) for the recruitment purpose.

The reply is not cogent. As per advertisement, it was the basic condition for each applicant to deposit Registration Fee of Rs.500 at the time of submission of application. The contention of the department regarding collection of Registration Fee from the selected candidates is not correct.

The PAO and the audited formation were informed on 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends an inquiry to probe the issue and deposit the entire amount in the Government account.

19.5.40 Irregular expenditure on hiring of vehicles without calling open tender - Rs.63.870 million

Rule 20 of the 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 the Pakistan Rangers (Sindh), Karachi had incurred an expenditure of Rs. 63,870,000 under the head of account A03904-Hiring of Vehicles during the financial year 2023-24.

Audit observed that the expenditure of Rs. 63.870 million had been incurred without calling open tender.

Audit is of the view that the incurring of expenditure without open tender is a violation of the PPRA Rules, 2004.

The management of the Pakistan Rangers, Sindh replied that the budget of Rs.63.870 million was released by the Government of Sindh on 07.11.2023. Due to emergency and on-going operation in Kacha areas of District Kashmore, Shikarpur, Sukkur, and Ghotki, all logistics were transported in an emergency. Therefore, tender has not been floated.

The reply is not convincing. No emergency was declared by the Government of Sindh. The management had enough time to float a tender in the newspaper for hiring of the vehicles.

The PAO and the audited formation were informed on 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends fixing of the responsibility against the persons concerned for the lapse beside regularization of the expenditure from the Finance Division.

19.5.41 Loss due to auction of vehicles and other store items at the lowest price - Rs.5.036 million

Rule 23 of the GFR, Vol-I states that every Government officer should realize fully and clearly that he will be held personally responsible for any loss

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

The management of the Pakistan Rangers (Sindh), Karachi had floated an advertisement on 15.11.2023 for auction of vehicles, other store items. After the auction proceeding, the management has auctioned the vehicles and other store items on 07.12.2023.

The management had fixed Estimated Disposal Price (EDP) of the vehicles, tyres, tubes, batteries and other store items. Some vehicles and other store items have been disposed of below the EDP, as detailed below:

(Rs.)

S. No.	Name of item	Estimated disposal price	Auction price	Difference /loss
1	Six Toyota Hilux Single Cabin (Lot No. 2 to 6) (IS)	4,850,000	4,200,000	650,000
2	One Single Pickup (IS)	440,000	150,000	290,000
3	All Types of Tyres 1,646 (Lot No. 14) (IS)	2,330,107	1,450,000	880,000
4	Batteries All Types (IS)	962,050	875,000	87,050
5	Hino Truck 08 (Lot No. 29 to 36)	16,559,840	14,600,000	1,959,840
6	Tyres and tubes all types 2,666 (Lot No. 39 (Federal)	3,669,853	2,500,000	1,169,853
Total		**28,811,850**	**23,775,000**	**5,036,743**

Audit observed that due to disposal of vehicles, tyres, tubes, batteries and other store items at lower prices than the Estimated Disposal Prices (EDP), the Government exchequer was put to a loss of Rs.5.036 million on this account.

Audit is of the view that the disposal of vehicles and other store items at lower prices than the EDP, is a loss to the Government exchequer.

The management replied that the auction of vehicles and other stores was carried out through an open tender on 7-8.12.2023. Detail of Estimated Disposal Price (EDP) of overall auction is as under:

(Rs.)

Items	EDP		Auctioned price	
	Federal	IS	Federal	IS
Vehicles	49,488,262	10,544,932	53,405,000	10,285,000

Tyre, Tube, Batteries etc.	7,879,173	3,441,537	12,750,000	4,085,000
Unserviceable Stores	7,787,751	12,485	10,280,000	180,000
Total	**65,155,186**	**13,998,954**	**76,435,000**	**14,550,000**
Total (Rs. in million)		**79.154**		**90.985**

The management replied that the price of auctioned items is much higher than the estimated disposal amount. More than Rs.11.830 million was deposited in the national exchequer. In fact, 114% additional amount had been added and no loss was occurred in the subject auction. Above in view, overall auction price is higher than the Estimated Disposal Price (EDP) and there is no loss to the Government Exchequer.

The reply is not convincing. The items given in the table of the OS were disposed of at a price less than the Estimated Disposal Price which resulted in a loss to the Government Exchequer.

The PAO and the audited formation were informed on 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends fixing of the responsibility against the persons concerned to make the loss good.

Commandant, Chiltan Rifles, FC (North), Balochistan

19.5.42 Deficiencies in disbursement of payroll to the FC personnel

According to GFR 10, Vol-I, every public officer is expected to exercise the same vigilance for expenditure from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money

During the audit of the Commandant, Chiltan Rifles for the financial year 2023-24, it was observed that the payroll stood disbursed by the local office to all its personnel/troops.

Audit observed as under:

i. Payroll was not paid though the Direct Bank Transfers via SAP system. A parallel system was in place where pay was drawn via

DDO payment against personnel number of each employee and then transferred to a Commercial Bank Account maintained at JS Bank. From here on, bank transfers were made to each employee after deduction of regimental cutting.

ii. Operating Bank Account with commercial bank without prior authorization from the Finance Division and deduction of regimental cutting is held irregular.

iii. There was no proper mechanism and controls to reconcile the payroll

iv. Disbursed with strength position of the personnel on duty.

v. No controls were in place regarding deduction of conveyance allowance for personnel proceeding on leave. Pay stoppage for Struck Out Strength (SOS) on time was also not satisfactory.

The above state of affairs reflects weak internal controls and violation of the instructions issued by the Finance Division. The current payroll system is highly susceptible to fraud and embezzlement.

The PAO and the audited formation were informed on 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the payroll system needs to be investigated and brought in line with SAP system and irregularities be rectified.

19.5.43 Irregular hiring of services of the JS Bank for disbursement of pay and allowances - Rs. 1,897.039 million

Para 7 of GFR, Vol-I states that, 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 the PPRA, 2004 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.

The management of the Commandant, Chiltan Rifles hired the services of the JS Bank for disbursement of pay and allowance during the financial year 2023-24. The contract was awarded by the Headquarter Frontier Crops, (North) Balochistan. Pay and allowances of the employees of the Chiltan Rifles amounting to Rs. 1,897.039 million for 2023-24 was disbursed through the JS Bank in Mobile Wallet (MW) Accounts.

Audit observed as under:

i. Services of the JS bank were hired without open tender as required under the PPRA Rules, 2004.
ii. A copy of the contract agreement was not shown to Audit.
iii. Pay and allowances were disbursed through the Mobile Wallet (MW) Accounts of branchless banking instead of proper bank accounts.
iv. Audit observed that the private bank accounts were maintained without approval of the Finance Division.
v. No detail of further disbursement from the JS Bank to employees' personal accounts was provided to Audit.
vi. Regimental cutting was also deducted from the salaries of the employees without approval of the Finance Division.

Audit is of the view that hiring services of the JS bank without open competition was irregular.

The PAO and the audited formation were informed on 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the services may be hired through open competition and ex-post facto sanction may be obtained for condonation of irregularity.

CHAPTER 20

MINISTRY OF MARITIME AFFAIRS

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 23.04.2019), 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.

ATTACHED DEPARTMENTS/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 and Shipping, Karachi

(Rs. in million)

Sr. No.	Description	Total number	Audited	Expenditure Audited (FY-2023-24)	Revenue/ Receipt Audited (FY 2023-24)
1	Formations	9	4	30,686.96	31,923.89
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc. under the PAO	2	2	28,379.83	-
4	Foreign Aided Project (FAP)	-	-	-	-

20.2Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Maritime Affairs for the financial year 2023-24 was Rs. 4,959.040 million, out of which the Division expended an amount of Rs. 4,891.580 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

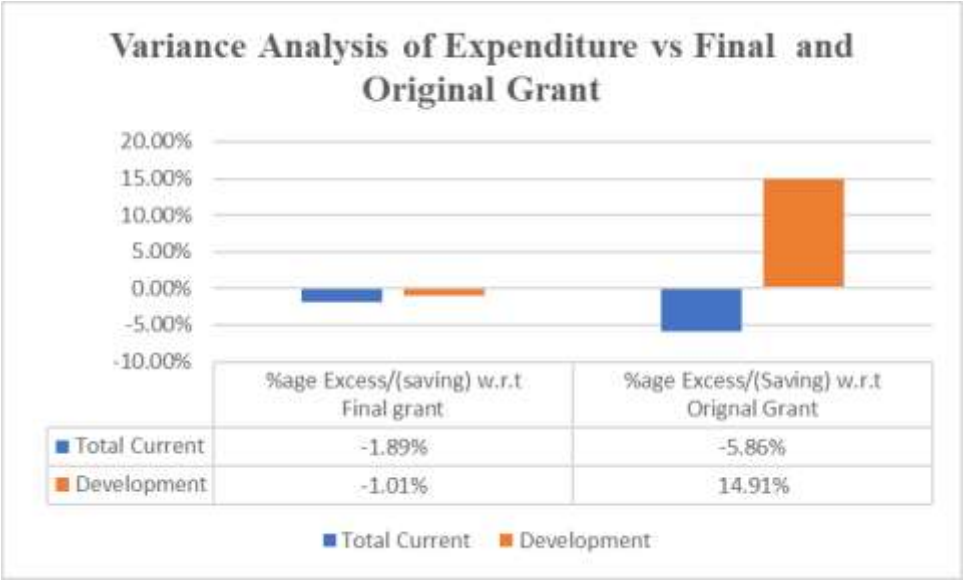
Grant Number	Type of Grant	Original Grant	Supplementary Grant	Surrender	Final Grant	Actual Expenditure	Excess/ (Savings)
71	Current	2,056.20	-	(83.24)	1,972.97	1,935.68	(37.29)
Total Current		**2,056.20**	**-**	**(83.24)**	**1,972.97**	**1,935.68**	**(37.29)**
132	Dev.	2,572.26	428.81	(15.00)	2,986.07	2,955.90	(30.17)
Grand total		**4,628.47**	**428.81**	**(98.24)**	**4,959.04**	**4,891.58**	**(67.46)**

Audit noted that there was an overall savings of (Rs. 67.46 million), which was mainly due to saving in both the current and development expenditure.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 in current, development and charge expenditure, it was observed that, in case of development grant, there was 14.91% of excess w.r.t. the original grant which was finally reduced to -1.01% of savings w.r.t. the final grant and in case of the current grant -5.86% of saving was reduced to -1.89% saving.



20.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 77,796.195 million, were raised in this report during the current audit of the **Ministry of Maritime Affairs**. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	1,663.320
3	Irregularities	
A	HR/Employees related irregularities	5794.228
B	Procurement related irregularities	1,131.527
C	Management of account with commercial banks	
D	Recovery	7,740.300
E	Internal Control	61,443.792
4	Value for money and service delivery	
5	Others	23.028

20.4Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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	-
2023-24	18	0	0	18	-
Total	**352**	**46**	**9**	**343**	-

20.5AUDIT PARAS

Karachi Port Trust, Karachi

20.5.1 Irregular appointment of Legal Advisors without concurrence of the Law Division - Rs. 86.033 million

Para (v) of the 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 states that 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 the 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 Karachi Port Trust appointed Law firms/lawyers and paid an amount of Rs. 86,033,977 as legal charges during the financial year 2023-24.

Audit observed as under:

i. The Law firms/lawyers were appointed without seeking concurrence of the Law, Justice and Human Rights Division for their engagements.
ii. It was a weak performance of the Legal Section of KPT that 64% of the total court cases had been under litigations for the last 10 to 20 years despite incurrence of heavy expenditure on these cases.

The management replied that the engagement of advocate was the prerogative of the Competent Authority, KPT and its affairs were run by the KPT Board as defined under the KPT Act, 1886, hence, represented by the lawyers of own choice without getting concurrence of the Law Division, Islamabad unlike the Federal Government which was represented exclusively by the Attorney General or his office. Reliance thereof can be placed on the Judgment of the Supreme Court. Bare reading of the Sections 4, 29 and 29-A of the KPT Act, 1886 clarifies that the Board of Trustees of KPT was empowered to run day to day affairs without seeking concurrence from the Law Division. Further, being fortified with Section 61 of the KPT Act, 1886 which financially empowers the Board of Trustees concerning the payment of salaries, fees, allowances, pensions, gratuities, compassionate allowances or other moneys due to the trustees and to the officers and servants appointed under this Act or lent to the Board. KPT did not appoint the Advocates on retainer-ship/part time basis. KPT engaged the Panel Lawyers/Non-panel Lawyers as per the importance and sensitivity of case with the approval of the Competent Authority, KPT.

The reply was not accepted as the Ministry of Law and Justice vide OM No. 5(2)/2017-A-I dated 04.10.2019 clarified that the Ministries, Divisions, attached

departments and Subordinate Offices thereof as well as other organizations including autonomous bodies, are therefore urged to strictly adhere to the instructions contained in the said Office Memorandum. Furthermore, Rule 7, 14, 27, 28, 29, 30 and 43 of the Rules of Business, 1973 read with instruction 44 and Appendix "F" of the Secretariat Instructions provided the manner for consultation with the Law and Justice Division on various legal issues.

The DAC meeting was held on 10-11.02.2025. DAC directed the KPT management to make a reference for Law Division for post facto approval for appointment of Legal Advisors for KPT or for exemption for hiring the services of legal advisors from the Law Division.

Audit recommends that responsibility be fixed for irregular appointments of the Legal Advisors without concurrence of the Law and Justice Division.

20.5.2 Irregular withdrawal of court case by misrepresentation of facts - Rs. 1,663.320 million

Section 79(A) of the KPT Act, 1886 states that all acts and proceedings of the Board shall be subject to the control of the (Federal Government) and the (Federal Government) may cancel, suspend or modify and such acts or proceedings.

The management of the Karachi Port Trust filed a CPLA against the Judgments of the Sindh High Court dated 30.11.2020 and 14.11.2020, with the approval of the Ministry of Maritime Affairs vide Letter No. 3(33)/2020-Lit dated 26.01.2021 on the advice of the Ministry of Law and Justice vide Letter No. F.172/21-Sol.III dated 25.01.2021. The services of M/s Faruqui and Co. were hired with the approval of the Board vide Board Resolution (BR) No. 6 dated 21.05.2021 and the firm was paid Rs. 12,000,000 for filling and arguing the Constitution Petition No. D-2446/2016. The CPLA was withdrawn vide BR No. 448 dated 04.05.2023 on the recommendations of the Manager Legal, KPT dated 13.04.2023 endorsed by the General Manager Legal, KPT. Para 2 of the Summary dated 13.04.2024 is reproduced as under:

"Being aggrieved to and dissatisfied with the above impugned Orders, an ex- Manager, Human Resource of the KPT also challenged the same before the Apex Court by filing the subject Civil Petitions for leave to appeals without any

instruction of the KPT management, therefore, the following instructions are solicited hereof:

i. I may be allowed to appear and to assist the honorable court in the civil petitions number 1 to 47 of 2021 filed by the ex-Manager and the civil petitions number 217-K to 267-K of 2021 filed by the KPT management that he had no locus standi to file the same being without any instructions of the KPT management for the reasons being thereof that it was the only Manager, Legal Affairs being an instructed and authorized officer to file all the cases filed by or against the KPT management.
ii. I may be allowed to apprise the honorable court that the ex-Manager stood dismissed from the KPT services by adopting the due process of law.
iii. Any further instructions for effective disposal of all the connected petitions.

Audit observed as under:

i. The case was withdrawn without the consultation of the Controlling Ministry and the Ministry of Law and Justice.
ii. The General Manager (Legal) and Manager (Legal) of the KPT misrepresented the facts before the Board that the case was filed without the instructions of the then KPT management, therefore, it would be withdrawn. However, it was evident from the record that the CPLA was filed in the Honorable Supreme Court of Pakistan (Karachi Registry) on the request of the then KPT management duly endorsed by the Controlling Ministry and the Ministry of Law and Justice.
iii. The Summary dated 05.03.2021 for hiring the services of a legal firm for the institution of the case and the Summary dated 13.04.2023 forwarded to the Board for the withdrawal of same case were contradictory to each other, which reflected that the facts were misrepresented before the Board for seeking its approval for the withdrawal of the case. Hence, the withdrawal of the case was unjustified.

iv. Further, the Summary dated 13.04.2024 presented to the Board by the General Manager (Legal) and Manager (Legal) for the withdrawal of the Court case, did not apprise the Board that four enquiries were conducted and all the Enquiry Committees' declared the appointments illegal and void ab-initio.

v. The irregular withdrawal of court case put an extra burden of Rs. 1,663,320,056 on KPT budget due to payment of arrears to the employees including Bonuses and overtimes. Hence, the payment of arrears without approval of the Federal Government was irregular.

(Rs.)

S. No.	Description	Number of employees	Pay and allowances	Bonus	Overtime
1	Officers	46	94,370,463	65,409,735	0
2	Officials	773	872,659,383	543,203,312	87,677,163
		Total	**967,029,846**	**608,613,047**	**87,677,163**

vi. The services of the Legal Advisors stood hired on the grounds that the employees were issued Show Cause notices with the approval of the Competent Authority which was contradictory to the statement recorded by the Manager (Legal), KPT in the Supreme Court that the Show Causes Notices were issued without the approval of the competent authority. This was dubious.

The management replied that the KPT management being aggrieved to and dissatisfied with the impugned Judgment dated 14.12.2020 of the Divisional Bench of the Sindh High Court, at Karachi, in all 52 connected Constitutional Petitions D-2446 of 2016 tagged together whereby, the honorable court was of the considered opinion that the impugned show cause notices issued to the petitioners in all these petitions were patently illegal and had been issued without lawful authority, therefore, the same was set side. The KPT management decided to file Civil Petitions for Leave To Appeals (CPLAs) in the Supreme Court, at Karachi Registry. In the meanwhile, the ex-Manager, without getting approval of the KPT's Competent Authority, also filed CPLAs. During the pendency of the aforesaid litigation in the Apex Court, the KPT management sought guidance from the Ministry of Maritime Affairs, Islamabad to decide the fate of disbursement of the withheld financial incentives to all the appointees. In reply thereto, the Ministry replied vide Letter dated 29.01.2021 and directed the competent authority of the

KPT to decide the subject case at their own being a management decision. Hence, the honorable Board of the KPT agreed to grant the sanction to restore all withheld salaries benefit/increments/increases subject to furnishing documentary evidence/confirmation that increments/increases were part of pay in the next board meeting. All connected CPLAs filed by the KPT management and the ex-Manager on similar cause of action totaling 102 CPLAs were listed before the Divisional Bench of the Honorable Supreme Court at Karachi Registry on 18.04.2023. The Manager, Legal and Deputy Manager along with the learned Legal Counsel, a Senior Advocate Supreme Court appeared thereat and assisted the Apex Court. At the very outset, it was pointed out by the learned judges of the Supreme Court and asked from the Ex. Manager, as to how he had filed all the 50 CPLAs in the Supreme Court without getting approval of the Competent Authority, KPT, who replied in negative and the same was got confirmed from the Manager, Legal Affairs who stated that it was only the Manager, Legal Affairs who stood instructed and authorized officer to file all cases/pleadings for and on behalf of the Board of the Trustees of KPT Board hence, all CPLAs filed by him were dismissed being withdrawn along with all the connected petitions. The aforesaid impugned Judgment of the Apex Court was placed with the honorable Board of Trustees of the Karachi Port that we may be allowed to file the Review Petition. In regard thereto, the honorable Board of the KPT after examining the matter resolved that there was no need to file the Review Petition since there would be no any material difference in the outcome vide Board Resolution (BR) No. 448 dated 04.05.2023.

The reply is not satisfactory as the observations raised by Audit were not replied including the withdrawal of court case by misrepresentation of facts to the Board and outcomes of the four Inquiries Committee's reports were also not responded.

The DAC meeting was held on 10-11.02.2025. DAC directed the management conduct a fact-finding inquiry at Ministry level and report be shared with Audit within 1 month.

Audit recommends that matter may be probed beside fixing responsibility against the person(s) at fault.

20.5.3 Unlawful revision/increase of pay and allowances of the KPT officers without approval of the Federal Government - Rs. 368.784 million

Section 24 of the KPT Act, 1886 states that every order or regulation shall be made by the Board, subject to the approval of the Federal Government, in respect of officers holding posts in Basic Pay Scales 20 and 21.

Para 5(iii) of the Finance Division's (Regulations Wing) vide OM No. 4(3)R-4/2011 dated 23.01.2024 states that pay, allowances and their revision of all Government employees including those employed in Autonomous/Semi-Autonomous/Corporate bodies requires prior approval of the Finance Division.

Finance Division's (Regulations Wing) vide OM No. 4(3)R-4/2011 dated 23.01.2024 states that the Auditor-General of Pakistan should ensure that during audits of all offices of the Federation, Finance Division's specific approvals, are available and are verified in respect of all the expenditures and charges including pays and allowances.

The management of the Karachi Port Trust revised/increased pay and allowances of the KPT officers by granting six increments to all the officers vide Board Resolution No. 462 dated 20.06.2023. An expenditure of Rs. 368,748,351 was incurred on payment of arrears paid to the KPT officers due to revision of pay and allowances during the financial year 2023-24. Detail is as under:

(Rs.)

S. No.	BPS	Number of employees	Amount
1	21	03	2,153,410
2	20	08	19,887,640
3	19	34	63,340,042
4	18	56	91,610,275
5	17	124	148,384,548
6	16	45	43,408,436
Total		**270**	**368,784,351**

Audit observed as under:

i. The pay and allowances of the KPT officers BPS 20 and above were increased without approval of the Federal Government which was a violation of Section 24 of the KPT Act, 1886.
ii. The six increments were granted in violation of the KPT Employee's Services Regulations, 2011.
iii. The pay and allowance were revised/increased without concurrence of the Finance Division which was a violation of the Finance Division's (Regulations Wing) OM No. 4(3)R-4/2011 dated 23.01.2024.
iv. The grant of six increments to the deputationist was unauthorized as they were drawing both KPT allowances as well as the Federal Government allowances.
v. The record of fixation of salary was not provided.

The management replied that the KPT was established under the KPT Act, 1886 being run under its own statutory rules. The Board of Trustees has the prerogative under Section 21 of the KPT Act, 1886 to set forth the pay and allowances for officers from time to time. However, the referred Clause 31 of the Regulation made under Section 22 of the KPT Act, 1886 (Amended) and dealt explicitly grant increments at the time of appointment of a fresh incumbent. Under the instant Regulation, the Board has devolved its vested power to the Chairman, KPT as head of the Internal Selection Committee to grant the increments to the fresh appointees/incumbents. Further, the said increments were given to the officers by the KPT Board (not by the Chairman, KPT) exercising vested power under Section 21 of the KPT Act, 1886 in accordance to the KPT rules of pay and allowance quoted as under duly approved by the Federal Government.

"In respect of Officers and servants holding posts in the scale of which the maximum is less than eleven hundred rupees, the Board shall be competent, without reference to the Central Government, to prepare and sanction a schedule of staff setting forth the salaries and allowance payable to such staff from time to time. In drawing up such a schedule, the Board will ensure that such salaries and rate with the nature of work and the degree of responsibility involved and shall, as far as possible, bear some relationship to the remuneration accorded similarly placed Government Servants."

The reply was not accepted as Pay and Allowance of the KPT officers and deputationist were revised without concurrence of the Finance Division and approval of the Federal Government. Moreover, KPT Employee's Service Regulations, 2011 did not allow grant of more than one increment to the KPT employees other than initial appointment. The pay fixation record was not available.

The DAC meeting was held on 10-11.02.2025. DAC directed the KPT management to stop the practice of awarding increments forthwith. DAC further directed the management to re-fix pay and allowances of KPT Officers as if the increments were not granted with effect from 01.02.2025.

Audit recommends that concurrence of the Finance Division and approval of the Federal Government be solicited beside fixing responsibility for the unlawful revision of pay and allowances and non-provision of pay fixation record.

20.5.4 Unauthorized payment of five running basic pay as Bonus - Rs. 1,555.433 million

The PAC Directives dated 14.03.2023 states that the PAO to discontinue the practice thereof for giving bonus to the employees of the KPT forthwith and hold an inquiry and fix responsibility against the officers responsible thereof. It was also directed that the name of such officers who granted approval for giving the bonus to the employees of the KPT may be provided to the PAC. The detail of salaries and allowances of the KPT employees may also be provided to the PAC. The PAC further directed the PAO to invite the representatives of NAB and FIA to attend the DAC meeting thereof. The PAC also directed the Finance Division and Cabinet Division to issue necessary instructions to all the Ministries/Divisions/Departments for not giving such bonus to their employees in future. Moreover, the Committee directed the PAO that one bonus may be given, in future, to the employees of the KPT subject to earning profit by the KPT.

The management of the Karachi Port Trusts, Karachi paid five running basic pay as bonus amounting to Rs. 1,555,433,930 to the all the employees during the financial year 2023-24. Details are as under:

(Rs.)

S. No.	Basic pay scale	Number of employees	Total
1	19	63	72,821,760
2	18	107	100,766,245
2	17	110	80,524,060
3	16	37	29,078,455
5	PPS 01-15	3,680	1,272,243,410
	Total	**3,997**	**1,555,433,930**

Audit observed that the Public Accounts Committee allowed only one basic pay as bonus subject to earning profit by the KPT whereas, management paid five running basic pay as bonus to all the employees.

The management replied that with reference to the payment of five running basic pay as bonus, the same has been paid by the KPT Board vide BR No.435 dated 07.04.2023 in the light of PAC's Directive dated 31.03.2023, *that one bonus may be given, in future, to the employees of the KPT subject to earning profit by the KPT*. As per above BR and complying the direction of the PAC, one yearly bonus of 2024 was paid to all the eligible officers/employees who are present on the pay roll on 1st Ramazan and have completed 180 days service in the KPT excluding daily wages/fixed stipend staff and whose salaries are stopped due to any reason. As per Section 21, schedule of officers and their pay, allowances to be prepared and sanctioned by the Board. All the powers related the financial decisions are vested with the Board of Trustees under Section 61(1), which states:

"that moneys on what purposes to be expended the moneys belonging to the Board shall be held by them in trust and except as is hereinafter provided shall be applied by them in payment of the following charges:- the salaries, fees, allowances, pensions, gratuities, compassionate allowances or other moneys due to the trusts and to the officers and servants appointed under this Act or lent to the board {the Government of a province or the Federal Government} and to officers and servants."

In view of the above, the KPT Board was the Competent Authority for such cases. KPT did not get any budgetary funds from the Federal Government and was governed by its Act. As such, these transactions did not require prior approval of the Finance Division/Federal Government.

The management has accepted that five running basic pays were paid as bonus which was a violation of the Public Accounts Committee's Directives.

The DAC meeting was held on 10-11.02.2025. DAC directed the KPT management to stop the practice henceforth. DAC further directed that in future only one basic pay may be paid subject to the fulfillment of the instructions regarding award of honorarium / bonus.

Audit recommends that recovery of extra payment of bonus be made and deposited in the Government treasury. Further, this practice may not be repeated in future.

20.5.5 Irregular hiring of services of tax consultant without open competition - Rs. 18.547 million

Rule 20 of the Public Procurement Rules, 2004 regarding principal method of procurement provides 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 the KPT incurred an expenditure of Rs. 18,547,635 on account of hiring of services of tax consultants during the financial year 2023-24. Detail is as under:

(Rs.)

S. No.	Name of firm	Amount
1	M/s AF Ferguson and Co.	5,582,635
2	M/s Fazl e Ghani Advocates and Co.	12,965,000
TOTAL		**18,547,635**

Audit observed that the services of the tax consultants were hired without open competition.

The management replied that M/s AF Ferguson and Co. were very well-known audit firm with expertise in tax matters. Since, tax matter were of higher amounts, therefore, KPT could not afford to hire tax consultant which was of less expertise by considering the cost factor, with adverse decision by the Appellate Authorities. Further, AF Ferguson and Co. was given assignment on case to case basis and all the payments were approved by the KPT Chairman/Board. It is further stated that during the FY 2023-24, no payment was made to M.s Fazl e Ghani

Advocates and Co. nor he was referred any case. The amount of Rs. 12,965,000 pertained to the FY 2021-2022, whose audit had already been completed by the Federal Auditors.

The management has accepted the audit observation that services of the firms were hired without open competition.

The DAC meeting was held on 10-11.02.2025. DAC directed to stop the irregular practice forthwith. DAC further directed to award the work as per Public Procurement Rules in future.

Audit recommends that responsibility may be fixed for the irregularity.

20.5.6 Unauthorized payment of overtime to the KPT employees - Rs. 1,775.004 million

Regulation 2(d) of the KPT Recruitment, Appointment, Seniority and Promotion Regulations, 2011 states that the provision of Section 79(B) of the KPT Act shall only apply in case, the KPT service rules are silent.

Para 5(iii) of the Finance Division's (Regulations Wing) circulated vide OM No. 4(3)R-4/2011 dated 23.01.2024 states that pay, allowances and their revision of all the Government employees including those employed in Autonomous/Semi-Autonomous/Corporate bodies requires prior approval of the Finance Division.

Para 5(iv) of the Finance Division's (Regulations Wing) OM No. 4(3)R-4/2011 dated 23.01.2024 states that the Auditor-General of Pakistan should insure that during audits of all offices of the Federation, Finance Division's specific approvals, are available and are verified in respect of all expenditures and charges including pays and allowances.

The management of the Karachi Port Trust paid Rs. 1,775,004,953 on account of overtime to the KPT employees (PPS 1 to 8) during the financial year 2023-24. Detail is as under:

(Rs.)

S. No.	Name of department	Number of employees	Amount
1	Traffic	653	177,013,761
2	Port	431	413,944,621

3	Engineering	223	5,7861,714
4	CM&EE	1,171	708,957,325
5	Stores	71	15,634,311
6	Port Security Force	1,084	183,892,445
7	Procurement	24	7,755,234
8	Port Intelligence	28	8,281,677
9	Medical	168	43,590,782
10	Human Resource	70	10,098,740
11	P&D	58	12,466,916
12	Secretariat	30	11,263,230
13	Accounts	75	22,022,453
14	Estate	46	11,338,711
15	GM Staff	40	8,429,652
16	Finance	20	4,772,861
17	Audit	28	9,223,172
18	MIS	22	6,578,123
19	Education	12	1,562,328
20	IR&W	40	7,048,960
21	Port Civil Defense	7	238,086
22	Organization Development	26	10,207,546
23	Marine Pollution Control	10	2,042,757
24	Sports	9	365,302
25	Legal	17	10,005,787
26	PRO	17	1,961,588
27	Port Safety	13	1,589,886
28	Anti-Encroachment	38	8,272,641
29	Transport	28	18,584,344
Total		**4,459**	**1,775,004,953**

Audit observed as under:

i. The drivers and dispatch riders were allowed to draw overtime as per Finance Division's Letter No. F.4(1) R-s/2010 dated 02.07.2018 whereas, the KPT paid overtime to all the employees of PPS I to 8.
ii. The monthly payment of overtime was equivalent to 80% to 90% of the running basic pay of each employee. Hence, payment of overtime as a regular allowance was unjustified.

The management replied that that overtime of the employees was agreed by the KPT Board vide BR No. 4893 dated 14.11.1990 in the light of the Memorandum of Settlement dated 23.10.1990 arrived with the Collective Bargaining Agents in the Charter of Demand No. 2 of 1990-92. Later on, in the current Charter of Demand No. 56 of 2022-24, this was again agreed by the KPT vide Board

Resolution No. 461 dated 20.06.2023 that existing practice would be followed regarding overtime. Overtime is booked by the concerned department of the employee after getting approval from their General Manager on actual requirement basis. IR&W Department is not the Authority to grant Overtime. Every individual Division/Department is responsible of their respective Divisions/Departments Overtime. Further, it is suggested here that the Port is operational 24/7. During the past years, many of the employees are retired from the KPT service after attaining the age of superannuation. The KPT is going through outsourcing and restructuring accordingly the Overtime limit/ceiling will be altered in future, moreover efforts are in hand to reduce the Overtime factor/expenditure.

The management has accepted the audit observation that overtime was paid to all the employees of PPS I to 8 other than drivers and dispatch riders.

The DAC meeting was held on 10-11.02.2025. KPT management informed the DAC that they have already complied with the audit observation and curtailed the ratio of overtime to KPT employee's up to 25%. DAC directed the management to get its record verified from Audit. Further, the overtime policy be reviews and rationalized it up to the minimum level.

Audit recommends that this practice may be stopped beside recovery of the already paid amount.

20.5.7 Unauthorized payment of the KPT allowances and bonus to the Chairman without approval of the Federal Government and recovery thereof - Rs. 12.022 million

Section 16(1) of the KPT Act, 1886 states that the Chairman's remuneration and other conditions of service shall be determined by the Federal Government.

Regulation 4(p) of the KPT Recruitment, Appointment, Seniority and Promotion Regulations, 2011 states that the KPT officers mean a person who is a member of the KPT service dealing with the affairs of port of the Karachi holding post in BPS 16 and above and declared as officers by the Board but does not include;

i. A person who is on deputation to the KPT.

ii. A person who is a worker or workman as defined in the Factories Act, 1934 or the Workman's Compensation Act, 1923.

Rule 4(x) of the KPT Recruitment, Appointment, Seniority and Promotion Regulations, 2011 state that salaries mean the amount drawn monthly by a KPT officer as pay and allowances and includes technical pay, special pay, personal pay and other emoluments declared by the Board as pay and allowances.

The Establishment Division appointed a Chairman, Karachi Port Trust on deputation basis for the period of 3 years vide Notification No. 1/10/2014-E-6 dated 28.04.20203. An expenditure of Rs. 12,022,592 was incurred on account of payment of the KPT allowances and bonus during the financial year 2023-24. Detail is as under:

(Rs.)

S. No.	Allowance	Amount per month	30.06.2024
1	Harbour allowance	110,812	1,329,744
2	Port Worker	83,109	997,308
3	Compensatory	83,109	997,308
4	Special allowance	124,664	1,495,968
5	Other allowance	383,522	4,602,264
6	Bonus	000	2,600,000
		Total	**12,022,592**

Audit observed as under:

i. The KPT allowances were not admissible to the deputationist, hence, Chairman, KPT was not entitled for the payment of these allowances.
ii. The allowances were paid without the approval of the Federal Government.
iii. The officer was drawing the KPT allowances as well as parent department allowances.
iv. Five running basic salaries were paid as bonus to the Chairman without approval of the Federal Government

The management replied that the Karachi Port Trust was a statutory body established under the KPT Act, 1886 and the relationship of KPT with the Federal Government was governed by the KPT Act. The KPT Board has vast powers in financial, administration, operational and in execution of the development project

etc. in accordance with the provisions of the KPT Act, 1886. KPT runs its affairs under the KPT Act, 1886 and the rules framed thereunder. As per Section 4 of the KPT Act, 1886, the KPT Board is a body corporate and have perpetual succession accordingly. Section 21 states that schedule of officers and their pay, allowances to be prepared and sanctioned by the Board. All the powers related financial decisions are vested with the Board of trustees under Section 61(1) which states:

"that moneys on what purposes to be expended the moneys belonging to the Board shall be held by them in trust and except as is hereinafter provided shall be applied by them in payment of the following charges:- the salaries, fees, allowances, pensions, gratuities, compassionate allowances or other moneys due to the trusts and to the officers and servants appointed under this act or lent to the Board {the Government of a province or the Federal Government} and to officers and servants."

Section 23 of the KPT Act, gives powers for appointment of the posts in BPS 16 to BPS 18 to the Chairman, KPT, BPS 19 by the KPT Board and posts in BPS 20 and 21 by the Board subject to the approval of the Federal Government. Government of Pakistan, Ministry of Maritime Affairs vide its Letter No.1(25)/2008-KPT dated 30.12.2021 states that as regards requirements of approval of the Federal Government under Section 23(c) of the KPT Act, the same pertains to Appointment, Promotion, Suspension and Punishment and not for pension/retirement. Schedule of officers and their pay, allowances are prepared and sanctioned by the Board. All the powers related financial decisions are vested with the Board of trustees.

The reply is not acceptable as the Chairman was on deputation from the Federal Government hence, the allowances could not be paid without approval of the Federal Government. Moreover, the Board was competent to determine pay and allowances of the KPT officers whereas, KPT Service Regulations, 2011 clearly states that officers on deputation in the KPT were not the KPT officers.

The DAC meeting was held on 10-11.02.2025. DAC accepted the stance of KPT that allowances given to the Syed Syedain Raza Zaidi, Chairman KPT were covered under rules. However, DAC further directed the management that any other allowance not part of perks and privileges of KPT be recovered from the officer to that extend only.

Audit recommends that the recovery be made.

20.5.8 Unauthorized payment of the KPT allowances to the officers on deputation - Rs. 49.512 million

Section 24(iii) of the KPT Act, 1886 states that every order or regulation shall be made by the Board, subject to the approval of the Federal Government, in respect of officers holding posts in Basic Pay Scale 20 and 21.

Regulation 4(p) of the KPT Recruitment, Appointment, Seniority and Promotion Regulations, 2011 states that the KPT officers mean a person who is a member of the KPT service dealing with the affairs of the port of Karachi holding post in BPS 16 and above and declared as officers by the Board but does not include;

i. A person who is on deputation to the KPT.

ii. A person who is a worker or workman as defined in the Factories Act, 1934 or the Workman's Compensation Act, 1923.

Regulation 4(x) of the KPT Recruitment, Appointment, Seniority and Promotion Regulations, 2011 states that salaries means the amount drawn monthly by a KPT officer as pay and allowances and includes technical pay, special pay, personal pay and other emoluments declared by the Board as pay and allowances.

The management of the Karachi Port Trust incurred an expenditure of Rs. 49,512,334 on account of payment of the KPT allowances to the officers who were appointed on deputation basis in the KPT during the financial year 2023-24. Detail is as under:

(Rs.)

S. No.	Name of officer	Allowances	Amount
1	Rear Admiral M. Zubair Shafique HI (M)	Utility allowance Education allowance	5,277,731
2	Mr. Dost Ali Baloch	Port allowance	8,000,256
3	Rear Admiral Habib Ur Rehman	Harbor allowance	6,075,864
4	Brig Tariq Bashir TI(M)	Compensatory allowance	5,141,669
5	Rear Admiral Rizwan Ahmed SI (M)	GM allowance	3,462,085
6	Mr. Emran Rashid Khan	HOD allowance	518,606
7	Mr. Muhammad Ali Qureshi	Special Compensatory allowance	2,202,908
8	Mr. Waseem Haider		3,063,622
9	Mr. Mohsin Ali Jamil		2,819,670
10	Mr. Asadullah Amin		2,427,211

11	Mr. Umar Sajjad		1,698,993
12	Mr. M Anwar Hameed TBT		2,076,476
13	Mr. Haziq Rahim Khan		1,639,137
14	Mr. Aftab Ahmed Abbasi		993,303
15	Mr. Sarfraz Ali Khan		1,605,057
16	Mr. Aqeel Afzal		113,189
17	Mr. Umer Hayat		307,695
18	Mr. Muhammad Munir		942,046
19	Mr. Muhammad Nadeem		938,613
20	Mr. Mumtaz Saqib		208,203
	Total		**49,512,334**

Audit observed as under:

i. The KPT allowances were not admissible to the officers on deputation, hence, the payment of the KPT allowances to the deputationists was unauthorized.
ii. The allowances were paid without concurrence of the Federal Government as per Section 24 of the KPT Act, 1886.
iii. The deputationists were drawing the KPT allowance as well as their parent department's allowances.
iv. The record of 379 officials on deputation drawing the KPT allowances was not provided.

The management replied that the Karachi Port Trust was a statutory body established under the KPT Act, 1886 and the relationship of the KPT with the Federal Government was governed by the KPT Act. Section 21 states that the schedule of officers and their pay, allowances to be prepared and sanctioned by the Board. All the powers related financial decisions are vested with the Board of trustees under Section 61(1) which states:

"that moneys on what purposes to be expended the moneys belonging to the Board shall be held by them in trust and except as is hereinafter provided shall be applied by them in payment of the following charges:- the salaries, fees, allowances, pensions, gratuities, compassionate allowances or other moneys due to the trusts and to the officers and servants appointed under this Act or lent to the board {the Government of a province or the Federal Government} and to officers and servants."

With respect to pay of officers on deputation, the KPT follows pay structure of BPS as admissible under the Government and other introduced by the KPT Board from time to time as per terms and conditions of deputation of the Civil Servants defined by the Government of Pakistan, Cabinet Secretariat, Establishment Division. Moreover, Joint Services Instructions No. 4 Pay and Allowances Section 17 states that in addition to the above, all other special concessions or prerequisites such as free accommodation use of transport at Government expense etc. which, otherwise normally go with a particular appointment to which the officer may happen to be seconded will also be admissible to him.

The reply is not acceptable as allowances were paid without approval of the Federal Government. Moreover, the Board was competent to determine pay and allowances of the KPT officer whereas, the KPT Service Regulations, 2011 clearly state that officers on deputation in the KPT were not the KPT officers.

The DAC meeting was held on 10-11.02.2025. DAC directed that complete record of pay and allowances be provided to Audit for scrutiny.

Audit recommends immediate recovery and discontinuation of the practice.

20.5.9 Unlawful payment of Monetization Allowance to BPS 19 officers of the KPT - Rs. 81.784 million

Rule 2(d) of the KPT Recruitment, Appointment, Seniority and Promotion Regulations, 2011 states that the provision of Section 79(B) of the KPT Act shall only apply in case the KPT service rules are silent.

Para 5 (iii) of the Finance Division's (Regulations Wing) OM No. 4(3)R-4/2011 dated 23.01.2024 states that pay, allowances and their revision of all Government employees including those employed in Autonomous/Semi-Autonomous/Corporate bodies requires prior approval of the Finance Division.

Para 5 (iv) of the Finance Division's (Regulations Wing) OM No. 4(3)R-4/2011 dated 23.01.2024 states that the Auditor-General of Pakistan should insure that during audits of all offices of the Federation, Finance Division's specific approvals, are available and are verified in respect of all expenditures and charges including pays and allowances.

The management of the Karachi Port Trust paid Rs. 81,784,800 as monetization allowance to the BPS 19 officers of the KPT during the financial year 2023-24.

Audit observed as under:

i. The monetization allowance was paid without concurrence of the Finance Division
ii. The KPT Service Regulation, 2011 were approved by the Federal Government, therefore, any amendment in the KPT Service Regulations, 2011 could only be made with the prior approval of the Federal Government instead of the KPT Board. Hence, the payment of monetization allowance, to BPS 19 officers of the KPT, without approval of the Federal Government, was unauthorized.
iii. The terms and conditions of the Civil Servants Act, 1973 were applicable on the KPT employees where KPT Service Regulations, 2011 were silent. Thus, payment of monetization allowance to BPS 19 officers of the KPT was inadmissible as per the Federal Government Rules, the Civil Servants of BPS 19 were not entitled for monetization allowance.
iv. Moreover, six officers at Sr. Nos. 7, 8, 9, 17, 31 and 63 were using the official vehicles beside drawal of the monetization allowance.
v. The contract employee at Sr. No. 15 was also drawing monetization allowance.

The management replied that the Karachi Port Trust was a statutory body established under the KPT Act, 1886 and the relationship of KPT with the Federal Government was governed by the KPT Act. KPT Board has vast powers in financial, administration, operational and in execution of the development project etc. in accordance with the provisions of the KPT Act, 1886. KPT runs its affairs under the KPT Act, 1886 and the rules framed thereunder. As per Section 4 of the KPT Act, 1886, KPT Board is a body corporate and have perpetual succession accordingly. Section 21 states that schedule of officers and their pay, allowances to be prepared and sanctioned by the Board. All the powers related financial decisions are vested with the Board of trustees under Section 61(1) which states:

"that moneys on what purposes to be expended the moneys belonging to the Board shall be held by them in trust and except as is hereinafter provided shall be applied by them in payment of the following charges:- the salaries, fees, allowances, pensions, gratuities, compassionate allowances or other moneys due to the trusts and to the officers and servants appointed under this Act or lent to the board {the Government of a province or the Federal Government} and to officers and servants."

Section 23 of the KPT Act gives powers for appointment for the posts in BPS 16 to BPS 18 to the Chairman, KPT, BPS 19 by the KPT Board and posts in BPS 20 and 21 by the Board subject to the approval of the Federal Government. Government of Pakistan, Ministry of Maritime Affairs vide its Letter No.1(25)/2008-KPT dated 30.12.2021 stated that as regards requirements of approval of the Federal Government under Section 23(c) of the KPT Act, it pertains to Appointment, Promotion, Suspension and Punishment and not for pension /retirement. Schedule of officers and their pay, allowances are prepared and sanctioned by the Board. All the powers related financial decisions are vested with the Board of trustees.

The reply is not acceptable as payment of monetization allowance to the officers of BPS 19 was unauthorized and it was a violation of the KPT Act, 1886 and Civil Servant Act, 1973. Moreover, the use of official vehicles beside drawal of monetization allowance was unauthorized.

The DAC meeting was held on 10-11.02.2025. DAC directed the management to send a reference to the Finance Division for concurrence.

Audit recommends that this practice be stopped forthwith beside recovery of already paid amount.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide para number 21.5.12 having financial impact of Rs. 46.896 million. Recurrence of same irregularity is a matter of serious concern.

20.5.10 Unauthorized payment of five running basic pay as bonus to BPS 20 and 21 officers without the approval of the Federal Government - Rs. 19.998 million

Section 24 (iii) of the KPT Act, 1886 states that every order or regulation shall be made by the Board, subject to the approval of the Federal Government, in respect of officers holding posts in Basic Pay Scale 20 and 21.

PAC Directives dated 14.03.2023 states that the PAC directed the PAO to discontinue the practice thereof for giving bonus to the employees of the KPT forthwith and hold an inquiry and fix responsibility against the officers responsible thereof. The PAO was directed to provide the name of such officers who granted approval for giving the bonus to the employees of the KPT. The detail of salaries and allowances of the KPT employees may also be provided to the PAC. The PAC further directed the PAO to invite the representatives of NAB and FIA to attend the DAC meeting thereof. The PAC also directed the Finance Division and Cabinet Division to issue necessary instructions to all the Ministries/Divisions/Departments for not giving such bonus to their employees in future. Moreover, the Committee directed the PAO that one bonus may be given, in future, to the employees of the KPT subject to earning profit by the KPT.

The management of the Karachi Port Trust, Karachi paid Rs. 19,998,120 to the officers of Basic Pay Scale 20 and 21 during the financial year 2023-24. Detail is as under:

(Rs.)

S. No.	Name of the officer	Designation	BPS	Amount
1	Rear Admiral Habib ur Rehman	General Manager	21	1,892,685
2	Mr. Dost Ali Baloch	General Manager	21	2,223,650
3	Rear Admiral Rizwan Ahmed	General Manager	20	1,646,910
4	Mr. Zahid Hussain	Chief Engineer	20	1,906,970
5	Dr. Azam Ali Khawaja	Chief Medical Officer	20	1,712,960
6	Mr. Shafi Mohammad	Project Manager	20	1,761,460
7	Mr. Mashoud Ahmed Jan	Chief Accounts Officer	20	2,003,975
8	Mr. Raghib Ul Khair	General Manager	20	1,858,465
9	Mr. Hasan Arif Bilgrami	General Manager	20	1,761,460
10	Brig. Tariq Bashir TI (M)	General Manager	20	2,050,155
11	Syed Amir Ali	Manager Finance	20	1,179,430
			Total	**19,998,120**

Audit observed as under:

i. The bonus was paid without approval of the Federal Government.
ii. The bonus was paid in violation of the PAC's Directives.

The management replied that the Karachi Port Trust was a statutory body established under the KPT Act, 1886 and the relationship of the KPT with the Federal Government was governed by the KPT Act. KPT Board has vast powers in financial, administration, operational and in execution of the development project etc. in accordance with the provisions of the KPT Act, 1886. KPT runs its affairs under the KPT Act, 1886 and the rules framed thereunder. As per Section 4 of the KPT Act, 1886, KPT Board is a body corporate and have perpetual succession accordingly. Section 21 states that schedule of officers and their pay, allowances to be prepared and sanctioned by the Board. All the powers related financial decisions are vested with the Board of trustees under Section 61(1) which states:

"that moneys on what purposes to be expended the moneys belonging to the Board shall be held by them in trust and except as is hereinafter provided shall be applied by them in payment of the following charges:- the salaries, fees, allowances, pensions, gratuities, compassionate allowances or other moneys due to the trusts and to the officers and servants appointed under this Act or lent to the Board {the Government of a province or the Federal Government} and to officers and servants."

Section 23 of the KPT Act, gives powers for appointment to the posts in BPS 16 to BPS-18 to the Chairman, KPT, BPS 19 by the KPT Board and posts in BPS 20 and 21 by the Board subject to the approval of the Federal Government. Government of Pakistan, Ministry of Maritime Affairs vide its Letter No. 1(25)/2008-KPT dated 30.12.2021 stated that as regards requirements of approval of the Federal Government under Section 23(c) of KPT Act, it pertains to Appointment, Promotion, Suspension and Punishment and not for pension /retirement. Schedule of officers and their pay, allowances are prepared and sanctioned by the Board. All the powers related financial decisions are vested with the Board of trustees. With respect to the Monetization Allowance, the KPT has not adopted the Government Policy. However, the KPT has devised its own monetization policy stating rates of monetization as per Section 21 of KPT Act, 1886.

The reply is not tenable as payment of bonus was made without approval of the Federal Government. Moreover, five running basic pay were paid as bonus which was a violation of the PAC's Directives.

The DAC meeting was held on 10-11.02.2025. DAC directed the KPT management to stop the practice henceforth. DAC further directed that in future only one basic pay may be paid subject to the fulfillment of the instructions regarding award of honorarium / bonus.

Audit recommends that recovery may be made beside fixing responsibility of unauthorized expenditure and violation of the PAC's Directives.

20.5.11 Loss due to non-recovery of liquidated damages - Rs. 231.988 million

Clause 47.1 of the General Conditions of the Contract Agreement between the KPT and CCECC-Usmani, JV dated 17.01.2022 states that if the contractor fails to comply the construction approved schedule then liquidated damages of .0.1% for each day of delay in completion of work subject to maximum of 10% of contract price stated in Letter of Acceptance will be imposed/applied.

The management of the Karachi Port Trust, Karachi awarded the work, "Construction of Bridge between East and West Wharves at Karachi Port" to M/s CCECC-Usmani, JV vide a Letter No. P&D-G (658)/2020/3/1022 dated 22.10.2021 amounting to Rs. 2,319,884,710 with a period 15 months for the completion of work. The date of start of the work was 27.01.2022 and the date of completion of the project was 08.07.2023. 44 days extension was granted to the contractor. An amount of Rs. 435,972,256 was paid to the contractor up to the 6th running bill.

Audit observed that the contractor failed to complete the works within the stipulated time period and approximately 20% work was done by the contractor despite first extension of 44 days granted to the contactor. Further, the second extension was not granted to the contractor. Neither the liquidated damages of Rs. 231,988,471 @ 10% of the contract price were imposed nor recovered from the contractor.

The management replied that the KPT Board vide BR No 26 dated 28.10.2024 resolved that the recoveries i.e. Liquidated Damages, Mobilization Advance, Consultancy Fee, Rental Charges be deferred, to facilitate the progress of works, till completion date of 13.05.2025. The Board also decided to direct the Contractor to enhance the Performance Guarantee by up to 20% of the contract price to safeguard the KPT's interest. The above Directive of the Board was communicated to the Contractor via KPT's Letter dated 26.11.2024. The recovery highlighted by the Federal Audit had already been accounted for and the same shall be made and adjusted either from the enhanced Performance Guarantee or the Final payments of the Contractor.

The management has accepted the audit observation.

The DAC meeting was held on 10-11.02.2025. DAC directed the management to expedite the recovery process of liquidated damages from M/s CCECC- Usmani JV and share it with Audit for verification.

Audit recommends that recovery be made from the contractor and record be shared with Audit.

20.5.12 Non-recovery of consultancy charges of delayed period from the contractor - Rs. 91.954 million

Clause 47.4 of the contract agreement between KPT and CCECC-Usmani, JV dated 17.01.2022 states that in addition to the Liquidated Damages under Sub-Clause 47.1 and 47.2, the Contractor shall be liable for all the cost and expenses related to the supervision of the works by the Engineer covering salaries of the Engineer and all of his site supervision staff including all the benefits, providing, running and maintenance of all the Engineer Facilities up to the issuance of the Taking Over Certificate by the Employer. All the above cost/expenses will not be reimbursed/paid to the Contractor beyond the approved completion period of the works.

The management of the Karachi Port Trust, Karachi awarded the work, "Construction of Bridge between East and West Wharves at Karachi Port" amounting to Rs. 2,319,884,710 to M/s CCECC-Usmani, JV vide a Letter No. P&D-G (658)/2020/3/1022 dated 22.10.2021 for the period of 15 months for the

completion of work. The date of start of the work was 27.01.2022, and the date of completion of the project was 21.08.2023 including the 44 days of extended period. An expenditure of Rs. 91,954,935 was incurred on account of consultancy charges during the financial year 2023-24. Detail is as under:

(Rs.)

S. No.	Name of Consultant	Amount
1	M/s Indus Associated Consultant	54,121,350
2	M/s NESPAK	37,833,585
Total		**91,954,935**

Audit observed that the consultancy charges of the delayed period were to be paid by the contractor instead of the KPT.

The management replied that the KPT Board vide BR No. 26 dated 28.10.2024 resolved that the recoveries i.e. Liquidated Damages, Mobilization Advance, Consultancy Fee, Rental Charges be deferred, to facilitate the progress of works, till completion date of 13.05.2025. The Board also decided to direct the Contractor to enhance the Performance Guarantee by up to 20% of the contract price to safeguard KPT's interest. The above Directive of the Board was communicated to the Contractor via KPT's Letter dated 26.11.2024. The recovery highlighted by the Federal Audit had already been accounted for and the same shall be made and adjusted either from the enhanced Performance Guarantee or the Final payments of the Contractor.

The management has accepted the audit observation.

DAC directed the management that amount may be recovered and record be shared with Audit.

Audit recommends that recovery be made from the contractor and record be shared with Audit.

20.5.13 Loss due to purchase of LED lights by ignoring the lowest bids - Rs. 6.135 million

Rule 23(2)(f) of the Public Procurement Rules, 2004 states that for competitive bidding, whether open or limited, the bidding documents shall include the specifications.

Rule 36(b)(ix) of the Public Procurement Rules, 2004 states that the bid found to be the lowest evaluated bid shall be accepted.

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

The management of the Karachi Port Trust purchased various electrical items by inviting open tender and incurred an expenditure of Rs. 64.020 million during the financial year 2023-24.

Audit observed that the management procured the items by ignoring the lowest bids which resulted in a loss of Rs. 6,135,916. Details are as under:

(Rs.)

S. No.	Items	Quantity	Purchase rate	Lowest rate	Difference	Loss
1	LED Flood light 300-Watt 220-volt IP65 input voltage AC 100 256 Volts	98	77,760	63,394	14,366	1,407,868
2	LED Flood lights 400 - Watts 220 Volts IP65	158	113,280	84,524	28,756	4,543,448
3	Florescent lighting complete 2 x 40 Watts light fitting	50	12,480	8,788	3,692	184,600
					TOTAL	**6,135,916**

Audit is of the view that the management violated the Public Procurement Rules, 2004 which resulted in a loss of Rs. 6.135 million to the Government.

The management replied that two firms, M/s Build Con. and M/s Powertech Pakistan Pvt. Ltd. participated in the tender. Both the firms quoted all the 17 items mentioned in the bidding documents. The offer of M/s. Build Con was recommended by the Departmental Tender Committee (DTC) being lowest (package wise). Furthermore, it is pertinent to mention that M/s Powertech Pakistan Pvt. Ltd. did not undertake the mandatory condition of providing COC. Therefore, the offer was not considered being not meeting the tender's mandatory condition.

The management has accepted that the goods were procured by ignoring the lowest bid. Further, the management has accepted that the financial bid of the

technically non-responsive firms was open which was also a violation of the Public Procurements Rules, 2004.

The DAC meeting was held on 10-11.02.2025. DAC directed the KPT management to share all tender documents to Audit for verification.

Audit recommends that the matter may be probed for fixing responsibility for the loss.

20.5.14 Unauthorized expenditure on purchase of medicines and medical treatment of retired employees from private hospital - Rs. 148.833 million

Regulation 2(ii) of the KPT Medical Regulations, 1963 states that the retired employees and their families will be provided with free medical attendance and treatments, only in the hospitals and dispensaries maintained by the KPT for the present only outdoor treatment will not be admissible.

Regulation 12(iii) of the KPT Medical Regulations, 1963 states that the drugs and medicines may be supplied, if available at the hospitals/dispensaries in which the patient received treatment, but the cost of drugs and medicines purchased from the market will not be reimbursable. Similarly, bills of outside doctors, specialist, clinics, etc., to whom the patient may be referred, will not be reimbursable.

The KPT Board vide Board Resolution No. 776 dated 15.05.2024 allowed treatment of the KPT pensioners at Liaquat National Hospital initially for a period of three months on test and trail basis. An amount of Rs. 36,505,674 was incurred on the medical treatment of the retired employees of the KPT from private hospital. An amount of Rs. 112,328,309 was incurred for the purchase of medicines, which were not available in the KPT Hospital, for the outdoor medical treatment of retired employees during the financial year 2023-24. Detail is as under:

(Rs.)

S. No.	Description	Amount
1	Purchase of medicines	112,328,309
2	Private hospital payments	36,505,674
	Total	**148,833,983**

Audit observed as under:

i. The retired employees of the KPT were not allowed for medical treatment other than the KPT Hospital, hence, expenditure incurred on medical treatment of the retired employees from private hospital was unauthorized.
ii. The KPT Medical Regulations, 1963 were approved by the Federal Government, therefore, the amendment made by the Board without approval of the Federal Government was unauthorized
iii. The cost of drugs and medicines, which were not available in the stock of the KPT hospital, was not reimbursable, but the medicines of Rs. 112,328,309 were purchased from the market and provided to the retired employees for outdoor treatment.

Audit is of the view that the expenditure incurred for purchase of medicines and outdoor treatment of the retired employees from private hospital was a violation of the KPT Medical Regulations, 1963.

The management replied that the KPT Board vide Board Resolution No. 776 dated 15.05.2024 allowed the treatment of the KPT pensioners at Liaquat National Hospital initially for a period of three months on test and trail basis. After the completion of 03 months, the treatment of the KPT pensioners at Liaquat National Hospital has been stopped. The budget report/expenditure report is under compilation process, the same will be put up to the KPT Board for further decision in the matter. Currently, the practice to provide the treatment to retired employee has been discontinued at Panel Hospital.

The management has accepted the audit observations. Further, the KPT overrides approved Rules or Regulations of the Federal Government through Board's Resolution without seeking prior approval of the Federal Government which resulted in extra burden on the KPT Funds.

The DAC meeting was held on 10-11.02.2025. KPT management informed the DAC that they have stopped the irregular practice for purchase of medicines and medical treatment of retried employees of KPT from private hospital. Presently, free medical treatment to retried employees is only given at KPT's own hospital as per KPT medical regulation.

Audit recommends that this practice may be stopped beside seeking approval at the Federal Government.

20.5.15 Less payment of Handling, Marshaling and Storage (HMS) charges by the Terminal Operating Company - Rs. 152.439 million

Clause 7.2.1 of the Contract Agreement between the Karachi Port Trust and Abu Dhabi Ports Company PJSC states that the HMS charges for containers/other specified cargo shall be payable by the sponsor/ToC to KPT at a rate of Rupee one thousand and one hundred only (PKR 1,100) Per Sq. M. per annum in respect of the area of site in occupation of the sponsor/TOC.

The management of the Karachi Port Trust signed an agreement with the Abu Dhabi Ports Company PSJC on 22.06.2023 for the operations, maintenance, investment and development at berths 06 to 10 and back up area at East Wharf having an area of 288,044.380 Sq. M. @ Rs. 1,100 per Sq. M. for the period of 25 years lease w.e.f. 22.06.2023 to 21.06.2048. The terminal operating company paid Rs. 197,016,024 on account of Handling, Marshaling and Storage (HMS) charges for the period 22.06.2023 to 30.06.2024. Detail is as under:

(Rs.)

Period of HMS charges	Area in Sq. M.	Initial Rate per Sq. M.	Escalation	Escalat-ion after	HMS charges due	HMS charges paid	Less payment
22.06.2023 to 30.06.2024	205,573	1,100	15%	3	249,167,324	197,016,024	52,151,300
22.06.2023 to 30.06.2024	82,471.38	1,100	15%	3	100,287,724	00	100,287,724
				Total	**349,455,048**	**197,016,024**	**152,439,024**

Audit observed that the Terminal Operating Company (TOC) paid Rs. 197.016 million instead of Rs. 349.455 million which resulted in a less payment of Rs. 152.439 million.

The management replied that the KPT generated the HMS bills based upon possession date i.e. 22.06.2023 for the area measuring 205,573 Square Meters (Berth No. 6 to 9 along with backup area) and measuring 82,471.384 Square Meters (Berth No. 10 along with backup area) at the unit rate PKR 1,100 per Square Meter

per annum under OMID Agreement Article 7.2.1 and 7.5% Municipal Charges as per laid down procedure. Both HMS bills were forwarded to the KGTL for payment. In response, they deposited the HMS charges against bill measuring 205,573 Square Meters, Rs. 231,783,558 without Municipal Charges, and they were reluctant to deposit another bill amount measuring 82,471,384 Square Meters of Rs. 100,287,724. Keeping in view the above, the KPT issued a Letter dated 14.10.2024 for payment of another HMS bill.

The management has accepted the audit observation.

The DAC meeting was held on 10-11.02.2025. DAC directed the management to expedite their efforts for recovery from KGTL.

Audit recommends that full amount of HMS charges may be recovered from the TOC.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide para number 21.5.4 having financial impact of Rs. 3,524.510 million. Recurrence of same irregularity is a matter of serious concern.

20.5.16 Unauthorized lease of land to the Karachi Gateway Terminal Limited without approval of the Federal Government and loss due to non-recovery of rent - Rs. 23.028 million

Clause 18(2) of the KPT Act, 1886 states that subject in certain cases of sanction of the Government. In the case of every lease of immoveable property for a term exceeding (twenty-five years with an option to renew for a like period of twenty-five), in the case of every sale or other transfer of any such property, the previous sanction of the Government is required.

The management of the Karachi Port Trust provided Eastern side auxiliary road having an area of 20,424.498 Sq. M. to the Karachi Gateway Terminal Limited (KGTL) with the approval of the Chairman, Karachi Port Trust during the meeting of General Managers held on 16.11.2023.

Audit observed as under:

i. The area was leased out without approval of the Federal Government.
ii. The land was provided without rent which resulted in a loss of Rs. 23,028,621.

Audit is of the view that the lease of land without approval of the Federal Government was a violation of the KPT Act, 1886. Further, non-recovery of rent was a loss to the KPT.

The management did not reply.

The DAC meeting was held on 10-11.02.2025. DAC directed the management to share approval of Board with Audit regarding lease of land to KGTL and ensure the recovery of rent.

Audit recommends provision of approval at the Federal Government and responsibility be fixed for unauthorized lease of land without rent.

20.5.17 Non-recovery of Temporary Storage Charges from the TOCs - Rs. 1,875.645 million

Section 84 of the 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 the KPT allotted Temporary Storage facilities to the TOCs for container storage during the financial year 2023-24.

(Rs.)

S. No.	Name of Terminal Operating Company	Amount
1	M/s Karachi Gateway Terminal Company (KGTL)	288,727,420
2.	M/s Karachi International Container Terminal (KICT)	1,586,918,480
Total		**1,875,645,900**

Audit observed that an amount of Rs. 1,875,645,900 was not recovered from the TOCs for the period w.e.f. 01.07.2022 to 30.06.2023:

The management replied that the TOCs were provided with facilities for accommodating the overflow volume at the KPT area on temporary basis to ease out congestion at the terminal for smooth operational activities of the TOCs. KPT raised bills to the terminal operator against the temporary storage. The terminals operators paid the charges regularly, however, in terms of these outstanding temporary storage charges, the terminal operators had contended that these were auctionable and destruction containers, hence, the temporary charges would be paid once the auction process was completed by the Customs Authorities. In order to resolve this issue, the KPT and TOC had agreed to prepare the SOP for payment of temporary storage charges on account of containers stacked at the KPT area**.** Moreover, the matter was discussed in the Board of Trustees meeting and after examining the matter, the Board constituted a special committee vide Board Resolution (BR) No. 443 dated 04.05.2023**.** The overflow containers facility allowed to the KGTL and the bills of Rs. 288,727,420 were generated and forwarded to the KGTL for payment. In view of above, they were reconciling the same with their own record which was under process.

The management has accepted the audit observation.

The DAC meeting was hle don 10-11.02.2025. KPT management informed the DAC that they have recovered an amount of Rs.33.914 Million from KICT. Further, KPT is in process to recover the remaining amount. DAC directed the management to get the recovered amount verified from Audit and expedite its efforts for recovery of remaining amount.

Audit recommends that amount be recovered.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide para number 21.5.1 having financial impact of Rs. 2,040.217 million. Recurrence of same irregularity is a matter of serious concern.

20.5.18 Loss due to non-recovery of outstanding dues from the Pakistan International Container Terminal (PICT) - Rs. 1,917.944 million

Para 23 of GFR, Vol-I states that every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held

personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

The management of the KPT handed over the berths No. 6 to 9 to the Karachi Gateway Terminal Limited (KGTL) on 22.06.2023 for a period of 21 years. The lease agreement between the KPT and Pakistan Terminal International Company stood expired on 17.06.2023.

Audit observed as under:

i. No handing/taking over was carried out between the KPT and PICT.
ii. The PICT did not pay outstanding dues of Rs. 1,917,944,277 to the KPT.

(Rs.)

S. No.	Description	Amount
1	Temporary storage charges	398,444,600
2	Handling Marshaling and storage charges	1,519,499,677
Total		**1,917,944,277**

The management replied that in pursuant to the implementation agreement, it was agreed that the TOCs shall pay to the KPT Handling, Marshalling and Storage (HMS) charges each year. The Article 18 of the Implementation Agreement further bound the PICT for payment of taxes levied by the federal, provincial, municipal or other lawful income and other taxes, duties levies or other imposition whatsoever**.** The management of the KPT had also filed a suit against the PICT for the recovery of outstanding temporary storage charges in the High Court of Sindh. A Letter had also been written to the Security and Exchange Commission of Pakistan to put on hold the dissolution process of the firm until the resolution of this dispute.

The management has accepted the audit observation.

The DAC meeting was held on 10-11.02.2025. KPT management informed the DAC that the matter was subjudice before the Sindh High Court. DAC directed the management to pursue the court case vigorously.

Audit recommends recovery of the outstanding amount.

20.5.19 Irregular hiring of services of two pilot boats without open competition - Rs. 109.454 million

Rule 20 of the Public Procurement Rules, 2004 provides 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 the KPT incurred an expenditure of Rs. 109.454 million on hiring of services of two Pilot Boats during the financial year 2023-24. Details are as under:

(Rs.)

S. No.	Name of firm	Amount
1	M/s Seamax Marine Services	29,200,624
2	M/s Ocean world	29,240,000
3	POL for M/s Seamax Marine Services	24,476,788
4	POL of M/s Ocan World	26,536,263
Total		**109,453,675**

Audit observed as under:

i. The services were hired without open competition and without any contract agreement.
ii. The record of issuance of POL and its consumption was not available.
iii. The log books and movement registers of the pilot boats were not available.
iv. Whereabouts of the pilot boats at the fleet of the KPT were not made known.

Audit is of the view that hiring of service without open competition was a violation of the Public Procurement Rules, 2004. Moreover, in the absence of fuel consumption record, the authenticity of expenditure could not be ascertained.

The management replied that a tender for "Supply of 02 Pilot Boats on Hiring Basis for a period of Two years for Pilotage Operation at Karachi Port Trust" was published in the National Newspapers inviting offers from the interested firms. M/s Seamax Marine Services and M/s Ocean world (Pvt.) Ltd. participated in the

bidding process. M/s Seamax Marine Services offered Rs. 69,000 per day per boat and Rs. 138,000 per day for 02 Pilot Boats without fuel while M/s Ocean World (Pvt.) Ltd. offered Rs. 64,000 per day per boat and Rs.128,000 per day for two Pilot Boats without fuel. Therefore, the KPT Board approved the offer of M/s. Ocean world (Pvt.) Ltd., being the lowest bidder, awarded the contract for hiring of 02 Pilot Boats for Pilotage Operation at Karachi Port vide BR No. 347 dated 07.04.2020. However, in compliance of above Board's approval, the LOI could not be issued to the successful bidder as M/s. Seamax Marine Services sought a "STAY" against the above contract from the High Court of Sindh vide Suit No. Nil (627 of 2020). Both the firms, M/s. Seamax Marine Services and M/s Ocean World (Pvt.) Ltd. have been providing Pilot Boats since July, 2020 i.e. one Pilot Boat by each vendor. Audit has raised objection for hiring of services of boats without open competition. To avoid Government Audit objection in future, the Legal Department of the KPT was requested to provide legal opinion before processing of a new tender. The Manager, Legal Affairs obtained the opinion of the KPT's Legal Advisor who has intimated that the said tender, due to act of the Court of not deciding stay application expeditiously within time frame of present, there is no bar on the KPT from inviting new tender. Therefore, the KPT is advised to invite new tender by changing specifications, evaluation criteria, hiring period or any other condition as may be deemed necessary. At present, M/s. Seamax Marine Services is providing Pilot Boat on hiring basis @ 59,786 per day since 2016 and M/s Ocean World (Pvt.) Ltd. providing @ Rs. 60,000 per day. It is pertinent to mention here that M/s Ocean World (Pvt.) Ltd. wrote a Letter dated 30.11.2022 and requested for "Increase of Hiring Rate" due to increase of cost and Maintenance (Lubricants + Spares). Furthermore, KPT Pilot Boats i.e. MPB Sara (19.07.2017), MPB Marvi (05.10.2019) and MPB Zohra (18.05.2020) were non-functional/non-operational and waiting for approval for writing off by the Competent Authority.

The management has accepted that the services were hired without open competition. The management replied that the firms were paid Rs. 59,786 and Rs. 60,000 whereas, the firms were paid Rs. 100,000 per day per boats without POL. Interestingly; the Boats provided by the firms were older than the pilot boats parked by the KPT.

The DAC meeting was hle don 10-11.02.2025. DAC directed that a ministerial level fact finding inquiry be conducted on the following ToRs:

i. Reasons for delay in floating new tender.
ii. Reasons for hiring old boats while KPT sold their own boats which were newer than the hired boats.
iii. Detail of stay given by High court to M/s Seamax Marine Services and action taken by KPT in this regard.
iv. Reasons for not maintaining log books of hired boats.
v. Reasons for delay in procurement of new boats.

Audit recommends that matter may be inquired beside fixing responsibility.

20.5.20 Loss due to the cancellation of auction of TSHD Mahmudul Hasan - Rs. 30.000 million

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

The management of the KPT invited bids for the hiring of services of auctioneer for the auction of unserviceable Fleet of vehicles and Vessels. M/s Adnan and Co. was selected for the auction and awarded the contract of auction of unserviceable items vide Board Resolution No. 563 dated 18.10.2023. The auction was conducted on 08.08.2023. M/s Abdullah Engineering offered the highest price against TSHD Mahmudul Hasan (Lot No. 10). The auction of Lot No.10 was rejected by the General Manger (Engineering) and recommended it for inclusion in the next auction process. The highest offer against the same vessel during 2nd auction was Rs. 370,100,000. Detail is as under:

(Rs.)

Name	Book value	Reserve price	First auction offer	Second auction offer	Loss
TSHD Mahmudul Hasan	15,739,412	383,608,500	400,100,000	370,100,000	30,000,000

Audit observed that the reasons for rejection of first auction were not recorded.

Audit is of the view that the KPT suffered a loss due to the wrong decision.

The management did not reply.

The DAC meeting was hle don 10-11.02.2025. DAC directed the management to get complete record including auction process / record may be provided to Audit.

Audit recommends that matter be probed beside fixing responsibility.

20.5.21 Loss due to non-renewal of 733 lease agreements of the KPT properties

Section 29(A) of the Karachi Port Trust Act, 1886 states that the Board of Trustee may with the approval of the Federal Government, rent, lease, buy, own acquire, mortgage and dispose of such property, real or personal, as the Board may deem proper to carry out the purposes of this Act;

Para 125 of the Manual of the Estate Department of the KPT states that if a tenant fails to make payment, the authorized officer shall cause to recover the dues in any one or more of the following manners:

i. By stopping the transaction of the tenants with the Board.
ii. By adjusting the outstanding amount from any amount due to the tenants.
iii. By acting under Section 84 of the KPT Act for the recovery of the amount due or through civil suit or under any other law for the time being in force.
iv. By recommending cancellation of allotment to the Board, if the tenant is a persistent defaulter.

The management of the Karachi Port Trust leased out different properties in different areas at Karachi. Detail is as under:

S. No.	Description	Number of expired lease agreements
1	Allotment of Mauripur	233
2	Boat Building yard	126
3	Industrial area	35

4	Ware House area	18
5	Jungle Shah area	14
6	Kemari Miscellaneous	7
7	Kemari Township area	50
8	Village area	5
9	Timber Pond	67
10	"A" Group area of MT Khan Road	8
11	"B" Group area of MT Khan Road	2
12	"c" Group area of MT Khan Road	8
13	"Miscellaneous " Area of MT Khan Road	9
14	List of North Hut Sites	72
15	List of South Hut Sites	65
16	List of Plots in oil Installation Area, Kemari	14
Total		**733**

Audit observed as under:

i. The lease agreements of 733 properties stood expired for the last 5 to 54 years but the lease agreements of the properties were neither renewed nor cancelled.

S. No.	Number of years	Number of properties of whom the lease expired
1	1-5	347
2	6-10	88
3	11-20	123
4	21-30	151
5	31-54	24
Total		**733**

ii. The defaulters were paying only rent on initial rates without annual escalation of rent and other charges.

iii. The Estate Department did not provide files of these properties.

iv. The record of out of Court of settlements and encroachment of land at the Dock Colony/Al Badar Society was not provided.

Audit is of the view that the KPT suffered a loss due to negligence and weak performance of the Estate Department of the KPT.

The management did not reply.

The DAC meeting was held on 10-11.02.2025. DAC directed the management of KPT to submit revised reply by mentioning category-wise reasons as follows:

i. Plot under litigation
ii. Default in rental payments and amount of penalties
iii. Plots falling under future development scheme of KPT
iv. Violation of lease agreements
v. Plots under NAB/FIA investigation

Audit recommends that matter may be inquired beside fixing responsibility against the person(s) at fault.

20.5.22 Non-recovery of lease and license fees - Rs. 2,018.866 million

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 the KPT provided a statement of outstanding dues amounting to Rs. 2,018,866,932 against 721 properties on account of lease and license fee from various parties up to 30.06.2024. Detail is as under:

(Rs.)

S. No.	Description	Amount
1	Rent	1,152,916,313
2	Interest	189,430,570
3	KPT municipal	239,518,808
4	License fee	95,353
5	Rail charges	56,935,818
6	Sindh Sales tax	1,242,130
7	Subletting fee	973,238
8	Use occasional charges	377,754,702
Total		**2,018,866,932**

Audit observed that neither the outstanding dues were recovered nor penalties were imposed.

Audit is of the view that the KPT suffered a loss due to non-recovery of outstanding dues.

The management did not reply.

The DAC meeting was held on 10-11.02.2025. The DAC was informed that KPT has recovered a major amount from defaulters and remaining amount will be recovered in due course of time. DAC directed the management to get the recovered amount verified from Audit and expedite its efforts for recovery of remaining amount.

Audit recommends that amount be recovered beside fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide para number 21.5.5 having financial impact of Rs. 5,739.902 million. Recurrence of same irregularity is a matter of serious concern.

20.5.23 Expenditure without supporting documents - Rs. 3,318.392 million

Section 73 of the KPT Act, 1866 states that any person who shall refuse or neglect to appear before any auditor of accounts, or to produce any books, deeds, contracts, accounts, vouchers, documents or papers or to make or sign any declaration when duly required so to do by any audit of accounts under Section 68 shall be punished for every such neglect or refusal with fine which may extend to (one thousand) rupees.

The management of the Karachi Port Trust incurred an expenditure of Rs. 3,318,392,579 on payment of arrears to the KPT employees including arrears of the Monetization Allowance during the financial year 2023-24. Detail is as under:

(Rs.)

S. No.	Description	Amount
1	Employee's arrears	2,969,888,778
2	Officer's arrears	327,097,188
3	Monetization arrears	21,406,613
Total		**3,318,392,579**

Audit observed as under:

i. Either the record in support of expenditure was not available or intentionally not provided to Audit for scrutiny.
ii. The pay fixation record of the employees against payment of arrears was not available.
iii. The evidence of tax withheld and deposited was not available.
iv. The complete record of income tax deduction and annual income of all the employees was not provided.

Audit is of the view that in the absence of supporting record, the authenticity of expenditure cannot be ascertained. Further, non-provision of record was a violation of the KPT Act, 1886.

The management did not reply.

The DAC meeting was hle don 10-11.02.2025. The DAC meeting was hle don 10-11.02.2025. DAC directed the management that complete record be provided to Audit for scrutiny.

Audit recommends that strict action may be taken in light of Section 73 of the KPT Act, 1886 beside provision of record to Audit for scrutiny.

Forensic Audit Report on Receipts of the Karachi Port Trust

20.5.24 Non-existence of the KPT's independent verification procedure regarding revenue collection from the TOCs - Rs.50,981 million

Article 8.7.1 of the implementation agreement between the KPT and TOCs states that detailed procedure and accounting systems regarding the collection by the TOC of the KPT charges and the payment of Royalty by the TOC to the KPT shall be submitted by the TOC, which upon approval by the KPT shall be strictly followed subject to such amendments from time to time as mutually agreed in writing.

Article 8.8 of the implementation agreement between the KPT and TOCs states that the TOC shall maintain detailed and proper records of all the containers and non-containerized cargo ship gear handled by the TOC, the records shall be available in a form and in such frequency as may be mutually agreed for inspection at the TOCs premises by the officials nominated by the KPT during the TOCs

normal business hours. Three copies of such records shall be provided to the KPT promptly after each sailing.

The management of the Traffic Department, Karachi Port Trust, Karachi received an amount of Rs.50,981,869,682 on account of Royalty and Wharfage from the Terminal Operating Companies i.e. M/s SAPTL, M/s KICT, M/s PICT as per record provided by the management. The detail is given below:

(Rs.)

Sr. No.	Name of the TOCs	Period	Wharfage	Royalty	Total
1.	SAPTL	2016-22	4,735,447,506	12,637,405,813	17,372,853,319
2.	KICT	1998-22	9,360,899,553	9,434,807,388	18,795,706,941
3.	PICT	1998-22	6,357,251,347	8,456,058,075	14,813,309,422
Total			**20,453,598,406**	**30,528,271,276**	**50,981,869,682**

Audit observed that:

i. There is no procedure where the KPT independently verifies the completeness of information of vessels berthed at terminals, quantity of containers berthed at terminals, quantity of containers unloaded discharged (Imports) including empty containers, quantity of containers loaded (Exports) including empty containers and quantity of containers transshipped.

ii. The KPT management does not have technological capability to interpret the Electronic Data Interface (EDI) of the shipping companies.

iii. The VDR is prepared by the TOCs and Cosigned by the Vessel Chief. However, there is no mechanism to verify the signatures nor any electronic communication takes place at the time of departure of vessel between vessel and the KPT.

iv. There is no software used by the Traffic Department, Accounts Department and TOCs for real time analysis of data of vessels, containers and financial record.

Audit is of the view that the amount of Royalty and Wharfage collected by the KPT from TOCs was not verified by the KPT which was a lapse on the part of the management of the KPT.

The management in its reply dated 02.06.2023 stated that as per set procedure, the basis of calculation of these charges was VDR (Which is Vessel Arrival Departure Report), once the operation of loading/unloading is completed by the TOC, VDR is prepared by the TOCs which is a comprehensive report on the number of containers being loaded and discharged at the KPT. It is pertinent here to mention that the VDR is countersigned by the Master of the Vessel or the Chief Officer on behalf of the Master (Being the third-party verification). The concerned section of the Traffic Department then verifies the total number of the containers by matching the VDR (Duly countersigned by the master of the vessel) with the loading/unloading statements provided by the TOC on daily basis.

The management reply is not tenable as they completely relied on VDR prepared from the EDI by the TOCs and signed by the Vessel Chief without having their own independent verification and ERP to enable interpretation of EDI and reconciliation of financial record with the TOCs.

During verification of record, the management has accepted the irregularity and claimed to rely on VADR prepared by the TOCs and signed by the Master of the Vessel or the Chief Officer, in the absence of their own independent verification mechanism.

Para stands intact until an independent verification method is put in place to guarantee that the number of containers being loaded and discharged at the KPT is accurate. Moreover, ERP software with real time monitoring may be installed on priority basis to make the process more efficient and transparent.

The PAO and the audited formation were informed on 04.09.2024, 21.10.2024 and 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that:

i. The KPT may devise and implement an independent verification system regarding completeness of the number of containers being loaded and discharged at KPT.
ii. The KPT may use an ERP Software for interpretation of electronic data interface (EDI), conversion of data into vessel arrival and

departure report (VDR), calculation of the amount due from the TOCs, real time sharing, comparison and analysis of data of cargo/traffic and financial record with the TOCs.

20.5.25 Non-clearance of doubtful debts - Rs.2,932.354 million

Section 84 of the 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 the KPT reported in the Financial Statements for the year ended 30.06.2022 that an amount of Rs. 2,932.354 million had been considered doubtful out of the amount receivable from various debtors.

Audit observed that the same number of doubtful receivables have consistently been reported by the KPT in its Financial Statements since the year ended 30.06.2011 without making efforts for the recovery of the same. Moreover, the number of receivables reported by the management in the Financial Statements remain constant from the period 30.06.2015 to 30.06.2022 i.e. Rs. 5,795.964 million. Year-wise statement is as under:

(Rs. in million)

Description	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**
Considered Good	1,447.827	1,545.978	2,165.789	5,335.520	2,863.610	2,863.610
Considered doubtful	2,932.354	2,932.354	2,932.354	2,932.354	2,932.354	2,932.354
Total	**4,380.181**	**4,478.332**	**5,098.143**	**8,267.874**	**5,795.964**	**5,795.964**
Description	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Considered Good	2,863.610	2,863.610	2,863.610	2,863.610	2,863.610	2,863.610
Considered doubtful	2,932.354	2,932.354	2,932.354	2,932.354	2,932.354	2,932.354
Total	**5,795.964**	**5,795.964**	**5,795.964**	**5,795.964**	**5,795.964**	**5,795.964**

Audit is of the view that approval may be obtained for writing off the 25-30 years older provision as well as receivables' amount may be updated as there has been no change in the receivable since 2014-15.

The management in its reply dated 02.06.2023 stated that the doubtful receivables were 25-30 years old and the provision for doubtful debts was made on the advice of the commercial auditors and with the approval of the Competent Authority.

The management accepted the audit observation.

During verification of record, Audit required that the recovery of outstanding receivables considered as 'good or doubtful' be made expeditiously or Board's approval may be obtained to write-off 'the provision for doubtful debts.'

Para stands intact until recovery of the receivables considered 'doubtful' as well as 'good' or approval may be obtained to write-off 'the provision for doubtful debts'.

The PAO and the audited formation were informed on 04.09.2024, 21.10.2024 and 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that either efforts may be made to recover the receivables' amount both considered good and doubtful or approval may be obtained to write-off the provision for doubtful debts. Moreover, the accounting record needs to be properly maintained to give true and fair view.

20.5.26 Non-reconciliation of receipts on account of royalty fee with the record of Traffic Containers Handling Data of the TOCs - Rs. 1,911.645 million

Rule 15 of GFR, Vol-I states that every officer whose duty is to prepare and render any accounts or returns in respect of public money or stores is personally responsible for their completeness and strict accuracy and their dispatch within the prescribed date.

Para 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.

Article 8.7.1 of the implementation agreement between the KPT and TOCs states that detailed procedure and accounting systems regarding the collection by the TOC of the KPT charges and the payment of Royalty by the TOC to the KPT shall be submitted by the TOC, which upon approval by the KPT shall be strictly followed subject to such amendments from time to time as mutually agreed in writing.

The management of the KPT reported that an amount of US$ 147,799,741 has been received from the TOCs i.e. PICT, KICT and SAPTL on account of royalty for the period July, 2017 to June, 2022.

Audit observed that the revenue received from the TOCs was not being reconciled by the Accounts Department of the KPT with the Traffic Containers Handling Data due to which a difference of US$ 6,709,410 (equivalent to Rs.1,911,645,125) in Royalty Fee was noted, as per details given below:

(Amount in US$)

Period	Amount as per Accounts Department	Amount calculated from Traffic Record	Difference
KICT			
July, 2017 to June, 2018	8,223,430	8,270,628	-47,198
July, 2018 to June, 2019	6,474,074	6,476,532	-2,458
July, 2019 to June, 2020	5,294,392	5,205,299	89,093
July, 2020 to June, 2021	6,833,937	6,832,904	1,033
July, 2021 to June, 2022	6,909,057	6,940,971	-31,914
Total	**$33,734,890**	**$33,726,334**	**$8,556**
PICT			
July, 2017 to June, 2018	$6,846,833	$6,927,288	-$80,455
July, 2018 to June, 2019	$5,776,060	$5,776,059	$1
July, 2019 to June, 2020	$5,497,442	$5,459,777	$37,665
July, 2020 to June, 2021	$7,077,967	$7,156,735	-$78,768
July, 2021 to June, 2022	$8,359,589	$6,836,992	$1,522,597
Total	**$33,557,891**	**$32,156,851**	**$1,401,041**
SAPTL			
July, 2017 to June, 2018	$12,916,596	$12,822,159	$94,437
July, 2018 to June, 2019	$16,677,388	$16,669,534	$7,854
July, 2019 to June, 2020	$16,714,104	$11,680,039	$5,034,065
July, 2020 to June, 2021	$18,014,581	$17,854,100	$160,482
July, 2021 to June, 2022	$16,184,291	$16,181,316	$2,975
Total	**$80,506,960**	**$75,207,148**	**$5,299,813**
Grand total	**$147,799,741**	**$141,090,333**	**$6,709,410**

Audit is of the view that the revenue record maintained by the KPT Accounts Department was not being reconciled with the Traffic Container Handling Data.

The management in its reply dated 02.06.2023 stated that the Federal Auditors' team reconciled the Royalty Charges of M/s PICT, KICT and SAPTL for the period from July, 2017 to June, 2022 with handling data instead of the Vessel Departure Reports (VDR). The TOC deposits the Royalty Charges for all containers (Per cross berth move, ship to shore/shore to ship). Whereas, as per laid down foolproof procedure, the Royalty of the TOCs like KICT, PICT and SAPTL are counter checked on the basis of Vessel Departure Reports (VDR) vide approved SOP Section 10.03 under Implementation Agreement duly authenticated by the Vessel's Officer.

The reply of the management is not tenable as the details of variations in VDR and traffic data viz-a-viz accounts department has not been provided. Moreover, KPT does not have an independent mechanism to verify the data of VDR.

During verification of record, the departmental reply and supporting evidence were examined considering accounts with revised reconciliation statement of royalty for the period 2017-18 to 2021-22. The source documents i.e. copy of pertinent receipts of the bank account statements, copy of cheques/pay orders, monthly royalty and Wharfage statements of the TOCs and CPRs against 8% deducted withholding tax at source by the TOCs for the fiscal year 2017-18 of KICT and 2019-2020 of PICT and SAPTL were provided and found reconciled.

Para stands intact till production of remaining TOCs source documents for the period 2017-18 to 2021-2022 for further verification by the Audit.

The PAO and the audited formation were informed on 04.09.2024, 21.10.2024 and 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that differences may be reconciled and the responsibility be fixed.

20.5.27 Non-receipt of KPT's share in the sale proceed of disposed of/auctioned cargo - Rs. 666.20 million

In terms of Section 201(d) of the Customs Act, 1969, the balance of sale proceeds after deducting charges mentioned 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. 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.

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.666.200 million on account of KPT's share was collected by the Pakistan Customs for disbursement to the KPT.

Audit observed that share of the KPT collected by the Customs on behalf of the KPT from auctioned cargo have not been recovered from the Pakistan Customs.

Audit is of the view that non-collection of share of the KPT collected by the Pakistan Customs was a lapse on the part of the management.

The management in its reply dated 02.06.2023 stated that the Karachi Port Trust had lodged its updated claim for the KPT's share against Sale Proceeds outstanding amount from the Pakistan Customs. Furthermore, several meetings were held with the Customs Authorities at various levels to accelerate the process of the Sale Proceeds amount collected by them on behalf of the KPT. Moreover, the amount of Rs. 666.200 million required disbursements to the KPT on account of the sale proceeds, which has already been collected by the Customs on behalf of the KPT. As per record, only Rs.450.300 million on account of the Sale Proceed has been received from the Pakistan Customs since 2006 to March, 2023 while at

present, an amount of Rs.666.200 million of the KPT Share on account of the Sale Proceed is outstanding.

The management has accepted the audit observation.

During verification of record, management's response and the evidence furnished are not tenable as no recovery was made from the Pakistan Customs to-date.

Para stands intact till the receipts of the share of the KPT in the sale proceeds of disposed-off/auctioned cargo from the Pakistan Customs amounting to Rs. 666.712 million.

The PAO and the audited formation were informed on 04.09.2024, 21.10.2024 and 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that receipt of the KPT's share from the Pakistan Customs needs immediate realization.

20.5.28 Non-recovery of HMS charges from the TOCs - Rs.157.308 million

Para 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.

The management of the KPT provided detail of outstanding amount on account of Handling Marshalling and Storage (HMS) Charges amounting to Rs. 157,308,733 against the TOCs, as per details given below:

(Rs.)

Name of the TOC	Outstanding since	HMS charges
KICT	February, 1997	133,193,357
PICT	May, 2003	24,115,376
Total		**157,308,733**

Audit observed that the above-mentioned amount has not been recovered from the TOCs till date.

Audit is of the view that non-recovery of amount outstanding from the KICT was a lapse on the part of the KPT management.

The management in its reply dated 02.06.2023 stated that M/s KICT held a portion of an amount out of total HMS/Rent on account of property tax, which they deposited with the Excise and Taxation Department, Government of Sindh and provided the paid challan to the KPT. The deduction of Property Tax from the KPT's legitimate charges in unjustified and is a violation of the Implementation Agreement. Due to this deduction, the KPT went into litigation and filed a suit No. 1355/2033 in the High Court of Sindh for recovery of such dues. The amount is deposited with the Nazir of the High Court and will be returned back to the KPT with interest and total outstanding balance from PICT is Rs. 1,519.449 million instead of Rs. 24.115 million. M/s PICT is depositing all the HMS charges with the Nazir of the Honorable High Court till disposal vide Suit No. 827/2007, as per interim order of the High Court of Sindh dated 06.04.2015.

The management has accepted the audit observation. However, the final objective has not been achieved as the amount to be received is still outstanding. Management of the KPT needs to pursue the case rigorously regarding recovery of undisputed amount of HMS charges of the KPT.

During verification of record, management apprised that the pending case in the Court of Law did not achieve the intended objective, necessitating KPT management to vigorously pursue the recovery of undisputed HMS charges.

Para stands intact till the recovery of HMS charges with interest from the TOCs.

The PAO and the audited formation were informed on 04.09.2024, 21.10.2024 and 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the matter regarding recovery of outstanding HMS charges from the KICT may be pursued in the Court through concerned legal adviser and recovery may be made accordingly.

20.5.29 Non-reconciliation of Receipts on account of Wharfage Charges on Imports with the Traffic Containers Handling Data of the TOCs - Rs.552.769 million

Rule 15 of GFR Vol-I, states that every officer whose duty is to prepare and render any accounts or returns in respect of public money or stores is personally responsible for their completeness and strict accuracy and their dispatch within the prescribed date.

Articles 27.6.1 and 27.6.2 of the Implementation agreement between the KPT and TOCs state that the sponsor shall make arrangement for the appointment as auditor to the TOC of a firm of an independent Chartered Accountant. KPT shall have the right to conduct special audit only in respect of royalty, payments and KPT charges collected by the TOC. TOC shall promptly furnish to the KPT such information as the KPT may from time-to-time reasonably request and permit representative of the KPT on notice and during TOCs regular business hours to visit the terminal and any of the other premises where the business of the TOC is conducted and to have access to its books of accounts and record for conducting audits.

The management of the KPT reported that an amount of Rs.7,962,563,002 had been received from the TOCs on account of Wharfage-Import Charges for the period July, 2017 to June, 2022.

Audit observed that the revenue received from the TOCs was being reconciled by the Accounts Department of the KPT with the Traffic Containers Handling data due to which a difference of Rs. 552,769,584 in Wharfage-Import Charges was noted, as per details given below:

(Rs.)

Period	Amount calculated from Traffic Record	Amount as per Accounts Department	Difference
KICT			
July, 2017 to June, 2018	607,032,200	572,201,925	34,830,275
July, 2018 to June, 2019	522,278,200	511,299,150	10,979,050
July, 2019 to June, 2020	424,902,600	417,738,500	7,164,100
July, 2020 to June, 2021	531,138,000	526,140,250	4,997,750
July, 2021 to June, 2022	539,620,500	530,130,950	9,489,550
Total	**2,624,971,500**	**2,557,510,775**	**67,460,725**
PICT			

July, 2017 to June, 2018	523,275,300	452,284,612	70,990,688
July, 2018 to June, 2019	374,480,100	345,772,534	28,707,566
July, 2019 to June, 2020	355,324,600	304,125,757	51,198,843
July, 2020 to June, 2021	473,719,100	407,482,265	66,236,835
July, 2021 to June, 2022	584,960,600	432,878,375	152,082,225
Total	**2,311,759,700**	**1,942,543,543**	**369,216,157**
SAPTL			
July, 2017 to June, 2018	490,376,265	499,807,900	-9,431,635
July, 2018 to June, 2019	638,021,138	642,443,300	-4,422,162
July, 2019 to June, 2020	650,733,200	644,905,200	5,828,000
July, 2020 to June, 2021	661,702,875	661,333,000	369,875
July, 2021 to June, 2022	584,998,324	461,249,700	123,748,624
Total	**3,025,831,802**	**2,909,739,100**	**116,092,702**
Grand total	**7,962,563,002**	**7,409,793,418**	**552,769,584**

Audit is of the view that the revenue record maintained by the KPT Accounts Department was not reconciled with the Traffic Container Handling Data since outsourcing operations to the TOCs.

The management in its reply dated 02.06.2023 stated that the audit team reconciled the import Wharfage charges of the M/s KICT, PICT and SAPTL for the period from July, 2017 to June, 2022 with handling data instead of Vessel Departure Reports (VDR). The TOC deposits Wharfage payments for all import containers landed and delivered from their private terminal to consignees other than those containers shifted to the KPT premises for CFS or CY delivery from the KPT. Whereas, as per laid down foolproof procedure, the Wharfage of the TOCs like KICT, PICT and SAPTL are counter checked on the basis of Vessel Departure Reports (VDR) vide approved SOP Section 10.02 under the implementation Agreement duly authenticated by the Vessel's Officer.

The reply of the management is not cogent. The number of containers may be reconciled with the cargo, and year wise/vessel wise data may be provided. Moreover, the management completely relied on the VDR prepared from the EDI by the TOCs and signed by the Master of vessel without having their own independent verification. The amount due to the TOCs is not calculated by the KPT.

During verification of record, management's reply was not supported with the documentary evidence as only a revised reconciled statement of Wharfage from 2011-2012 to 2021-2022 was produced, without the provision of necessary source

documents like receipts, bank account statements, cheques, CPRs and monthly Wharfage statements for verification.

Para stands intact till production of source documents of revenue collected from the TOCs on the Wharfage charges on imports.

The PAO and the audited formation were informed on 04.09.2024, 21.10.2024 and 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the difference amount of Wharfage charges on import may be reconciled and SOPs may be developed to transform information of EDI into cargo/traffic data for calculation of the amount due from the TOCs.

Pakistan Marine Academy, Karachi

20.5.30 Non-preparation of financial and service rules

Establishment Division's Letter No. F.No. 6/4/96-R-3 dated 02.11.2021 states that each autonomous body is governed by its own enactment and rules and regulations made thereunder. Therefore, soon after an organization is established, it is mandatory to frame service rules in order to run the organization in a legit manner.

The Pakistan Marine Academy was established in 1976. It works under the Federal Ministry of Maritime Affairs to prepare professionally skilled and capable human resources in maritime related fields, in order to meet the requirements of local and international maritime sector. A prominent international maritime institute with futuristic facilities yields global professionals in accordance with the contemporary requirements of maritime industry; and international research and development center of excellence for further development of maritime sector.

The Pakistan Marine Academy, Karachi was declared an autonomous body vide Cabinet Division Memorandum No. 4-11/2019-Min-I dated 23.12.2019.

Audit observed that the Pakistan Marine Academy after having autonomous status, being run without any Act/Ordinance, Financial/Services Rules/Regulation and Procedures, etc. in violation of the Government order.

Audit is of the view that in the absence of Financial, Service Rules/Regulation and procedures, Pakistan Marine Academy cannot function as intended.

The management did not reply.

The PAO and the audited formation were informed on 17.12.2024 and 23.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that efforts be made for making of Service and Financial Rules of the department at the earliest.

Karachi Dock Labour Board, Karachi

20.5.31 Loss due to excess employment of workers beyond the required strength - Rs. 1,476.729 million

As per Clause (a) of the Board Resolution No. 36 dated 18.11.2006, the required level of registered dock workers to remain on KDLB roster shall be 1,700 workers.

Clause 2(1) of the Karachi Dock Workers (Regulation of Employment) Scheme, 1973 states that the objective of the scheme is to ensure greater regulatory employment for dock workers and to secure that an adequate number of dock workers are available for the efficient performance, expeditious and economic turnaround of ships and speedy transit of goods through the port.

Clause 8(b) of the Scheme states that the Board shall be responsible for increase or decrease the number of registered dock worker in any category on the register from time to time as may be necessary after a periodical review of the registers and anticipated requirements provided that the decrease in number of the registered dock if required, shall be on the principle of last in first out basis and once number of registered dock workers on the roster of the Board is identified as surplus, the Board shall not allow any fresh registration of dock workers, including registration of sons of the retired or deceased dock workers in their place.

The management of the KDLB, Karachi registered an average of 2,638 workers during a month during the financial year 2023-24.

Audit observed that 981 workers were registered in excess of the required level of workers on an average during a month. Audit worked out that excess amount of average guaranteed wage of Rs. 1,476.729 million was incurred by the KDLB during the financial year 2023-24 despite the fact that the excess workers remained idle. The detailed working is as under:

Particulars	**Working**
Average workers registered per month during 2023-24	2,638
Average unemployed workers per month during 2023-24	1,455
Average guaranteed wage rate per month (Day Shift Rate + Night Shift Rate)/2	(100,011 + 111,980) / 2 = 105,995.500
Required Strength as per BR 36/2006	1,700
Excess Workers beyond required strength per month	1,161 (2638 - 1700)
Average Loss of guaranteed wage paid to excess workers if remain idle	1,161 x 105,995.50 x 12 = 1,476,729,306 (1,476.729 million)

Audit is of the view that the engagement of excess number of workers beyond the required level incurred an average loss of guaranteed wages of Rs. 1,476.729 million to the KDLB.

The management did not reply.

The PAO and the audited formation were informed on 20.12.2024 and 23.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that responsibility may be fixed on the person(s) responsible for hiring/registration of excess Dock Workers despite reduction of strength as per Board Resolution, 2006 and in accordance with demand of stevedores for engagement of labour in loading/unloading operations.

20.5.32 Non-recovery of Cess from the beneficiaries - Rs. 259.511 million

Para 28 of GFR, Vol-I 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 KDLB Board's 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%

The management provided a statement showing outstanding amount of Cess against various beneficiaries under the following categories during the financial year 2023-24.

Category of beneficiaries	Amount (Rs.)
Agent	30,954,137
Stevedores	5,516,662
KPT	223,040,445
Total	**259,511,244**

Audit observed that the above receivables from various beneficiaries were not realized till the close of audit.

Audit is of the view that non-recovery of dues from the beneficiaries was a lapse on the part of the management.

The management did not reply.

The PAO and the audited formation were informed on 20.12.2024 and 23.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the responsibility may be fixed on the person(s) at fault beside recovery of amount without further delay.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide para number 21.5.18 having financial impact of Rs. 1,950.039 million. Recurrence of same irregularity is a matter of serious concern.

20.5.33 Recurring financial loss due to excess expenditure beyond income - Rs. 1,747.632 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 the KDLB, Karachi provided the actual income and expenditure statement for the financial year 2023-24 with comparative figures of 2022-23.

Audit observed that the department reported a financial loss of Rs. 1,747.632 million in its income and expenditure account for the financial year 2023-24. The practice of incurring financial loss continued from previous periods as reflected in the comparative figures of the financial year 2022-23 reported in the statement. The management used to carry forward losses and adjust it against invested funds of the KDLB. Resultantly, the funds lying in bank accounts were being depleted.

Audit further observed that cost of wages/minimum wage i.e. Rs. 105,995 per month and other benefits was on a very 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 the KDLB.

The management did not reply.

The PAO and the audited formation were informed on 20.12.2024 and 23.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that responsibility may be fixed on the officer(s) responsible beside remedial measures be taken to reduce the loss.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide para number 21.5.19 having financial impact of Rs. 914.301 million. Recurrence of same irregularity is a matter of serious concern.

20.5.34 Irregular and unjustified payment of Bonus to the employees and the Dock Workers - Rs. 350.382 million

Rule 46(b) of the Fundamental Rules states that a local Government may grant or permit a Government servant to receive an honorarium from general revenues as remuneration for work performed which is occasional in character and either so laborious or of such special merit as to justify a special reward.

Finance Division's OM No. F.2(2)-R4/95-109 dated 25.04.1995 states that not more than one honorarium shall be granted to any official and shall not exceed one month's pay and honorarium shall be admissible up to the level of Section Officers and equivalent.

The management of the KDLB, Karachi paid three bonuses amounting to Rs. 335,056,000 to the workers and Rs. 15,326,047 to the employees during the financial year 2023-24, as detailed below:

(Rs.)

S. No.	Category	Amount
1	1st bonus on 1st Ramzan (paid to workers)	112,230,000
2	2nd bonus on Eid-ul-Fitr	111,499,000
3	3rd bonus on Eid-ul-Azha (paid to workers)	111,327,000
4	Bonus to employees (2 Basic Pay)	10,378,520
5	Bonus to employees (1 Basic Pay)	4,947,527
	Total	**350,382,047**

Audit observed that:

i. Bonuses were paid three-times (03 Basics Pay) in violation of the above Rule and Government instruction.
ii. No criteria for performance was specified.
iii. The bonus was paid to the workers/employees despite the fact that the KDLB is facing recurring financial loss and acute shortage of funds. The KDLB have no funds for payment of bonus, the amount was received from the KPT against future receivables.

iv. KDLB is already in deficit of Rs. 1,747.632 million, therefore, there is no justification for payment of bonus. The details of income and expenditure is as under:

(Rs.)

Particulars	**Amount**
Income during 2023-24	1,846,054,000
Expenditure during 2023-24	3,593,686,000
Deficit	-1,747,632,000

Audit is of the view that the payment of bonuses to the employees and workers, more than three basic pay, without any performance criteria and financial crisis is irregular.

The management did not reply.

The PAO and the audited formation were informed on 20.12.2024 and 23.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the matter may be investigated at appropriate level fir remedial action.

20.5.35 Misprocurement of medicines from the medical store/retailers - Rs. 149.272 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 the procurement brings value for money to the agency and procurement process is efficient and economical.

Rule 12(2) of the PPRA, 2004 states that, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation.

The management of the KDLB, Karachi incurred an expenditure of Rs. 149.272 on account of local purchase of medicines from four panel medical stores during the financial year 2023-24. The details are as under:

(Rs.)

S. No.	Particulars	Amount
1.	Platinum Medical Store	71,672,569
2.	Danish Medical Store	10,799,405
3.	AA Medicos	11,307,325
4.	M/s Haider Medicos	55,493,320
Total		**149,272,619**

Audit observed that:

i. The medicines were purchased without open competition in violation of the Rule 4 and 12(2) of the Public Procurement Rules, 2004.
ii. The services of the medical stores were hired without open competition.
iii. Doctors' prescription for medicine and disease against which medicines stood purchased, were not found attached with the bills.
iv. The medical attendance rules and SOPs were not framed and approved regarding procedure of medical facility availed by the patients from the medical store.
v. Mechanism to monitor the purchase of medicines by the patients from these stores was not observed as per record.
vi. No system of patient authentication, facing machine, thumb impression and medical treatment cards etc. was not being followed.

Audit is of the view that hiring of services of medical stores without competition in violation of the Public Procurement Rules is irregular. Furthermore, due to weak internal control, the authenticity of payment for medicines against actually prescribed and required could not be ascertained.

The management did not reply.

Audit is of the view that the procurement of medicines without open competition was irregular and unauthorized. Furthermore, there is a high possibility of irregularity due to weak internal control and non-existence of control mechanism.

The PAO and the audited formation were informed on 20.12.2024 and 23.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends discontinuation of irregular practice forthwith beside strengthening of internal control mechanisms.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide para number 21.5.23 having financial impact of Rs. 123.359 million. Recurrence of same irregularity is a matter of serious concern.

20.5.36 Irregular selection and payment to panel hospitals - Rs. 645.128 million

Rule 12(2) of the PPRA, 2004 states that, all the 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.

Rules 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 the KDLB, Karachi hired outdoor and indoor services of five (5) private hospitals on its panel and incurred an expenditure of Rs. 645.128 million during 2023-24. The detail is given below:

(Rs.)

S. No.	Name of Hospital and Laboratory	Amount
1	Liaquat National Hospital	244,435,569
2	Ziauddin Hospital	306,709,016
3	NICVD	3,166,508
4	Altamash Hospital	88,408,846
5	Hashmanis Group of Hospital	2,409,006
Total		**645,128,945**

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 from the Board/Ministry in consultation with the Ministry of National Health Services Regulations and Coordination.
iii. Neither patients record i.e. admission, discharge, doctor prescription, laboratory test etc. was found attached with the bills nor medical bills were scrutinized and verified with the complete record of a patient as maintained by the hospitals in accordance with the laid down Rule/Procedures.
iv. Physical verification of patients from the hospitals was not conducted by the KDLB regarding authenticity of claims.

Audit is of the view that expenditure incurred on hiring of services of panel hospitals without open competition, without framing of medical attendance rules and in the absence of authentication of expenditure was irregular and unauthorized.

The management did not reply.

The PAO and the audited formation were informed on 20.12.2024 and 23.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends fixing of responsibility for the irregularity.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide para number 21.5.20 having financial impact of Rs. 452.908 million. Recurrence of same irregularity is a matter of serious concern.

20.5.37 Non-deposit of income tax withheld in the Government treasury - Rs. 298.359 million

Section 160 of the Income Tax Ordinance, 2001 states that, the amount deducted at source should be deposited in the Government account immediately.

The management of the KDLB, Karachi deducted income tax from the salaries of employees, workers and suppliers for deposit in the Government treasury during the financial year 2023-24, as detailed below:

(Rs.)

S. No.	Income Tax withheld from	Amount

1	Dock Workers' salaries	259,438,694
2	KDBL Employees	14,572,836
3	Suppliers/Parties	24,348,032
Total		**298,359,562**

Audit observed that the income tax withheld amounting to Rs. 298.359 million was lying with the KDLB as it was not deposited in the Government treasury.

Audit is of the view that non-depositing of withheld amount of income tax is a serious lapse on the part of the management and it put the Government to a revenue loss.

The management did not reply.

The PAO and the audited formation were informed on 20.12.2024 and 23.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that responsibility may be fixed on the person(s) responsible beside deposit of withheld amount of income tax in the Government treasury at the earliest. Further, this practice needs immediate discontinuation.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide para number 21.5.21 having financial impact of Rs. 121.410 million. Recurrence of same irregularity is a matter of serious concern.

20.5.38 Recovery of outstanding rent of the KDLB properties from the tenants - Rs. 35.048 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 the KDLB, Karachi rented out five floors in its own office building with covered area of 46,172 Sft. to different private/Government offices.

Audit observed that an amount of Rs. 35,048,105 is outstanding against 12 offices. No effort was made to recover the outstanding rent from the tenants. Detail is given below:

(Rs.)

S. No.	Name of tenant	Area occupied (Sft.)	Outstanding rent up to 30.06.2024
1	M/s. United Bank Limited	1,776	534,000
2	M/s Inshipping (Pvt.) Ltd. Office	3,000	1,434,240
2	M/s Inshipping (Pvt.) Ltd. Office No. 06	1,000	478,080
4	M/s Megarants Pakistan (Pvt.) Ltd. office	1,400	999,404
5	M/s Megarants Pakistan (Pvt.) Ltd. Office	2,000	1,341,360
6	M/s. Insurvey Pakistan (Pvt.) Ltd.	8,280	5,825,477
7	Ministry of Ports & Shipping	11,990	22,613,025
8	M/s SASPAK (Pvt.) North Side 1st floor	6,000	453,600
9	M/s Amna Industries (Pvt.) Ltd.	3,978	186,016
10	M/s Megatech (Pvt.) Ltd. South Side	5,968	836,711
11	M/s EFU Insurance Co. Ltd.	2,200	2,640
12	M/s. A. Razzaq Baramachari	750	343,552
Total			**35,048,105**

Audit is of the view that the KDLB is facing acute shortage of funds and in this position, non-recovery of outstanding rent from the tenants is a serious lapse on the part of the management.

The management did not reply.

The PAO and the audited formation were informed on 20.12.2024 and 23.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends recovery of outstanding rent from the tenements without further delay.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide para number 21.5.25 having financial impact of Rs. 4.119 million. Recurrence of same irregularity is a matter of serious concern.

20.5.39 Non-deduction of income tax and recovery thereof - Rs. 35.038 million

Section 12 (e)(iv) of the Income Tax Ordinance, 2001 states that the amount of any profit in lieu of, or in addition to, salary or wages including from provident or other fund to the extent to which the amount is not repayment of contributions made by the employee to the fund in respect of which the employee was not entitled to the deduction. Income tax at the rate of 10% shall be payable on services rendered.

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

The management of the KDLB, Karachi paid three bonuses amounting to Rs. 335,056,000 to the workers and Rs. 15,326,047 to the employees during the financial year 2023-24, as detailed below:

(Rs.)

S. No.	Category	Amount	Income Tax
1	1st bonus on 1st Ramzan (paid to workers)	112,230,000	11,223,000
2	2nd bonus on Eid-ul-Fitr	111,499,000	11,149,900
3	3rd bonus on Eid-ul-Azha (paid to workers)	111,327,000	11,132,700
4	Bonus to employees (2 basic)	10,378,520	1,037,852
5	Bonus to employees (1 basic)	4,947,527	494,752
Total		**350,382,047**	**35,038,204**

Audit observed that the income tax amounting to Rs. 35,038,204 was not deducted from the employees on account of payment of bonus.

Audit is the view that non-deduction of income tax deprived the Government from its due revenue.

The management did not reply.

The PAO and the audited formation were informed on 20.12.2024 and 23.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends discontinuation of irregular practice beside recovery of the Income Tax at the earliest.

20.5.40 Irregular award of contract to M/s Taj Medicos and 8% loss on purchase of medicines - Rs. 28.334 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.

Rule 29 of the 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.

As per tender documents, Clause No. 08, discount as per tender will be admissible on all prevailing retail prices of medicines.

The management of the Karachi Dock Labour Board, Karachi published an advertisement in the newspaper daily Nation and Dunya, Karachi and PPRA on 06.07.2023 regarding enlistment of licensed chemist/medical stores/suppliers to supply medicines to the KDLB.

Audit observed that:

i. Tendering was done on 25.07.2023 for supply of the medicines, the two participants, M/s AA Medicos and M/s Hayat Medical Store on the basis of highest discount i.e. 8% were selected by the Tendering Committee, Medical Monitoring Committee and Administrative body of the KDLB. The relevant file reveals that the KDLB issued letter of intents for opening of stores for supply of medicines to the KDLB patients. The Executive Officer overruled/scrapped the whole procedure of tenders on the plea that no tendering is required

for enlistment of panel chemists as the rates of medicines have been fixed by the Government.

ii. Advertisement was made again in the newspaper for enlistment of chemist/medical stores i.e. retailers not from medicines companies.

iii. Invitations of chemists were published in the newspaper on 05.12.2023 without necessary prerequisite activities. M/s Taj medicos was enlisted without rates competition of medicines on retail prices for provision of medicines. Although the other four existing panel chemists are supplying the same LP medicines at 5% discount. This practice was irregular.

iv. No tender committee was formulated for evaluation of bids.

v. No record of evaluation of bids, number of stores participated, comparative statement etc. was found available in record.

In view of the above, the contract of supply of medicines awarded to M/s Taj Medicos without any discount is held irregular. It was a loss to the KDLB.

The management did not reply.

The PAO and the audited formation were informed on 20.12.2024 and 23.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that responsibility may be fixed on the person(s) responsible who overruled the tendering process, recommendation of the Medical Monitoring Committee and Administrative body of the KDLB and ignored the 8% discount offer which resulted in a loss of Rs. 2.266 million.

20.5.41 Loss on purchase of medicines from the medical stores/retailors - Rs. 14.371 million

According to BR 39/79 (c)(1), the Purchase Committee will call pre-qualification from medicines firms and suppliers. After getting the suitable ones approved by the Board, the committee will register their names in the Dock Labour Board's approved firm/suppliers register.

(2) The Chief Medical Officer will forward to the Purchase Committee requisition for medicines based on six months requirement i.e. for the periods July to December and January to June.

(3) The Purchase Committee will call tenders from the registered firms/suppliers.

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

The management of the Karachi Dock Labour Board (KDLB), Karachi incurred an expenditure of Rs. 51,231,169 on bulk purchase from the medicine's companies and Rs. 177,606,675 through medical stores (retail price) during the financial year 2023-24.

Audit observed that the KDLB purchased medicines for 1st and 2nd quarters (July, 2023 to December, 2023) in bulk from companies amounting to Rs. 51.231 million and a proposal was submitted to the Executive Officer for purchase of medicines in bulk for the 3rd and 4th quarters i.e. January to June, 2024 directly from the manufacturers/distributors amounting to Rs. 71.341 million. But the Executive Officer did not approve the proposal, and purchased the medicines from the medical stores/retailers by ignoring the highest margin of discount up to 30% approximately from the manufacturing companies which resulted in a loss to the KDLB. Audit selected only 60 medicines as a test check out of 1,423 formularies, and calculated a loss of Rs. 14.371 million.

Audit is of the view that the purchase of medicines from the retailers/ medical stores without the approval of the Board resulted in a loss to the KDLB. Besides, the employees of KDLB were deprived of the benefit of facility of medicines at their office premises/dispensaries.

The management did not reply.

The PAO and the audited formation were informed on 20.12.2024 and 23.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that responsibility may be fixed on the officer(s) responsible who violated the procedure as Board Resolution 39/79 was required to be observed for purchasing on six monthly bases in bulk directly from the manufacturers.

CHAPTER 21

MINISTRY OF NATIONAL FOOD SECURITY AND RESEARCH

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 23.04.2019), 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 the 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 (API).
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.

(Rs. in million)

Sr. No.	Description	Total Number	Audited	Expenditure Audited (FY-2023-24)	Revenue/ Receipt Audited (FY-2023-24)
1	Formations	47	6	12,652.36	412.80
2	Assignment Accounts (Excluding FAP)	19	1	3,001.54	-
3	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	1	1	-	-

21.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the National Food Security and Research Division for the financial year 2023-24 was Rs. 24,081.417 million, out of which the Division expended an amount of Rs. 23,967.956 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

Grant Numb-er	Type of Grant	Original Grant	Supplementary Grant	Surrender	Final Grant	Actual Expenditure	Excess / (Savings)
75	Current	12,579.28	6,596.00	(25.45)	19,149.83	19,121.52	(28.31)
117	Dev.	43,850.00	-	(38,918.41)	4,931.59	4,846.44	(85.15)
	Grand total	**56,429.28**	**6,596.00**	**(38,943.86)**	**24,081.42**	**23,967.96**	**(113.46)**

Audit noted that there was an overall savings of (Rs. 113.46 million), which was due to saving in both current and development grants.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 in current, development and charge expenditure, it was observed that, in case of the development grant, there was -88.95% of saving w.r.t. the original grant which was

finally reduced to -1.73% w.r.t. the final grant and in case of current grant 52.01% of excess was finally reduced to -0.15% of savings.



21.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 149,082.095 million, were raised in this report during the current audit of the **Ministry of National Food Security and Research**. Summary of the audit observations classified by nature is as under:

(Rs. 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	17.856
B	Procurement related irregularities	149,060.072
C	Management of account with commercial banks	
D	Recovery	2.251
E	Internal Control	
4	Value for money and service delivery	
5	Others	

21.4Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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**	-

21.5 AUDIT PARAS

Ministry of National Food Security and Research (MNFS&R), Islamabad

21.5.1 Recovery of irregular and unauthorized payment of Cash Award - Rs. 17.856 million

Serial No. 45 of the Schedule of the Financial Management and Powers of Principal Accounting Officers Regulations, 2021 states that in case of Scholarships, Bonuses and Other Awards, the PAO/Head of Department has full powers in accordance with the approved rates for scales.

Para 42 of GFR, Vol-I states that the financial powers of the Federal Government, which have not been delegated to any other Ministry, department or authority vest in the Ministry of Finance.

The management of the Ministry of National Food Security and Research (MNFS&R), Islamabad paid cash award equivalent to two Basic Pays amounting to Rs. 17.856 million from the Head of Account A06103 during 2023-24. Details are as under:

S. No.	Description	Number of employees	Department	Payment mode	Amount (Rs.)
1.	Cash Award to officials vide Sanction dated 16.05.2024	103	MNFS&R	Computer Change	6,160,240
2.	Cash Award to officers vide Sanction dated 16.05.2024	83	MNFS&R	Computer Change	11,696,580
Total					**17,856,820**

Audit observed that the determination of rates and scales was the competency of the Ministry of Finance Division vide Para 42 of GFR, Vol-I.

Audit is of the view that the payment of cash award to the employees from BS 01 to BS22, as two months' Basic Pay by the Secretary, MNFS&R without

approval of rates and scales from the Finance Division, was irregular and unauthorized.

The management replied that the officers/officials of all ranks worked very hard towards achieving the goals of the Division within the limited resources. In recognition, the Secretary in capacity of the PAO, granted cash award to all the employees of the MNFS&R in the light of power delegated by the Finance Division under the Financial Management and Powers of Principal Accounting Officer Regulations, 2021.

The reply was not accepted as the Secretary, MNFS&R did not have the power to grant the cash awards without determination and approval of the rates and scales by the Finance Division.

The PAO and the audited formation were informed on 07.12.2024 and 12.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the approval of rates and scales from the Finance Division may be sought. Further, the incurred expenditure may be got regularized from the competent forum. In case of failure, recovery be effected and the practice may not be repeated.

Special Study on Wheat Procurement/Import Crises

21.5.2 Impact of Wheat Procurement Plan 2024-25 on the Farmers

After the announcement of the Minimum Support Price, every province issues its Wheat Procurement Policy with the specific procurement targets. Historically, governments used to procure wheat on the announced minimum support price of wheat and farmers were bound to sell their produce at that price. However, in case of lesser wheat production in the country, the farmers were forced to sell all their produce to the Government, surplus to their personal basic needs, at the fixed support price and the Government was also authorized and justified to confiscate their produce in case of any refusal. The purpose of the Government procurement plan was to ensure the food security in the country. This Government intervention was also helpful to ensure the following:

i. The provision of basic food necessity (Bread) at controlled price so that inflation may be controlled.
ii. Safeguard the population against any famine.
iii. To support the farmers, so that the basic need of agriculture production is achieved within the country and people of the country feel secured in any adverse situation of war or famine.
iv. Circulation of money among farmers, which may become helpful in generating the overall economic activity in the country.
v. Government and farmers may not get exploited at the hands of the middle men and hoarding mafia.

However, contrary to the situation explained above, and the objectives defined, though the Government of Pakistan announced the minimum support price of Rs. 3,900 per 40 Kg during the food year 2023-24 (May, 2023 to April, 2024), but the procurement plan proved to be a huge failure for the farmers. Pakistan got a bumper crop of wheat for the food year 2024-25, which was 31.473 Million Metric Ton (MMT). However, due to import of 3.590 MMT of wheat during the food year 2023-24 through private importers, the closing stock of wheat reached at a level of 4.640 MMT and therefore, provincial governments refrained from procuring wheat at the time of wheat harvesting season.

Food year	Carry forward balance (MT)	Closing stock (MT)
2021-22	731,000	1,810,249
2022-23	1,830,700	1,772,642
2023-24	1,610,942	4,643,885

On an average, the Government purchases around 20 percent of all the wheat produced by the local farmers at a fixed price, which ensures price stability, prevents hoarding and maintains the supply chain. However, the provinces procured wheat 5,347,649 MT, 4,748,949 MT and 1,100,306 MT for the food years 2022-23, 2023-24 and 2024-25, respectively. Punjab being the biggest province, has been procuring wheat at around 4.00 MMT in the previous years, did not procure any quantity of wheat in the food year 2024-25, therefore, creating a huge imbalance in the process.

Comparative figures of the Wheat Procurement by the provinces during the food years 2022-23, 2023-24 and 2024-25 are as under:

Province	Wheat procurement in MMT		
	2022-23	2023-24	2024-25
Punjab	4.435	3.922	0
Sindh	0.883	0.777	0.892
Khyber Pakhtunkhwa	0	0	0.208
Balochistan	0.030	0.050	0
Total	**5.348**	**4.749**	**1.100**

Due to less procurement and excess import of wheat in the food year 2023-24, the local farmers sustained considerable losses. Farmers trust on the Government stood shaken because of non-procurement, after the announcement of higher MSP. The non-procurement by the Government, forced the farmers to sell their product in open market on lesser price.

The poor farmers who mostly take private loans in the process of sowing and producing wheat, were forced to sell their wheat produce at a very meagre price of Rs. 2,400-2,600 per 40 Kg. The minimum support price was announced, keeping in view the factors of fertilizer supply, seed, water price and all other related expenditure. Therefore, the farmers were crushed under this apathetic act and policy of the Punjab Government which has many short-term and long-term impacts on the farmers (a few given below), agriculture of the country and the economic stability of the country.

i. Farmers become financially bankrupt and ruined.
ii. Food security for future is compromised.
iii. Money circulation and economic activity stand reduced drastically.
iv. Hoarders and middlemen mafia get strong hold, for creating instability in future.
v. Confidence of the farmers is shaken, which may affect the other crops also.

It is important to note that at the time of the harvesting of the crop, the closing stock of wheat in April, 2024 was 4.643 MMT and therefore, Government of Punjab which has been procuring around 4.00 MMT of wheat in the previous years at the fixed support price, did not procure any quantity at all.

The presence of huge closing stock of wheat in April, 2024 and the decision of the Government of Punjab for non-procurement of wheat are questionable, and both these aspects need a thorough investigation.

It was quite clear from the data that the wheat crop was sown on a surplus area of around 1.40 Million Acres in comparison to the last food year 2022-23, and a bumper crop was expected, it needs to be probed as to why the closing stocks of wheat were so high (4.643 MMT in April, 2024) with the huge import, in the closing months of the food year. Besides, the reasons for non-procurement of wheat by the Punjab Government need to be probed, whereas, all the other provinces and PASSCO, procured the wheat to a certain extent, near to their previous years' procurement quantities.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

21.5.3 Over-import of Wheat

Import of any product effects the financial strength of any country as the import bill gets increased and the foreign exchange resources deplete.

Furthermore, dependence upon the import of the basic food need (wheat) makes a country more insecure and vulnerable.

While examining the record of the MNFS&R, it was observed that 3.59 MMT of wheat stood imported in the food year 2023-24 against an approval of 2.40 MMT. This proved totally surplus as the closing balance of wheat for the year 2023-24 was noticed at 4.643 MMT. This huge quantity of closing balance and import of wheat was a huge blow and disaster for the local farmers.

The examination of record also revealed that the estimation of wheat requirement for the food year 2023-24, which provided justification for the wheat import, was completely unreliable. Despite being undependable, the requirement was presented (seems malafide). For the food year 2023-24, when the production of wheat was 31.473 MMT in comparison of 28.170 MMT and 26.500 MMT for the food years 2022-23 and 2021-22, respectively, the permission of 2.40 MMT of wheat import was given. In the last two years, the quantities of wheat imported were 2.20 MMT in 2021-22 and 2.73 MMT in 2022-23, respectively. Whereas,

permitting the import of 3.59 MMT against the target limit of 2.40 MMT in 2023-24, with a bumper crop of 31.473 MMT, was questionable.

Opening balance of wheat (in Metric Ton) for the last three years was as under:

2021-22	2022-23	2023-24
731,000	1,830,700	1,610,942

Wheat production (in Metric Ton) for the last three years was as under:

2021-22	2022-23	2023-24
26,402,245	28,175,000	31,472,698

Import of wheat (in Metric Ton) for the last three years was as under:

2021-22	2022-23	2023-24
2,207,000	2,729,000	3,587,000

The other factors which contributed adversely to the import decision of the wheat are:

i. Slow release of wheat by the provinces.
ii. Ignoring the opening and closing stocks of the wheat while preparing the estimation of wheat import.
iii. Late import of wheat when the local produce was almost ready.
iv. Trading Corporation of Pakistan (TCP) did not execute the assigned import quota (of wheat import), and all the import was done by the private sector.
v. Import of excess wheat against the approved quantity.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

21.5.4 Variation in opening and closing stock balances of Wheat

The MNFS&R launched a Food Security Portal (FSP) in 2021. The FSP monitors key indicators such as prices, demand, imports, exports, and cultivated areas for 15 essential food commodities, including Wheat, with a strong focus on

maintaining accurate stock positions. It provides daily, weekly, and monthly reports to support timely policy interventions, and addresses supply-demand gaps. The data maintained at the FSP is derived from the Crop Reporting Systems (CRS) monitored by the Provincial Food departments. Following are the reported carry forward balances and closing balances of wheat by the FSP:

Food year	Carry forward balance (MT)	Closing stock (MT)
2021-22	731,000	1,810,249
2022-23	1,830,700	1,772,642
2023-24	1,610,942	4,643,885

Audit observed that the carry forward balances and closing balances of wheat do not reflect the true picture of the stock positions. There is a clear discrepancy in the closing balance of 2021-22 and opening balance/carry forward balance of 2022-23, same is the case with the balance for 2023-24. Audit further observed that the Wheat stock figures presented in the Wheat Board meetings are used to decide on imports and other market interventions. If the stock figures are overstated or understated, it could lead to poor decisions, such as importing too much wheat as is the case in 2023-24 or delaying necessary imports, causing shortages.

The lack of consistency in the stock balances indicates a problem with the reliability of data provided by the Provincial Food departments through the Crop Reporting Systems (CRS), which could lead to further inaccuracies in the food security planning.

Furthermore, the discrepancies between the closing and carry forward balances highlight a need for better data management and enhanced coordination between the provincial departments and the FSP to ensure accurate wheat stock reporting and informed policy-making.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

21.5.5 Slow releases by the provinces leading to signal of an artificial shortage of wheat

While comparing five months (05) wheat releases for 2022 and 2023 by the Punjab and Sindh Provinces to the Flour Mills, it was observed that the provinces released less wheat as compared to the last year. Comparative figures for both years are as under:

Month	Wheat releases by Punjab and Sindh Provinces to the Flour Mills (Metric Ton)					
	Punjab (June to October, 2022)	Punjab (June to October, 2023)	Difference	Sindh (June to October, 2022)	Sindh (June to October, 2023)	Difference
06.2022	401,235	636	(400,599)	-	99,781	99,781
07.2022	376,383	5,021	(371,362)	-	-	-
08.2022	406,146	-	(406,146)	-	-	-
09.2022	449,529	-	(449,529)	42,556	-	(42,556)
10.2022	453,270	-	(453,270)	186,869	-	(186,869)
Total	**2,086,563**	**5,657**	**(2,080,906)**	**229,425**	**99,781**	**(129,644)**

Audit is of the view that due to slow/less releases of wheat from the provinces, a panic was created in the local market which caused an increase of flour wheat prices.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

21.5.6 Delay in finalization of the TCP request for procurement of wheat by the Ministry of NFS&R

The Ministry of National Food Security and Research had submitted a Summary for the ECC on 10.10.2023. Therein, it was stated that to ensure strategic reserve for the country, formal approval be accorded for import of 1.000 MMT of wheat through the TCP for PASSCO under G2G arrangements or through open tendering process, whichever is the lowest and cost efficient in a staggering manner. This Summary was approved on 23.10.2023 by the ECC.

The Federal Cabinet vide Case No. 182/31/2023 dated 30.10.2023 ratified the Summary submitted by the ECC on 23.10.2023 vide Agenda item No. 1 to the extent of permission for import of 1.000 MMT of milling wheat for the year 2023-24 to maintain strategic reserve.

Ministry of Commerce vide Office Memorandum No. F.No.1(1)/2023-Imp-II dated 25.10.2023 addressed to the Secretary, MNFS&R enclosed TCP's Letter No. TCP/ MA&TD/ Wheat/G@G/2023 dated 30.10.2023 in which the TCP had sought information for arranging of 1.000 MMT of wheat from the supplier on availability of cargo, quality, shipment schedule and price upon which the supplier confirmed the delivery from Russia. In the aforementioned Letter, the TCP also requested the MoC for onward transmission of the Letter to the Ministry of Industries and Production for further necessary action and copy of the same was also forwarded to the FSC II of MNFS&R.

FSC II of the MNFS&R processed the case in noting file No. 1-3/2019/DFSC-II and in its note No. 563/N dated 07.11.2023, reiterated the stance of the TCP. Further, it was written that the MNFS&R may recommend/endorse the further necessary action to the TCP.

Audit observed that the Secretary, MNFS&R put the TCP's (Commerce's) request pending from 07.11.2023, and on the noting file, Secretary gave remarks of "Speak", and then in Para 576/N dated 04.12.2023, FSC II mentioned on note that the Secretary directed to pend the file. The reply of the requests of the MoC/TCP was given by the MNFS&R vide a Letter No. 1-3/2019/DFSC-II/Wheat Import dated 12.12.2023, and directed the TCP/Commerce to withhold the procurement of 1.000 MMT wheat, as sufficient import of wheat through private sector reached the port.

Audit also observed variations in dates of letters issued by the TCP/MoC (dated 25.10.2023 and dated 30.10.2023) and from perusal of relevant noting, it seems that the implementation of the ECC decision for import of 1.000 MMT from the TCP was intentionally delayed. Furthermore, from the perusal of the record, it is apprehended that both the Ministries of the NFS&R and MoC intentionally delayed the process for favouring private sector.

Audit is of the view that due to delay in procurement process, the private importers got a vacuum to fill and play their roles.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

21.5.7 Capping on private import of wheat and timelines

The Ministry of Commerce was requested by the Ministry of National Food Security and Research, Islamabad for comments on the proposed Summary for the Economic Coordination Committee for procurement of 1.000 million MMT of wheat. The Ministry of Commerce vide its Letter No. 1(1)/2023-Imp-II dated 25.09.2023 suggested to incorporate the following proposal in the draft summary:

a) MNFS&R must cap the quantity of wheat imported by the private sector with timelines as well as bind them to sell imported wheat to the flour mills only, so that concessions given by the Government of Pakistan on duties /taxes and RD are passed on to the end consumers.

b) The whole quantity of 1.000 MMT be procured as the prices are low at the moment. Staggered import may cost the average Unit Price/MT to be higher than the normal price.

The processing officer from the MNFS&R had clearly written the suggestion of the Ministry of Commerce for capping of private import in its note on 04.10.2023 at Para 527/N, Page 123 of file No. 1-3/2019-DFSC-II.

Audit observed that the Additional Secretary I, Ministry of National Food Security and Research did not agree with the Ministry of Commerce's suggestion for capping of private import and stated that (i) the capping of quantity of imported wheat through the private sector was not advisable. However, the private sector import should be time bound, i.e., closing date, and directed the processing officer to amend the summary for the ECC accordingly.

Audit further observed that the Ministry of NFS&R did not include capping and timelines in the Summary proposal submitted to the ECC.

Audit is of the view that non-capping and non-considering of timelines caused excessive imports of wheat, that shook the domestic wheat's market and ultimately affected the general public and the domestic farmers.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

21.5.8 Wheat Procurement – Targets Versus Achievements

While examining the wheat procurement targets versus actual wheat procurements, it has been observed that during the Food Year 2023-24, four provinces including PASSCO procured wheat of 5.879 Million Metric Tons against the target of 7.800 Million Metric Tons which is 25.62 % less than the target. Similarly, during the Food Year 2024-25, four provinces including PASSCO procured wheat of 2.885 Million Metric Tons against the target of 4.750 Million Metric Tons which is 40% less than the target.

Audit further observed while comparing two major provinces' procurement targets versus actual procurements, it transpired that the Province of Punjab procured 3.921 Million Metric Tons against the target of 4.500 Million Metric Tons which was 12.86 % less during 2023-24 and procured 0 Million Metric Tons during the Food Year 2024-25 against the target of 2.000 Million Metric Tons which is 100 % less than the target. Similarly, the Province of Sindh procured 0.777 Million Metric Tons against the target of 1.400 Million Metric Tons which was 44.50 % less during 2023-24 and procured 0.892 Million Metric Tons during the Food Year 2024-25 against the target of 1.000 Million Metric Tons which is 10.8 % less than the target.

The tabulated procurement versus achievements data is as under:

Agency	Public procurement targets (In Metric Tons)	Public procurement achievements (In Metric Tons)
2023-24		
PASSCO	1,800,000	1,130,800
Punjab	4,500,000	3,921,353

Sindh	1,400,000	777,394
KP	0	0
Balochistan	100,000	50,000
Total	**7,800,000**	**5,879,547**
Agency	**Public procurement targets (In Metric Tons)**	**Public procurement achievements (In Metric Tons)**
2024-25		
PASSCO	1,400,000	1,784,988
Punjab	2,000,000	0
Sindh	1,000,000	892,004
KP	300,000	208,302
Balochistan	50,000	0
Total	**4,750,000**	**2,885,294**

Audit observed while examining the record of the Ministry of National Food Security and Research that the MSP was required to be determined before sowing, so that the farmers should know well before sowing, the price of their product, but the same was determined on 01.03.2023 when harvesting was about to start.

Audit further observed that the procurement policy was announced by the Provinces but these provinces did not procure the targeted wheat according to their procurement policies. It is also worth mentioning that the Punjab Government did not even announce its procurement policy.

Audit is of the view that less procurement than targeted by the provinces, discourage the farmers to get their due reward as determined by the Government of Pakistan.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

21.5.9 Facts of Strategic Reserve of Wheat

Ministry of National Food Security and Research permitted the import of 2.400 MMT of wheat for the food year 2023-24 and the calculations for the requirement of wheat were presented as under:

Provinces	Population*	Consumption (MMT)
Punjab	127,688,922	14.680
Sindh	5,5696,147	6.410
Khyber Pakhtunkhwa	40,856,097	4.700
Balochistan	14,894,402	1.710
Islamabad	2,363,863	0.270
AJK	4,884,129	0.560
GB	1,725,033	0.200
IDPs	1,558,765	0.180
Human consumption*	**249,667,358**	**28.710**
Seed/Feed**		1.500
Strategic reserves		2.000
Grand total		**32.210**

Human consumption is estimated @ 115 Kg/person/annum, i.e. average of HIES 92 Kg and food basket 124 Kg/person/annum
****Including seeds requirement of 1.200 MMT and poultry feed/wastage @ 0.300 MMT.***

In this calculation of wheat requirement, 2.000 MMT of wheat was for the strategic reserve which is misleading representation of the facts. Based on these facts, a shortage of 2.400 MMT of wheat was reflected and the same quantity of wheat was allowed to be imported.

a) The strategic reserve needs to be filled at the time of the local produce through procurement from the farmers. It may be consumed in the last two months of the food year before the fresh local produce is available. The strategic reserve needs to be maintained again by purchasing wheat from the local farmers at the time of the harvesting of the new crop. However, contrary to this situation, the wheat for the strategic reserve was imported in the months of the March and April, 2024, just before the arrival of the local produce. The benefit which was to be provided to the local farmers, stood granted to a particular group of importers and hoarders.

b) The second most important aspect of the strategic resources is that the Government has only a storage capacity of 0.500 MMT and therefore, the 2.000 MMT of wheat allowed to be imported on the pretext of strategic reserve of wheat, remained in the hands of private people of the import mafia and the Government, thus, the people of the county were as vulnerable as ever in case of adversity.

Therefore, the facts about the strategic reserve were false and misleading and the sensation created about strategic reserves was not at an appropriate time. The strategic reserves need to be maintained but only through the purchases of local produce, benefiting the local farmers.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

21.5.10 Minimum Support Price Policy (MSP)

The Economic Coordination Committee (ECC) is determining the Minimum Support Price (MSP) of wheat every year before start of sowing. The National Assembly's Standing Committee on the National Food Security in its meeting held on 15.07.2022 recommended that the Provinces should finalize the support price of wheat for the next year (National Assembly Secretariat's Letter No. F.6(1)/2021-Com-III/NFS&R dated 25.08.2022).

The National Assembly's Standing Committee on Commerce recommended in its meeting held on 02.09.2022 that the Federal Government may consider the MSP of wheat at maximum level, so that minimum wheat can be imported. The Committee further recommended that the Federal Government may announce the MSP in the mid of September and the MSP may not be less than PKR 3,000 as an incentive to our grower (Ministry of Commerce's Letter No. Council Section UO No.2(8)/2022-C dated 05.09.2022).

The Provincial Cabinets, Punjab, and KPK agreed on PKR 3,000 per 40 Kg MSP vide their Letters dated 19.09.2022 and 28.09.2022, respectively. The Agriculture Policy Institute (API) for the crop year 2022-23, has determined the cost of production PKR 2,495 per 40 Kg wheat (Annex-XI Page-54 of Wheat Policy Analysis for 2022-23). However, the ECC vide Case No. ECC-67/08/2023 dated 01.03.2023 considered the Summary dated 01.03.2023 regarding "Procurement Price of Wheat Crop 2022-23," and approved procurement price of wheat crop 2022-23 at the rate of PKR 3,900/40 Kg.

Audit observed while examining the record of the Ministry of National Food Security and Research that the MSP was required to be determined before sowing, so that the farmers should know well before sowing the price of their product, but the same was determined on 01.03.2023 when harvesting was about to start. Secondly, there was a lack of coordination amongst the Federal and Provincial

Governments for determining the MSP. The Standing Committee of the National Assembly's recommendations were ignored for determining of the MSP at the earliest. Thirdly, the Provincial Cabinets, Punjab and KPK agreed to fix the MSP at the rate of PKR 3,000 in September, 2022, as other relevant Provincial authorities also agreed in September's meeting of the National Assembly's Standing Committee. But no follow up from the Federal Government was available on record for early consensus on the MSP determination, therefore, the Provincial Governments announced their own MSPs which were on the higher sides i.e., PKR 3,900 and PKR 4,000 against cost of PKR 2,495 per 40 Kg (56.36% Profit). Fourthly, the ECC approved the MSP on 01.03.2023 at PKR 3,900 at a very high profit margin instead of convincing the provinces at appropriate profit.

Audit is of the view that due to non-determining of the MSP on time, the provinces announced their own wheat prices which hampered the domestic market and caused high prices for general public.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

21.5.11 Inflated figure for yearly requirement – Afghanistan's demand

The Ministry of National Food Security and Research presented data in the ECC for National Wheat requirement for the food year 2023-24, which is reproduced as under:

Provinces	Population*	Consumption (MMT)
Punjab	127,688,922	14.680
Sindh	55,696,147	6.410
Khyber Pakhtunkhwa	40,856,097	4.700
Balochistan	14,894,402	1.710
Islamabad	2,363,863	0.270
AJK	4,884,129	0.560
GB	1,725,033	0.200
IDPs	1,558,765	0.180
Human Consumption	**249,667,358**	**28.710**
Seed/Feed **		1.500

Strategic Reserves		2.000
Grant total		**32.210**
**** Human consumption is estimated @ 115 Kg/person/annum, i.e., average of HIES 92 Kg and Food Basket 124 Kg/person/annum.***		
***** Including seed requirement of 1.200 MMT and poultry feed/wastage @ 0.30 MMT.***		

While discussing the National Wheat consumption with the management, it was observed that the Afghanistan's requirement of wheat stood included in the National Wheat requirements, which was illogical. When working/proof on the subject was requested from the management, the same was not provided.

Further, the United States Department of Agriculture (USDA)-Foreign Agricultural Service issued its Grain and Feed Annual Report No. PK2024-0003 dated 01.04.2024 for Pakistan in which USDA stated that around 500,000 Tons wheat-equivalent had been exported to Afghanistan, which stood not reflected in the official data.

The proof for inflated consumption/requirement of wheat was also confirmed from the Grain and Feed Annual Report No. PK2024-0003 issued by the United States Department of Agriculture (USDA) dated 01.04.2024.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

21.5.12 Strategic reserve at risk due to low storage capacity – PKR 148.922 billion

The ECC in August, 2022 recommended that the strategic reserve may be enhanced from 1.000 MMT to 2.000 MMM in order to deal with expected hoarding and price increase in the wake of rain falls and flood. The Federal Cabinet on 30.08.2022, allowed the PASSCO to maintain 2.000 MMT strategic reserves.

Audit observed while examining the storage capacity that the PASSCO had a maximum wheat capacity storage of 572,482 Million Tons, as per following details:

Province	Number of districts	Zones (Numbers)	Go-downs (Numbers)	Silos	Storage capacity (MT)
Punjab	12	08	315	14	475,808
Sindh	02	03	15	14	89,858
Khyber Pakhtunkhwa	01	01	3	0	4090
Balochistan	01	01	2	0	2,726
Total	**16**	**13**	**335**	**28**	**572,482**

Audit observed that the PASSCO had a wheat storage capacity of 572,482 MT at their 335 go-downs and 28 silos throughout the country against the targeted/assigned quantity of 2,000,000 MT of wheat which is catering only 28.62% of the total country's strategic reserve. Hence, more than 71% of the strategic reserve will always be at high-risk costing PKR 148.922 billion.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

21.5.13 Ratification of the ECC decision for procurement of 1.000 Million Metric Tons of Wheat

The Ministry of National Food Security and Research had submitted a Summary for the ECC on 10.10.2023 and in Para 8 of the Summary, the following proposals were submitted:

a) To ensure strategic reserves for the country, formal approval be accorded for the import of 1.000 MMT of wheat through the TCP for the PASSCO under G2G arrangements or through open tendering process, whichever is the lowest and cost efficient in a staggering manner.

b) Private Sector will be encouraged to import specified milling wheat under Notification of MinFA (Ministry of Food and Agriculture) dated 14.11.2008 and meeting the criteria envisaged in the Import Policy Order, 2022.

c) State Bank of Pakistan may be directed to submit weekly progress to the Dashboard of MNFS&R regarding details of LCs opened for the import of wheat.

d) Ministry of Maritime Affairs may be directed to provide priority berthing for imported wheat on arrival for both public and private sectors.

Audit observed that the Federal Cabinet vide Case No. 182/31/2023 dated 30.10.2023 ratified the Summary submitted by the ECC on 23.10.2023 vide Agenda item No.1 to the extent of permission for import of 1.000 MMT of milling wheat by the TCP for the food year 2023-24 to maintain strategic reserve.

Audit further observed that the Federal Cabinet had not offered any comments on import of wheat by the private importers. In fact, the only requirement which the Government of Pakistan was required to maintain, related to strategic reserves for which the Federal Cabinet allowed the TCP 1.000 MMT. However, due to non-regulation of the private import, an influx of 3.5900 MMT wheat took place through excessive imports.

Audit is of the view that due to non-implementation of the Federal Cabinet's decision in its true letter and spirit, the excessive wheat was imported.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

21.5.14 Excessive import permits issued by the DPP

While examining the record of issuance of import permit by the Department of Plant Protection (DPP) to the Private importers, it has been observed that 1,075 import permits were issued by the DPP during the Food Year 2023-24 through Green and Yellow channels.

Private importers committed 986.085 MMT wheat imports against wheat permit of 1,075.

During the Food Year 2023-24, because of non-regulated private import of wheats and excess issuance of import permits, an excess of 1.190 MMT, wheat was imported.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

21.5.15 Formulation of Wheat Board

The Ministry of National Food Security and Research, Islamabad in pursuance of the recommendations of the Senate Standing Committee on the National Food Security and Research on 23.06.2021 constituted the Wheat Board (WB) and notified its members and TORs vide the Ministry's Notifications No. F.No.1-1/2019/DFSC-II/Senate dated 16.12.2021 and 17.01.2022.

TORs of the Wheat Board (WB) are:

1. Ensure agricultural inputs for the wheat crop.
2. Evaluate cost of production of the wheat crop.
3. Recommend the Minimum Support Price of the wheat crop.
4. Examine the release policies of the provinces.
5. Watch over demand and supply situation of the wheat in the country.
6. Recommendation for the import/export of the wheat.

While examining the record of all the five (05) Wheat Board's meetings till 28.03.2024, the following discrepancies were observed:

i. The Board was required to evaluate the cost of production of wheat and also recommend the MSP but in 2022-23, when the cost of production of wheat was PKR 2,495 per 40 Kg, the MSP was enhanced to PKR 3,900 per 40 Kg (Profit set 56.36%), by the provinces at its own, which ultimately affected the general public by getting flour at high rate.

ii. The Wheat Board meetings did not recommend the Minimum Support Price of Wheat during 2022-23. The Wheat Board meeting was not held from 30.06.2022 to 18.12.2023. Because of this, the Federal Government delayed determination of the MSP for 2022-23 i.e. 01.03.2023.

iii. The wheat releases by the provinces to mills were delayed from July, 2023 to February, 2024 which was even not considered in the Board meetings

and due to delay in releases, hoarders got a vacuum to play and the flour prices went up for the general public which created a panic in the country.

iv. The Wheat Board was well aware of the excess wheat import but did not play its role to stop the influx of the imported wheat which ultimately affected the domestic wheat's market.

v. The Wheat Board extended the February deadline of import in its 3rd Board's meeting held on 14.02.2024, without having any authority to extend it, as the Board was only a recommending body.

vi. The WB extended import date even against the recommendation/suggestion of the provinces and National Fertilizer Development Centre.

No member from the Senate Standing Committee participated in the meetings.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

Special Audit of National Veterinary Laboratories, Islamabad

21.5.16 Loss to the Public Exchequer due to payment to a supplier without actual supply of the PPR Vaccine - Rs. 19.671 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.

Rule 148 of GFR, Vol-I states that all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken, and they should be taken in charge by a responsible Government officer who should see that the quantities are correct and their quality good, and record a certificate to that effect. The officer receiving the stores should also be required to

give a certificate that he has actually received the materials and recorded them in the appropriate stock register.

According to the Para 13 (1 and 2) of the Tender Document for purchase of PPR Vaccine, "Payment shall be made in the form of cross cheque following inspection of the PPR vaccine supplied in accordance with the stated specification. No advance payment will be made."

The management of the Project titled, "National Peste Des Petits Ruminants (PPR) Eradication Programme: Phase I - Risk Based PPR Control in Sheep and Goats of Pakistan" floated an open tender for purchase of the PPR Vaccine on 21.11.2021. Supply Order No.F.6-1/2020-PPR-NVL dated 28.01.2022 was issued to M/s Huzzaifa International for supply of 17.000 million doses of the PPR Vaccines at a total cost of Rs.134.300 million (@ Rs.7.90 per dose). The firm actually supplied 14.510 million doses of the PPR Vaccine to NVL up to 30.06.2022, as stated below:

Table I

Name of the province	Delivery challan dated	Quantity of the vaccine delivered in vial of 100 ml	Quantity of the vaccine delivered in doses (Quantityx100)	Total cost of the vaccine delivered (@ Rs 7.90 per dose)
KPK	26.04.2022	40,000	4,000,000	31,600,000
NVL, Islamabad	27.04.2022	40,000	4,000,000	31,600,000
Hyderabad	11.05.2022	25,000	2,500,000	19,750,000
Quetta	16.05.2022	5,000	500,000	3,950,000
Lahore	27.04.2022	25,000	2,500,000	19,750,000
Muzaffarabad	23.05.2022	10,100	1,010,000	7,979,000
Total		**145,100**	**14,510,000**	**114,629,000**

In addition to above, the firm submitted the following two premature Delivery Challans and claimed a sum of Rs. 19.671 million against supply of 2.490 million doses of the PPR Vaccine:

Table II

Name of the province	Delivery challan dated	Quantity of the vaccine in vial of 100 ml	Quantity of the vaccine in doses (Quantityx100)	Total cost of the vaccine claimed (@ Rs. 7.90 per dose) (Rs.)
Quetta	21.07.2022	20,000	2,000,000	15,800,000
Gilgit	17.09.2022	4,900	490,000	3,871,000
Total		**24,900**	**2,490,000**	**19,671,000**

The payment of Rs. 134.300 million was made to M/s Huzzaifa International vide cheque No. 8931833 dated 14.06.2023 for supply of entire quantity of 17.000 million doses of the PPR vaccine.

Audit observed as under:

i. The payment of Rs. 19.671 million was made to the supplier during June, 2022 against two fake delivery challans dated 21.07.2022 and 17.09.2022 (As given in Table II above) without receipt of actual supply of 2.490 million doses of the PPR vaccine.
ii. Although, the firm supplied 14.510 million doses but the stock entry of 17.000 million was made in the Stock Register. Thus, the fake stock entry of 2.490 million doses was made to justify the payment of Rs.19.671 million.

Audit is of the view that due to non-supply of 2.490 million doses of the PPR Vaccine by the supplier, the public exchequer suffered a financial loss of Rs. 19.671 million on this account.

The management replied that the 2.490 million doses of the PPR vaccine were placed safely at Cold Chain Storage of M/s Huzaifa International, in strict adherence to stipulations outlined in the aforementioned tender clause. Further undertaking by the firm ascertaining and ensuring that the firm consistently maintained the standard storage temperature range to ensure the optimal preservation of the vaccine.

The reply was not acceptable. Audit is of the view that the management awarded unjustified contract for Rs.17.000 million doses beyond the capacity of cold storage facility which established that the management was practicing to make advance payments without taking delivery of the PPR Vaccines as the cold storage capacity was just for 4.000 million doses of the PPR Vaccine at NVL. The 2.400 million doses were in the custody of supplier at his cold storage instead of being supplied to the NVL for requisite inspection and thereafter delivery for payments as per terms and conditions of the tender.

The PAO and the audited formation were informed on 17.05.2024 and 17.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends for a detailed inquiry to ascertain the pattern of procurements and payment made in advance for the whole quantity of 17.000 million doses procured, to fix the responsibility for making advance payment, fake delivery challans and fake stock entries.

21.5.17 Irregular release of Performance Security to a supplier- Rs.15.701 million

Para 12.6.1 and 12.6.2 of the Bidding Document for the purchase of the PPR Vaccine for the PPR Project states that while processing payment of successful vendor, 10% of the total bid price of the Purchase Order shall be kept as security by the PA for entire warranty period of the said PPR vaccine or its complete utilization, whichever comes earlier. Upon successful completion of the warranty period or utilization of the vaccine, the performance security shall be refunded back to the vendor.

The management of the Project titled, "National Peste Des Petits Ruminants (PPR) Eradication Programme: Phase I - Risk Based PPR Control in Sheep and Goats of Pakistan" floated an open tender for purchase of the PPR Vaccine on 21.11.2021. The Supply Order No. F.6-1/2020-PPR-NVL dated 28.01.2022 was issued to M/s Huzzaifa International for supply of 17.000 million doses of the PPR Vaccine at a total cost of Rs.134.300 million (@ Rs.7.90 per dose).

Similarly, another Supply Order No. F.6-1/2020-PPR-NVL/125 dated 14.05.2022 was issued to the same supplier for supply of 2.850 million doses of the PPR Vaccine at a total cost of Rs.22.515 million.

The payment of Rs. 156.815 million (Rs 134.300 + 22.515 million) was made to M/s Huzzaifa International vide cheques No.8931833 and 9251317 dated 14.06.2022 and 16.11.2022 respectively for supply of entire quantity of 19.850 million doses of the PPR vaccine. The supplier submitted following Performance Security:

(Rs.)

Supply Order No. and date	Total cost of the PPR Vaccine	Amount of 10 % Performance Security	Call Deposit No. and date	Date of release
No.F.6-1/2020-PPR-NVL dated 28.01.2022	134,300,000	13,450,000	00062918	20.01.2023
No. F.6-1/2020-PPR-NVL/125 dated 14.05.2022	22,515,000	2,251,500	1377834	16.10.2023
Total	**156,815,000**	**15,701,500**		

Out of total 19.850 million doses of the vaccine, the provinces and NVL utilized total 17.404 million doses up to June, 2023 leaving a closing balance of 2.446 million doses. The warranty period of the PPR Vaccine was up to February, 2024.

Audit observed that the management released the performance security of Rs. 15.701 million before expiry of the warranty period and complete utilization of the entire quantity of the PPR vaccine.

Audit is of the view that release of performance security was in violation of the provision of the tender document, and was an undue favour extended to the supplier.

The management replied that after carrying the necessary physical and quality inspection of the 1st batch of the PPR vaccine, the Project distributed/delivered the 17.000 million doses of the PPR vaccine in the personal presence of the PPR Project representatives on the risks and costs borne by the firm, M/s Huzaifa International, to the Provinces/Regions by 17.09.2022.

The project conducted the trials for vaccine performance and efficacy in the field. All the Lab. reports are already attached with the response to OS 2 please, however, for ready reference, the same are attached. Further, no complaint was received from the provinces and regions as well after distribution/utilization of vaccine to the provinces up-till now. Thereafter, on the basis of distribution/utilization of the vaccine and that the PPR Project was no longer the custodian of PPR vaccine, the Performance Guarantee against the 1st supply was released on 20.01.2023. Likewise, after the inspection of the 2nd batch of the PPR vaccine, the Project distributed/delivered the PPR vaccine in the personal presence of the PPR Project representatives on the risks and costs borne by the firm, M/s Huzaifa International, to the Provinces/Regions by 10.01.2023. Whereas, 0.85

million doses of the PPR vaccine were kept as strategic reserve at NVL due to scrap of Tender by M/o NFS&R in the FY 2022-23. Furthermore, the Performance Guarantee against 2nd supply was also released on 16.10.2023. Up-till now, no complaint was received from the provinces and regions and it is further stated that the remaining 0.85 million doses of the PPR vaccine have also been distributed to the provinces as per their demand.

The reply is not convincing. The contention of the NVL regarding utilization of the vaccine before release of the Performance Guarantee is not based on facts. In the first batch, the firm only supplied 14.51 million of doses of vaccine against the Supply Order of 17.000 million doses. Out of total 19.850 million doses of the vaccine, the provinces and NVL utilized total 17.404 million doses up to June, 2023 leaving a closing balance of 2.446 million doses. The expiry of the vaccine was up to 28.02.2024 as per Vaccine Quality Control Report issued by the NVL on 02.06.2022 and 17.02.2023 and instead of three months as mentioned in the reply. Therefore, Performance Guarantee was released before expiry date and complete utilization of the vaccine.

The PAO and the audited formation were informed on 17.05.2024 and 17.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends fixing of responsibility against the persons concerned for the lapse beside avoiding this practice in future.

21.5.18 Irregular release of payment to a supplier without carrying out inspection of the PPR vaccine - Rs. 102.700 million

According to S. No. 3.1 of the Technical Specification Sheet of the Tender Document, "the selected supplier must deliver vaccine directly from the airport to the NVL, Islamabad under supervision of the representative of PA. After inspection and testing of the batch, the vendor (On their own costs and risks) will deliver vaccine from the NVL to designated provincial hubs."

The management of the Project titled, "National Peste Des Petits Ruminants (PPR) Eradication Programme: Phase I - Risk Based PPR Control in Sheep and Goats of Pakistan" floated an open tender for the purchase of the PPR vaccine on

21.11.2021. The Supply Order No.F.6-1/2020-PPR-NVL dated 28.01.2022 was issued to M/s Huzzaifa International for supply of 17.000 million doses of the PPR vaccine at a cost of Rs.134.300 million (@ Rs.7.90 per dose).

Similarly, another Supply Order No. F.6-1/2020-PPR-NVL/125 dated 14.05.2022 was issued to the same supplier for supply of 2,850,000 doses of the PPR vaccine.

The payments of Rs. 156.815 million (Rs 134.300 million + Rs.22.515 million) were made to the M/s Huzzaifa International vide cheques No.8931833 and 9251317 dated 14.06.2022 and 16.11.2022 respectively for supply of entire quantity of 19.85 million doses of the PPR vaccine.

As per provision of the Tender Documents, the supply of vaccine was to be made by the firm at the NVL, Islamabad which was to be dispatched further to the provinces as per instructions of the PA. (Out of total 19.850 million doses and as per management's stance, the supplier supplied 6.850 million doses of the PPR vaccine at NVL, Islamabad, whereas, the remaining 13 million doses were supplied to the provinces.)

Audit observed that the payment of Rs.102.700 million was released to the supplier without supply of 13.000 million doses of the PPR vaccine at the NVL, Islamabad for inspection before its dispatch to the Provinces, AJK and GB. No inspection report of 13.000 million doses of vaccine was carried at the NVL, Islamabad. The supplier saved transportation charges of 13.000 million doses of the vaccine not brought at the NVL, Islamabad for inspection. Further, Inspection reports of entire quantity of the 19.850 million doses of vaccine and its expiry period was not provided to Audit.

Audit is of the view that the release of payment of Rs. 102.700 million to the supplier without inspection of the vaccine at the NVL, Islamabad, in violation of the provision of the Tender Document is irregular. The supplier was extended undue favour on this account.

The management replied that all the mandatory inspection/evaluation of the PPR vaccine (In-house and third party) had been performed. Quality inspection is a comprehensive assessment involving both the third-party and in-house vaccine

quality evaluations. The duration of quality testing of vaccine typically spans over one month. The firm at the time of submission of the bid as per terms of the tender document submitted 20 vials of the PPR vaccine as representative sample. The vaccine samples were tested for quality evaluation at Vaccine Quality Control (VQC) Section of NVL for in-house inspection. For 3rd party quality evaluation, as per the tender document, Clause, Page No. 22, Technical Proposal Form, Client Specification states that each batch to be supplied to the PA must be accompanied with a certificate of good quality issued by an international laboratory either CIRAD or AU-PANVAC. The firm, M/s Huzaifa International submitted the quality inspection certificates of the designated International Laboratory (AU-PANVAC) ensuring good quality vaccine of all the batches supplied to the PA. The 2nd in–house inspection/quality evaluation was performed by the VQC, NVL after receiving the additional 20 vials of the PPR vaccine from the same batch delivered to the PPR Project, NVL.

The Purchase Order to supply 17.000 million doses of the PPR vaccine was issued to the firm on 28.01.2022. The schedule of distribution was forwarded to the firm on 21.02.2022. The PPR vaccine reached the cold storage facility of the firm on 24.04.2022, where the Technical and Monitoring Members of the PPR Project team, National Subject Specialist (Vaccination) and Monitoring and Evaluation Officer, physically inspected and verified 17.000 million doses of the PPR vaccine. Furthermore, the 2.850 million doses of 2nd Supply Order of the PPR vaccine were delivered to the NVL and again inspected by the team, which was later issued/delivered to the Provincial Hubs at the cost and risk of the firm. The detail regarding the expiry of vaccine is also provided to the audit team along with requisition 2.

The reply is not convincing. The supplier was bound to supply the entire quantity of vaccine at the NVL, Islamabad for inspection before its dispatch to the provinces which was not done completely. The payment of Rs.102.700 million was released to the supplier without supply of 13.000 million doses of the PPR vaccine at NVL, Islamabad for inspection before its dispatch to the Provinces, AJK and GB. The supplier saved transportation charges of 13.000 million doses of vaccine not brought at the NVL, Islamabad for inspection.

The PAO and the audited formation were informed on 17.05.2024 and 17.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends an inquiry to fix responsibility for making payment of 13.000 million doses of the PPR vaccine amounting to Rs.102.700 without carrying out inspection at the NVL. The transportation charges may be adjusted with the supplier against the said quantity of the vaccine not supplied at the NVL premises.

21.5.19 Non-recovery of late delivery charges from a supplier - Rs. 2.251 million

According to the condition 15.1 of the Tender Document for purchase of the PPR vaccine:

a) Delay up to one fourth period of the prescribed delivery period 2.5%.
b) Delay exceeding one fourth but not exceeding half of the prescribed period 5.0 %.
c) Delay exceeding half but not exceeding three fourth of the prescribed period 7.5%
d) Delay exceeding three fourth of the prescribed period 10.0%

The management of the Project titled, "National Peste Des Petits Ruminants (PPR) Eradication Programme: Phase I - Risk Based PPR Control in Sheep and Goats of Pakistan" issued a Supply Order No. F.6-1/2020-PPR-NVL/125 dated 14.05.2022 to M/s Huzzaifa International for supply of 2.850 million doses of the PPR Vaccine. As per Supply Order, the vaccine was to be supplied before 06.06.2022 (Within 24 days). Whereas, as per delivery challan, the firm actually supplied the vaccine on 31.07.2022 and submitted bill dated 26.08.2022 to the NVL. The vaccine was supplied after lapse of 56 days for which the late delivery charges of Rs.2,251,500 (@ 10 % of the total cost of unsupplied vaccine) were recoverable.

Audit observed that late delivery charges of Rs. 2.251 million were not recovered from M/s Huzzaifa International by the management.

Audit is of the view that non-recovery of late delivery charges is a violation of the provision of the tender document beside undue favour to the supplier.

The management replied that the tender for purchase of the PPR vaccine was published on 21.11.2021 with following terms and condition in the Basic Eligibility Criteria, Table 1 (Sr. No. 09) "Capacity to deliver vaccine after issuance of Purchase Order = Maximum 03 months with half order in maximum 02 months."

The PPR Project issued the Supply Order No. F.6-1/2020-PPR-NVL/125 dated 14.05.2022 to M/s Huzaifa International for supply of 2.850 million doses of the PPR vaccine, with Para 2 stating that all terms and conditions will remain the same as laid down in the tender document and in the previous Supply Order.

Further, no such wordings were found/mentioned in the Supply Order that the vaccine was to be supplied before 06.06.2022 (Within 24 days). It is pertinent to mention that that last date for the submission of bill in the AGPR was 06.06.2022. The same was communicated to the firm, in case if the firm opt for early supply of the PPR vaccine.

It was clearly mentioned that the delivery period of the PPR vaccine was within 3 months after issuance of the Supply Order. The firm supplied in accordance with the aforementioned tender clause of supply of vaccine within 3 months of issuance of the Supply Order (14.05.2022). The firm delivered the PPR vaccine on 31.07.2022, approximately 15 days before the last date of delivery of the PPR vaccine (14.08.2022) and accordingly, submitted the bill on 26.08.2022. Therefore, considering the aforesaid, it is pertinent to mention that the audit claim of "non-recovery of late delivery charges from a supplier" does not justify the true facts and figures, as late delivery charges cannot be imposed, due to the compliance of terms and condition as mentioned in the tender document, by M/s Huzaifa International.

The reply is not cogent. As per Supply Order, the supplier was bound to supply the vaccine before 06.06.2022 (Within 24 days) but the supplier failed to supply the vaccine before 06.06.2022. Therefore, the LD was recoverable.

The PAO and the audited formation were informed on 17.05.2024 and 17.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends recovery of late delivery charges from the supplier.

CHAPTER 22

MINISTRY OF NATIONAL HEALTH, SERVICES, REGULATIONS AND COORDINATION

22.1 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 23.04.2019), 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 the 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.

(Rs. in million)

Sr. No.	Description	Total Number	Audited	Expenditure Audited (FY-2023-24)	Revenue/ Receipt Audited (FY 2023-24)
1	Formations	70	24	26,728.52	5.48
2	Assignment Accounts (Excluding FAP)	11	-	-	-
3	Authorities/Autonomous Bodies etc. under the PAO	8	8	3,846.42	-
4	Foreign Aided Project (FAP)	-	-	-	-

22.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the National Health Services, Regulations and Coordination Division for the financial year 2023-24 was Rs. 53,772.100 million, out of which the Division expended an amount of Rs. 52,689.000 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

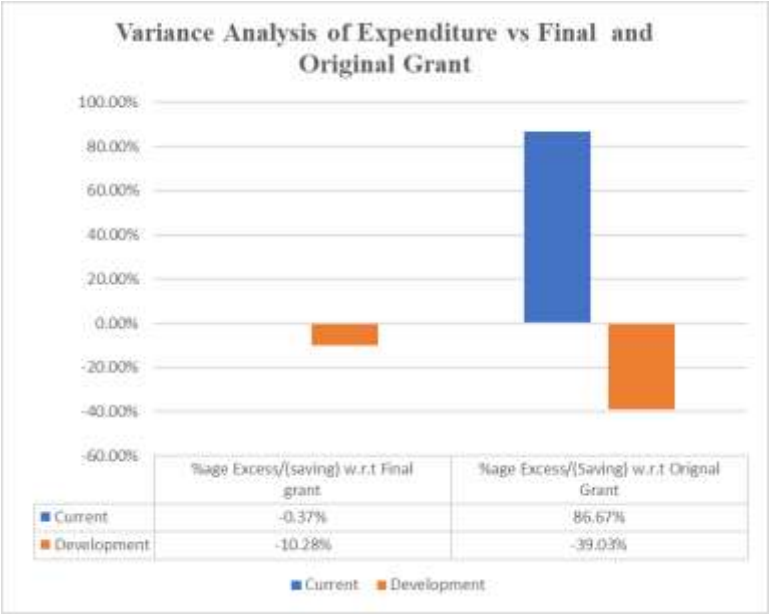
Grant Number	Type of Grant	Original Grant	Supplementa-ry Grant	Surrender	Final Grant	Actual Expenditure	Excess / (Savings)
77	Current	23,947.51	21,004.82	(82.36)	44,869.97	44,702.32	(167.65)
118	Development	13,100.00	-	(4,197.87)	8,902.13	7,986.69	(915.44)
Total		**37,047.51**	**21,004.82**	**(4,280.23)**	**53,772.10**	**52,689.00**	**(1,083.09)**

Audit noted that there was an overall Saving of (Rs. 1,083.09 million), which was due to less expenditure in the current and development grants.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 in current, development and charge expenditure, it was observed that, in case of the development grant, there was -39.03% of saving w.r.t. the original grant which was finally reduced to -10.28 w.r.t. the final grant and in case of current grant 86.67% excess was finally reduced to -0.37% saving.



22.3 Classified Summary of Audit Observations

Audit observations amounting to Rs. 6020.750 million were raised in this report during the current audit of the **Ministry of National Health, Services Regulations and Coordination**. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Classification	Amount
1	Non-production of record	
2	Reported cases of fraud, embezzlement and Misappropriation	15.587
3	Irregularities	
A	HR/Employees related irregularities	3.499
B	Procurement related irregularities	4,622.055
C	Management of account with commercial banks	1,265.073
D	Recovery	114.536
E	Internal Control	
4	Value for money and service delivery	
5	Others	

22.4Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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	-
2023-24	16	0	0	16	-
Total	**291**	**99**	**30**	**261**	-

22.1 AUDIT PARAS

Border Health Services - Pakistan, Karachi

22.1.1 Irregular hiring of employees on a contract basis, followed by their subsequent regularization

The standard terms and conditions for contract employment, issued by the Establishment Division via OM No. 10/52/95-R.2 dated 18.07.1996 and amended from time to time, stipulates that the duration of the contract should not exceed two years and that the position must be advertised.

Para 2 (b) of the Cabinet Secretariat, Establishment Division's OM No. 10/30/2008-R-II dated 29.08.2008 states that individuals working against tenure posts, project posts, or daily wages, or those being compensated from contingent or defense budgets, are not eligible for regularization.

Management of the School of Dentistry (SOD) was requested vide requisition numbers 01, 02, and 03 to provide the records relating to the hiring of employees on contract or daily wages, as well as the subsequent regularization of these employees. Moreover, management was asked to provide the minutes of the hiring committee, however, no record was provided to the Audit by the end of the assignment.

S. No.	Post	Number
01	Professors	03
02	Assistant Professors	09
03	Demonstrators	34
04	Staff BPS 01 to 16	73

It was observed that the management of SOD made appointments of above-mentioned staff during the period under audit:

The aforementioned staff was hired on a contract or daily wage basis for an initial period of one to two years in September, 2020. However, the management extended the contracts of these employees repeatedly beyond the two-year limit, which was in violation of the Establishment's instructions. Furthermore, it was observed that the services of these employees were regularized in 2023.

Audit is of the view that:

i. Staff hired on a contract basis in 2020 continued working until 2023, violating Establishment Division's instructions.
ii. The minutes of the selection committee were not shared with the Audit.
iii. The regional quota was not observed during the recruiting process, which was irregular.

Management stated in its reply that in 2020, the staff of the School of Dentistry was appointed through open competition on a contract basis, following

Government rules and directives from the Ministry of Health. Faculty and staff were selected by the Selection Board and Selection Committee of the University in accordance with the SZABMU Act, 2013, and the regional quota was adhered to, with no appointments made outside this system. Management provided personal files of all faculty and staff members during the audit for review. An advertisement for recruitment of regular staff was published in the print media in compliance with Government and University rules, and the regional quota was consistently observed during this process.

Management had partially accepted the audit's viewpoint, acknowledging that employees were hired on a contract basis and subsequently regularized.

The PAO and the audited formation were informed on 31.10.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the matter be investigated at the appropriate level to fix the responsibility for irregularities in the hiring and regularization process.

22.1.2 Non-framing of rules and regulations of the School of Dentistry

Section 25 (1) of the FMIT Act, 2021 states that the Government may, by Notification in the official Gazette, establish rules to implement the provisions of this Act.

Sub Section (2) indicates that the power to create these rules is subject to prior publication; specifically, a draft of the rules must be published on the website of the medical teaching institution and the relevant Division to solicit public feedback for at least fifteen days following the publication date.

Section 26 (1) allows the Board to make regulations that are consistent with the provisions of this Act and the rules, provided they align with financial regulations and do not contradict any general directives from the Finance Division regarding the use of public funds.

It was observed that the management of the Federal Medical Teaching Institutions, Islamabad has not formulated any rules or regulations regarding financial, service, and other matters necessary for the smooth operation of the

School of Dentistry (SOD). Non-formulation of the regulations was a violation of Sections 25 (1) and (2) and 26 (1) of the FMIT Act, 2021, which mandates the management to make such rules and regulations to ensure effective governance and management.

Audit is of the view that the failure to formulate the rules and regulations reflects negligence on the part of the Board regarding the effective functioning of the institution. This deficiency hinders the proper governance and management of the School of Dentistry (SOD), compromising its operational efficiency.

Management stated in its reply that the process for implementing and adopting the rules and regulations of Shaheed Zulfiqar Ali Bhutto Medical University for the School of Dentistry is currently underway. The case will be submitted to the Syndicate and Senate for approval.

Reply was not convincing, as no tangible efforts were made to formulate the necessary rules and regulations despite a lapse of four years. This delay raised concerns about the commitment of the management to ensure proper governance and operational effectiveness within the institution.

The PAO and the audited formation were informed on 31.10.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that reasons may be made known to the Audit for the non-formulation of rules and regulations after a lapse of four years and efforts be made to finalize the rules and regulations of the SOD.

Expanded Program on Immunization (National Immunization Support Project) (EPI-NISP), Muzaffarabad

22.1.3 Wastage of medical equipment due to non-utilization by the EPI, AJK

Para 23 of GFR, Vol-I states that every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of

any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

The management of the Expanded Program on Immunization (EPI-NISP), Muzaffarabad received the Personal Protection Equipment (PPE) and COVID-19 Vaccines from the Federal Directorate of Immunization, Islamabad. Details are as under:

S. No.	Items	Quantity	Expiry date
1.	Overall Protection (Large)	2,000	29.07.2023
2.	Overall Protection (Medium)	2,000	29.07.2023
3.	Overall Protection (X-large)	10,000	29.07.2023
4.	Goggles	2,000	11.06.2023
5.	Gown Isolation (Large)	6,752	14.07.2023
6.	Gown Isolation (X-Large)	5,924	14.07.2023
7.	Sino Pharm	36,500	25.08.2023
8.	Sino Vac	152,200	16.08.2023
9.	Sanitizers	34,428	01.06.2022

Audit observed that:

i. The Personal Protection Equipment were not distributed to the districts timely and the all the equipment stood expired.
ii. The vaccines and sanitizers were not utilized for the purpose for which these were provided and all the costly items stood expired.
iii. The procurement record was not provided to Audit to determine the procured cost.

Audit is of the view that due to non-utilization of Personal Protection Equipment and vaccines the items stood expired which resulted in wastage of public money.

The management did not reply.

The PAO and the audited formation were informed on 19.08.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that matter may be inquired to fix responsibility for non-utilization of personal protection equipment.

National Institute of Rehabilitation Medicine

22.1.4 Fraudulent payment of repair and maintenance charges of MRI machine on fake service reports - Rs. 15.587 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 was also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

The management of the National Institute of Rehabilitation Medicine (NIRM) awarded a contract to M/s Arrow Tech Medical System for Rs. 15.600 million per annum for repair and maintenance of MRI machine including refilling of Helium and other equipment for the period 01.12.2021 to 30.11.2023 with 10% increment after every one year. The firm was paid Rs. 15,587,000 during the financial years 2022-23 and 2023-24. Detail is as under:

(Rs.)

Sr. No.	Financial year	Amount
1	2022-23	7,514,000
2	2023-24	8,073,000
TOTAL		**15,587,000**

Audit observed that the monthly service reports issued by the firm showed that the MRI machine was under the process of repair and maintenance whereas, patient register of the MRI section showed that on the same dates and time, the machine was in use of the patient tests which confirmed that the firm issued fake service reports. Further, it was evident from report the statistic section of NIRM that the MRI machine was in use patient tests rather repair and maintenance work.

The management replied that according to the Clause 2.1 A of the contract, payment was made to the firm on monthly basis and the firm was liable to maintain the equipment without any break. It is to clarify that there are two types of

maintenance activities conducted by the firm i.e. comprehensive maintenance which involved in-depth servicing of the MRI system to ensure long-term performance and reliability. During such maintenance, emergency patients requiring scans may be entertained before or even during maintenance operations to ensure critical patient care. Routine checkups were typically non-disruptive, and patient scanning continues without interruption during these activities. The monthly service reports issued by the firm which showed that the MRI machine was under the process of repair and maintenance whereas, patient register of MRI section showed that on the same dates and time, the machine was in use of the patient tests which confirmed that the firm issued the service reports during the routine check-up of system operation. It is clarified that service reports were submitted on factual basis and no fake report was processed. During the routine maintenance of the MRI machine, it was not required to stop the operation of machine and during this period, patients were entertained for MRI scans on regular basis.

The reply is not tenable as it was evident from the service report that the maintenance work was carried out from 5 to 10 hours except a few cases. It was not possible to carry out the MRI of the patients during the service activity. Further, the prime document i.e. log book which was essential for tracking all MRI maintenance activities was not produced.

The PAO and the audited formation were informed on 08.10.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that matter may be investigated beside fixing responsibility against the person(s) at fault.

22.1.5 Wasteful expenditure on repair resulted in a Loss of Public Assets due to weak administration and negligence of the firm - Rs. 15.587 million

Clause 2.1(A) of the Agreement between NIRM and M/s Arrow Tech Medical System, Islamabad states that the repair and maintenance fee will be Rs. 15,600,000 per year inclusive supply/filling of 1,200 Liters Liquid Helium per annum with 10% increment after every one year (without other spares/ consumable). The payment is to be made on monthly basis. The payment will be

made on the satisfactory report of in charge/end user and after completion of all codal formalities, after the submission of contractor's bill.

The management of the National Institute of Rehabilitation Medicine, Islamabad paid Rs.15,587,000 to M/s Arrow Tech Medical System, Islamabad on account of repaid and maintenance of the MRI machine during the financial years 2022-23 and 2023-24. Detail is as under:

Sr. No.	Financial year	Amount (Rs.)
1	2022-23	7,514,000
2	2023-24	8,073,000
TOTAL		**15,587,000**

Audit observed as under:

i. The firm did not maintain the level of Liquid Helium as the actual capacity of machine was 1,200 Liters, however, the firm did not refill the gas up to the maximum level.

ii. The maximum use of the machine was kept at critical/danger level due to deficiency of Helium gas effecting the MRI machine, which was ramped down on 17.05.2023. Detail of refilling of helium is given below:

Actual capacity (Liters)	Critical/ danger level	Date of refilling	Pre-filling level of Helium		Post filling level of Helium		Total refilling of Helium	
			Percentage	Liters	Percentage	Liters	Percentage	Liters
1,200	Yellow	15.07.2021	22%	264	59%	708	37%	444
1,200	Red	29.09.2021	5.50%	66	40.70%	488	35.20%	422
1,200	Normal	26.10.2021	36.40%	437	68.80%	826	32.40%	389
1,200	Yellow	28.05.2022	22%	264	59%	708	37%	444
1,200	Red	11.11.2022	18%	216	55%	660	37%	444

iii. The machine was ramped down due to the non-fulfillment of contractual obligations by the firm as it had shown inability to provide Helium gas.

The management replied that Clause 2.1(A) of the Agreement bound the firm to fill 1,200 Liters Liquid Helium in a year and not to fill the 1,200 Liters in a single go. The contract period started on 01.12.2021 and up to 11.11.2022. The firm filled 888 Liters of the Liquid Helium in the MRI machine. The said quantity of the Helium was sufficient for smooth functioning of the MRI. After that period, a complete ban was imposed on opening of LC and all imports by the Federal

Government. The cost for repair and maintenance of the MRI being old and obsolete was very high and this Institute also processed the case for purchase of new MRI machine due to that reason that the further repair and maintenance was stopped. The MRI machine was in working condition till 16.05.2023, and on 17.05.2023, the administration of NIRM decided to ramp down the MRI Machine

The reply is not tenable as the management did not mention the exact period of the contract as the record available with Audit showed that the contract period was 01.12.2021 to 30.11.2023 instead of 01.12.2021 to 11.11.2022. Further, the MRI machine was ramped down on the will of the firm rather management's decision as the firm showed its inability to provide the Helium gas due to high rates.

The PAO and the audited formation were informed on 08.10.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that matter may be probed beside fixing responsibility.

Health Services Academy (HSA), Islamabad

22.1.6 Non-preparation of Rules, Regulations and Statutes

As per Section 27 (1) of the Restructuring of Health Services Academy as a Degree Awarding Institute Act No. XXIX of 2018 dated 22.05.2018 subject to the provisions of this Act statutes, to be published in the official Gazette, may be made to regulate or prescribe all or any of the following matters, namely:

(a) Contents of and the manner in which annual report to be presented by the Vice-Chancellor before the Senate shall be prepared.

(b) HSA fees and other charges.

(c) Constitution of any pension, insurance, gratuity, provident fund and benevolent fund for HSA employees.

(d) Scales of pay and other terms and conditions of service of officers, teachers and other HSA employees.

(e) Maintenance of register of registered graduates.

(f) Affiliation and disaffiliation of educational institutions and related matters.

(g) Admission of educational institutions to the privileges of the HSA and withdrawal of such privileges.

(h) Establishment of faculties, departments, institutes, colleges and other academic divisions.

(i) Powers and duties of officers and teachers.

(j) Conditions under which the HSA may enter into arrangements with other institutions or with public bodies for purposes of research and advisory services.

(k) Conditions for appointment of emeritus professors and award of honorary degrees.

(l) Efficiency and discipline of HSA employees.

(m) Constitution and procedure to be followed by the Representation Committees in carrying out functions under this Act.

(n) Constitution and procedure to be followed by the Search Committee for appointment of the Vice-Chancellor.

(o) Constitution, functions and powers of the Authorities of the HSA; and

(p) All other matters which by this Act are to be or may be prescribed or regulated by the statutes.

The management of the Health Services Academy, Islamabad was required to prepare Statutes, Regulations and Rules in the light of Act, 2018.

Audit observed that the management did not prepare its Statutes, Regulations and Rules even after passing of four years.

Audit further observed that due to non-preparation of Statutes, Service Rules, Financial Rules and other Administrative Rules, the performance of the University is adversely affected.

Audit is of the view that non-preparation of Rules, Regulations and Statutes is a serious lapse on the part of the management.

The management replied that, the institution was in the process to frame Rules and Regulations and the draft rules were approved by the Syndicate. The

draft Rules and Regulations of the Institute will be placed before the Senate for approval in upcoming meeting.

The management accepted the audit view point.

The PAO and the audited formation were informed on 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the Rules and Regulations as required by the Act may be framed.

Pharmacy Council of Pakistan

22.1.7 Unauthorized payment of honorarium to the Council members - Rs.3.499 million

The Pharmacy Council of Pakistan bye laws, 1969 Part VIII, Clause 29 states that, the primary unit of appropriation shall be pay of officers, pay of establishment, allowances and honoraria, contingencies, provident fund contribution, travelling Allowance and other allowances.

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

The management of the Pharmacy Council of Pakistan (PCP) paid an honorarium of Rs.3,499,903 to the Council members during the financial year 2023-24.

Audit observed as under:

i. The members were granted one-month gross salary as honoraria for which they were not entitled as they were not on the pay roll of the PCP.

ii. The income tax at source was not deducted from the payment made as honoraria.
iii. The budget provision was not available under the relevant head of appropriation.

Audit is of the view that, payment of honoraria to the Council members was a violation of rules provision and recoverable.

The management replied that, the competent authority i.e. Pharmacy Council of Pakistan in its meeting held on 13.11.2023 had approved to grant one honoraria equivalent to one-month salary to the President, Members and officials of the PCP/President Secretariat as a token of appreciation. As far as deduction of income tax is concerned, this Office has initiated the process to seek deposit slips for the submission of income tax by the members duly reflected in their bank account statements. The payment of honorarium to the members of the Council have been made from the approved budget of the Council for the Financial Year 2023-24 under the head of "inspection honoraria."

The reply is not acceptable as the members were not on the pay roll of the PCP. Further, no tax has been deducted which shows weak internal control on the part of the management.

The PAO and the audited formation were informed on 09.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends recovery. Besides, the practice needs to be discontinued.

Pakistan Institute of Medical Sciences, Islamabad

22.1.8 Wasteful expenditure on Mother and Child Health Center and Children Hospital - Rs. 4,270.586 million

As per the PC-I titled, "Extension of Intensive Care Department of Mother and Child Health Center and Children Hospital, Pakistan Institute of Medical Sciences, Islamabad," total cost of the project was Rs. 4,270.586 million.

The management of the PIMS executed a project titled, "Extension of Intensive Care Department of Mother and Child Health Center and Children Hospital, Pakistan Institute of Medical Sciences, Islamabad," and assigned the civil works to the Pakistan Public Works Department (PWD.), Islamabad for execution of the Project.

Audit observed that the project was completed and all the machinery and equipment were installed including completion of building up to June, 2024 but the Project was still not operational till January, 2025.

Audit is of the view that non-utilization of hospital building and its machinery and equipment was in no benefit of the general public.

The management did not reply till finalization of the report.

The PAO and the audited formation were informed on 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

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

22.1.9 Non-recovery of the inspection charges and cost of trainings from the contractor - Rs. 30.250 million

As per Supply Order No. F.1-22/2020-21/MRI/Purchase/PIMS dated 30.04.2021 issued to M/s Siemens Healthcare (Pvt.) Ltd. for provision of 1.5 Tesla Supercons Wide Bore MRI Latest Technology with workstation, for radiology station, Clause 4, "the firm will be responsible that the equipment must be pre-inspected at manufacturing facility prior to shipment by the nominated representative of the PIMS."

Further, as per terms and conditions of the bid, following trainings are included in the quoted price:

i. One technical training of one bio-medical engineer for one (1) week at a reasonable foreign site.
ii. Observer ship/training of two technicians for three (3) days at a reasonable foreign site (UAE).

iii. One operational training of twelve technicians for one (1) week on-site.
iv. One technical training of two bio-medical engineers for one (1)1 week on-site.
v. Observer ship/training of five (5) radiologists for three (3) days at a reasonable foreign site (UAE).
vi. Training of one (1) radiologist for three (3) days at a reasonable foreign site (Germany).
vii. One application training of twelve radiologist for three (3) weeks on-site.

Additionally, three-person customers team visit to the factory for pre-shipment inspection will also be arranged by the Siemens.

As per bid submitted by M/s Siemens Healthcare (Pvt.) Ltd., the bidder was bound to train 12 technicians for 1 week, two bio-medical engineers for 1 week and 12 radiologists for 3 weeks at PIMS, Islamabad. Further, the contractor was bound to train 1 bio-medical engineer for 1 week, 2 technicians for 3 days and 5 radiologists for 3 weeks at a foreign site (UAE/Germany).

Further, as per the bid and Supply Order, the contractor was bound to bear all the costs of 3 persons of PIMS for pre-shipment inspection at factory (Germany).

Similarly, the PIMS entered into another agreement with M/s Medeuips for purchase of 128 Slice CT Scan Latest Technology True 64 detectors Based System with Workstation at a cost of US$ 767,000. The financial bid contained a component for Foreign Training and clinical training per person US$ 10,000 for each training.

Audit observed that neither the foreign visit of 3 persons was performed for pre-shipment inspection by the management of the PIMS nor any local or foreign training of 8 radiologists/technicians was conducted by the contractor i.e. M/s Siemens Healthcare (Pvt.) Ltd. due to which an amount of Rs. 30.250 million (US$ 10,000 x 11 x Rs. 275 = Rs. 30,250,000). The amount was calculated on the basis of the agreement made with M/s Medeuips due to non-availability of component-wise rate of training of M/s Siemens Healthcare (Pvt.) Ltd.

Audit is of the view that the non-exclusion of cost of foreign visit and training cost in the quoted rates, the contractor was favored.

The PAO and the audited formation were informed on 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the cost of foreign visits and foreign/local trainings may be recovered and deposited in the Government treasury.

22.1.10 Loss due to non-availing of benefit of Letter of Credit - Rs 7.041 million

Clause 3 of the Supply Order No. F.1-22/2020-21/MRI/Purchase/PIMS dated 30.04.2021 issued to M/s Siemens Healthcare (Pvt.) Ltd. for "Provision of 1.5 Tesla Supercons Wide Bore MRI Latest Technology with workstation, for Radiology Station" states that the firm will be bound to deliver and install the equipment complete in all respects within 120 days.

The management of the PIMS opened a Letter of Credit (LC) on 30.07.2021 for procurement of 1.5 Tesla Supercons Wide Bore MRI Latest Technology with workstation for Radiology Station but could not utilize it. Later on, the LC stood expired, and was opened again on 30.07.2023.

Audit observed that due to non-availing the LC first time, the Government sustained a loss of Rs. 7.041 million details, as detailed below:

LC No.	Date	Dollar	Rs.	Total Rs.
2221-040-1693-21/2221-040-1695-21	30.07.2023	$ 63,435.00	289	18,332,715
2221-040-1693-21/2221-040-1695-21	31.07.2021	$ 63,435.00	178	11,291,430
			Total	**7,041,285**

Audit is of the view that due to non-delivery of equipment by the contractor in time and due to non-availing, the benefit of the first LC by the PIMS, the Government sustained a loss as the dollar rate in 2021 increased from Rs. 178 to Rs. 289 in 2023.

Audit is also of the view that the loss needs to be made good by recovering the amount from the contractor.

The PAO and the audited formation were informed on 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends a through inquiry in the matter to check the very reasons due to which the LC opened for the first time could not be utilized.

22.1.11 Unauthorized payment of secured advance in addition to Mobilization advance - Rs. 212.741 million

According to the Clause 60.11 of the Standard Bidding Documents of the PEC, Edition June, 2007, for providing financial assistance to the contractor, the employer may opt either secured advance on materials brought on site or mobilization advance.

Infrastructure Development Authority, Punjab awarded a contract for Establishment of 200 Beds Accident and Emergency Center at PIMS, Islamabad to M/s CCECC-Salman, Joint Venture at a cost of Rs. 2,155.307 million on 17.03.2022 with a completion period of 730 days i.e. 16.03.2024. An amount of Rs. 202.185 million was paid to the contractor by IDAP on 12.05.2022 as Mobilization Advance vide 1st Interim Payment Certificate (IPC).

Audit observed that the secured advance amounting to Rs. 212.741 million was also paid to the contractor up to 30.06.2024 in addition to the mobilization advance.

Audit is of the view that the payment of secured advances to the contractor in addition to the mobilization advances, was unauthorized.

The PAO and the audited formation were informed on 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the responsibility may be fixed and the irregular payment of advance may be recovered from the contractor beside stopping the irregular practice in future.

22.1.12 Loss due to non-recovery of outstanding rent from shop - Rs. 47.177 million

Para of 26 of GFR, VoI-I states that it is the duty of the departmental Controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account

The management of the PIMS rented out an area for pharmacy to M/s Imran Pharmacy and M/s Adil Waheed and Brothers during 2023-24.

Audit observed that amounts of Rs. 45.867 million and Rs. 1.310 million respectively were outstanding as rent of previous years but the management did not recover the amount till June, 2024.

Audit is of the view that due to non-recovery of rent of shops, the Government sustained a loss of Rs. 46.576 million.

The PAO and the audited formation were informed on 27.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends immediate recoveries from the vendors.

22.1.13 Payment of salaries in violation of the contract clause - Rs. 18.900 million

As per Clause H (11) of the Tender Documents, minimum wage will be applicable as notified by the concerned Ministry/Department of the Federal Government, as amended from time to time.

As per Directorate of Industries and Labour Welfare's Notification No. ADLW 8(20)-ICT/2021-325 dated 31.07.2023, minimum rates of wages for adult unskilled workers employed in industrial undertakings in the ICT, Islamabad amounting to Rs. 32,000 per month.

The management of the PIMS, Islamabad hired security services from M/s Belfort and paid an amount of Rs. 83.235 million during 2023-24.

Audit observed that, based on complaints received from the Security Guards during the audit, M/s Belfort paid only Rs. 23,000 per person, an amount lower than the Government-approved wage rate, resulting in an undue financial benefit of Rs. 18,900,000 to M/s Belfort. Detail are as under:

(Rs.)

Name of the post	Total person hired	Rate per month paid	Annually paid by the M/s Belfort	Government approved rate annually paid	Difference (Saving of M/s Belfort)
Unarmed Guard	150	23,000	41,400,000	57,600,000	16,200,000.00
Lady Guard	25	23,000	6,900,000	9,600,000	2,700,000.00
Total	**175**		48,300,000	67,200,000	**18,900,000**

Audit is of the view that the payment of wages less than the Government approved minimum wages, was irregular and unauthorized.

The PAO and the audited formation were informed on 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends strict legal action against the firm concerned by the PIMS.

22.1.14 Unauthorized retention of profit - Rs 34.294 million

Para of 26 of GFR, VoI-I states that it is the duty of the departmental Controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account

The management of the PIMS collect contractors'/vendors' security in account No. 428 which had a balance of Rs. 182.018 million as on 30.06.2024.

Audit observed that an amount of Rs. 34.294 million was earned on contractor's securities during 2023-24, however, instead of depositing the profit in the Government treasury, the amount was retained in the bank account.

Audit is of the view that retention of profit amounting to Rs. 34.294 million was irregular and unauthorized.

The PAO and the audited formation were informed on 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the profit amount needs to be deposited in the Government treasury.

22.1.15 Wasteful expenditure on purchase of x-ray films - Rs. 90.000 million

The management of the PIMS executed a project titled, "Upgradation of Non-Radiation Diagnostic Services in PIMS, Islamabad" at a cost of Rs. 198.130 million. The project was completed on 30.06.2022.

One of the components of the project was Picture Archiving and Communication System (PACS) (Hardware, Networking, Softwares) for Radiology Department, PIMS (IH, CH, MCH, BCS) at a cost of Rs. 90.000 million. The Reporting Time could be reduced in the presence of PACS and Workstations which allowed the images to be transferred immediately to the reporting room rather than the X-Ray Film which is transferred manually to the reporting room after being processed printed on a dry laser printer.

As per approved PC-I, the PACS system should be present in all the main components of the hospital, including the indoor and outdoor departments with full viewing functionality. The proposed PACS viewing application should be working on all popular internet browsers. The proposed PACS should provide zero-foot print viewing application to facilitate referring physician and viewing process in any device and without any specific requirements in the used clients.

The objective of the project is to:

i. Eliminates the need for physical film, reducing expenses related to the film purchasing, storage, and processing.
ii. Decreases labor costs associated with the film handling, archiving, and transportation.

Audit observed that the management purchased x-ray films amounting to Rs. 59.010 million during the financial year 2023-24 despite the fact that the PACS system was fully implemented in the hospital.

Audit is of the view that purchase of x-ray films after implementation of the PACS system was irregular and wastage of funds of Rs. 90.000 million.

The PAO and the audited formation were informed on 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the responsibility be fixed for the wasteful expenditure.

22.1.16 Unauthorized allotment of cafeterias without open competition - Rs. 7.200 million

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.

The management of the PIMS awarded different cafeterias to different vendors during 2023-24. Details are as under:

i. MO Hostel Cafeteria
ii. PG Hostel Cafeteria
iii. Nursing Hostel Cafeteria
iv. Cardiac Cafeteria
v. MCH Cafeteria
vi. Consultant Cafeteria
vii. CMT Tuck Shop

Audit observed as under:

i. Cafeterias were allotted without open competition.
ii. Spaces were awarded without any rent agreement and utility charges.

Audit is of the view that all the cafeterias are occupying almost 1,000 Sft. (per cafeteria) and approximate market rent of which comes around Rs. 7.200 million. Further, utility charges (Electricity, Gas and Water) come to approximately Rs. 1.440 million (Rs. 20,000 per month per cafeteria).

The PAO and the audited formation were informed on 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that an inquiry may be held to fix the responsibility beside recovery of rent and utility charges.

Drug Regulatory Authority of Pakistan

22.1.17 Unauthorized maintenance of bank accounts and retention of heavy balances - Rs. 1,265.073 million

Rule 4(1) of the Cash Management and Treasury Single Account Rules, 2020 states that no Government office shall open, operate or maintain a bank account for any purpose, except in accordance with the Act and these rules.

Rule 4(3) of the Cash Management and Treasury Single Account Rules, 2020 further states that subject to Sub-Rule (5), any approval granted by the Finance Division prior to commencement of these rules, for opening of bank accounts in scheduled banks by the Government offices stand revoked on commencement of these rules and the SBP shall instruct all scheduled banks not to open account of any Government office. The accounts already opened shall be closed and balance therein shall be transferred to the Federal Consolidated Fund using treasury challan provided in Form 32A of the Federal Treasury Rules.

The management of the Drug Regulatory Authority of Pakistan, Islamabad had been maintaining the following four bank accounts. The closing balances as on 30.06.20224 are as under:

(Rs.)

S. No.	Bank account number and title	Bank branch	Closing balance as on 30.06.2024
1	Current Account/DRAP 0010008463700018	Allied Bank Limited, G 9/4 Branch, Islamabad	174,490,808
2	Profit and Loss Sharing Account/CRF 0010008463700024	Allied Bank Limited, G 9/4 Branch, Islamabad	478,643,621
3	Profit and loss sharing Account/DRAP0010008463700047	Allied Bank Limited, G 9/4 Branch, Islamabad	453,397,395
04	DRAP-CENTRAL RESEARCH FUND 3018025985	National Bank of Pakistan, G 9 Branch, Islamabad	158,541,482.21
Total			**1,265,073,306**

Audit observed that the above said bank accounts were opened without obtaining prior approval from the Finance Division as required under the Treasury Single Account Rules, 2020. The closing balances of Rs 1,265.073 million were not transferred to the Federal Consolidated Fund.

Audit is also of the view that opening of the bank accounts without approval of the Finance Division and retention of heavy balances in the bank accounts is unauthorized.

The management did not reply.

The PAO and the audited formation were informed on 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to obtain the approval of the Finance Division for operation and maintenance of the four bank accounts.

22.1.18 Non-refund of the Security Deposits by the Telecom Foundation - Rs 2.815 million

Clause 4 of the Rent Agreement executed between the Drug Regulatory Authority of Pakistan and Telecom Foundation dated 10.06.2014 states that the tenant shall pay a sum of Rs.4,653,522 as one-month security which will be refundable at the time of expiry of the agreement or at the time of vacation of the premises whichever is later and subject to deduction of amount due against the tenant, if any, on amount of unpaid utility bills or damage caused to the premises etc.

The management of the Drug Regulatory Authority of Pakistan, Islamabad had paid Security Deposit of Rs 2,815,220 to the Telecom Foundation in the past. As per provision of the Agreement, the Security Deposit was required to be

refunded by the Telecom Foundation after vacation of the building. The DRAP had vacated and handed over the possession of the building to the Telecom Foundation on 19.04.2024.

The Telecom Foundation was required to refund the amount of Security Deposit of Rs.2.815 million to the DRAP as per provision of the Rent Agreement.

Audit observed that the Telecom Foundation had not refunded the Security Deposit of Rs. 2.815 million to the DRAP.

Audit is of the view that non-refund of the Security Deposit of Rs 2.815 million by the Telecomm Foundation is a violation of the provision of the Rent Agreement.

The management did not reply.

The PAO and the audited formation were informed on 31.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to get refund of the Security Deposit from the Telecom Foundation.

CHAPTER 23

NARCOTICS CONTROL DIVISION

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 03.04.2019), 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 the 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.

(Rs. in million)

Sr. No.	Description	Total Number	Audited	Expenditure Audited (FY-2023-24)	Revenue/ Receipt Audited (FY-2023-24)
1	Formations	23	6	3,276.75	-
2	Assignment Accounts (Excluding FAP)	1	1	29,729.00	-
3	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

23.2 Comments on Budget and Accounts (Variance Analysis)

The final budget allocated to the Narcotics Control Division for the financial year 2023-24 was Rs. 5,269.070 million, out of which the Division expended an amount of Rs. 5,263.060 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

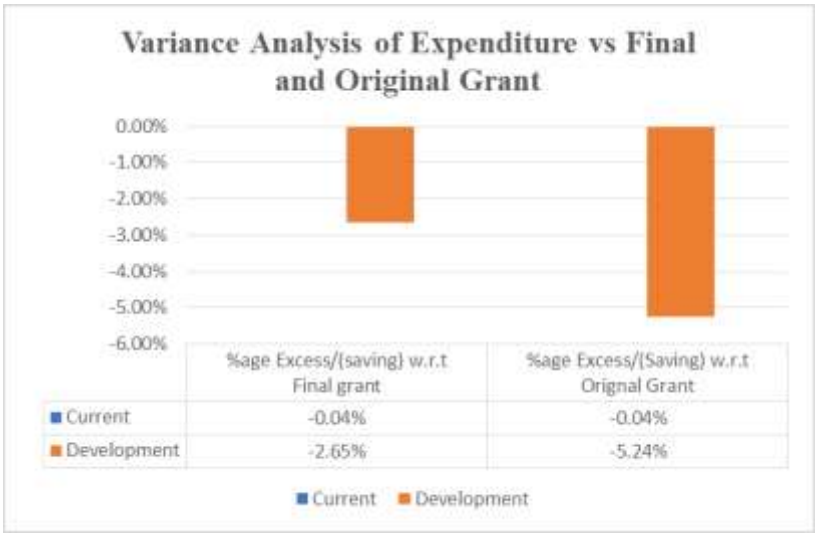
Grant Number	Type of Grant	Original Grant	Supp-leme-ntary Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)
72	Current	5,123.07	-	-	5,123.07	5120.92	(2.15)
116	Development	150.00	-	-4.00	146.00	142.14	(3.86)
	Total	**5,273.07**	**-**	**-4.00**	**5,269.07**	**5,263.06**	**(6.01)**

The audit noted that there was an overall savings of (Rs.6.010 million).

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 in the current and development expenditure, it was observed that, in case of the development grant, there was 5.24% of saving w.r.t. the original grant which was finally became 2.65% w.r.t. final grant.



23.3 Classified Summary of Audit Observations

Audit observations were raised amounting to Rs. 26.216 million in this report during the current audit of the **Narcotics Control Division**. Summary of the audit observations classified by nature is as under:

(Rs. 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	20.516
B	Procurement related irregularities	5.700
C	Management of account with commercial banks	
D	Recovery	
E	Internal Control	
4	Value for money and service delivery	
5	Others	

23.4 Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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	-
2023-24	3	0	0	3	-
Total	**51**	**14**	**12**	**39**	-

23.5 AUDIT PARAS

Regional Directorate of Anti-Narcotics Force, Karachi

23.5.1 Irregular expenditure on rent of office building - Rs. 5.700 million

Office of the Additional Estate Officer, Government of Pakistan carried out assessment of Bungalow No. D-185, Block No.07, Gulshan-e-Iqbal, Karachi vide Letter No. 787/ANF/61/OA/EO dated 08.04.2021. Accordingly, the space entitlement of the office as per staff strength was 3,740 Sq. Ft. and reasonable rent was fixed @ Rs. 35 per Sft. in the light of Ministry of Housing and Works Islamabad's Letter No. F.12(65)/2011-Policy dated 27.03.2017. It was recommended that excess rent needs approval of the Ministry of Finance prior to the execution of the agreement with owner.

Finance Division vide OM No.F.6(69)/F-14/83/2001-452 dated 18.10.2001, regarding hiring of private properties for office accommodation by the Federal Government, required submission of following documents in addition to other documents for approval of cases of initial hiring and subsequent increase i.e. Consent of the Owner, statement of space entitlement along with detail of sanctioned strength of officers duly approved by the Works Division, Assessment Certificate by the Pak. PWD. in accordance with specification of the premises and Authentic copy of the map of the premises in question.

The management of the Regional Directorate of Anti-Narcotics Force Sindh, Karachi paid Rs. 5,700,000 as rent of office building against bungalow No. D-185, Block-07, Gulshan-e-Iqbal, Karachi during the financial year 2023-2024.

Audit observed as under:

1. The rent of the office building was paid at higher than the rates approved by the Ministry of Housing and Works i.e. @ Rs. 35 per Sft. and Finance Division.
2. The case regarding approval for increase in rates was not forwarded to the Finance Division along with requisite documents in violation of instructions of the Finance division.

Audit is of the view that payment made at enhanced rate on account of rent of office building without approval of the Finance Division and execution of lease agreement against recommendation of assessment committee was irregular.

The management did not reply.

The PAO and the audited formation were informed on 04.12.2024 and 16.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the expenditure may be got regularized from the Finance Division beside fixing responsibility on the person(s) at fault. Further, the irregular practice needs to be discontinued.

Regional Directorate of Anti-Narcotics Force, KP, Peshawar

23.5.2 Payment of cash rewards without performance evaluation - Rs. 20.516 million

Para 4 of the Finance Division's OM No. F. 3(2) Exp-III/2006-Islamabad dated 13.09.2006, with the subject of "Duties and Responsibilities of the Principal Accounting Officer," states that the Principal Accounting Officer is to ensure that financial considerations are considered at all stages in framing and implementing decisions. The Principal Accounting Officer is responsible not only for the efficient and economical conduct but also continues to be personally answerable before the

Public Accounts Committee. The two main principles to be observed are economy: (getting full value for money) and regularity: (spending money for the purposes and in the manner prescribed by law and rules).

The management of the Regional Directorate of Anti-Narcotics Force, Peshawar paid cash rewards of Rs. 20.516 million to raiding parties and informers during the financial year 2023-24.

Audit observed that:

1. Cash awards were paid right after the completion of the raids, whereas, the cases are still under-trial in the courts of law.
2. Mechanism of performance evaluation for the raiding parties and informers in terms of the strength and legality of the cases is not present.
3. On many occasions, the accused were either acquitted or granted bail by the courts of law, whereas, cash rewards for such cases had already been paid.

Audit is of the view that the payment of cash rewards at very initial stages, when the fate of the cases is yet to be decided by the courts, is unjustified.

The management did not reply.

The PAO and the audited formation were informed on 08.11.2024 and 16.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the performance-evaluation criteria be devised and followed before giving cash awards.

23.5.3 Loss due to unauthorized retention/non-auction of 335 confiscated vehicles

Rule 167 of GFR, Vol-I provides that, subject to any special rules or orders applicable to any particular department, stores which are reported to be obsolete, surplus or unserviceable may be disposed of by sale or otherwise under the orders of the authority competent to sanction the writing off of a loss caused by deficiencies and depreciation equivalent to their value.

Rule No. 3(8) of the SRO No.198(I)/2013 dated 11.03.2013 issued by the Ministry of Narcotics Control, Government of Pakistan regarding Disposal of Vehicles and other Articles (involved in narcotics cases) Rules, 2013 states that the articles liable to speedy and natural decay shall be sold or disposed of by the concerned Force Commander or officer of BPS 20 of other Law Enforcement Agencies with the approval of authority in writing after approval of the court.

Rule No. 3(9) of the SRO No.198(I)/2013 dated 11.03.2013 issued by the Ministry of Narcotics Control, Government of Pakistan regarding Disposal of Vehicles and other Articles (involved in narcotics cases) Rules, 2013 states that all articles or vehicles may be put to bid in convenient lots so as to obtain the highest bid.

The management of the Regional Directorate Anti-Narcotics Force, Peshawar confiscated 335 number of vehicles from the smugglers/drug dealers.

Audit observed as under:

1. 335 seized/confiscated vehicles were not auctioned till 30.06.2024.
2. Decisions regarding these vehicles have already been announced in favor of the Government.
3. There is a high chance of misuse of these confiscated vehicles.
4. The deterioration of such vehicles can cause a reduction in the auction prices.

Audit is of the view that non-auction for the abovementioned 335 confiscated vehicles caused a loss of potential receipts to the Government due to management's negligence.

The management did not reply.

The PAO and the audited formation were informed on 08.11.2024 and 16.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that auction of these vehicles be held at the earliest and the sale proceeds be deposited in the Government treasury. Besides, the justification of delay, case wise, be provided to Audit.

23.5.4 Government loss due to non-auction of the confiscated lands/properties

Para 167 of GFR, Vol-I provides that subject to any special rules or orders applicable to any particular department, stores which are reported to be obsolete, surplus or unserviceable may be disposed of by sale or otherwise under the orders of the authority competent to sanction the writing off of a loss caused by deficiencies and depreciation equivalent to their value.

Rule 20 of the 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-off by public auction by the committee to be nominated by the Director-General in consultation with the Administrator.

Provided if such property could not be disposed-off through public auction, then it may be sold out to any Government department through negotiations by the committee to be nominated by the Director-General in consultation with the Administrator and such sale shall be subject to the approval of the Federal Government.

The management of the Regional Directorate of Anti-Narcotics Force, Peshawar confiscated and held lands/assets.

Audit observed as under:

1. These properties were confiscated and retained by the management since long even after the courts decided the cases in favor of the Government.
2. These properties were neither disposed-off through public auction nor transferred out to any Government department through negotiations.

Audit is of the view that, due to non-auction of these properties, the Government has been deprived of the potential receipts.

The management did not reply.

The PAO and the audited formation were informed on 08.11.2024 and 16.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the confiscated lands/assets be auctioned or transferred to the Government departments as per rules. Further, this practice of holding these Government properties for prolonged periods may be discontinued. Furthermore, the justification of delay, case wise, may be provided to Audit.

23.5.5 Unauthorized establishment of the ANF staff residences and vehicles parking facility on non-auctioned confiscated land

Rule 167 of GFR, Vol-I provides that subject to any special rules or orders applicable to any particular department, stores which are reported to be obsolete, surplus or unserviceable may be disposed-off by sale or otherwise under the orders of the authority competent to sanction the writing off of a loss caused by deficiencies and depreciation equivalent to their value.

Rule 20 of the 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-off by public auction by the committee to be nominated by the Director-General in consultation with the Administrator.

Provided if such property could not be disposed-off through public auction then it may be sold out to any Government department through negotiations by the committee to be nominated by the Director-General in consultation with the Administrator and such sale shall be subject to the approval of the Federal Government.

The management of Regional Directorate of Anti-Narcotics Force, Khyber Pakhtunkhwa has established the ANF staff residences and vehicles parking facility.

Audit observed as under:

i. ANF staff residencies and vehicle-parking facility were established on a land confiscated in 1995. Details are as under:

S. No.	Details
1.	House situated at Faisal Colony, GT Road, Peshawar (01 Kanal 12 Marla)
2.	"Muhammad Manzil" situated at Khyber Bazar, Peshawar (01 Kanal and 08 Marlas) at the back of Khyber Bazar, Peshawar
3.	Land (104 Kanals and 13 Marlas) situated at Mouza Kamobh, Ring Road, Peshawar
4.	Land (116 Kanals and 18 Marlas) situated at Mouza Malkandher, Peshawar

ii. The Court has already given the decision in favor of the Government on 29.03.2006.

iii. The management has neither auctioned nor transferred out the above-mentioned confiscated lands to any Government department through negotiations.

Audit is of the view that using such non-auctioned confiscated lands for other purposes, instead of their auction, is irregular and a violation of the Rules by the management.

The management did not reply.

The PAO and the audited formation were informed on 08.11.2024 and 16.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the confiscated lands may be immediately auctioned or transferred to the Government departments as per rules beside fixing of responsibility for the misuse of lands for prolonged periods. Furthermore, justification of delay, case wise, may be provided to Audit.

CHAPTER 24

NATIONAL HERITAGE AND CULTURAL DIVISION

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 23.04.2019), 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.

ATTACHED DEPARTMENTS/AUTONOMOUS BODIES

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.

(Rs. in million)

Sr. No.	Description	Total Number	Audited	Expenditure Audited (FY-2023-24)	Revenue/ Receipt Audited (FY-2023-24)
1	Formations	5	4	791.821	-
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

24.2Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Division for the financial year 2023-24 was Rs. 2,634.980 million, out of which the Division expended an amount of Rs. 2,607.040 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

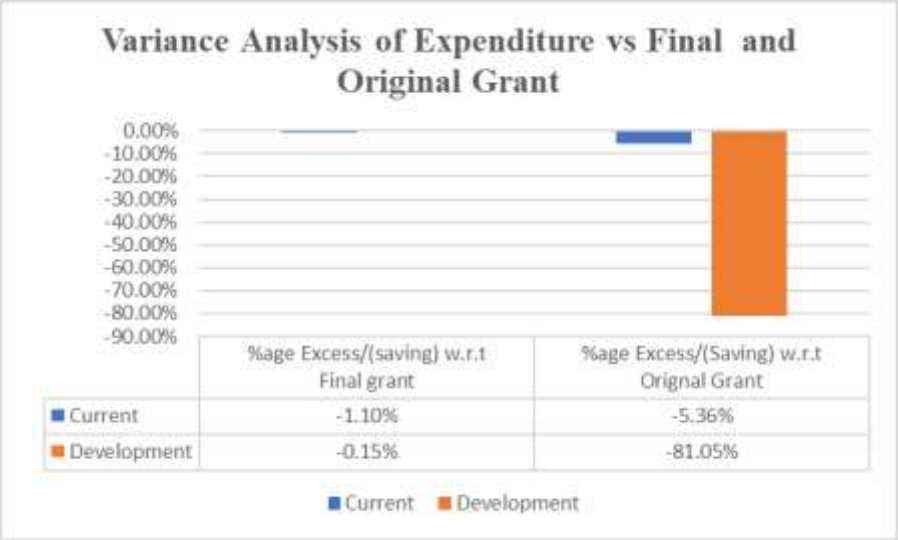
Grant Num-ber	Type of Grant	Original Grant	Supplementary Grant	Surrender	Final Grant	Actual Expenditure	Excess/ (Savings)
40	Current	2,646.69	-	(114.20)	2,532.50	2,504.70	(27.80)
106	Development	540.00	-	(437.51)	102.49	102.34	(0.15)
	Grand total	**3,186.69**	**-**	**(551.71)**	**2,634.98**	**2,607.04**	**(27.95)**

Audit noted that there was an overall savings of (Rs. 27.950 million), which was mainly due to saving in current grant.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 in current and development expenditure, it was observed that, in case of the development grant, there was -81.05% of saving w.r.t the original grant which was finally reduced to 0.15% w.r.t. the final grant and in case of current grant -5.36% saving was finally reduced to -1.10%.



24.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 215.018 million, were raised in this report during the current audit of the National Heritage and Cultural Division. Summary of the audit observations classified by nature is as under:

(Rs. 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	32.815
B	Procurement related irregularities	10.220
C	Management of account with commercial banks	
D	Recovery	165.939
E	Internal Control	
4	Value for money and service delivery	
5	Others	6.044

24.4Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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
2023-24	8	0	0	8	-
Total	**84**	**24**	**6**	**78**	-

24.5 AUDIT PARAS

Aiwan-e-Iqbal Complex, Lahore

24.5.1 Non-recovery of funds from Iqbal Academy - Rs. 159.808 million

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

Para 115 of GFR, Vol-I states that in case of transfer of charge, the cash book or imprest account should be closed on the date of transfer and a note recorded in it over the signature of both the relieved and the relieving officers, showing the cash and imprest balances, and the number of unused cheques, if any, made over and received by them respectively.

As per the findings of the Inquiry Committee constituted by the Ministry of Information, Broadcasting and National Heritage, Islamabad conveyed vide Aiwan-e-Iqbal's Letter No. AIC/Admn/2013-153/Vol-16/1163 dated 08.08.2017, an amount of Rs. 177.924 million was unauthorizedly transferred from Aiwan-e-Iqbal, Lahore. The detail is given below:

(Rs.)

S. No.	Description	Period of transfer	Cheque No.	Amount
1.	Funds transferred	11.2003 to 07.2010		104,348,445
2.	Funds transferred	10.2008 to 07.2010		37,500,000

3.	Short Term Loan	01.09.2007 to 12.08.2008		3,116,000
4.	Amount withdrawn	06.08.2010	40835021	2,000,000
5.	Amount withdrawn	08.09.2010	40835022	2,500,000
6.	Amount withdrawn	06.10.2010	40835023	4,000,000
7.	Amount withdrawn	08.11.2010	40835024	3,000,000
8.	Profit on TDRS	31.10.2011		1,762,500
9.	Profit on TDRS	09.02.2012		824,136
10.	Profit on TDRS	10.05.2012		615,856
11.	Profit on TDRS	22.11.2012		141,150
Total				**159,808,087**

Audit observed that:

i. The management of the Iqbal Academy, Lahore transferred the above amounts from the account of Aiwan-e-Iqbal, Lahore unauthorizedly and retained the funds irregularly.
ii. A total amount of Rs.159,808,087 is still recoverable from the Iqbal Academy, Lahore.
iii. The management did not take effective steps for transfer of funds.
iv. No serious efforts were made by the management to recover the pending amount of Rs. 159,808,087 from the Iqbal Academy, Lahore.

Audit is of the view that non-recovery of funds from the Iqbal Academy, Lahore even after a Fact-Finding Committee Report shows weak financial control on the part of the management.

The management did not reply.

The DAC meeting was held on 24.01.2025. DAC directed to conduct a fact-finding inquiry under the Chairmanship of Joint Secretary (Admn.) and one member from the Aiwan-e-Iqbal Complex, Lahore within one month.

Audit recommends immediate recovery of the transferred funds for deposit in the Government account.

24.5.2 Loss due to non-recovery of Security Charges and Central Air Conditioning Charges from the Iqbal Academy, Lahore - Rs. 6.131 million

Para 2(i) of the Aiwan-e-Iqbal's Letter No.25.Acs-21-95 dated 11.03.1995 issued to the Iqbal Academy, Lahore in pursuance of the decision taken at the meeting held on 17.12.1994 for allotment of space to Iqbal Academy, Pakistan in Aiwan-e-Iqbal Complex states that the Iqbal Academy shall share on pro-rata basis, the cost of centralized security arrangements for the Aiwan-e-Iqbal Complex.

The management of the Aiwan-e-Iqbal Complex, Lahore hired the services of private security firms for office security and incurred an expenditure of Rs. 6.131 million during the financial years 2020-21 to 2023-24. The detail is given below:

(Rs.)

S. No.	Financial year	Monthly security amount	Per floor rate	Share of Iqbal Academy	Annual share
1	2020-21	877,914	32,515	97,546	1,170,552
2	2021-22	974,532	36,094	108,281	1,299,376
3	2022-23	1,249,629	46,282	138,848	1,666,172
4	2023-24	1,496,093	55,411	166,232	1,994,790
				Total	**6,130,890**

Audit observed that the Security Charges and Central Air Conditioning Charges were not recovered from the Academy since long. Furthermore, no concrete efforts for recovery in the light of minutes/directions of the Management Committee dated 17.12.1994 were made.

Audit is of the view that non-recovery of long outstanding Security Charges and Central Air Conditioning Charges from the Iqbal Academy, Lahore put the AIC to a financial loss which shows weak financial control on the part of the management.

The management did not reply.

The DAC meeting was held on 24.01.2025. The DAC directed the management to submit report by determining the exact calculation of outstanding dues within 15 days.

Audit recommends that responsibility be fixed for non-recovery beside recovery of the long outstanding dues at the earliest.

Iqbal Academy Pakistan, Lahore

24.5.3 Irregular payment of Medical Allowance over the prescribed rates - Rs. 19.290 million

Finance Division's OM No. F-16(1)-Reg-6/2010-778 dated 05.07.2010 states that Medical Allowance is allowed to civil servant in BPS 1 to BPS 15 @ Rs.1,000 per Month and from BPS 16 to BPS 22 @15% of the existing basic pay in Basic Pay Scales, 2008 w.e.f. 01.07.2010.

Finance Division's OM No. F-1(3)-Imp/2015-630 dated 07.07.2015 states that Medical Allowance is allowed to civil servant in BPS 1 to BPS 15 @ Rs.1,500 per Month and from BPS 16 to BPS 22 increase in the amount of Medical Allowance @ 25% of the existing amount being admissible/drawn.

The management of the Iqbal Academy Pakistan (IAP), Lahore paid Medical Allowance @ 20% of running basic of the existing basic pay to its employees during the financial years 2020-21 to 2023-24. Detail is given as under:

(Rs.)

S. No.	Description	Financial years	Amount
1.	Medical Allowance	2020-21	4,248,962
2.	Medical Allowance	2021-22	4,163,722
3.	Medical Allowance	2022-23	5,788,929
4.	Medical Allowance	2023-24	5,088,994
Total			**19,290,607**

Audit observed that the management of IAP, Lahore did not obtain the approval of the Finance Division for the grant of Medical Allowance over the prescribed rates.

Audit is of the view that the grant of Medical Allowance in excess of the rates approved by the Finance Division was irregular and unauthorized, which resulted in a loss to the Government.

The management did not reply.

The DAC meeting was held on 24.01.2025. The DAC directed the management to immediately stop the payment of Medical Allowance over the prescribed rates and submit a case to the Ministry for the concurrence of the Draft Medical Rules from the Finance Division.

Audit recommends that the amount of medical allowance paid in excess be recovered and deposited in the Government account. Further, the payment needs to be stopped too.

24.5.4 Loss due to non-investment of funds - Rs. 6.044 million

Iqbal Academy Pakistan, Lahore's Office Order No.F.38-4/89-IA dated 27.06.1989 states that a separate Pension Fund will be opened in the National Bank of Pakistan. The funds accruing in Pension Fund will be invested in Government backed securities/investments schemes such as Khas Deposit Schemes etc.

The management of the Iqbal Academy Pakistan, Lahore invested Rs. 9.000 million in National Savings on 22.11.2018 in the shape of Special Savings Certificates which matured on 21.11.2021.

Audit observed that the amount of Rs. 10.691 million was neither withdrawn nor reinvested by the management since its maturity i.e. 22.11.2021.

Audit further observed that action of the management put the department to a loss of Rs. 6.044 million due to non-investment of funds. Detail is as under:

(Rs.)

S. No.	Principal amount	Financial year	KIBOR	Profit
1	10,691,500	2021-22	10.81	1,155,751
2	11,847,251	2022-23	16.14	1,912,146
3	13,759,397	2023-24	21.63	2,976,158
Total				**6,044,055**

Audit is of the view that action of the management put the department to a financial loss of Rs. 6.044 million.

Audit is further of the view that non-withdrawal of department's funds timely shows weak financial control on the part of the management.

The management did not reply.

The DAC meeting was held on 24.01.2025. The DAC directed the management to submit comparison of Zakat and Income Tax. The case be submitted to the Ministry regarding obtaining of exemption of income tax within one week.

Audit recommends that the matter may be investigated to fix the responsibility beside reinvestment of Pension Fund at the earliest.

24.5.5 Irregular payment of Ad hoc Relief Allowance - 2023 @ 30% and 35% of basic pay to the executive/supervisory staff - Rs. 8.286 million

Finance Division's OM No. F.4(3)/R-4/2011-Revision dated 02.08.2023 states that Autonomous/Semi-Autonomous Bodies and Corporations, etc. will forward the cases of executive/supervisory staff (only) with the recommendations of their respective boards for concurrence of the Finance Division to the grant of Ad hoc Relief Allowance, 2023 @ 30% and 35% of basic pay subject to existing conditions w.e.f. 01.07.2023.

Finance Division's Corrigendum No. F.4(3)R-4/2011-Revision dated 03.10.2022 states that no Division shall without previous consultation with the Finance Division, authorize the issue of any orders which will involve a change in the terms and conditions of service of the Government servants, on their statutory rights and privileges, which have financial implications.

Finance Division's Corrigendum No. F.4(3)R-4/2011-Revision dated 03.10.2022 further states that it is binding upon all the administrative Ministries/ Divisions of semi-autonomous, autonomous bodies/corporations to ensure that any change in pay, allowances and privileges of executive/supervisory staff of the semi-autonomous, autonomous bodies/corporations working under their administrative control, are processed in accordance with the Finance Division's OM No.F.1(1)Imp/94 dated 26.06.1999.

The management of the Iqbal Academy Pakistan, Lahore incurred an expenditure of Rs. 8.286 million on payment of Ad hoc Relief Allowance, 2023 @ 30% and 35% of basic pay to the staff of Iqbal Academy Pakistan, Lahore (including executive/supervisory staff) during the financial year 2023-24.

Audit observed that the management paid Relief Allowance, 2023 @ 30% and 35% of basic pay to its employees without the concurrence of the Finance Division.

Audit is of the view that the payment of Ad hoc Relief Allowance, 2023 @ 30% and 35% of basic pay to the executive/supervisory staff of Iqbal Academy Pakistan, Lahore without the concurrence of the Finance Division was irregular and unauthorized.

The management did not reply.

The DAC meeting was held on 24.01.2025. The DAC directed the management to submit the case to the Ministry within 15 days to obtain the concurrence of the Finance Division.

Audit recommends that the concurrence of the Finance Division be obtained for payment of Ad hoc Relief Allowance, 2023.

24.5.6 Irregular payment of Ad hoc Relief Allowance, 2022 @ 15% of basic pay to the executive/supervisory staff - Rs. 5.239 million

Finance Division's OM No. 4(3)/R-4/2011-Revision dated 06.09.2022 states that Autonomous/Semi-Autonomous Bodies and Corporations, etc. will forward the cases of executive/supervisory staff (only) with the recommendations of their respective boards for concurrence of the Finance Division to the grant of Ad hoc Relief Allowance, 2022 @15% of basic pay subject to existing conditions w.e.f. 01.07.2022.

Finance Divisions' Corrigendum No. F.4(3)R-4/2011-Revision dated 03.10.2022 states that no Division shall without previous consultation with the Finance Division, authorize the issue of any orders which will involve a change in the terms and conditions of service of the Government servants, on their statutory rights and privileges, which have financial implications.

Finance Division's Corrigendum No. F.4(3)R-4/2011-Revision dated 03.10.2022 further states that it is binding upon all the administrative Ministries/ Divisions of semi-autonomous, autonomous bodies/corporations to ensure that any change in pay, allowances and privileges of executive/supervisory staff of the semi-

autonomous, autonomous bodies/corporations working under their administrative control, are processed in accordance with the Finance Division's OM No.F.1(1)Imp/94 dated 26.06.1999.

The management of the Iqbal Academy Pakistan, Lahore incurred an expenditure of Rs. 5.239 million on payment of Ad hoc Relief Allowance, 2022 @15% of basic pay to the staff of Iqbal Academy Pakistan, Lahore (including executive/supervisory staff) during the financial years 2022-23 and 2023-24. Detail is given below:

(Rs.)

S. No.	Description	Financial year	Amount
1.	Ad hoc Relief Allowance, 2022	2022-23	2,847,450
2.	Ad hoc Relief Allowance, 2022	2023-24	2,391,194
		Total	**5,238,644**

Audit observed that the management paid Ad hoc Relief Allowance, 2022 @ 15% of basic pay to its employees without the concurrence of the Finance Division.

Audit is of the view that the payment of Ad hoc Relief Allowance, 2022 @ 15% of basic pay to the executive/supervisory staff of Iqbal Academy Pakistan, Lahore without the concurrence of the Finance Division was irregular and unauthorized.

The management did not reply.

The DAC meeting was held on 24.01.2025. The DAC directed the management to submit the case to the Ministry within 15 days to obtain the concurrence of the Finance Division.

Audit recommends that the concurrence of the Finance Division be obtained for payment of Ad hoc Relief Allowance, 2022.

Pakistan National Council of Arts (PNCA), Islamabad

24.5.7 Loss due the breach of contract by M/s Engineering Services - Rs. 10.220 million

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

The management of the Pakistan National Council of Arts (PNCA), Islamabad entered into a contract with M/s Engineering Services on 14.11.2005 for Rs 81.500 million for the execution of "HVAC Work at National Art Gallery, Islamabad." The firm, M/s Engineering Services failed to provide 74 items of HVAC system amounting to Rs. 5,277,526. Out of these 74 items, the management of PNCA purchased 41 items worth Rs. 15.400 million from M/s Ali Raza Sons during the financial year 2023-24.

Audit observed as under:

i. The PNCA management did not black list the firm (M/s Engineering Services) for breach of the contract agreement.
ii. The Government suffered a loss of Rs. 10.222 million due to non-compliance of contractual obligations by M/s Engineering Services.

(Rs.)

Name of the firm	Work awarded	Cost of total work	Cost of incomplete work	Cost of purchased items	Loss due to price escalation
M/s Engineering Services	HVAC	81,500,000	5,277,526 (73 items) FY 2005-06	15,500,000 (41items) FY 2023-24	10,222,402

iii. The performance guarantee of Rs. 8.100 million @ 10% of the contract cost as per contract was not taken from the firm.

iv. The liquidated damages maximum of 10% of contract cost including all the approved variations as per contract agreement were not recovered from the firms.

Audit is of the view that Government suffered a loss due to cost escalation and negligence of PNCA's management.

The management replied that a contract agreement was signed with the contractor on 01.11.2005. HVAC System has been installed in NAG/PNCA. The final bill of M/s Engineering Services was lying pending with the Consultant since 08.06.2010, for its scrutiny and for rectification of the punch list/pending works, which were conveyed to the Contractor while handing/taking over of the system.

The system was commissioned on 12.03.2007 and handing taking over was done between the Contractor and Employer in February, 2010. Prior to the handing over of the system, it was maintained and operated by the Contractor for about 2 years. A punch list was prepared and handed over to the contractor for early rectification, but no action had been taken by the Contractor. As per decision of the Steering Committee, the chillers were got repaired and filters were purchased after completing all the codal formalities at the Contractor's risk and cost. Bill of the Contractor was lying pending with the Consultant, same would be processed after completion of remaining punch list. Detail of the payment to the contractors is as under: -

i. PC-I cost 3rd revision Rs. 90,804,000
ii. Contract value Rs. 81,500,000
iii. Amount paid to the contractors till date is Rs. 66,000,000
iv. Retention money held with the project @ Rs. 540,000

A punch list was prepared during handing over/taking over of HVAC system from the Contractor in June, 2010, which needs to be addressed before payment of the final bill. A meeting of the contractor and the Director General, PNCA was held on 27.05.2016 to resolve the outstanding issues. The contractor was asked to hold a meeting with the Consultant to resolve the issue. The meeting was held on 09.06.2016. The contractor promised to rectify technical issues within one month and would provide spares by 31.07.2016. However, the contractor claimed a different list of spares against the list mentioned in the Tender/Contract documents of HVAC which needs verification. Consultant, National Art Gallery

was asked to study the case and draw a comparison of both the lists of spares, tools and instruments and give his recommendations to the PD of the project in written form to settle the issue.

The Consultant, NAG to check and verify the list of spares to be provided as claimed by the contractor and give his recommendations about the spares to be provided by the contractor. The Consultant will give the final notice to the contractor to rectify the punch list not later than 31.07.2016, after that, the pending works to be got executed on the contractor's risk and cost. Final bill will be paid after rectification of punch list vide a Letter dated 16.11.2016 and PNCA's Letter dated 20.07.2023. Previously, it was also decided in the 21st Steering Committee Meeting to carry out the remaining works to the contractor's risk and cost as per contract Clause No.91, "Remedy on Default of the Contractor." In the absence of various tools, spares and equipment, the HVAC system is being affected adversely. In view of the above, M/s Engineering Services, the contractor of HVAC filed a Writ Petition in the Wafaqi Mohtasib (Ombudsman's) Secretariat complaint No. WMS-KHI/0005560/18 dated 12.07.2018 at Karachi against PNCA. After the hearing of the case, final decision of the Wafaqi Mohtasib in favour of PNCA was made.

After the decision of the Wafaqi Mohtasib, tender notice was uploaded on 29.11.2023 as well as PPRA website regarding pending works of M/s Engineering Services at the contractor's risk and cost.

The management accepted the audit point of view that the Government suffered a loss due to the breach of contract by the firm. Moreover, neither the liquidated damages were recovered nor performance guarantee was obtained from the firm.

The DAC meeting was held on 24.01.2025. The DAC directed to conduct a fact-finding inquiry under the chairmanship of DS, NH&C Division with the timeline to submit the inquiry report within one month.

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

CHAPTER 25

PAKISTAN AGRICULTURAL RESEARCH COUNCIL (PARC)

25.1 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 agricultural research system in Pakistan was evaluated by a joint Pakistan-American Research Review Team in 1968 and 1973. The recommendations included expanding the Agricultural Research Council (ARC), the successor of Food and Agriculture Committee (FAC), 1948 and Food and Agricultural Council of Pakistan (FACP), 1951, and granting a national coordinating role for basic research. For the purpose, it was decided to establish a national research center near Islamabad, designated as Pakistan Agricultural Research Centre, later changed to National Agricultural Research Centre (NARC).

Establishment of the NARC was initiated in 1975, but its foundation stone was formally laid in March, 1980. The Centre was finally inaugurated and chartered by the President of Islamic Republic of Pakistan in March, 1984. PARC-National Agricultural Research Centre (NARC), Islamabad established in 1984, is the premier research establishment of the Pakistan Agricultural Research Council (PARC) at the federal level. NARC, with a total land area of approximately 1,396 Acres, is located near Rawal Lake, six kilometers south-east of Islamabad. Physical facilities in term of experimental fields, laboratories, green houses, gene bank, national insect museum, national herbarium, library/documentation, auditorium, machinery, lab. equipment repairs workshops, stores, hostels, cafeteria, audio visual studios, are also available at the NARC.

The component divisions of crop, animal, natural resources and social sciences are playing a pivotal role in the national agricultural research system. Experimental farm area of about 1,400 Acres is being fully utilized to undertake research on more than 120 commodities. 98 laboratories are adequately equipped. Qualified manpower in every sub-sector of agriculture has been trained through local and foreign training programmes. NARC is supporting these activities by

providing several important facilities for all the scientists in the country. In particular, it maintains a national gene bank, computer-based data processing facility, a well-maintained national library of agricultural sciences and information center, training institute and a centralized facility for instrumentation and repair of the laboratory equipment. The Centre is also a focal point for international and national seminars and conferences on different aspects of agricultural research. In its pursuits for high quality research, the NARC has linkages with internationally renowned centers/institutions all over the world. The information center holds up to date data searching as well as online searching of international research journals facility, which are being used by the scientists and university students from all over the country. The Ploy-technique Institute organizes frequent training courses for agricultural scientists/extension workers/farmers and housewives in collaboration with national and international institutes/agencies to keep them abreast and impart them the latest knowledge on different aspects of agricultural production.

(Rs. in million)

Sr. No.	Description	Total Number	Audited	Expenditure Audited (FY-2023-24)	Revenue/ Receipt Audited (FY-2023-24)
1	Formations	3	3	6,923.05	412.80
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

25.2 Comments on Budget and Accounts (Variance Analysis)

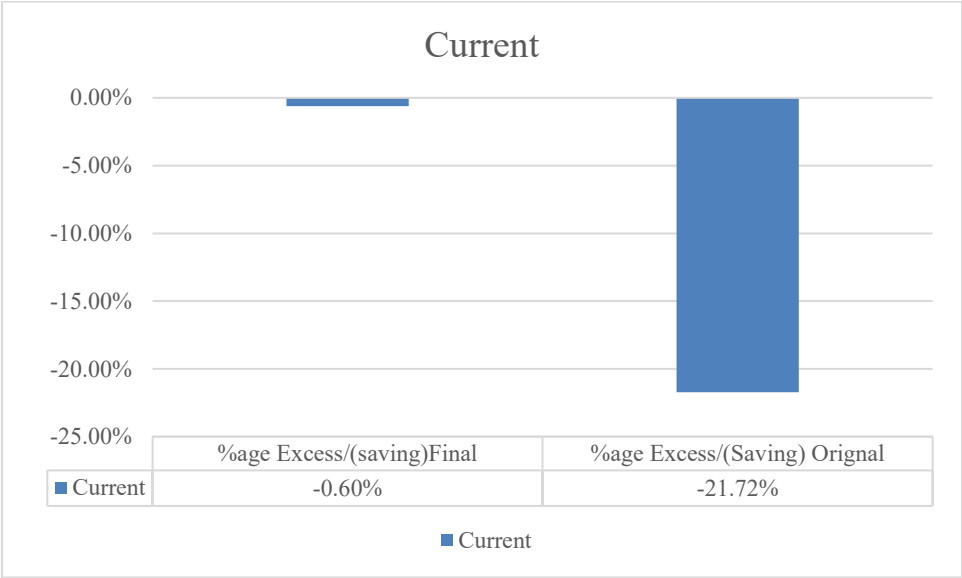
The final budget allocated to the Pakistan Agricultural Research Council for the financial year 2023-24 was Rs. 6,574.716 million, out of which the Council expended an amount of Rs. 6,535.168 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

Grant Number	Type of Grant	Original Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)
76	Current	8348.71	1774.00	6,574.71	6,535.16	39.54

Audit noted that there was an overall savings of (Rs.39.549 million), which was mainly due to saving in the development grant.

As shown in the chart below, it is observed that, there was -21.72% of savings w.r.t Original grant which was finally reduced to -0.60 % w.r.t Final Grant for current expenditure.



25.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 4.200 million were raised in this report during the current audit of the **Pakistan Agricultural Research Council**. Summary of the audit observations classified by nature is as under:

(Rs. 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	4.200
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	

25.4Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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**	-

25.5 AUDIT PARAS

Mountain Agricultural Research Center (MARC), Jaglote, Gilgit

25.5.1 Irregular payment of salaries - Rs. 4.200 million

Section 13.4 of the PC-I of the project titled, "Mainstreaming of Mountain Agriculture Research Centre (MARC) for the promotion of high value agriculture in Gilgit-Baltistan" provides that no new recruitment will be made under the project. The required staff will be provided by the PARC from its main strength (current side) as decided by the PARC management.

The management of the Mountain Agricultural Research Center (MARC), Jaglote, Gilgit incurred an expenditure of Rs. 4,200,000 under the head Other Charges, Other Services of Daily Paid Labour (DPL).

Audit observed that the payments were made on account of salaries to the staff appointed on the Daily Paid Labour (DPL) by the DG, MARC despite non-provision of such appointments in the PC-I.

Audit is of the view that appointments for the project and payment of salaries thereof was irregular and unauthorized.

The management did not reply.

The PAO and the audited formation were informed on 30.10.2024 and 12.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends discontinuation of the irregular practice forthwith beside regularization of the irregularity from the competent forum.

CHAPTER 26

PAKISTAN ATOMIC ENERGY COMMISSION (PAEC)

26.1 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 and 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.

(Rs. in million)

Sr. No.	Description	Total Number	Audited	Expenditure Audited (FY-2023-24)	Revenue/Receipt Audited (FY 2023-24)
1	Formations	15	10	74,710.46	100,485.88
2	Assignment Accounts (Excluding FAP)	2	-	-	-
3	Authorities/ Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

26.2Comments on Budget and Accounts (Variance Analysis)

The final budget allocated to the Pakistan Atomic Energy Commission for the financial year 2023-24 was Rs. 44,175.050 million, out of which the

Commission expended an amount of Rs. 44,175.050 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

Grant Number	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)
7	Current	16,633.49	4,861.55	-	21,495.05	21,495.05	.00
124	Development	26,100.00	-	3,420.00	22,680.00	22,680.00	.00
	Total	**42,733.49**	**4,861.55**	**3,420.00**	**44,175.05**	**44,175.05**	**.00**

Audit noted that the Commission utilized all the allocated budget.

26.3Classified Summary of Audit Observations

Audit observations, amounting to Rs. 531,193.866 million, were raised in this report during the current audit of the **Pakistan Atomic Energy Commission (PAEC)**. Summary of the audit observations classified by nature is as under:

(Rs. 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	18.265
B	Procurement related irregularities	754.713
C	Management of account with commercial banks	
D	Recovery	530,420.858
E	Internal Control	
4	Value for money and service delivery	
5	Others	

26.4Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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	-
2023-24	14	0	0	14	-
Total	**55**	**13**	**11**	**44**	-

26.5 AUDIT PARAS

Pakistan Atomic Energy Commission

26.5.1 Irregular temporary advances for contingent expenditure - Rs.18.295 million

National Command Authority's Standards Operating Instructions Procurement, 2022, Section 15 provides for procurement to be conducted through the following methods: a) Purchase by Spot Purchase Committee b) Negotiated Tendering c) Single Source Procurement/Direct Contracting d) Propriety Purchases e) Purchase on Repeat Order basis f) Limited Tender Procurement g) Open Tender Procurement i) Force Account j) Direct Contracting with State Owned Entities k) e-Public Procurement

National Command Authority's Standards Operating Instructions Procurement, 2022, Section 2(a)(13) states that emergency includes but is not limited to war or threat of war, threat from a non-state actor, accident(s), urgency, strategic compulsion, unforeseen and operational emergency, abnormal situation or any such situation certified as an emergency by the DG, SPD which may require prompt and immediate action, or limits or avoids loss to the organization, or damage to person(s), property or the environment.

Revised Delegation of Powers notified vide Office Order No. 1376/2021 dated 02.08.2021 Section 23(a) states that the competent authority may sanction temporary advance for emergent and contingent expenditure subject to observance of prescribed procedure with financial concurrence.

Management of the PAEC allowed temporary advances for contingent expenditure amounting to Rs. 18,295,372 during the FYs 2022-2023 and 2023-2024.

Audit observed that the temporary advances for contingent expenditure were allowed as a matter of routine whereas, the advances may only to be made when emergent and contingent conditions are established. No prescribed procedure to authorize temporary advances in emergent and contingent conditions was shown to Audit. Audit further observed an amount of Rs. 6,276,403 in temporary advances remained unadjusted during the period.

Audit is of the view that the temporary advances allowed for emergent and contingent expenditure were irregular.

Management did not reply.

Audit recommends that the practice of issuing temporary advances for contingent expenditure may be reviewed, and should be authorized in cases where there are clear emergent or contingent conditions are established. Audit further recommends that the procedures and guidelines need to be formulated for situations in which such advances can be authorized.

Karachi Nuclear Power Generating Station, Karachi

26.5.2 Non-recovery of sale proceeds of electricity from the CPPA - Rs. 185,231.199 million

Para 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.

As per Section 9.6 a(i) and (d) of the Power Purchase Agreement of K2 and K3 with CPPA, the CPPA shall pay PAEC the amount shown on an invoice less deduction for any disputed amounts or portion of amounts shown in the invoice on or before the 30th day following the day the invoice is received by the CPPA. Late payments by either party of amounts due and payable under this agreement shall bear interest at a rate per annum equal to the delayed payment rate, prorated daily.

The management of KNPGS (K 2 and K 3), Karachi sold out the electricity to M/s Central Power Purchasing Agency (Guarantee) Limited of Rs. 269,959.621 million, out of which, an amount of Rs. 266,284.118 million was verified by the CPPA. After recovery of Rs. 81,052.918 million, an amount of Rs. 185,231.199 million was outstanding at the close of the financial year 2023-24. The summary is as under:

(Rs. in million)

S. No.	Units	Amount claimed (Sale of electricity)	Amount disallowed	Verified amount	Recovered amount	Outstanding amount
1	K 2	162,624.979	3,671.851	158,953.128	32,663.231	126,289.898
2	K 3	107,334.642	3.652	107,330.990	48,389.688	58,941.302
Total		**269,959.621**	**3,675.503**	**266,284.118**	**81,052.919**	**185,231.199**

Audit observed that a huge amount was still outstanding up to the close of the financial year 2023-24, which has been accumulated over the months since October, 2023.

Audit is of the view that non-recovery of outstanding amount deprived the Commission from its due receipts.

The management replied that the revenue billings of both Power Plants were due to be submitted on every 1st working day of the next month. The CPPA pays the bills to K 2/K 3 as per availability of cash flows with them. Consequently, the receipts against this amount are being received in July/August, 2024.

The reply of the management was not accepted. There is no agreement to allow late payment by the CPPA subject to availability of cash flows with them. Although, the Power Purchase Agreement has not been signed but the same is being followed by both the parties i.e. CPPA and KNPGS. Accordingly, the CPPA is required to pay the outstanding amount on or before the 30th day, following the day the invoice is received.

Audit recommends that the outstanding amount be recovered from the CPPA at the earliest.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide para number 28.5.3 having financial impact of Rs. 14,717.747 million. Recurrence of same irregularity is a matter of serious concern.

26.5.3 Non-charging of Interest (estimated) on amount receivable beyond one-month delay in payments from the CPPA on account of sale of electricity - Rs. 9,424.659 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.

As per Section 9.6 a(i) and (d) of Power Purchase Agreement of K 2 and K 3 with the CPPA, the CPPA shall pay PAEC the amount shown on an invoice less deduction for any disputed amounts or portion of amounts shown in the invoice on or before the 30th day, following the day the invoice is received by the CPPA. Late

payments by either party of amounts due and payable under this agreement shall bear interest at a rate per annum equal to the delayed payment rate, prorated daily.

The management of the KNPGS (K 2 and K 3), Karachi sold out electricity to M/s Central Power Purchasing Agency (Guarantee) Limited against which an amount of Rs. 139,607.414 million was receivable beyond one-month up to June, 2024.

Audit observed that the management did not charge and recover interest on amount receivable from the CPPA beyond one-month delay in payments on account of sale of electricity by K 2 and K 3 units of the KNPGS during the financial year 2023-24. Audit worked out the estimated amount of interest Rs. 9,424.659 million by applying KIBOR rate @ 21% p.a. prevailing during the financial year 2023-24. The detail working is given below:

(Rs.)

S. No.	Billing month	Due for the period after lapse of one-month up to June, 24 (A)	Amount outstanding (K 2)	Amount outstanding (K 3)	Total amount outstanding (B)	Amount of interest @ 21% p.a. (B x A x (0.21/12)
1	09/23	8 Months	8,393,041,070		8,393,041,070	1,175,025,750
2	10/23	7 Months	13,049,766,169		13,049,766,169	1,598,596,356
3	11/23	6 Months	12,249,145,260		12,249,145,260	1,286,160,252
4	12/23	5 Months	12,657,450,102	4,668,797,926	17,326,248,028	1,516,046,702
5	01/24	4 Months	13,344,223,151	8,718,602,238	22,062,825,389	1,544,397,777
6	02/24	3 Months	12,524,655,802	8,557,566,281	21,082,222,083	1,106,816,659
7	03/24	2 Months	13,709,110,081	9,281,897,614	22,991,007,695	804,685,269
8	04/24	1 Month	13,314,275,182	9,138,883,530	22,453,158,712	392,930,277
Total			**99,241,666,817**	**40,365,747,589**	**139,607,414,406**	**9,424,659,044**

Audit is of the view that non-recovery of interest charges from the CPPA on amount receivable beyond one month caused a loss to the Government.

Management is of the view that as soon as the Power Purchase Agreement is approved, the late Payment bill would be prepared and submitted as per terms and conditions of the Agreement. Since the commercial operation date, Final Draft of the TPPA is submitted to the ECC for final approval of the concerned authorities. Therefore, Late Payment Surcharges cannot be accepted at this stage.

The reply of the management was not accepted. Although, the Purchase Agreement has not been signed but the same is being followed by both parties i.e.

CPPA and KNPGS, accordingly, the CPPA is required to pay the outstanding amount on or before the 30th day, following the day, the invoice is received by the CPPA and any late payments by either party of amounts due and payable under this agreement shall bear interest. Furthermore, PAEC has sustained a loss of interest due to delayed payments being made by the CPPA.

Audit recommends that amount of interest may be worked out on the actual rate as per agreement and recovered from the CPPA.

SINOR Hospital, Swat

26.5.4 Inordinate delay in delivery of medical equipment (High Energy LINAC with MLC, 3D Beam Dosimetry System) and failure to commissioning, testing and required training of the staff

As per Para 3 of the Supply Order No. DGTP-377(1742)/HS-2/21-22 dated 03.01.2022, the delivery time of the equipment will be within 3-4 months after establishment of the Letter of Credit.

As per Para 3 of the Supply Order No. DGTP-682(1602)/HS-2/21-22 dated 03.02.2022, the delivery time of the equipment will be within 5-6 months after establishment of the Letter of Credit.

The Departmental Accounts Committee (DAC) in its meeting dated 13.02.2024 directed to finalize the receipt of equipment at the earliest. Moreover, to verify the details of items received along with vouchers/bills, stock registers of purchased items and bank statements.

The management of SINOR Hospital, Swat, obtained Rs. 616.531 million from the Provincial Government of Khyber Pakhtunkhwa, through PC-I titled Upgradation of SINOR Hospital, Swat vide ADP No. 783/200196 (2020-21) for purchase of Plant and Machinery.

The Health Department of Government of KPK vide a Letter No. 3-215/SPO-1/P&D/Health/2020-21 dated 11.11.2020 issued Administrative Approval for the project with a time frame of 12 months i.e. 01.07.2020 to 30.06.2021. The Management of SINOR, Swat transferred the subject amount to

the PAEC, Islamabad for onward purchase of Radio Therapy equipment for SINOR, Swat as an advance payment through the DGTP vide Cheque No. 000802 dated 07.04.2022. As per Supply Order issued to the M/s VARITRON (FZC), UAE, the machinery was required to be supplied as under:

Supply Order No.	Date	Description	Amount AED	Delivery time	Mode of delivery
DGTP-377(1742)/ HS-2/21-22	03.01.2022	3D Beam Dosimetry System	905,790	3-4 Months	By Air
DGTP-682(1602)/ HS-2/21-22	03.02.2022	High Energy LINAC with MLC	8,186,384	5-6 Months	By Sea
Total			**9,092,174**		
AED equivalent to Pak. Rupees			**616.531 million**		

Audit observed as under:

1. The formal agreement was not made with the firm i.e. M/s VARITRON (FZC), UAE.
2. As per Supply Orders issued to the firm, the machinery was required to be delivered by 03.05.2022 and 03.08.2022. However, the partial delivery was received on 17.12.2022, 23.05.2023, 23.08.2023 and 29.03.2024.
3. Despite advance payment made to the firm on 07.04.2022, the machinery was still not yet delivered by the firm to the DGTP and onward to the Hospital concerned up to 30.07.2024. CT Simulator Equipment was still to be received. The equipment was being received in parts and some equipment were placed in the open air.
4. As per the Dispatch of Consignment dated 17.12.2022, one package was damaged with a completely loose wooden structure. Additionally, two packages were wrapped in covers that had holes, exposing the inner foil. Despite these issues, the management did not take any action.
5. After a lapse of two years, the machinery and equipment were not fully received by SINOR, due to which, the commissioning, testing of the machinery and equipment as well as the required training of the technical staff has not been done so far.

6. The delivered items have not been entered in the stock register so far therefore, the Audit was unable to verify the quantity of actual items received so far.
7. The Performance Bank Guarantee @ 10% of order value was not available on record.

Audit is of the view that the late delivery of equipment and non-commissioning, testing and training to the relevant staff was a lapse on the part of the management.

The management replied that the formal agreement was attached in the file. There has been a delay in the procurement of the equipment by the Directorate General, Supply Chain Management (DGSCM) due to the reason that the equipment was to be purchased through a Letter of Credit (LC) and the same was established in the first quarter of 2022. However, due to situation of severe Foreign Exchange shortage faced by the country, foreign exchange was not released by the Government of Pakistan due to which LCs could not be matured. The payment was made to the sister organization DGSCM (responsible for the procurement of the equipment) and no advance payment was made to the supplier. Moreover, LINAC and 3D Beam Dosimetry system have been completely received. However, there is a shortage of funds (due to devaluation of Rupee) for procurement of CT Simulator for which the KP Government has been approached. As and when the amount is received, CT Simulator will be purchased. The equipment has been received as per standard laid down procedures in parts as per agreement. Shipment of the equipment as a whole is impossible, therefore, the equipment arrived in parts. As it was not possible to shift the box inside due to its dimensions, it was left in an open space. However, proper protection has been ensured by blanketing it with waterproof covering. The equipment is insured, and it is the responsibility of the supplier to install and commission the equipment. Any damage will be the responsibility of the supplier according to the agreement and the supplier will provide the equipment in a functional state. Moreover, there is a six years warranty for the equipment. The terms and conditions specify that M/s Varitron will train two physicians and two physicists for the subject machine and the same will be conducted after installation of the machines. The items have not been entered in the stock register due to the reason that the equipment has not been opened yet. Once

the equipment is opened, each part will be entered in the stock register. Performance Bank Guarantee has been obtained from the supplier**.**

The reply is not acceptable as the full equipment has not so far been received after a lapse of more than two years.

The PAO and the audited formation were informed on 31.10.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting.

Audit recommends expediting the delivery of remaining equipment, commissioning of the equipment, and conducting staff training to ensure operationalization of the equipment.

Chashma Nuclear Power Generation Station

26.5.5 Unjustified retention of Earnest Money - Rs. 92.498 million

Rule 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.

The management of the Chashma Nuclear Power Generation Station, Kundian, Mianwali is maintaining seven (07) bank accounts titled as "Earnest Money" for each Project (C1, C2, C3, C4, CNGPS, DTS, and CHASCENT). Balance and detail of each account is as under:

(Rs.)

S. No.	Project	A/C number	Title of account	Closing balance as on 30.06.2023
1	**C-1**	3158113142	Site E/M A/c	22,690,461
2	**C-2**	3163269653	C 2 Sec. Deposit/E/M	8,134,800
3	**C-3**	3142557096	E/M A/c	17,579,580
4	**C-4**	3149255220	Earnest Money/ Security Deposit A/c C 4	29,225,203
5	**CNPGS**	NIDA 22-1	CNPGS Sec/E/M A/C	3,402,263
6	**DTS**	NIDA 26-7 3009832021	DTS Security deposit/ Earnest Money A/c	11,008,386
7	**CHASCENT**	NIDA -30-1 3009832067	Security Deposit/Earnest Money	458,077
Total				**92,498,770**

Audit observed as under:

1. The amount lying with the banks is the accumulated balance of the contractors' earnest money received during the last many years against various Supply Orders.
2. Amount of earnest money i.e. Rs. 22,690,461 pertaining to C I has been utilized as "Bank Guarantee" to Sui Northern Gas Pipeline (SNGPL) and C 2 has also given Bank Guarantee to (SNGPL) for another Gas connection by purchasing TDRs in NBP bank without consultation of the Finance Division.

Audit is of the view that retention of earnest money since long reflects that either the suppliers could not comply with the conditions of the Supply Orders issued to them or they completely failed to supply the requisite items, therefore, they did not claim the earnest money beside unlawful utilization of earnest money as bank guarantee in TDRs form to the SNGPL without consultation of the Finance Division.

The management did not reply.

The PAO and the audited formation were informed on 31.10.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting.

Audit recommends that the unclaimed earnest money be deposited in the Government treasury at the earliest.

26.5.6 Non-recovery of sales proceeds from the CPPA-G - Rs. 287.761 billion

Clause 7.2 (a) Capacity Purchase Price (CPP) and Clause 7.2 (b) Energy Purchase Price (EPP) of the power purchase agreements states that the due date for payment of such invoice by the Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) shall be the date twenty-five days following the date of delivery of such Invoice to the CPPA-G.

The management of the Chashma Nuclear Power Generating Station (CNPGS), Kundian, District Mianwali provided the following details of electricity bills invoiced and receipts made from the Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) during the Financial year 2023-24:

(Rs.)

CNPGS No.	Receivable as on 01.07.2023	Amount invoiced	Receipts	Receivable as on 30.06.2024
C-1	22,649,238,558	26,514,515,157	16,077,479,565	33,086,274,150
C-2	41,070,870,554	40,966,334,720	19,403,000,000	62,634,205,274
C-3	67,278,956,202	60,802,293,045	30,294,500,000	97,786,749,247
C-4	64,999,448,634	61,189,380,934	31,935,000,000	94,253,829,568
Total	195,998,513,948	189,472,523,856	97,709,979,565	287,761,058,239

Audit observed that:

i. No amount was received against the bills invoiced during the Financial year 2023-24.
ii. The receivables were showing an increasing trend during the Financial year 2023-24.
iii. The last payment of the Principal amount was received on 28.06.2024 against the billing month of June, 2023, December, 2022, October, 2022, and October, 2022 of C-1, C-2, C-3 and C-4 respectively.

Audit is of the view that the non-recovery of the billing amount from the CPPA-G shows a lack of an effective recovery system.

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

The PAO and the audited formation were informed on 22.01.2025 for convening of the DAC meeting.

Audit recommends that efforts be made to recover the outstanding amount early by establishing clear timelines and follow-up actions with the CPPA-G.

26.5.7 Non-adjustment of Late Payment Charges - Rs. 48.004 billion

Clause 7.2 (e) of the Article 7 of the Power Purchase Agreement between the Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) and the

Pakistan Atomic Energy Commission states that the late payments shall bear interest at a rate per annum equal to the Base Rate plus two percent (2%) per annum and shall be computed for the actual number of days based on a three hundred sixty-five (360) days per year.

IFRS 9 Guidance states that the payments should first be applied to accrued interest (including the Late Payment Charges) before reducing the Principal amount.

The management of the Chashma Nuclear Power Generating Station (CNPGS), Kundian, District Mianwali provided the following details of receivables on account of Late Payment Charges from the Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) during the Financial year 2023-24.

(Rs.)

CNPGS No.	Receivable as on 01.07.2023	Amount invoiced	Receipts	Receivable as on 30.06.2024
C-1	5,830,372,934	2,327,972,463	846,206,000	7,312,139,397
C-2	8,045,722,255	4,336,614,502	45,000,000	12,337,336,757
C-3	9,093,917,060	7,344,902,499	605,000,000	15,833,819,559
C-4	5,412,575,687	7,277,674,418	170,000,000	12,520,250,105
Total	28,382,587,936	21,287,163,882	1,666,206,000	48,003,545,818

Furthermore, the details of the last late payment charges received are as under: -

(Rs.)

CNPGS No.	Date	Invoice No.	Billing month	Amount
C-1	25.06.2024	CNPGS/C1/CPPAG/20147-18	February, 2016 to December, 2016	15,000,000
C-2	18.09.2024	CNPGS/C-2/LP/CPP-012019	January, 2019	49,900,285
C-3	21.11.2024	CNPGS/C-3/LP/2019	July, 2019	150,000,000
C-4	21.08.2024	CNPGS/C-4/CPP/092020	September, 2020	189,550,318
			Total	**404,450,603**

Audit observed as under:

i. There is a mismatch in timing i.e. the last principal payment for the billing month of June, 2023 was received, but late payment charges from the billing month of February, 2016 onwards remain unadjusted.
ii. The interest on late payment was pending for a long period causing a loss to the organization in terms of value for money.
iii. The interest on late payments is not accrued as per the international financial reporting standards.

Audit is of the view that the readjustment of interest on late payment before adjusting the principal amount of next month is a misstatement of receivables and misalignment with IFRS.

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

The PAO and the audited formation were informed on 22.01.2025 for convening of the DAC meeting.

Audit recommends that receipts be applied to settle late payment charges before adjusting them towards the principal amount for the following month.

26.5.8 Non-supply of items from M/s COME, China against 30% advance payment -Rs. 662. 215 million

Clause 2.2 of the Emergency Procurement Contract between the Pakistan Atomic Energy Commission and the CZEC operation and maintenance engineering Co. Ltd. (COME) states that for the spare parts, urgently required by the CNPGS and KNPGS, COME shall make the items meet the shipping conditions within 2 weeks which in stock in China and those meet the shipping conditions within 6 weeks which in stock in the third country after receiving the urgent entrustment procurement notice from the CNPGS and KNPGS. For items which are not in stock, priority should be given to production scheduling and production should be accelerated.

The management of the Chashma Nuclear Power Generating Station (CNPGS), Kundian, District Mianwali procured different items from M/s COME, China during the Financial year 2023-24, 30% advance payment of which has been made. Details is as under:

(Rs.)

CNPGS No.	Description	Amount
C-1	M/s CZEC Operation and Maintenance Engineering Co. Ltd. (COME)	66,180,941
C-2	M/s CZEC Operation and Maintenance Engineering Co. Ltd. (COME)	73,749,329
C-3	M/s CZEC Operation and Maintenance Engineering Co. Ltd. (COME)	368,568,414
C-4	M/s CZEC Operation and Maintenance Engineering Co. Ltd. (COME)	153,716,910
Total		**662,215,594**

Audit observed that:

i. The items were not supplied within the stipulated time period.
ii. The exchange rate was not fixed at the time of issuance of the Supply Order.
iii. The advance payments had been made since 2017, which were still non-adjusted.

Audit is of the view that the late supply not only affects the working of the CNPGS but also causes loss to the Government exchequer due to devaluation of the currency.

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

Audit recommends serious efforts be made for early delivery beside fixing the exchange rate at the time of order placement to mitigate forex risks.

CHAPTER 27

PLANNING AND DEVELOPMENT DIVISION

27.1 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 23.04.2019), 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 30.10.2013.
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.

ATTACHED DEPARTMENT/AUTONOMOUS BODIES

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

(Rs. in million)

Sr. No.	Description	Total Number	Audited	Expenditure Audited (FY-2023-24)	Revenue / Receipt Audited (FY 2023-24)
1	Formations	64	2	22,912.33	-
2	Assignment Accounts (Excluding FAP)	1	-	-	-
3	Authorities/ Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

27.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Planning, Development and Special Initiatives Division for the financial year 2023-24 was Rs. 25,707.516 million, out of which the Division expended an amount of Rs. 23,650.955 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

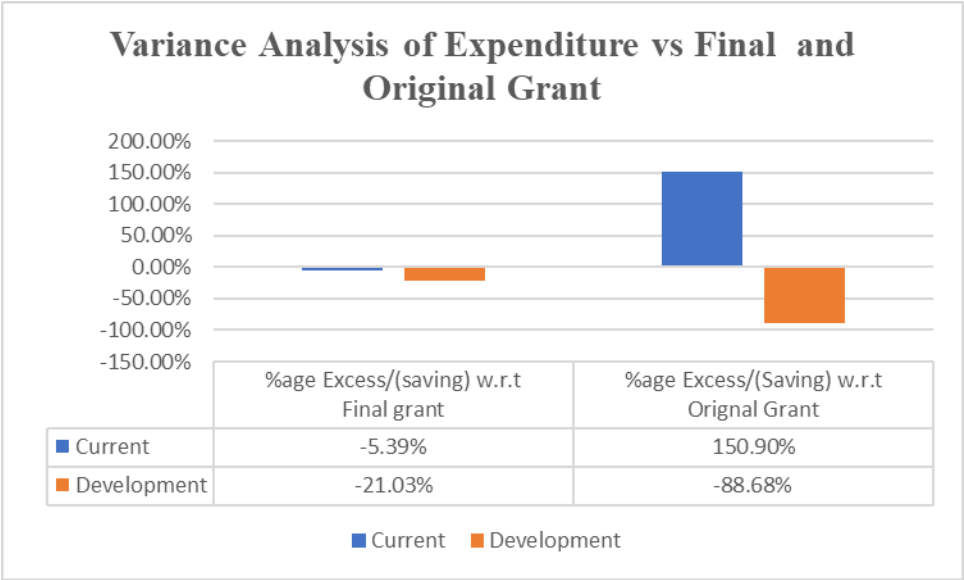
Grant No.	Type of Grant	Original Grant	Supplementary Grant	Surrender	Final Grant	Actual Expenditure	Excess / (Savings)
80	Current	8,077.35	13,990.92	(647.04)	21,421.22	20,266.22	(1,155.00)
119	Dev	29,896.63	-	(25,610.33)	4,286.29	3,384.73	(901.56)
Grand Total		**37,973.98**	**13,990.92**	**(26,257.38)**	**25,707.52**	**23,650.96**	**(2,056.56)**

Audit noted that there was an overall savings of (Rs. 2,056.561) million, which was due to savings in both current and development grant.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 in current and development expenditure, it was observed that, in case of the development grant, there was -88.68% saving w.r.t the original grant which was finally reduced to -21.03% w.r.t. the final grant and in case of the current grant 150.90% excess was finally reduced to savings of -5.39%.



27.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 4,884.018 million, were raised in this report during the current audit of the **Planning Development and Special Initiatives Division**. Summary of the audit observations classified by nature is as under:

(Rs. 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	26.593
B	Procurement related irregularities	46.385
C	Management of account with commercial banks	
D	Recovery	6.686
E	Internal Control	4,656.588
4	Value for money and service delivery	
5	Others	147.766

27.4Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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**	-

27.5AUDIT PARAS

Ministry of Planning, Development and Special Initiatives, Islamabad

27.5.1 Wastage of resources due to non-achievement of the project's objectives for the award of 30,000 internships to the young students of Pakistan - Rs.4,656.588 million

Para 7 of the Financial Management and Powers of Principal Accounting Officers Regulations, 2021 states that the Principal Accounting Officer shall be responsible for use of resources and shall ensure the effective, efficient, economical and transparent use of funds, budget, assets and human resources available to him, in accordance with relevant policies, rules and regulations, for achieving the stated objectives of his Ministry, Division, Department or offices, program, project and services.

The first Administrative Approval of the project titled, "Social Sector Accelerator (SSA) for Health Nutrition, Education, Youth and Gender (HNEYG), National Priority Initiatives" was issued by the M/o Planning Development and Special Initiatives on 30.06.2021 at a total cost of Rs.350 million with the implementation period of twelve (12) months from July, 2021 to June, 2022.

Later on, the Ministry issued another Administrative Approval of the same project vide Letter No.51(2) Dev-I/ PD &SI/ 2020 dated 15.03.2023.

The CDWP in its meeting held on 27.01.2023 approved the project at a total cost of Rs. 4,828 million for a period of 18 months from January, 2023 to June, 2024 with the direction that 1,000 internship opportunities may be included for

Balochistan in the Program to provide employment opportunities and mainstream youth of the province in addition to the 1,000-internship envisaged in other programme.

The detailed budget allocation and expenditure incurred by the project management during the financial year 2023-24 is as under:

(Rs.)

A	Original budget	4,748,050,000
B	Amount appropriated	1,705,514,000
C	Amount surrendered	2,951,973,412
D	Final budget (A-B-C)	91,462,588
E	Total expenditure	91,462,566

As per PC-I, total 30,000 internships were to be awarded to the students during the implementation period of 18 months from January, 2023 to June, 2024.

Audit observed as under:

i. The project management had awarded only 1,444 internships to the young students during the entire implementation period from January, 2023 to June, 2024 which is 4.81% of the given target of 30,000 internships. Thus, the management had not achieved the project's objectives.

ii. Against the total budget allocation of Rs.4,748.050 million for the financial year 2023-24, the management had incurred an expenditure of Rs. 91.462 million leaving an unutilized amount of Rs.4,656.588 million. Out of the unutilized amount, a sum of Rs.1,705.514 million was appropriated and Rs.2,951.073 million stood surrendered to the Government due to non-award of internships.

iii. Budget provision of Rs.4,500 million was made in the PC-I for award of internships to the students but the management incurred a sum of Rs. 31.727 million (Rs.12.871 + Rs.18.856) on payment of internships to the 539 students which is 0.70 % of the total provision of the PC-I.

iv. Total 1,000 internships were to be awarded to the students of Balochistan as per directions of the CDWP, but the decision of the CDWP was not implemented by the project management.

Audit is of the view that due to inefficiency and ineffectiveness of the project management; the objectives of the project were not achieved and the allocated resources of Rs. 4,656.588 million had gone waste. The provision of the PC-I, instructions of the CDWP and rules/instructions of the Government have been violated.

The Ministry did not reply.

The PAO and the audited formation were informed on 30.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends fixing of the responsibility against the persons concerned for the lapses beside devising a mechanism to achieve the project's objectives well in time.

27.5.2 Irregular release of 30 % advance payments to the Awardees without signing of the Contract Agreements and non-submission of deliverables and progress reports by the Awardees thereof - Rs. 147.766 million

Clause 7 of the Contract Agreements submitted by the Awardees to the project management of Innovation Reform Project states that the First Party shall carry out Monitoring and Evaluation of the Project over the course of its duration and may offer requisite support.

Clause 11 (a, b and c) of the Contract Agreement further states that;

a) 1st installment shall be released after the approval of the development project and completion of all the codal formalities as stated in the contract PMP.

b) Second installment shall be released after submission of the First Deliverable.

Third installment shall be released after the submission of the second Deliverable.

Clause 13 of the Contract Agreement states that the Project Sponsor shall deliver bi-annual progress reports containing physical and properly audited financial progress reports (as required) to the First Party.

Clause 16 ibid further states that the only aid shall be utilized exclusively for the project.

Ministry of Planning Development and Special Initiatives issued an Administrative Approval of the Project titled, "Innovation Reform Project" vide a Letter No. 60(1) Dev-I/ PD &SI/2023 dated 10.04.2023. The project was approved by the CDWP in its meeting held on 29.06.2022 at a cost of Rs.9,647.887 million with implementation period of 60 months.

During May, 2023, the management of the Project called upon all citizens and firms/organizations, both in public and private sectors, to submit proposals for innovative projects that lead to the development of new products and services, value addition in existing products/services or process improvement aimed at productivity enhancement in the Governance, Agriculture, Education Health Tech Startups and Women Entrepreneurship.

After final evaluation, 39 proposals were selected as Awardees from all the segments. The concerned Awardees submitted the Contract Agreements for the release of the first instalment (30% of the total project cost) in advance.

As per Clause 3 of the Contract Agreement, the project management released first installment of 30 % advance payment to the concerned Awardees during the financial years 2022-23 and 2023-24, as detailed below:

(Rs.)

Financial year	**Total number of awardees**	**Total advance payment made to the awardees**
2022-23	20	92,261,000
2023-24	11	55,505,140
Total	**31**	**147,766,140**

Audit observed as under:

i. The first installment of 30 % advance payment of Rs.147.766 million has been released to the 31 Awardees without signing of the Contract Agreements by the project management. The payments were released without completion of codal formalities.
ii. Despite lapse of considerable time, the concerned Awardees did not submit the first and second deliverables as per provision of the Contract Agreements.
iii. The Awardees had not submitted the bi-annual progress reports containing physical and properly audited financial progress reports to the project management.
iv. No monitoring and evaluation of the projects has been carried out by the project management as per Clause 7 of the Contract Agreement.

Audit is of the view that the advance payments of Rs.147.766 million made to the Awardees without completion of codal formalities was irregular. The non-submission of deliverables, progress reports and audited financial progress reports by the Awardees was a violation of the Contract Agreement. The use of Government money by the Awardees on the purposes, other than the approved projects, could not be ruled out.

The Ministry did not reply.

The PAO and the audited formation were informed on 30.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends an inquiry to fix the responsibility against the persons concerned for the lapses beside signing of the agreements with the Awardees and obtaining progress reports before release of next installment.

27.5.3 Non-transparent award of contract to a firm due to alteration of bids - Rs. 22.256 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 31 ibid further states that no bidder shall be allowed to alter or modify his bid after the bids have been opened.

The management of the Project titled, "Capacity Building and Institutional Strengthening of M/o PD & SI" floated an open tender in the newspapers for Renovation and Redesigning of Library of 'P' Block Pak. Secretariat, as detailed below:

(Rs.)

Description of the tender	**Date of floating tender**	**Name of successful firm**	**Expenditure**	**Sanction No. and date**
Renovation and Redesigning of Library of P Block Pak. Secretariat	17.07.2023	M/s Mahria Associates	22,256,064	No.1(50)/CB& IS/PDSI/2023 dated 27.09.2023

In the open tender, the following firms offered their bids which were later on altered and shown in the Comparative Statement, as under:

(Rs.)

S. No.	**Name of firm**	**Rate quoted by the bidders**	**Altered rates shown in the Comparative Statement**	**Difference**
1	M/s Mahria Associates	24,033,701	22,256,000	1,777,701
2	M/s Rising Sun Construction	27,141,810	27,142,000	190
3	M/s MS Interior	28,500,000	28,500,000	0

As per above table, the rate quoted by the successful bidder, M/s Mahria Associates was Rs. 24.033 million which was altered to Rs.22.256 million with a difference of Rs.1.777 million.

Audit observed that the Work Order was placed to M/s Mahria Associates at an altered rate of Rs.22.256 million which was an undue favour to the firm.

Audit is of the view that the award of contract to M/s Mahria Associates in a non-transparent manner is a violation of the PPRA Rules, 2004.

The Ministry did not reply.

The PAO and the audited formation were informed on 30.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends an inquiry to fix the responsibility against the persons concerned for the lapses beside regularization of the expenditure from the Finance Division.

27.5.4 Irregular and lavish expenditure incurred on grant of Honorarium to the employees of other departments - Rs.11.871 million

Fundamental Rules 46 (b) states that a local Government may grant or permit a Government servant to receive an honorarium from general revenues as remuneration for work performed which is occasional in character and either so laborious or of such special merit as to justify a special reward. Except when special reasons which should be recorded in writing, exist for a departure from this provision, sanction to the grant or acceptance of an honorarium should not be given unless the work has been undertaken with the prior consent of the local Government and its amount has been settled in advance.

According to Para 7 of the Financial Management and Powers of Principal Accounting Officers Regulations, 2021, "the Principal Accounting Officer shall be responsible;

(a) to adhere to and enforce the principles of financial propriety, including the compliance of laws, rules, regulations, maintaining high standard of prudence, vigilance, due diligence and ensuring value for money while incurring expenditure and collecting government receipts;

(b) for use of resources and shall ensure the effective, efficient, economical and transparent use of funds, budget, assets and human resources available to him, in accordance with relevant policies, rules and regulations, for achieving the stated objectives of his Ministry, Division, Department or offices, program, project and services."

Ministry of Planning Development and Special Initiatives, Islamabad had incurred an expenditure of Rs.250,907,649 on account of grant of Honorarium to

its employees and the employees of other department during the financial years 2022-23 and 2023-24, as detailed below:

(Rs.)

Financial year	Cheque No. and date	Total amount of the honorarium	Honorarium paid to the employees of M/o PD & SI	Honorarium paid to the employees of other departments
2022-23	Cheque No. 9695497 dated 26.06.2023	105,843,279	101,019,916	4,823,363
2023-24	Cheque No. A0055949 dated 28.06.2024	145,064,370	138,016,130	7,048,240
Total		**250,907,649**	**239,036,046**	**11,871,603**

Out of total amount of Rs.250.907 million, honorarium amounting to Rs.239.036 million was disbursed to the employees of the Ministry of PD&SI and remaining amount of honorarium of Rs.11.871 million was disbursed to the employees of other departments i.e. CDA, Police, FC, IESCO, NITB, AGPR, PWD, IESCO, NTC and Rangers.

Audit observed that the Honorarium amounting to Rs.11.871 million was granted to the employees of other departments i.e. CDA, Police, FC, IESCO, NITB, AGPR, PWD, IESCO, NTC and Rangers without observing the provision of the Fundamental Rules and any justification. The Ministry has incurred lavish expenditure on this account.

Audit is of the view that the grant of honorarium amounting to Rs.11.871 million to the employees of other departments in violation of the provision of the Fundamental Rules and instructions of the Government was irregular and lavish.

The Ministry did not reply.

The PAO and the audited formation were informed on 30.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends fixing of responsibility against the persons concerned for the lapse beside recovery of amount from the employees of other departments.

27.5.5 Non-completion of renovation work of bath rooms by the CDA despite receiving advance payment - Rs. 5.182 million

Rule 668 of the Federal Treasury Rules, 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.

Para 7 of the Financial Management and Powers of Principal Accounting Officers Regulations, 2021 states that "the Principal Accounting Officer shall be responsible:

(a) to adhere to and enforce the principles of financial propriety, including the compliance of laws, rules, regulations, maintaining high standard of prudence, vigilance, due diligence and ensuring value for money while incurring expenditure and collecting Government receipts;

(b) for use of resources and shall ensure the effective, efficient, economical and transparent use of funds, budget, assets and human resources available to him, in accordance with relevant policies, rules and regulations, for achieving the stated objectives of his Ministry, Division, Department or offices, program, project and services."

The management of the project titled, "Capacity Building and Institutional Strengthening of Planning Commission" under the Ministry of Planning Development and Special Initiatives, Islamabad made an advance payment of Rs.5,182,441 to the Capital Development Authority (CDA) vide a cheque No.9516976 dated 19.04.2023 for Renovation/Redesigning of Bath Rooms of P. Block, Pak. Secretariat, Islamabad. The estimated cost of renovation received from the CDA was Rs.10.364 million.

The CDA vide Letter No.CDA/DD/M-III (SB)/(AB-12)/2024 dated 25.01.2024 intimated that the work was awarded to M/s Dani Enterprises with an agreement amount of Rs.10.798 million. The CDA further requested the Ministry to pay the balance amount of Rs.6.480 million.

Audit observed as under;

i. Despite receiving an advance payment of Rs.5.182 million and lapse of more than one and half year, the CDA had not completed the renovation work of the bath rooms of the M/o PD&SI till 17.10.2024 as no work completion report was on record.
ii. The CDA did not submit detailed accounts of advance payment of Rs.5.182 million (supported by vouchers or by refund as case may be) to the M/o PD&SI. The advance payment was lying unadjusted for the last one and half year.

Audit is of the view that non-completion of renovation work by the CDA and non-submission of detailed accounts of the advance payment is a violation of rules.

The PAO and the audited formation were informed on 30.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

The management did not reply.

Audit recommends that the matter may be taken with the CDA for completion of remaining works and provision of adjustment accounts.

27.5.6 Loss due to incurring of wasteful expenditure on recruitment process of Ministerial Staff - Rs. 5.570 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.

Establishment Division's OM No.53/1/2008-CP dated 06.05.2020 states as under:

"The undersigned is directed to refer to this Division's OM of even number dated 16.01.2015 regarding mechanism to ensure merit based recruitment in the Ministries/ Divisions/Sub-ordinate Offices/Autonomous/ Semi-Autonomous

Bodies/ Corporations/Companies/Authorities and to state that Para 1(a) of the above referred OM is withdrawn with immediate effect with the request that the initial screening of the applicants may be conducted by the concerned Ministries/Divisions/Subordinate Offices/Autonomous/Semi-Autonomous Bodies /Corporations/Companies/Authorities themselves till the Cabinet Committee give its final decision on the subject."

Ministry of Planning Development and Special Initiatives, Islamabad had floated an advertisement in the newspaper on 13.11.2022 and 02.04.2023 for recruitment of 69 Ministerial Staff.

The Ministry had incurred an expenditure of Rs. 5,570,331 on conducting of initial screening test and written tests through the Federal Board of Intermediate and Secondary Education, Islamabad, payment of advertisement charges and payment of TA/DA to officers and officials concerned as summarized below:

(Rs.)

Detail of expenditure	**Amount**
Payment to the Federal Board of Intermediate and Secondary Education (FBISE), Islamabad in connection with conducting of Initial Screening and written test.	4,185,300
Payment of Advertisement Charges	479,267
Payment of infrastructure support and allied services to the Board of Intermediate and Secondary Education, Lahore	219,200
Payment of TA/DA to the Recruitment Committee and concerned officers/officials of the Ministry	686,564
Total	**5,570,331**

According to the directions issued by the Establishment Division, the initial screening of the applications was to be conducted by the Ministry of PD&SI.

As per above table, a payment of Rs.4,185,300 (@ Rs.100 per candidate for total 41,853 candidates) was made to the FBISE for conducting initial scrutiny, written test, compilation of results and preparation of merit lists.

The first NOC issued by the Establishment Division stood expired on 11.03.2023 which was got extended up to 09.07.2023 with the approval of the Prime Minister.

Due to receipt of complaints regarding non-transparent appointment of a Chowkidar (i.e. before completion of recruitment process) and inordinate delay in finalization of recruitment process by the Administration, the Minister for PD&SI vide Para 769 scrapped the whole recruitment process ab-initio and directed to re-advertise the vacancies.

Audit observed as under:

i. Hiring the services of the Federal Board of Intermediate and Secondary Education, Islamabad and incurring of an expenditure of Rs.4.185 million was a violation of the instructions of the Government.
ii. Due to scrap of recruitment process, the entire expenditure of Rs.5.570 million had gone waste. No action was taken against the concerned Recruitment Committee and other officers/officials of the Ministry who contributed to the loss.

Audit is of the view that the incurring of an expenditure of Rs. 4.185 million on hiring the services of the FBISE in violation of the instructions issued by the Establishment Division is unauthorized. The Public Exchequer was put to a loss of Rs. 5.570 million due to failure of the Administration in conducting recruitment process in a transparent manner in time.

The Ministry replied that facing acute shortage of staff to dispose of official business, M/o PD&SI initiated recruitment process during the year 2022-23 to recruit various posts in BPS 01-15. During the process, over 42,000 candidates were shortlisted/screened out for the post of Assistant/UDC/LDC Steno typist by this Ministry as per the instructions of the Establishment Division. To conduct the test for such huge number of candidates within the given timeframe, this Ministry did not possess the required infrastructure supervisory staff, technical expertise as well as the required training to conduct test, on such a large scale, across the country. The exigency of filling the posts on urgent basis, necessitated to search for different Government organizations to conduct the test country wide which revealed that the Federal Board of Intermediate and Secondary Education (FBISE) not only possessed the required infrastructure, supervisory staff, technical expertise as well as the required training to conduct the test throughout the country but also offered the lowest rate of Rs.100 per candidate. Therefore, FBISE was engaged to provide

required infrastructural and technical support in accordance with Clause 42(f) of the Public Procurement Rules, 2004 as amended from time to time. Further submitted that this was Government to Government transaction and no private entity was involved to carry out the above cited assignment.

The recruitment process could not be completed in the stipulated time i.e. 120 days provided by the Establishment Division vide first NOC on 11.03.2023, due to huge number of applicants i.e. 56,902 against 69 posts and thereby, the case was put up for the approval of the Honorable Prime Minister which provided its assent and extended up to 09.07.2023. Thereafter, the recruitment process was near to completion and further extension was sought but process was scrapped.

As far as the transparency is concerned, 56,902 applications were received against 69 posts through applications on the National Job Portal (NJP) which is controlled by the National Information Technology Board (NITB). Five shortlisting committees were constituted with the approval of the Secretary, PD&SI. In line with the Establishment Division's guidelines, assessment against posts of BS 01 to 05 was carried out through interview only while for positions in BS 04 i.e. Dispatch Rider, Staff Car Driver (02) and Duplicate Machine Operator (01), skill test was conducted through Islamabad Traffic Police with the approval of the Minister. Only those candidates were interviewed who cleared the technical test. The Establishment Division prescribes objective typing test for assessing candidates for selection in BPS 06-15. Over 42,000 candidates in this category were to be assessed. This task was assigned to the FBISE with the approval of the Minister. The results of the written tests were uploaded on the website of the Ministry and only the top 05 candidates were called for interview. The file was then put up for grant of extension in NOC for the second time vide Para 768/N to complete the recruitment process and with the second suggestion to stop recruitment process and start it ab initio by advertising the vacancies afresh once the newly elected Government assumes office. Thereby, the Minister for PD&SI scrapped the whole recruitment process vide Para 771/N.

The recruitment process was scrapped at the directions of the Minister of PD&SI. However, due to austerity, economy and rightsizing measures of the Federal Government, a process of abolition of vacant posts in BPS 01-04 is underway. Once, the said process is completed, case for fresh recruitment will be initiated under the directions/policy of the new Government.

The reply is not cogent. The hiring services of the Federal Board was in violation of the instructions issued by the Establishment Division. The recruitment process was scrapped by the Minister due to receipt of complaints regarding non-transparent appointment of a Chowkidar (i.e. before completion of recruitment process) and inordinate delay in finalization of recruitment process by the Administration.

The PAO and the audited formation were informed on 30.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends an inquiry to fix the responsibility against the concerned officers and officials for the lapses and to make the loss good.

27.5.7 Loss due to non-recovery of Pay and Allowances from an absconder - Rs. 2.465 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.

An officer of the Economist Group was posted as Research Officer (BPS 17) in the Finance Division on 18.08.2019. He was nominated for Graduate Programme in Master of Public and Administration at Texas, A&M University, USA. The Officer had proceeded to USA w.e.f. 05.08.2021.

The officer submitted a Surety Bond to the M/o PD&SI wherein he had committed the following:

"I shall return to Pakistan after completion of the training and serve the Government of Pakistan/the organization, being served at present, for at least three years. If I do not return to Pakistan within one week after the completion of my training authorized period abroad, my services may be terminated by the Government of Pakistan, in its discretion, without any notice to me. If I do not

return to Pakistan for the duty after completing the training, I am bound to pay all the expenses born by the Government of Pakistan."

The officer had to assume the charge of the post of Research Officer on 07.08.2023 but he did not join the Finance Division. The Finance Division repatriated the officer to the Ministry of Planning, Development and Special Initiatives vide OM dated 02.10.2023. The officer had submitted his resignation on 07.12.2023 which was not accepted by the M/o PD&SI. The Ministry issued a Show Cause Notice on 01.0.2024 to the said officer.

The Ministry of PD&SI vide Memorandum No.9(55) EG/HRM.II/ PD/2017 dated 30.06.2024 requested the Finance Division to calculate the expenditure incurred upon the training along with Pay and Allowances of the RO. In response, the Finance Division vide UO No.2401/Accts/2024 dated 01.10.2024 intimated that the officer had received an amount of Rs.2,465,169 as salary for the period w.e.f. 05.08.2021 to 30.09.2023.

Audit observed that the management of the Ministry of the PD&SI had not recovered the unauthorized payment of Pay and Allowances amounting to Rs.2.465 million from the above- named absconder. No action has been initiated against him to recover the amount.

Audit is of the view that non-recovery of unauthorized payment of Pay and Allowances from the above-named officer is a loss to the Public Exchequer.

The Ministry did not reply.

The PAO and the audited formation were informed on 30.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends recovery of the overpayment from the concerned officer.

27.5.8 Loss due to non-adjustment/recovery of inadmissible payment from a firm - Rs.2.871 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 management of a project titled, "Strengthening of Ministry of PD&SI in Monitoring of PSDP Projects" floated an advertisement in the newspapers on 19.07.2021 for hiring the services of firms for the Third-Party Monitoring (TPM) of mega PSDP projects. Services of M/s VTT Global were hired as Transaction Support Firm (TSF) and an agreement was executed on 13.10.2021 for preparation of ToRs for each project and review of the reports.

The management of the project had made a payment of Rs.2.871 million to M/s VTTT Global, Islamabad vide Sanction No.1(1) Services/PW/PD &SI/2021 dated 14.04.2022 and cheque No/ 8856133 dated 30.04.2022 on account of development of the Dashboard/Database.

Para 19 of the relevant file states that the Third-Party Monitoring (TPM) Review Committee recommended that the dashboard was meant for PSDP monitoring Dashboard with the integration of iPAS/PMES. But after detailed review, it was found that M/s VTT could not deliver the desired output as contract and no TPM data has been populated under I and further phases could not continue and may recommend to deduct 100 % of the paid against the Dashboard i.e. Rs. 2.871 million. Keeping in view the factual status, M/s VTT has desperately failed to perform which hampered the performance/progress of the Project's Wing.

The Third-Party Monitoring Review Committee (TPM) vide Para 35 highlighted that the firm had submitted the final invoice of Rs.18.801 million but the Review Committee recommended the rationalized cost of Rs. 11.238 million after adjustment/deduction of Rs.2.871 million from the final bill of the firm.

Audit observed as under:

i. The payment of Rs. 2.871 million was made to the firm without completion of the development of Dashboard/Database. Thus, undue favour was extended to the firm.
ii. Despite lapse of more than two and half years, the inadmissible payment could not be adjusted/recovered from the firm till October, 2024 due to non-submission of the firm's final bill to the AGPR.

Audit is of the view that non-adjustment/recovery of inadmissible amount of Rs.2.871 million is a loss to the Public Exchequer.

The Ministry did not reply.

The PAO and the audited formation were informed on 30.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends recovery of the amount from the concerned firm.

27.5.9 Irregular release of payments to a firm without obtaining 10 % Bank Performance Guarantee - Rs. 8.493 million

As per condition of the Letter of the Acceptance issued to a firm, 10 % Bank Performance Guarantee was required to be submitted within 07 days after the receipt of Letter of Acceptance.

The management of a development Project titled, "Integrated Energy Planning for Sustainable Development" issued two separate Work Orders to M/s Complex Engineering Solutions (Pvt.) Ltd. for repair of office building and supply of furniture, as detailed below:

(Rs.)

S. No.	Supply Order No. and date	Description of work	Payment made vide sanction No. and date	Total amount of work done/ Supply made	Bank Performance
1	No. 48 (2)/IEP/ EF&E/PD/2020 dated 05.10.2022	Repair of Office Building	No. 48 (2)/IEP /EF&E/PD/2020 dated 22.02.2023	**3,428,725**	**342,872**

2	No. 48 (2)/IEP / EF&E/ PD/2020 dated 08.03.2023	Purchase of Furniture and Fixture	No. 48 (2)/IEP/E F&E/PD/2020 dated 05.06.2023.	**5,064,500**	**506,450**
Total				**8,493,225**	**849,322**

Both the above-named firms were required to furnish 10% Bank Performance Guarantee of the total contract cost of Rs.8.493 million.

Audit observed that the management had released payments of Rs. 8.493 million to the firm without obtaining 10 % Bank Performance Guarantee of Rs. 0.849 million from the above-named firms.

Audit is of the view that the release of payments to the above-named firm without obtaining 10 % Bank Performance Guarantee is a violation of the condition of Work Order. The firm was extended undue favour.

The Ministry did not reply.

The PAO and the audited formation were informed on 30.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends inquiry to fix the responsibility against the persons concerned for the lapses beside avoiding this practice in future.

27.5.10 Unauthorized grant of Cash Awards to the employees without approval of rates from the Finance Division - Rs. 7.075 million

Rule 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.

Para 7 of the Financial Management and Powers of Principal Accounting Officers Regulations, 2021 states that the Principal Accounting Officer shall be responsible for seeking prior approval from the Finance Division or any other relevant Division, organization, authority, office on the matters related to non-delegated financial authority.

The management of the project titled, "Capacity Building and Institutional Strengthening of M/o PD & SI" has incurred an expenditure of Rs.7,075,000 on grant of Cash Awards to the employees of the M/o PD & SI, as detailed below:

(Rs.)

Financial year	**Expenditure**
2022-23	3,675,000
2023-24	3,400,000
Total	**7,075,000**

As per PC-I, the Scale wise rates of Cash Award were as under:

(Rs.)

Grade	**Rate**
Employee in BPS 17 and above	100,000
Employees in BPS 05 to 16	50,000
Employees in BPS 01 to 04	25,000

Audit observed the Cash Awards of Rs.7.075 million were granted to the employees of the M/o PD&SI without obtaining approval of rates from the Finance Division.

Audit is of the view that the grant of Cash Awards without obtaining approval of the Finance Division is unauthorized.

The Ministry did not reply.

The PAO and the audited formation were informed on 30.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends obtaining approval of rates of the Cash Awards from the Finance Division.

27.5.11 Non-adjustment of advance payment made to a firm - Rs.5.723 million

According to S. No. 19 of the Condition of Contract for Design, Supply, Installation, Testing and Commissioning of on Grid Solar PV system. The payment terms were as under:

i. Advance Payment: Fifteen Percent (15%) of the Contract price
ii. Delivery of Machinery, Equipment and Material of the system at Site: Sixty Percent (60%) of the contract price
iii. Upon Completion of the Project: Twenty-five (25%) of the Contract Price

The management of the project titled, "Integrated Energy Planning for Sustainable Development" awarded a contract to M/s Akhundzada Associates Pvt. Ltd. on 24.05.2023 for Design, Supply, Installation Testing, Commissioning of 200 KWP Augmentation with existing 178 KWP on grid Solar PV System at "P" Block Pak. Secretariat.

The management made 15% advance payment of Rs. 5,723,250 (Rs. 38,154,100 x 15 %) to the firm vide a cheque No. 9652437 dated 14.06.2023.

The advance payment of Rs. 5.723 million was required to be adjusted from the Contractor's bills. In addition to the advance payments, the management also made total payments of Rs.22,892,460 to the firm vide Sanction No. 20 (84-1) / Energy / PC/ 2022 dated 24.11.2023 (for Rs.78,924,60) and No. (84-1) Energy/PC/2022 dated 03.10.2023 (for Rs.15,000,000).

Audit observed that the management of the project had not adjusted the advance payment of Rs.5.723 million from the firm's bills.

Audit is of the view that the non-adjustment of the advance payment of Rs. 5.723 million is a loss to the Public Exchequer.

The Ministry did not reply.

The PAO and the audited formation were informed on 30.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to make adjustment/recovery of the advance payment from the concerned firm.

27.5.12 Loss due to irregular award of contract to a firm on higher rate - Rs.4.343 million

Rule 38 of the PPRA Rules, 2004 states that the 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 a development project titled, "Capacity Building and Institutional Strengthening" floated an advertisement in the newspaper on 09.12.2023 for hiring of Janitorial Services at the M/o Planning Development and Special Initiatives. Total eight (08) firms participated out of which only two firms were technically qualified. The Financial Evaluation was as under:

Description	**M/s Professional Services**	**Noha Global Services**
Monthly quoted amount (inclusive of taxes and all cost like janitors, supervisors, workers and material/supplies	Rs. 745,786 (20 persons)	Rs. 1,107,714 (25 persons)
Lowest Bidder (50 Marks)	**48**	**42**

The Work Order No.1(22) CB&IS/2022 dated 25.01.2023 was issued to M/s Noha Global Services (Pvt.) Ltd. Islamabad. The Contract Agreement was signed on 01.02.2023 for provision of 22 sweepers and 2 supervisors at total cost of Rs 1,107,714 per month and Rs 13,292,579 per annum.

As per Financial Evaluation Report, M/s Professional Services quoted the lowest rate of Rs 8,949,432 and was awarded 48 marks out of 50. The comparison of rates quoted by the lowest and the highest bidder is as under:

(Rs.)

Name of firm	**Rate per month**	**Total payment per annum**
M/s Professional Services	745,786	8,949,432
M/s Noha Global Services	1,107,714	13,292,568
Difference between the lowest and highest bids	**361,928**	**4,343,136**

Audit observed as under:

i. The lowest rate of Rs. 8,949,432 per annum quoted by M/s Professional Services was rejected and the highest rate of Rs. 13,292,568 per annum quoted by M/s Global Services stood accepted which resulted in a loss of Rs.3.343 million per annum to the Public Exchequer.
ii. Original quotations of both the firms were not available in the relevant file.

Audit is of the view that hiring of the Janitorial Services at the highest rate is a violation of the PPRA Rules, 2004 which resulted in a loss to the Public Exchequer.

The Ministry did not reply.

The PAO and the audited formation were informed on 30.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends an inquiry to fix the responsibility against the persons concerned beside regularization of expenditure from the Finance Division.

27.5.13 Non-recovery of the Liquidated Damages from a firm - Rs. 3.815 million

Clause 7.1 of the Conditions of Contract for Design, Supply, Installation of Commissioning of on-Grid Solar PV System states that the Contractor shall commence the works on the commencement date and shall proceed expeditiously and without delay and shall complete the work subject to Sub-Clause 7.3, within the time for competition as stated in the Contract Data.

As per S. No. 13 of the Conditions of Contract, the rate of Liquidated Damages (LD) shall be as under:

S. No.	Description	Clause number of the conditions of the contract	Explanation
1	Time for Completion	7.1	Three (03) months calculated from the commencement date, notified in Engineer/Employer's Notice to commence
2	Amount of the Liquidated Damages	7.4	The rate of the Liquidated Damages (LD) shall be 0.10 % of the contract amount stated in the Letter of Acceptance for every day of delay in which in whole or part of the work(s) remained unfurnished subject to a maximum of 10% of the Contract Amount stated in the Letter of Acceptance

The management of a Project titled, "Integrated Energy Planning for Sustainable Development" signed a Contract Agreement with M/s Akhundzada Associates Pvt. Ltd. on 06.06.2023 for Design, Supply, Installation Testing, Commissioning of 200 KWP and Augmentation with existing 178 KWP on Grid Solar PV System.

As per contractual time frame, the contractor was required to complete the work by 15.09.2023 but did not complete the work within the stipulated time. The Contractor applied extension in the time for completion of work w.e.f. 16.09.2023 to 30.10.2023 which was granted. However, despite lapse of extended period on 30.10.2023, the contractor could not complete the work.

The NESPAK vide a Letter No. 4566/165/BQ/02/320 dated 13.02.2024 confirmed the System Installation Activity. Thus, the work was actually completed on 13.02.2024 instead of 30.10.2023.

Due to non-completion of work within the extended period, the project management was required to recover the Liquidation Damages of Rs. 3,815,410 (@ 10% of the contract amount of Rs. 38,154,100) from the firm.

Audit observed that the management of the project did not recover the Liquidation Damages of Rs. 3.815 million from the firm.

Audit is of the view that non-recovery of the Liquidation Damages of Rs. 3.815 million is a loss to the Public Exchequer beside a violation of the provision of the Contract Agreement.

The Ministry did not reply.

The PAO and the audited formation were informed on 30.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends recovery of the LD Charges from the above-named firm.

27.5.14 Retention of a Project Director and a Director General in a development Project beyond the age limit of 65 years in violation of the provision of the PC-I

Para 4.15 of the Chapter 4 of the Manual for Development Projects issued by the M/o Planning, Development and Special Initiatives states that;

i. The educational qualification of the Project Director will be broad-based, that is, degree in the Project Management, B.Sc. Engineering or MBA /MPA, MBBS/MPH, Master or BS (4 years) degree in economics or other relevant field from the HEC recognized institutions, depending upon the nature of the project.
ii. Minimum five years' experience in the project management or implementation, with sound knowledge of the project management fundamentals, particularly the Government of Pakistan's project planning and management processes and procedures.
iii. Maximum age of 63 years on the date of appointment.

One individual was appointed as Project Director (PPS 10) in a development project titled, "Strengthening of M/o PD&SI in M&E of the PSDP Project" vide Office Order No. 3(3) Pw/SS/PDX SO/201 dated 30.09.2022. The date of birth of the officer is 02.05.1958. At the time of appointment, the age of the officer was more than 64 years.

The AGPR, Islamabad vide a Letter No. 14 (4) PSDP Project /PSDP 2023-24/6372 dated 25.09.2023 advised the DDO of the Project that the incumbent Project Director had crossed the age of 65 years and necessary measures may be taken for recovery of overpayment made to him.

Similarly, the other individual was appointed as the Director General Monitoring vide Offer Letter No.1(1) PW/PD/SS/2020 dated 01.06.2020. The date of birth of the officer is 14.04.1958. At the time of appointment, the age of the officer was 62 years.

The AGPR vide a Letter No14 (4) PSDP Project /PSDP/2023-24/6555 dated 12.12.2023 advised the DDO that the incumbent Director General had crossed the age limit of 55 years. He is still drawing the Pay and Allowances beyond the age limit period.

As per PC-I, the age limit of both the posts was 65 years. The contract period of both the officers has been extended up to 30.06.2025.

Audit observed as under:

i. As per instructions of the Planning Commission, the age limit for the Project Director was 63 years. But in the PC-I, the age limit of the PD was mentioned as 65 years in violation of the instructions of the Planning Commission.
ii. Although, no response was given to the AGPR regarding recovery of overpayment of the Pay and Allowances from the officers. But their contract period of both the officers has been extended up to 30.06.2025 despite the fact that both the officers have already crossed the age limit given in the PC-I.

Audit is of the view that the retention of officers of contract basis beyond the age limit of 65 years is a violation of the provision of PC-I.

The Ministry did not reply.

The PAO and the audited formation were informed on 30.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends recovery of the pay and allowances from the concerned officers beside making recruitment against the posts of the Project Director and Director General as per provision of the PC-I.

CHAPTER 28

NATIONAL ASSEMBLY SECRETARIAT

28.1 Introduction

The National Assembly of Pakistan is the lower house of the Majlis-e-Shura (Parliament), which is the federal legislature of Pakistan. It plays a central role in the country's democratic system, providing representation to the people of Pakistan and serving as a forum for debate, lawmaking, and oversight of the executive branch.

Key Features of the National Assembly:

The National Assembly consists of 336 members (as per the 25th Amendment), including directly elected members from constituencies and reserved seats for women and minorities. Members are elected for a term of five years through general elections.

1. **Structure**:

    i. **Speaker**: Presides over sessions and ensures the smooth functioning of the Assembly.
    ii. **Deputy Speaker**: Assists the Speaker and assumes duties in his/her absence.
    iii. **Leader of the House**: Usually, the Prime Minister is responsible for guiding Government business.
    iv. **Leader of the Opposition**: Heads the opposition parties and critiques Government policies.

2. **Functions**:

    i. **Legislative Role**: Drafting, debating and passing laws.
    ii. **Budget Approval**: Reviewing and approving the federal budget.
    iii. **Oversight**: Monitoring the performance of the Government and ensuring accountability.
    iv. **Representation**: Voicing the concerns and issues of constituents across Pakistan.

Election Process:

Members are elected through a direct vote in general elections, while reserved seats for women and minorities are filled through a proportional representation system based on party performance.

Constitutional Role:

The National Assembly works within the framework of the Constitution of Pakistan, 1973, particularly in enacting laws, amending the constitution, and ensuring governance in line with the constitutional principles.

Importance in Governance:

The Assembly has the exclusive authority to elect the Prime Minister of Pakistan. It can also initiate impeachment or no-confidence motions against the Prime Minister or other officials.

The National Assembly embodies the spirit of democratic governance and is a critical institution for ensuring the balance of power, public accountability, and national progress in Pakistan.

(Rs. in million)

Sr. No.	Description	Total Number	Audited	Expenditure Audited (FY-2023-24)	Revenue/Receipt Audited (FY 2023-24)
1	Formations	1	1	4,371.87	-
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities/ Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

28.2 Comments on Budget and Accounts (Variance Analysis)

The final budget allocated to the National Assembly for the financial year 2023-24 was Rs. 7,059.903 million, out of which the Assembly expended an amount of Rs. 6,981.496 million. Audit noted that there was an overall saving of (Rs. 78.407 million) in current expenditure.

28.3 Classified Summary of Audit Observations

Audit observations amounting to Rs. 161.483 million were raised in this report during the current audit of the National Assembly Secretariat. It is Summary of the audit observations classified by nature is as under:

(Rs. 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	161.483
C	Management of account with commercial banks	
D	Recovery	
E	Internal Control	
4	Value for money and service delivery	
5	Others	

28.4 Status of compliance with PAC Directives

No PAC directives were issued.

28.5 AUDIT PARAS

National Assembly Secretariat

28.5.1 Unreconciled expenditure incurred on encashment of Privilege Travel Vouchers - Rs. 161.483 million

Para 3(2)(d) of the National Assembly Secretariat, Islamabad's Letter No. F.3(1)/96-Ser. dated 19.09.1996 (Issuance of Privilege Travel Vouchers to the Members of the National Assembly - Procedure for Encashment of Privilege Travel Vouchers) states that the National Assembly Secretariat will be responsible for carrying out the reconciliation of expenditure figures, concerning this item, booked with the AGPR, Islamabad, Karachi, Quetta, Lahore and Peshawar, and the Sub-Offices of the AGPR located at the Provincial headquarter.

The management of the National Assembly Secretariat, Islamabad issued Privilege Travel Vouchers amounting to Rs. 1,168,495,500 to the Members

National Assembly (MNAs) under Section 10(1) and Section 10(2A) of the Members of Parliament (Salaries and Allowances) Act, 1974. The management reported an expenditure amounting to Rs. 1,007,013,000 on reimbursement/encashment of Privilege Travel for the period 2021-22 to 2023-24. There was a difference/unreconciled amount of Rs. 161,482,500 between the Travel Vouchers issued and expenditure reported by the management. Furthermore, there was a difference amounting to Rs. 68,909,113 between the expenditure reported by the management and expenditure booked by the AGPR on encashment Travel Vouchers. The detail of expenditure booked/reported under the head 'A03825-Travel Allowance', "Cost Center ID1938-MNAs," for the financial years 2021-22 to 2023-24 is as under:

(Rs.)

Financial year	Total expenditure under the head TA/DA as per BER/AGPR	Expenditure on TA/DA as per Appropriation Register	Expenditure on encashment of travel vouchers as per Appropriation Register (B - C)	Expenditure on encashment of travel vouchers as reported by the management	Difference (E - D)
A	B	C	D	E	F
2021-22	977,387,874	592,320,651	385,067,223	407,140,000	22,072,777
2022-23	689,143,477	376,088,335	313,055,142	358,139,500	45,084,358
2023-24	527,852,535	287,871,013	239,981,522	241,733,500	1,751,978
TOTAL	**2,194,383,886**	**1,256,279,999**	**938,103,887**	**1,007,013,000**	**68,909,113**

Audit observed that the NA Secretariat did not reconcile the actual expenditure incurred on encashment of Privilege Travel Vouchers by the MNAs, reimbursed by the SBP and booked by the AGPR.

Audit is of the view that the non-reconciliation of expenditure incurred on reimbursement/encashment of Privilege Travel Vouchers with the issued vouchers is irregular and unauthorized. Furthermore, non-reconciliation indicated deficiencies in internal controls over the financial reporting.

The DAC was held on 31.01.2025 and directed the managmenet to reconcile the figures of encashment of privilege travel vouchers and provide record to Audit.

Audit recommends that the corrective measures be taken to reconcile the expenditure incurred on encashment/reimbursement at the earliest to ensure that the financial statements are accurate and complete. The internal controls be strengthened and prevent non-reconciliation in future. The management may invest in an automated accounting system or enhance existing system that can track expenditures more efficiently, facilitate real-time reconciliations, and provide error-checking tools.

CHAPTER 29

MINISTRY OF RELIGIOUS AFFAIRS AND INTERFAITH HARMONY

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, 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.

(Rs. in million)

Sr. No.	Description	Total Number	Audited	Expenditure Audited (FY-2023-24)	Revenue/ Receipt Audited (FY 2023-24)
1	Formations	20	3	4,127.61	
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

29.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Religious Affairs and Interfaith Harmony Division for the financial year 2023-24 was Rs. 1,668.230 million, however, the Division expended an amount of Rs. 1,632.950 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

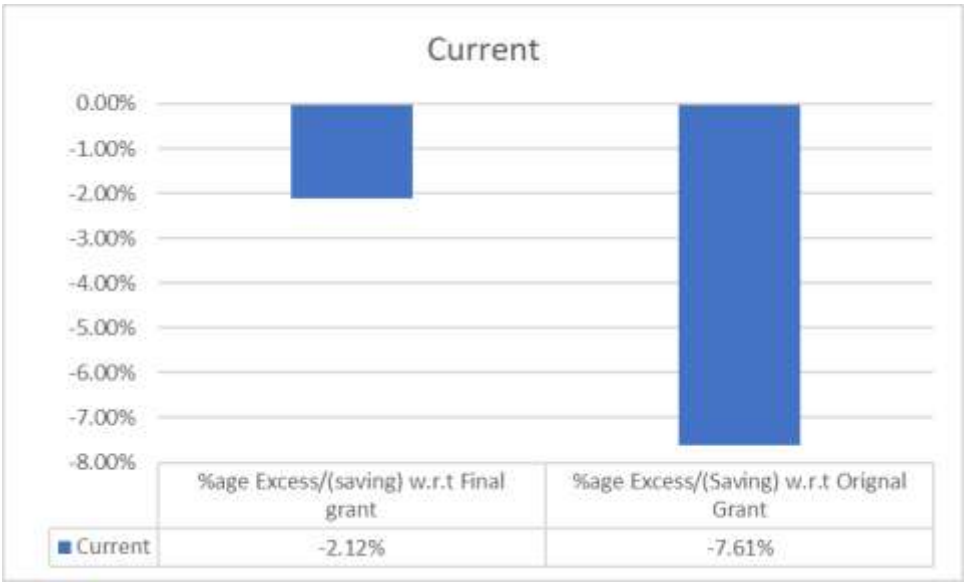
Grant Numb-er	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)
86	Current	1,767.36	-	(99.13)	1,668.23	1,632.95	(35.29)

Audit noted that there was an overall savings of (Rs. 35.290 million) in the current grants.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 -7.61% of savings w.r.t. the original grant which decreased to -2.12% excess w.r.t the final grant.



29.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 22,443.911 million, were raised in this report during the current audit of the **Ministry of Religious Affairs And Interfaith Harmony**. Summary of the audit observations classified by nature is as under:

(Rs. 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	5,270.383
D	Recovery	5,700.655
E	Internal Control	808.719
4	Value for money and service delivery	
5	Others	10,664.154

29.4Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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	-
2023-24	13	0	0	13	-
Total	**118**	**27**	**5**	**113**	-

29.5 AUDIT PARAS

Evacuee Trust Property Board, Lahore

29.5.1 Irregular/unauthorized investment of surplus funds of Evacuee Trust Property Board - Rs. 10,573.154 million

Rule 4(4) of the Cash Management and Treasury Single Account Rules, 2020 dated 24.07.2020 states that no authority shall transfer public monies in contravention of Sub-Section (2) of Section 23 of the Act. All investments made by the Government offices in commercial bank accounts from special purpose funds or otherwise, for which money was sourced through the Government's budget, schedule of authorized expenditure or supplementary grant, shall be disinvested and balance amount therein shall be deposited in non-food account No.1 of the Federal Government as non-tax revenue by the Principal Accounting Officer or on his instruction.

Para 4 of the Finance Division's OM No. F.4(1)NTR/2002-666/2022 dated 18.05.2022 further states that in order to align the existing arrangements with the above referred constitutional and legal provisions, this Division's OM No. F.4(1)/2002-BR-II dated 02.07.2003, 06.09.2004, 22.09.2005 and 23.12.2014 are hereby withdrawn with immediate effect. Further, the approval accorded to any

Public Sector Entities with respect to maintaining working balance are also hereby withdrawn.

The management of the Evacuee Trust Property Board (ETPB), Lahore invested an amount of Rs. 10,573.154 million in Term Deposit Receipts (TDRs) of commercial banks during the financial year 2023-24. These investments and profits on investment were rolled over on annual basis. The details are given below:

(Rs. in million)

Sr. No.	Date of investment	Mode of investment	Name of bank	Investment
1.	21.08.2023	TDR	Habib Metropolitan Bank Ltd., Samanabad Branch.	2,149.106
2.	22.08.2023	TDR	Habib Metropolitan Bank Ltd., Samanabad Branch.	2,292.806
3.	26.10.2023	TDR	NBP Mall Road, Lahore	2200
4.	26.10.2023	TDR	NBP Mall Road, Lahore	2300
5.	05.09.2023	TDR	NBP Mall Road, Lahore	187.020
6.	13.06.2023	TDR	NBP Mall Road, Lahore	562.050
7.	01.02.2024	TDR	Habib Bank Ltd Civil Lines, Lahore	390.000
8.	01.02.2024	TDR	Habib Bank Ltd Civil Lines, Lahore (EPF)	92.172
9.	04.10.2023	TDR	Habib Bank Ltd Civil Lines, Lahore	400.00
Total				**10,573.154**

Audit observed that:

i. The management made an investment of Rs.10,573.154 million in annual Term Deposit Receipts (TDRs) of commercial banks in violation of instructions issued by the Finance Division.
ii. Management made investments without approval of the Finance Division.

Audit is of the view that the investments in violation of the Government instructions, was irregular and unauthorized.

Audit is also of the view that the retention of funds apart from the Government Account was also irregular.

No reply was given by the department.

The PAO and the audited formation were informed on 29.11.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to encash the investment and deposit the proceeds thereof in the Government treasury.

29.5.2 Non-recovery of compensation from the Punjab Ring Road Authority - Rs.2,299.550 million

Section 6 of the Evacuee Trust Properties (Management and Disposal) Act, 1975 states that all evacuee trust property shall vest in the Federal Government.

District Price Assessment Committee in its meeting held on 26.03.2009 decided that average sale price, schedule/collector price, open market rate and keeping in view the present status of the land unanimously assessed the price of the land acquired for the construction of Ring Road.

Lahore Ring Road Authority constructed Ring Road on the ET land bearing Khasra No.1229/1, 1236, 1237, 1226, 1228, 1240, 1241, 1242, 1243, 1244 and 1245 measuring 62-Kanals (K) and 03-Marlas (M) situated at Gohawa Tehsil Cantt., District Lahore during the financial year 2009.

Total land	Land in Marlas
62-Kanals and 03-Marlas	1,243-Marlas

Audit observed that the Lahore Ring Road Authority constructed Ring Road on ET land measuring 62-Kanals and 03-Marlas situated at Gohawa, Tehsil Cantt., District Lahore but no compensation was paid to the Evacuee Trust Property Board. Value of land was Rs.1,850,000 per Marla calculated according to the FBR rates for 2021. The total value of land is as under:

Total land	Land in Marlas	Per Marla price (Rs.)	Total price (Rs.)
62-Kanals and 03-Marlas	1,243-M	1,850,000	2,299,550,000

Audit further observed that the management failed to recover the value of the land cost amounting to Rs.2,299.550 million from the Lahore Ring Road Authority since long. Further, no sincere efforts were made to recover the government dues.

Audit is of the view that non-recovery of the ETP dues deprived the Board of its due revenue.

The PAO and the audited formation were informed on 29.11.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to:

i. Investigate the non-recovery of the Board's dues.
ii. Take effective steps for recovery and deposit the same in the Boards Accounts.

29.5.3 Irregular/unauthorized retention of funds - Rs.1,322.341 million

Finance Division vide its Notification No. 1(1)/S.O(TSA)/2020/47 dated 31.01.2023 states that the Government of Pakistan extended the scope of Treasury Single Account to the ETPB being Public Entities of the Federal Government under stage 1 of TSA II as given in Section 30 of the Public Financial Management (PFM) Act.

The management of the Evacuee Trust Property Board (ETPB), Lahore maintained six (06) bank accounts in commercial banks and retained an amount of Rs.1,322.341 million in these bank accounts as on 30.06.2024. The details are given below:

(Rs.)

Sr. No.	Bank name	Account No.	Title	Status	Balance as on 30.06.2024
1	HBL, Civil Lines Branch	01270024131903	Secretary, ETPB	Expenditure	84,393,715
2		01277900181301	ETPB	DPA	1,113,022,894
3		01277902995251	ETP Pension Fund	Pension	48,295,765
4		01270015871601	Chairman, ETPB	Advances	9,596,503
5	NBP, Main Branch	0300003034886097	Chairman, ETPB	EPF	35,084,922
6	MCB, Shadman Branch	1448280791011535	ETPB	DPA	31,946,717
Total					**1,322,340,516**

Audit observed that:

i. Management did not close above bank accounts after issuance of the Cash Management and Treasury Single Account Rules, 2020.
ii. These bank accounts were operational without the approval of the Finance Division.
iii. Management retained an amount of Rs.1,322.341 million in its bank accounts in violation of the Government instructions.

Audit is of the view that keeping funds outside the Treasury Single Account is a violation of the instructions issued by the Finance Division. Further, retention of funds worth Rs.1,322.341 million outside the TSA also deprived the Government of their optimal utilization.

No reply was given by the department.

The PAO and the audited formation were informed on 29.11.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to:

i. Investigate the unauthorized retention of cash outside the Federal Consolidated Fund.
ii. Transfer the funds to the Government treasury without further delay.

29.5.4 Non-recovery of rent money from the defaulters - Rs.1,051.827 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.1,052.827 million stands recoverable from the tenants as per following details:

(Rs.)

Sr. No.	ETPB district	Number of defaulters	Arrears on 30.06.2024
1.	Lahore I	1,994	200,299,405
2.	Lahore II	727	29,868,355
3.	Kasur	135	6,226,039
4.	Okara	247	10,112,472
5.	Sheikhupura	104	6,067,333
6.	Nankana Sahib	1,280	20,077,382
7.	Gujranwala	245	18,139,119
8.	Gujrat	510	94,230,108
9.	Sialkot	985	28,177,104
10.	Faisalabad	589	40,304,414
11.	Jhang	358	39,013,445
12.	Multan	758	38,557,023
13.	Sahiwal	330	12,003,014
14.	Layyah	496	77,998,804
15.	Bahawalpur	228	4,327,549
16.	Rawalpindi	619	62,242,154
17.	Hassanabdal	161	13,783,383
18.	Sargodha	231	10,097,444
19.	Bhakkar	158	6,659,558
20.	Peshawar	392	65,883,527
21.	Bannu	176	8,454,280
22.	Karachi (U)	784	90,966,182
23.	Karachi (R)	386	33,237,867
24.	Hyderabad	856	44,756,411
25.	Sukkur	933	83,577,327
26.	Quetta	119	6,766,890
	Total	**13,801**	**1,051,826,589**

Audit observed that the management did not take effective steps to recover the outstanding rent.

Audit was of the view that the non-recovery of dues deprived the Board of its due revenue.

No reply was given by the department.

The PAO and the audited formation were informed on 29.11.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to:

i. Make hectic efforts to recover the Board's revenue.
ii. Deposit the amount in the Government Account/Boards Account.

29.5.5 Non-investment of likely income on account of non-refundable security (NRS) - Loss to the Federal Government - Rs.3,948.042 million

ETPB Act, 1975, Section 4 (2) (l) states that to undertake development programs for increasing the productivity of agricultural land forming part of the Trust Pool and for enhancing the commercial value of an evacuee trust property.

SRO 298(I)/2023 dated 08.03.2023 states about the Development of Evacuee Trust/DHA open plot or residential purpose. If the Board decides to develop open plot in Defense Housing Authority (DHA) for residential purpose, permission shall be granted by the Chairman, ETP Board, subject to the following conditions, namely:

(c) Reserve Non-refundable Security (NRS) shall be minimum thirty percent (30%) of the market value assessed by the 3rd party valuator.
(g) Rupees four (4) per Sq. Ft. of total area of plot shall be charged after completion of construction.

ETPB received 278x1 Kanal plots from the DHA, Lahore in lieu of Evacuee Trust Agricultural Land measuring 843-Kanals and 15-Marlas situated at Mouza Motasingwala and Lidher in compliance of the Supreme Court's Order dated 12.06.2018. ETPB after approval of the Controlling Ministry i.e. Religious Affairs and Interfaith Harmony included 278x1 Plots vide SRO dated 16.03.2023. Further, the ETPB also approved and incorporated Clause 18 (H) in the Scheme for Management and Disposal of Evacuee Trust Urban Properties, 1977 for disposal of plots. ETPB also received 191x1 Kanal plots against unmutated Evacuee Trust Agricultural Land measuring 578-Kanals 2-Marlas and allotment letters are in the custody of the ETPB.

(Rs. in million)

Sr No.	Number of plots	FBR per Marla rate	Total Marlas	Total value of plots	NRS (@ 30%)	Rent per month @ Rs.4 per Sq. Ft.	Total
1	278	1,400,000	20 * 278 = 5,560	7,784.000	2,335.200	5.004	2,340.204
2	191	1,400,000	191 * 20 = 3,820	5,348.000	1,604.400	3.438	1,607.838
	Grand total			**13,132.000**	**3,939.600**	**8.442**	**3,948.042**

Audit observed that:

i. ETPB received 278 Plots of 01-Kanal each against the mutated land and 191 Plots of 01-Kanal against the unmutated land after approval of the Board and the Ministry of Religious Affairs in compliance with the honorable Supreme Court of Pakistan's Order dated 12.06.2018.
ii. ETPB accepted the balloted result of the DHA and included 278 Plots in the Trust Pool but did not include 191 Plots of which Allotment Letters are in the custody of the ETPB.
iii. DHA, Lahore has offered ETPB to get possession of the Evacuee Trust Plots but the ETPB did not proceed in this matter.
iv. The Ministry vide a Letter dated 18.11.2013 reiterated/approved decision taken by the ETPB in 263rd meeting dated 23.07.2007 for 33% exemption of residential plots (1-Kanal each) and 100x Commercial plots on payment as for the DHA Members i.e. 16% instead of 10%. After orders dated 02.10.2013 and 12.06.2018 of the Supreme Court, no proceedings were made by the ETPB with DHA, Lahore.
v. 100 commercial plots were also not recovered from the DHA on payment of subsidized rates.

Audit is of the view that the Board sustained a loss of Rs.5,348.000 million due to non-inclusion of 191 Plots of 01-Kanal in the Trust Pool.

Audit is also of the view that loss of Rs.3,948.042 million was caused to the ETPB by non-renting out of plots. ETPB also did not try to develop the plots through its funds for generation of revenue.

Audit is further of the view that non-recovery of 100 commercial plots from the DHA was negligence on the part of the management.

No reply was given by the department.

The PAO and the audited formation were informed on 29.11.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends:

i. Investigate the matter for fixing responsibility.
ii. Case may be sent to the Law and Justice Division for clarification.
iii. Take immediate steps for auction of 278 Plots as per amended Scheme, 1977 as well as including 191 Plots in the Trust Pool. Further, the ETPB may also see feasibility to develop the plots as per Clause 18 D of the Urban Scheme, 1977.
iv. In compliance of the approval of Ministry vide a Letter dated 18.11.2013 and Orders dated 02.10.2013 and 12.06.2018 passed by the honorable Supreme Court, the ETPB is entitled to get commercial plots as per ratio of residential plots, which needs to be expedited immediately.

29.5.6 Non-retrieval of property No. SW-98-R-1 due to non-cancellation of MOU executed - Rs.886.960 million

Section 25 of the Evacuee Trust Properties (Management and Disposal) Act, 1975 provides that the Chairman, an Administrator, a Deputy Administrator, or an Assistant Administrator may eject or cause to be ejected, any person in possession or occupation of Evacuee Trust Properties whose possession and occupation is not authorized by or under any of the provisions of this Act or who contravenes or may have contravened any of the terms and conditions under which the property is held by him, or who has failed to pay public dues, or has willfully caused damage to any such property, or any person in occupation or possession of any evacuee trust property which is required for an object which is considered to be a public purposes by the Federal Government, after giving him notice, and for the purpose or such ejectment may use or cause to be used such force as may be considered necessary.

The ETPB property bearing No. 5W-89-R-I was in possession of Lahore Bar Association since long. The irregularity on account of MOU by the ETP management was pointed out by Audit through the previous years' audit reports.

DAC meetings were held on 02.11.2022 and 03.11.2022 at Islamabad under the Chairmanship of the Federal Secretary, MoRA and the Auditor-General of Pakistan, directed that MOU signed between the Chairman, ETPB and Lahore Bar Association may be cancelled and ejectment notices be issued. Further, a reference may be made to the Ministry of Law regarding their opinion on legality of any MOU.

Audit observed that:

i. Management of the ETPB did not cancel the MOU executed between the ETPB and Lahore Bar Association regarding a property No. SW-98-R-1 (Parking Plaza situated at Dev Samaj Road, Lahore).
ii. Management did not retrieve the property worth Rs.886.960 million even after the lapse of 20 months of directions issued by the DAC for the valuable land.

Audit is of the view that non-implementation of DAC decision by the management is a serious irregularity and misconduct.

No reply was given by the department.

The PAO and the audited formation were informed on 29.11.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to:

i. Investigate the matter for fixing responsibility upon defaulters.
ii. Cancel MOU in the light of directions of the DAC.
iii. Retrieve valuable property from the defaulters.

29.5.7 Non-retrieval of property bearing No. 4481-4482 comprising new Khasra Nos. 202-22/2, 23/2, 208-2/2, 3/1, 4/1, 3/4, 3/3 and 2017

measuring 09-Kanals, 19-Marlas and 08-Sq. Ft. situated at Mohallah Smadhanwala, District Pakpattan Sharif - Rs.437.865 million

Section 25 of the Evacuee Trust Properties (Management and Disposal) Act, 1975 provides that the Chairman, an Administrator, a Deputy Administrator, or an Assistant Administrator may eject or cause to be ejected, any person in possession or occupation of Evacuee Trust Properties whose possession and occupation is not authorized by or under any of the provisions of this Act or who contravenes or may have contravened any of the terms and conditions under which the property is held by him, or who has failed to pay public dues, or has willfully caused damage to any such property, or any person in occupation or possession of any evacuee trust property which is required for an object which is considered to be a public purposes by the Federal Government, after giving him notice, and for the purpose or such ejectment may use or cause to be used such force as may be considered necessary.

ETPB property bearing No.4481-4482 comprising Khasra Nos. 202-22/2, 23/2, 208-2/2, 3/1, 4/1, 3/4, 3/3 and 2017 measuring 09-Kanals, 19-Marlas and 08-Sq. Ft., situated at Mohallah Smadhanwala, District Pakpattan Sharif was declared Evacuee Trust by the Chairman, Evacuee Trust Property Board, Lahore vide Order dated 08.04.2005 cancelling PTO No.607892. Against the Order of the Chairman, a revision petition was filed before the Secretary, Ministry of Religious Affairs and Interfaith Harmony, Islamabad by an individual, which was also dismissed vide Order dated 28.09.2017. As per report of the District Office, Sahiwal, 37-persons are in illegal occupation over the said property. The property is valuable and located in the commercial area inside the city.

Audit observed that:

i. The Chairman, ETPB declared the property as Evacuee Trust on 08.04.2005. Despite lapse of over 19 years, the department failed to retrieve the property from the illegal occupants.
ii. The title of the property could not be transferred in favor of the ETPB.

Audit is of the view that a valuable trust property is still under the possession of illegal occupants due to the negligence and lack of interest towards the official duty by the concerned staff of ETPB, which needs justification.

No reply was given by the department.

The PAO and the audited formation were informed on 29.11.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to:

i. Investigate the matter with a view to fix responsibility.
ii. Transfer procedures need to be completed immediately by retrieving the land from the illegal occupants.

29.5.8 Non-retrieval of property No. 13-R-35 from the illegal occupants - Rs.581.823 million

The Chairman, ETPB in its Order dated 21.05.2005 stated that the property in dispute had been on lease with the said Society and monthly rent was being paid regularly by the said Society which was in possession of the property was through its Keepers/Chowkidars. It was a Chowkidar (respondent No. 1) who illegally, fraudulently and with malafide intention got issued PTD dated 25.03.21965 in his favor in connivance with the Settlement Department. The Evacuee Trust property's nature is beyond doubt. The arguments of the petitioner carry weight and well supported with the documentary evidence. Therefore, I have no hesitation to declare the property in suit as an evacuee trust property. Let it be notified under the law.

Para 02 of the Orders passed by the Federal Secretary, Islamabad dated 05.04.2023 stated that on 29.03.2023, last opportunity was provided, but no one turned up on behalf of the petitioners to date despite notice. The attitude of the petitioner shows that they have no interest whatsoever, to pursue their case, which is observed with great regret.

Para 03 also states that consequently, the instant revision petition is dismissed for non-prosecution.

Management of the Evacuee Trust Property Board, Lahore owned a property No. S-13-R-35, Khasra No..4347-min, Sub-Unit No.1-1111-7-0004-0 measuring 6-Kanals, 6-Marlas and 179-Sft. situated at 35-Nicholson Road, Lahore.

Audit observed that:

i. ETPB property bearing No. 13-R-35 was in irregular and forcible possession of an individual, who fraudulently got issued PTD on 25.03.1965 in his favor. The Chairman, ETPB vide his Order dated 21.05.2005 declared the property as ETP, and possession as irregular.
ii. Management did not retrieve the valuable land of the ETPB worth Rs.581.823 million.
iii. Management did not implement orders of the Chairman in letter and spirit.

Audit is of the view that action of the management caused a potential loss of revenue due to non-retrieval of property.

No reply was given by the department.

The PAO and the audited formation were informed on 29.11.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to:

i. Investigate the matter for fixing responsibility on the defaulters.
ii. Hectic efforts be made to recover a huge amount of arrears.
iii. Retrieve the Government property immediately

29.5.9 Loss to the Board due to non-determination of status of land measuring 275-Kanals, 11-Marlas, Mandir Thakar Nawan Kot, Lahore - Rs.730.000 million

According to Jamubandi 1944-45 and 1951-52 Khewat No.280, 283, 294, 337, 341 and 351 an urban area/property measuring 275-Kanals, 11-Marlas and 58-

Sq. Ft., situated at Mauza Nawan Kot Tehsil and District Lahore belongs to Mandir Thakar Gee Maharaj.

DAC in its meeting dated 13-16.04.2022 directed that application of early hearing be made to the Court, Chairman, ETPB to decide the cases within one month.

Audit observed that;

i. PTCL constructed a residential colony over the above land sometimes in 1952.
ii. Deputy Administrator vide his Letter No. AD-77.LHR/899 dated 11.09.77 issued a stay order for evacuee property.
iii. Social Welfare Society (registered) of the PTCL employees residing in P&T Colony submitted an application/petition before the Chairman, ETPB on 06.06.2007 for declaration of the said property as the Evacuee Trust property.
iv. Deputy Administrator, ETP District Office, Lahore II filed a case before the Chairman for declaration of the area as Evacuee Trust Property under Section 8/10 of the ETP (Management and Disposal) Act No. XIII of 1975.
v. Chairman, ETPB issued stay orders on 06.06.2007, 05.04.2008 and 25.10.2008 pending adjudication against the above property.
vi. PTCL in its Letter No. DEB/E&M/2005-6/6 dated 01.06.2006 addressed to Excise and Taxation Department admitted that the said land was in the name of the Central Government and not transferred to PTCL or Pakistan Post Office.
vii. Letter No. Dev/BP-2251/BI/F dated 12.12.2006 of the Post Master General Punjab, Lahore addressed to the Member Judicial II/Chief Settlement Commissioner, BOR, Lahore also revealed that the said land was owned by Temple Thakar Geo Maharaj from the Bando Bast year 1941-42 to Bando Bast year 1957-58.
viii. Member (Judicial V)/Chief Settlement Commissioner, GOP, Punjab in his decision dated 05.01.2012, in response to Mutation application submitted by the PTCL, declared that the case was already pending in the court of the Chairman, ETPB, Lahore, and application at stage, was not maintainable at the forum, and directed

the parties to appear before the Chairman, ETPB Lahore on 21.01.2012.

ix. As per the ETPB Act, 1975, the Chairman, being the competent authority was responsible to declare the status of property belonging to Mandir as Evacuee Trust property but the management did not declare the property as Evacuee so far, and the case is pending in the court of the Chairman, ETPB to date.

x. Despite the facts narrated above, the Chairman, ETPB did not declare the said property as Evacuee Trust Property even after lapse of about fifteen years.

xi. The matter was pointed in the Forensic Audit Phase II for early declaration of the ETP land by the Chairman and DAC also directed to decide within one month but the Chairman did not declare the property as ETP land till 07.2024.

xii. Slackness at the part of the higher management deprived the Board of its valuable land worth billions of rupees.

Audit is of the view that non-determination of status of the property by the authorities deprived the Board from its due revenue.

Audit is also of the view that non-assumption of control over the land deprived the Board of its valuable land of 275-Kanals having minimum value of Rs.7,302 million as per FBR rate.

No reply was given by the department.

The PAO and the audited formation were informed on 29.11.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends the Board to:

i. Investigate the matter thoroughly at appropriate level, for non-taking over its valuable land so far.

ii. Determine the estimated loss sustained by the Board so far and to fix responsibility.

29.5.10 Irregular/unauthorized deduction of withholding tax - Rs.161.859 million

Section 149(1) of the Income Tax Ordinance, 2001 as amended up to June, 2021 states that the income of the Federal Government shall be exempted from tax.

Section 151(1) (a) of the Income Tax Ordinance, 2001, also states that following persons are exempted from deduction of tax at source under this section:

- The Federal Government
- Provincial Government.
- Local Government.

Evacuee Trust Property Board has deposited/invested its trusts funds in the financial institutions in the shape of TDRs/Investments. The details are given below:

(Rs.)

Sr. No.	Bank	Account No.	WHT amount
1.	HBL	0127-79029952-51	319,017.450
2.	NBP	3034886097	1,937,842.390
3.	HBL	0128-79001813	32,060,479.980
4.	MCB	144820791011535	2,025,867.610
5.		Investment in other bank	62,872,305
6.		Investment in other bank	62,643,823
		Total	**161,859,335.430**

Audit observed that the Financial Institutions withheld an amount of Rs.162.859 million on account of withholding tax out of the ETP deposits/investments during the financial year 2023-24.

Audit also observed that the management did not take up the case for exemption by the FBR.

Audit is of the view that the management deprived the Board from its due revenue/profit Rs.161.859 million.

No reply was given by the department.

The PAO and the audited formation were informed on 29.11.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to:

i. Matter may be investigated at appropriate level.
ii. Take up the case with the FBR for exemption
iii. Recover the amount of withholding taxes from banks.

29.5.11 Irregular payment of loan to the PMU, Kartarpur - Rs.91.000 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 the provisions of this Act and the rules, scheme or directions made or issued there under.

Management of the ETPB, Lahore vide agenda item No.19 of 354th meeting dated 14.02.2024 approved Rs.13.000 million loan per month for treatment of Kartarpur Corridor.

Audit observed that:

i. Management granted a loan of Rs.91.000 million to Kartarpur PMU without provision in the ETPB Act.
ii. Irregular grant of loan of Rs.20.000 million was also pointed out in the last Audit Report but no action was taken.
iii. Management did not recover the loan of Rs.91.000 million from the PMU, Kartarpur

Audit is of the view that the non-recovery of loan may lead to financial loss to the Board.

No reply was given by the department.

The PAO and the audited formation were informed on 29.11.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to:

i. Recover the loan amounts immediately.
ii. Deposit in the Government account.
iii. This practice be discontinued.

29.5.12 Loss due to non-recovery of arrears from M/s Motor House (Pvt.) Ltd. Demand No. 1-1111-7-0059-0 and 1-1111-7-0060-0 area measuring 2-Kanals-13-Marlas and 125-Sq. Ft. located at Dayal Sing Mansion, Mall Road, Lahore - Rs.111.000 million

Clause 25 of the Act XIII of 1975 states that the Chairman, an Administrator, a Deputy Administrator, or an Assistant Administrator may eject or cause to be ejected any person in possession or occupation of any Evacuee Trust Property whose possession or occupation is not authorized by or under any of the provisions of this Act or who contravenes or may have contravened any of the terms and conditions under which the property is held by him, or who has failed to pay public dues, or has willfully caused damage to any such property, or any person in occupation or possession of any Evacuee Trust Property which is required for an object which is considered to be a public purposes by the Federal Government, after giving him notice, and for the purpose or such ejectment may use or cause to be used such force as may be considered necessary.

The ET Property No. S-19-R-66 Bering Demand No. 1-1111-7-0059-0 and 1-1111-7-0060-0 area measuring 13-Marlas and 2-Kanals-13-Marlas 125-Sq. Ft. respectively, situated at Dayal Sing Mansion, Mall Lahore was under the tenancy of Motor House (Pvt.) Ltd.

The then Deputy Administrator assessed the rent of property Rs.156,000 and Rs.241,720 respectively per month w.e.f. 01.07.2006 vide two separate Orders dated 28.04.2006. The assessed rent was challenged before the Administrator (EZ), Lahore and the Administrator dismissed the appeal through Order dated 25.04.2007 filed against the Deputy Administrator's Orders. Thereafter, the Revisional

Authority, Islamabad also upheld the rent of property amounting to Rs.156,000 and 241,720 per month vide Order dated 16.05.2013. The tenant challenged the Order of the Revisional Authority before the Lahore High Court, Lahore through Writ Petitions No.18621/2013 and 18622/2013 titled M/s Motor House (Pvt.), Ltd. versus Joint Secretary. Finally, the Lahore High Court Lahore on 16.04.2024 dismissed both the writ petitions being devoid of merit and upheld the Order of the Revisional Authority. After the Orders of the Lahore High Court, Lahore dated 16.04.2024, the District Officer, Lahore I issued the notice for recovery of the arrears but no arrears have so far been recovered from the tenant in respect of both the sub-units under occupation of the same tenant. The tenant has failed to deposit the outstanding dues of Rs.111.000 million.

Audit observed that:

i. A huge amount of arrears was lying recoverable due to non-taking of effective steps by the management against the defaulters.
ii. Despite the finalization of the litigation in favor of the department, no effective efforts were taken by the District Officer for recovery of arrears as well as ejectment of illegal occupant.
iii. Management failed to recover the dues of Rs.111.000 million.

Audit is of the view that the Board sustained a loss of Rs.111.000 million due to slackness on the part of the management.

No reply was given by the department.

The PAO and the audited formation were informed on 29.11.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to:

i. Make hectic efforts for recovery of arrears.
ii. Investigate the matter for fixing responsibility on defaulters.

29.5.13 Non-recovery of arrear of lease money from the occupants of agriculture land - Rs.105.730 million

Section 24 of the Evacuee Trust Property Board Act, 1975 states that any sum due to the Board in respect of any Evacuee Trust Property, which is not paid within thirty (30) days of it having become due, shall be recoverable as arrears of land revenue.

Clause 14 of the Scheme for the Lease of Evacuee Trust Agriculture Land, 1975 also states that the full lease money for the first year shall be payable by the lessee in advance and for subsequent years by the 31st January every year. In case of, the lease money shall be payable at the fall of hammer and for each subsequent year payable in advance by 31st January.

The management of the ETPB leased out agriculture land in different districts to different tenants for agriculture purposes. Details are as under:

(Rs.)

Sr. No.	District	Arrear up to June, 2024
1.	Bahawalpur	179,584
2.	Bannu/DI 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	4,518,891
	Total	**105,730,389**

Audit observed that the management neither extended the lease periods nor recovered the rent for the period after the expiry of the previous lease. The recoverable amount comes to Rs.105.730 million.

Audit was of the view that non-recovery of dues deprived the Board of its due receipts.

Audit further observed that the District Offices/Deputy Administrators did not make effective efforts for recovery of arrears of lease money.

The PAO and the audited formation were informed on 29.11.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to:

i. Make hectic efforts to recover the long outstanding arrears.
ii. Deposit the amount in the Board's Account.

29.5.14 Delaying of process for outsourcing of Janki Devi Jamal Singh Hospital resulting in loss - Rs.44.800 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 the provisions of this Act and the rules, scheme or directions made or issued there under.

In the 350th Board meeting of the ETPB held on 25.01.2023 (Agenda No. 6), the Board was briefed in detail about the agenda item that the matter was placed before the HR and Admin. Committee.

i. Value of the open plot is assessed by the NESPAK as per Rs.870 million and the 10% non-refundable security (NRS) of this plot will be Rs.87.000 million. Open plot may be auctioned separately and bid may be inducted for hospital's constructed area.
ii. Presently, annual financial implication is Rs.40.000 million per year. If outsourced, minimum financial revenue will be Rs.4.800 million per year. The financial implication of this outsourcing will

be a financial gain of Rs.44.800 million per year (Saving of Rs.40.000 million annually).

iii. The Board unanimously approved to reinvite the bids for outsourcing Janki Devi Hospital as per 1997 Scheme.

Audit observed that the management did not take effective steps to reinvite the bids for outsourcing of the Janki Devi Hospital in violation of the Board's decision dated 25.01.2023.

Audit is of the view that the management deprived the Board of its potential revenue amounting to Rs.44.800 million (40.000 + 4.800) annually by not taking necessary effective steps for outsourcing of the hospital.

The PAO and the audited formation were informed on 29.11.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to:

i. Investigate the matter for fixing responsibility.
ii. Implement Board's decision immediately.

29.5.15 Non-recovery from tenant and auction the property No. S-19-R-66 Demand No.1-1111-7-0073-0 - loss - Rs.27.384 million

Clause 3-(i) (a) of the Amended Scheme for the Management and Disposal of Urban Evacuee Trust Properties, 1977 provides that the tenant shall pay the monthly rent in advance by the 10th of each month and in case of annual lease, the lease money shall be paid by the 10th 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.

Section 25 of the Evacuee Trust Properties (Management and Disposal) Act, 1975 provides that the Chairman, an Administrator, a Deputy Administrator, or an Assistant Administrator may eject or cause to be ejected, any person in possession or occupation of the Evacuee Trust Properties whose possession and occupation is not authorized by or under any of the provisions of this Act or who contravenes or may have contravened any of the terms and conditions under which the property is held by him, or who has failed to pay public dues, or has willfully

caused damage to any such property, or any person in occupation or possession of any evacuee trust property which is required for an object which is considered to be a public purposes by the Federal Government, after giving him notice, and for the purpose or such ejectment may use or cause to be used such force as may be considered necessary.

Deputy Administrator, ETPB, Lahore I in its decision dated 08.10.2021 cancelled the tenancy rights of the sub-unit No. S-19-R-66 demand No.1-1111-07-0073-0 named M/s TCS Pvt. Ltd. situated at Dial Singh Mansion, Lahore and passed an ejectment order against the tenant. The field staff of the office was directed to take over the control and management of the Sub-Unit in question after sealing as per rules and rent out the same through open public auction. It was also directed to recover the arrears of the rent.

Audit observed that:

i. Management did not auction the property even after lapse of three years.
ii. Management did not recover the arrears from the tenant.

Audit is of the view that non-recovery of Rs.27.384 million from the tenant was mismanagement and negligence on the part of the offices concerned.

Audit is also of the view that non-auction of the ET land till date is a serious misconduct and violation of ETP Rules.

Audit is further of the view that the management deprived the Board of its due revenue for Rs.27.384 million due to non-recovery of dues.

The PAO and the audited formation were informed on 29.11.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to:

i. Investigate the matter for fixing of responsibility on the defaulters.
ii. Recover the outstanding amounts from the tenant.
iii. Initiate necessary steps for public auction of property.

29.5.16 Loss due to non-approval/submission of development cases - Rs.22.900 million

Clause 18 B of the Scheme for the Management and Disposal of Urban Evacuee Trust Properties, 1977 states that if a tenant of a property in his possession applies for raising a commercial project covering ground area not exceeding five Kanals, the permission thereof may be granted by the Chairman, exceeding five Kanals, such permission may be granted by the Board, subject to the following conditions, namely:

C: The rent of the developed building shall be fixed by the Chairman, or as the case may be, by the Board, depending upon the value of the property, its location, prevailing rents in the area and investment to be made by the tenant (s) or lessee (s);

D: The tenant (s) shall deposit minimum ten per cent of the prevailing market value of the land as goodwill or non- refundable security with the Board before execution of the agreement

Deputy Secretary (Admn.) vide his Letter No.2764 dated 29.04.2020 pointed out 29 unbilled properties/units/sub-units for approval for rent/ development purposes by the competent authority i.e. Chairman. Out of list of 29 (list attached), 14 sub-units of the ET property No.70-B situated at Model Town, Lahore were proposed for renting out after approval by the Chairman. The detail is given below:

(Rs.)

Sr. No.	Unit No. Demand No.	Measurement K-M	Proposed Non-refundable security (NRS)	Monthly rent
1.	1-1111-5-0158-0	18- Marlas	2,216,160	18,000
2.	1-1111-5-0159-0	14-Marlas	1,723,680	14,000
3.	1-1111-5-0160-0	14-Marlas	1,723,680	14,000
4.	1-1111-5-0161-0	14-Marlas	1,723,680	14,000
5.	1-1111-5-0162-0	05-Marlas	615,600	5,000
6.	1-1111-5-0163-0	12-Marlas	1,477,440	12,000
7.	1-1111-5-0164-0	9-Marlas	1,108,080	15,000
8.	1-1111-5-0165-0	18-Marlas	2,216,160	18,000
9.	1-1111-5-0166-0	12-Marlas	1,477,440	12,000
10.	1-1111-5-0168-0	10-Marlas	1,231,200	10,000
11.	1-1111-5-0169-0	12-Marlas	1,477,440	12,000
12.	1-1111-5-0170-0	22-Marlas	2,708,640	22,000

13.	1-1111-5-0171-0	14-Marlas	1,723,680	14,000
14.	1-1111-5-0173-0	12-Marlas	1,477,440	12,000
	Total		**22,900,320**	

Audit observed that:

i. Management failed to propose/approve the 12 unbilled residential/ commercial units to enhance the Board's revenue.
ii. 2 units (1-1111-5-0159-0 and 1-1111-5-0160-0) measuring 1-Kanal and 8-Marlas occupied by an individual, already approved by the Chairman, ETPB, did not develop the same till date to recover the NRS and monthly rent at market rate.
iii. Management did not approve the development cases of remaining 12 demands.

Audit is of the view that the management deprived the Board from its due receipts for Rs.22.900 million on account of non-refundable security (NRS).

Audit is also of the view that the Board sustained a heavy financial loss due to non-recovery of enhanced monthly rent.

No reply was submitted by the department.

The PAO and the audited formation were informed on 29.11.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to:

i. Investigate the matter for fixing responsibility.
ii. Necessary steps may be taken to enhance the Board's receipts.

29.5.17 Irregular deduction of income tax on rental income - Rs.13.616 million

Section 149(1) of the Income Tax Ordinance, 2001 as amended up to June, 2021 states that the income of the Federal Government shall be exempted from tax.

Section 151(1) (a) of the Income Tax Ordinance, 2001, also states that following persons are exempted from deduction of tax at source under this section:

- The Federal Government
- Provincial Government.
- Local Government.

Management of the ETPB, Lahore (Deputy Administrator, Lahore I) recovered rental income for Rs.73.019 million from the Government offices during the financial year 2023-24. Detail is as under:

(Rs.)

Sr. No.	Office	Period	Total rent	Rent paid	Tax deducted
1.	Zakat and Ushar Department	01.01.1987 to 30.06.2023	72,711,585	61,804,847	10,806,738
2.	Directorate of Hajj	24.02.2023 to 09.01.2024	8,983,294	7,082,470	1,900,824
3.	Directorate of Hajj	10.01.2024 to 30.06.2024	5,040,157	4,131,535	908,622
		Total	**86,735,036**	**73,018,852**	**13,616,184**

Audit observed that the tenants paid the rental income after deduction of income tax amounting Rs.13.616 million.

Audit is of the view that the deduction of Income tax from the rental income was not only irregular but also deprived the Board from its due receipt of Rs.13.616 million.

The PAO and the audited formation were informed on 29.11.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to:

i. Matter may be investigated regarding non-pursuance of exemption cases with the FBR.
ii. Take up the case with the FBR for exemption.
iii. Recover the amount of withholding taxes deducted.

29.5.18 Loss due to non-recovery of arrears of rent from illegal occupant of property No. S-II-3-S-4 - Rs.11.804 million

Clause 3-(i) (a) of the Amended Scheme for the Management and Disposal of Urban Evacuee Trust Properties, 1977 provides that the tenant shall pay the monthly rent in advance by the 10th of each month and in case of annual lease, the lease money shall be paid by the 10th 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.

Section 25 of the Evacuee Trust Properties (Management and Disposal) Act, 1975 provides that the Chairman, an Administrator, a Deputy Administrator, or an Assistant Administrator may eject or cause to be ejected, any person in possession or occupation of the Evacuee Trust Properties whose possession and occupation is not authorized by or under any of the provisions of this Act or who contravenes or may have contravened any of the terms and conditions under which the property is held by him, or who has failed to pay public dues, or has willfully caused damage to any such property, or any person in occupation or possession of any evacuee trust property which is required for an object which is considered to be a public purposes by the Federal Government, after giving him notice, and for the purpose or such ejectment may use or cause to be used such force as may be considered necessary.

Management of the Evacuee Trust Property Board, Lahore did not recover the arrears of Rs.11.804 million up to 30.06.2024 from the occupant of property No. S-II-3-S-4, Demand No. 1-1111-1-2042-0 and 1-1111-1-2042-0 situated at Aibak Road, Lahore under illegal occupancy of an individual.

Audit observed that:

i. Management did not recover outstanding rent Rs.10,731,130 from the tenant.
ii. Amount of 10% surcharge Rs.1,073,113 was also not recovered. The detail is as under:

(Rs.)

Property No.	Demand No.	Period	Arrears of rent	10% surcharge	Total outstanding
S-II-3-S-4	1-1111-1-2042-0	01.07.2006 to 30.06.2024	4,951,470	495,147	5,446,617

S-II-3-S-4	1-1111-1-2041-0	01.07.2006 to 30.06.2024	5,779,660	577,966	6,357,626
		Grand total	**10,731,130**	**1,073,113**	**11,804,243**

Audit further observed that the Deputy Administrator issued an order for cancellation of tenancy of the said properties on 11.03.2008 but failed to retrieve the property till date.

Audit is of the view that due to negligence of the concerned, the Government/Board was deprived of the due receipt for Rs.11.804 million.

Audit is further of the view that non-retrieval of said property by the management shows week internal control.

No reply was given by the department.

The PAO and the audited formation were informed on 29.11.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to:

i. Investigate the matter for fixing of responsibility.
ii. Retrieve valuable property of the ETPB Board.
iii. Recover outstanding dues immediately.

29.5.19 Doubtful payment on account of conversion of property as commercial bearing Khewat No.77/74 Khatooni No.99-120 situated at Mauja Turaf Multan - Rs.11.019 million

Rule 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. Among the principles on which emphasis is generally laid are the following:

(i) Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Rule 11 of GFR, Vol-I further 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.

Management of the ETPB, Lahore paid an amount of Rs.11,019,200 for commercialization fee to the Municipal Corporation, Multan vide cheque No.00021417 dated 27.12.2023 for conversion of its property bearing Khewat No.77/74 Khatooni No.99-120 of Mauza Taraf, Multan as commercial.

Audit observed that:

i. Demand notice/bill for payment by the Municipal Corporation, Multan was not attached with the payment voucher.
ii. Acknowledgement by the Municipal Corporation, Multan was also not produced.
iii. Record for development of remaining area of the Marriage Hall situated at Nawabpur Road, Multan was not produced/available.
iv. Authority for change of status of the ETP land/area was not confirmed.
v. Management did not take effective steps for use of property Khewat No.77/74 as commercial so far.

Audit is of the view that the commercialization fee without demand notice of the Municipal Corporation, Multan is irregular.

Audit is also of the view that payment of the commercialization fee without development of the hall area is also irregular and unauthorized.

The PAO and the audited formation were informed on 29.11.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends investigation of the matter for fixing responsibility.

29.5.20 Non-recovery of arrears from the tenant of property No. A1958 - Rs.1.758 million

Clause 3-(i) (a) of the Amended Scheme for the Management and Disposal of Urban Evacuee Trust Properties, 1977 provides that the tenant shall pay the monthly rent in advance by the 10th of each month and in case of annual lease, the lease money shall be paid by the 10th 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.

Evacuee Trust Property Board, Lahore did not recover the amount of arrears of Rs.1.758 million up to 30.06.2024 from the tenant of property No. A1958 allotted demand No. 1-1111-3-0100-0 situated at Saaid Meetha Bazar, Lohari Gate, Lahore.

Audit observed that:

i. Management did not recover outstanding rent Rs.1,598,214 from the tenant.
ii. No effective steps were taken to recover the ETP dues.
iii. Amount of 10% surcharge Rs.159,821 was also not recovered.

Detail is as under:

(Rs.)

Property No.	Demand No.	Period	Arrears of rent	10% surcharge	Total outstanding
A1958	1-1111-3-0100-0	01.07.2006 to 30.06.2024	1,598,214	159,821	1,758,036

Audit is of the view that the management deprived the Board of its due revenue.

The PAO and the audited formation were informed on 29.11.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to recover the outstanding amount and deposit in the Boards Account.

29.5.21 Non-maintaining of the ETPB accounts on the approved format

Para 1(2) of the Finance Division's OM No.3(15) PFMR-II/2022/26 dated 26-01-2023 states that the accounts of autonomous entities shall be prepared in accordance with the instructions issued by the Controller General of Accounts with approval of the Auditor-General. A copy of annual accounts shall be made available to the Finance Division within three months of their finalization.

Management of the Evacuee Trust Property Board, Lahore incurred an expenditure of Rs.3,625.302 million out of the approved budget of Rs.3,668.613 million during the financial year 2023-24.

Audit observed that the management did not prepare accounts in accordance with the instructions issued by the Controller General of Accounts with approval of the Auditor-General of Pakistan.

Audit is of the view that non-maintaining of Accounts in accordance with the instructions issued by the Finance Division is a violation of Government instructions.

No reply was given by the department.

The PAO and the audited formation were informed on 29.11.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to prepare accounts according to the instructions issued by the CGA with the approval of the AGP.

Directorate of Hajj

29.5.22 Non-receipt of rent charges for renting out Haji Camp for temporary stay - Rs. 9.479 million

Para 3 of the Agreement signed between the Directorate of Hajj, Islamabad (Lessor) and the Police Headquarter, Islamabad (Lessee) for temporary stay of out-district LEAs for the period from 23.10.2022 to 28.11.2022 states that the lessee

shall pay rent @Rs.5,000 per room per day for the number of days for which accommodation is required.

Para 3 of the Agreement signed between the Directorate of Hajj, Islamabad (Lessor) and the Police Headquarter, Islamabad (Lessee) for temporary stay of out-district LEAs for the period from 15.12.2022 to 29.12.2022 states that the lessee shall pay rent @Rs.5,000 per room per day for the number of days for which accommodation is required.

As per Directorate of Hajj's Letter No.1(6)/2018 dated 07.02.2022, the total rent of the period w.e.f. 23.10.2022 to 28.11.2022 and 15.12.2022 to 29.12.2022 comes out to be Rs. 9,479,950.

Audit observed that despite a lapse of considerable time, the management has not received the rent charges.

Audit is of the view that non-receipt of the due rental amount is a violation of the agreement.

The management did not reply till finalization of this report.

The PAO and the audited formation were informed on 10.12.2024 followed by a reminder dated 17.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends the earliest receipt of rent charges.

CHAPTER 30

MINISTRY OF STATES AND FRONTIER REGIONS

30.1 Introduction

The States and Frontier Regions (SAFRON) Division is a key administrative body of the Government of Pakistan responsible for overseeing and managing the affairs of the Federally Administered Tribal Areas (FATA), now merged with Khyber Pakhtunkhwa, as well as addressing issues related to Pakistan's tribal regions, Afghan refugees, and interprovincial coordination regarding tribal matters. Historically, the SAFRON Division served as a bridge between the Federal Government and tribal areas, implementing policies to promote socioeconomic development, governance, and integration into the national framework. Its responsibilities include formulating policies for the welfare of Afghan refugees, ensuring their voluntary repatriation, and managing their temporary settlements in Pakistan. Additionally, the Division coordinates development projects and works towards improving infrastructure, education, healthcare, and livelihoods in areas historically underrepresented in national development plans. Post-FATA merger, SAFRON continues to play an essential role in addressing transitional issues, supporting tribal populations, and fostering the integration of these regions into mainstream governance. Its mandate reflects the Government's commitment to uplifting underprivileged areas, addressing security concerns, and promoting harmony between diverse communities.

Following functions are assigned to SAFRON:

i. Afghan refugees.
ii. Affairs of former and acceding states.
iii. Coordinating medical arrangements and health delivery systems for the Afghan refugees.

(Rs. in million)

Sr. No.	Description	Total Number	Audited	Expenditure Audited (FY-2023-24)	Revenue/ Receipt Audited (FY 2023-24)
1	Formations	6	1	36,12.094	
2	Assignment Accounts (Excluding FAP)	-	-		-
3	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

30.2 Comments on Budget and Accounts (Variance Analysis)

(Rs. in million)

Grant Number	Type of Grant	Original Grant	Supplementary Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)
86	Current	893.20	-	-	893.20	868..3	(25.54)
122	Dev.	964.22		948.92	15.31	15.31	0
	Total	**1,857.42**		**948.92**	**908.51**	**883.61**	**25.54**

Audit noted there was overall savings of 2.86% mainly due to savings in the current grant.

30.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs.7.200 million, were raised in this report during the current audit of the **Ministry of Religious Affairs and Interfaith Harmony**. Summary of the audit observations classified by nature is as under:

(Rs. 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	7.200

4	Value for money and service delivery	
5	Others	

30.4Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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	-
2023-24	13	0	0	13	-
Total	**118**	**27**	**5**	**113**	-

30.5 AUDIT PARAS

Commissioner, Afghan Refugees, KPK, Peshawar

30.5.1 Illegal occupation of 04 Commissionerate Afghan Refugees Residential Accommodations by non-entitled persons and non-recovery of rent - Rs. 7.200 million

Clause 3(c) of the Allotment of Residential Accommodation to the Employees of the Commissionerate Afghan Refugees, Housing Colony, Phase 5, Hayatabad Peshawar devised by the Office of the Commissionerate Afghan Refugees and approved/endorsed by the Office of the Chief Commissionerate for Afghan Refugees vide a Letter No.3/68/Admn/CCAR/15 dated 24.01.2017 states that no other employee, except the regular/project/deputationist of the Afghan Refugees Organization shall be entitled to retain the residential accommodation. The employee other than the above-mentioned categories shall vacate the accommodation forthwith.

Clause 3(d) of the Allotment of Residential Accommodation to the Employees of the Commissionerate for Afghan Refugees, Housing Colony, Phase

5, Hayatabad, Peshawar approved/endorsed by the Office of the Chief Commissionerate for Afghan Refugees vide a Letter No. 3/68/Admn/CCAR/15 dated 24.01.2017 states that those allottees who belong to other department shall, with effect from the date of notification of the amended Clause be considered as illegal occupants.

Clause 3(f) of the Allotment of Residential Accommodation to the Employees of the Commissionerate Afghan Refugees, Housing Colony, Phase 5, Hayatabad, Peshawar devised by the Office of the Commissionerate Afghan Refugees and approved/endorsed by the Office of the Chief Commissionerate for Afghan Refugees vide a Letter No.3/68/Admn/CCAR/15 dated 24.01.2017 states that those who retain the residential accommodation in violation, shall be charged commercial rate of rent till eviction.

The management of the Commissionerate Afghan Refugees, KPK Peshawar possesses 82 official accommodations of various categories.

Audit observed that:

i. Four Residential Accommodations were occupied by illegal occupants, who were not employees of the Commissionerate Afghan Refugees, in violation of the allotment Policy.
ii. Recovery of rent amounting to Rs. 7,200,000 was not made from the illegal occupants, in violation of Rule 3(f) of the aforementioned Policy.
iii. No rent on commercial rate was recovered from the above stated occupants.
iv. Neither Notices for eviction to the illegal occupants of the Commissionerate Afghan Refugees was issued nor were any legal efforts made for the same, as no record in support of it was available on record.

(Rs.)

S. No.	Area/ Category	House No.	Name (Delete the names/ column)	Designation	Market rent (approximately)	Months	Amount
1	1.62 Kanal	1-C/2, Phase V, Hayatabad	Syed Jamal ud Din Shah	Head of Provincial Mohtasib/	200,000	12	2,400,000

				Provincial Government, KPK			
2		2-C/2, Phase V, Hayatabad	Mr. Fasih-ud-Din	DIG Police	200,000	12	2,400,000
3	1 Kanal	161 C/2, Phase V, Hayatabad	Mr. Muhammad Ishaq Qureshi	PS to Home Secretary/ Provincial Government, KPK	150,000	12	1,800,000
4	Flat	Flat No. 27	Mrs. Azra Usman	Lady Constable (FIA)	50,000	12	600,000
Total							**7,200,000**

Audit is of the view that the Residential Accommodations were required to be allotted to the employees of the Commissionerate of Afghan Refugees and not the outsiders. Furthermore, non-recovery of rent amounting to Rs. 7.200 million was a loss to the Government.

The management replied that all the accommodation units were built from the funds of the "Sales Proceeds Accounts" and UNHCR funds and therefore, all the matters pertaining to the allotment, recovery of rent etc. are dealt on the UNHCR side of the Commissionerate Afghan Refugees. As the same does not pertain to the regular Budget and Expenditure, it is requested that the subject matter may be taken up during the audit of the UNHCR funds.

The reply was not accepted as the both wings were under the control of the Commissionerate Afghan Refugees and allotments were made with the approval of the Commissioner, Afghan Refugees, being head of the department. Recovery of rent and its deposit should have been reflected in the accounts of the Afghan Commissionerate. The evidence of the same was not provided. Furthermore, the sales proceeds become part of the Federal Consolidated Fund/Government assets.

The DAC meeting was held on 06.02.2025 and directed that allotment policy may be revised and unauthorized occupants may be got vacated.

Audit recommends that the accommodations be got vacated from the outsiders beside recovery of rent according to the market value.

30.5.2 Irregular allotment of official residential accommodation in violation of the allotment policy of the management

Clause 03(a) for the allotment of residential accommodation to the employees of the Commissionerate for Afghan Refugees Housing Colony, Phase 5, Hayatabad, Peshawar as made by the Office of the Commissionerate Afghan Refugees and approved/endorsed by the Office of the Chief Commissionerate for Afghan Refugees vide a Letter No.3/68/Admn/CCAR/15 dated 24.01.2017, states that Regular/Project employees of ARO will be entitled to the allotment of residential accommodation, keeping in view a proper ratio i.e. 80% for regular employees and 20% for Project employees.

The management of the Commissionerate Afghan Refugees, Peshawar has 82 Official Residential Accommodations of different categories, allotted to employees. Details are as under:

S. No	Description	Area	Number of units
1	Bungalows	1.62 Kanal	06
2	Bungalows	01 Kanal	20
3	Bungalows	10 Marla	15
4	Bungalows	05 Marls	09
Total			**50**
5	Flats	02 Bed Rooms, 01 kitchen, 01 bath	32
Grand total			**82**

Audit observed that the allotments of the official residential accommodations were made in violation of the above stated Rule of allotment, as the prescribed ratio for allotment was not followed. Details are given below:

	Allotment	Number of units	Percentage
1.62 Kanal Houses	Allotted to Outsiders	2	33%
	Allotted to Project Employees	2	33%
	Allotted to Regular Employees	2	33%
	Total	**6**	**100%**
01 Kanal Houses	Allotted to outsiders	1	5%
	Allotted to Project Employees	9	45%
	Allotted to Regular Employees	10	50%

	Total	**20**	**100%**
10 Marla Houses	Allotted to Project Employees	11	73%
	Allotted to Regular Employees	4	27%
	Total	**15**	**100%**
05 Marla House	Allotted to Project Employees	8	89%
	Allotted to Regular Employees	1	11%
	Total	**9**	**100%**
Flats	Allotted to Outsiders	1	3%
	Allotted to Project Employees	8	25%
	Allotted to Regular Employees	23	72%
	Total	**32**	**100%**

Audit is of the view that the allotment of the official residential accommodation in violation of the approved allotment policy was irregular.

The management replied that the Commissioner, Afghan Refugees, KP, allotted housing Units to both Regular and Project employees of the Afghan Refugees Organization KP, detail of which are as under:

Description	**Numbers**
Number of Vacated Units from 2017 to 2024	45
Allotted to Regular employees	23 (51.11%)
Allotted to Project employees	22 (48.88%)
Total	**45**

Moreover, monthly rent of housing units has been regularly deposited in the related Account maintained for the purpose.

The reply was not accepted because ratio i.e. 80% for the regular employees and 20% for the project employees were not followed as per Policy. Project employees were given extra share in the housing colony in violation of the Policy. Outsiders were also allotted the housing units in violation of the Policy.

The DAC meeting was held on 06.02.2025 and directed that allotment policy may be revised and in future all the allotments may be made as per approved policy.

Audit recommends that the allotments need to be made as per approved policy.

CHAPTER 31

MINISTRY OF SCIENCE AND TECHNOLOGY

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 (As amended up to 23.04.2019), following main business have been assigned to the Division amongst the other functions:

1. Establishment of science cities.
2. Establishment of institutes and laboratories for research and development in the scientific and technological fields.
3. Establishment of science universities as specifically assigned by the Federal Government.
4. Planning, coordination, promotion and development of science and technology monitoring and evaluation of research and development works, including scrutiny of development projects and coordination of development programs in this field.
5. Promotion of applied research and utilization of results of research in the scientific and technological fields carried out at home and abroad.
6. Guidance to the research institutions in the Federation as well as the provinces in the fields of applied scientific and technological research.
7. Coordination of utilization of manpower for scientific and technological research.
8. Promotion and development of industrial technology.
9. Promotion of scientific and technological contacts and liaison nationally and internationally, including dealings and agreements with other countries and international organizations.
10. Initiate promotional measures for establishment of venture capital companies for technological development and growth.
11. Support to NGOs concerned with development of science and technology.
12. Promotion of metrology Standards, Testing and Quality Assurance System.

ATTACHED DEPARTMENTS/AUTONOMOUS BODIES

i. National Commission for Science and Technology.

ii. Pakistan Council of Scientific and Industrial Research.
iii. Council for Works and Housing Research.
iv. Pakistan Science Foundation.
v. National Institute of Electronics.
vi. Pakistan Council of Science and Technology.
vii. National Institute of Oceanography.
viii. STEDEC Technology Commercialization Corporation of Pakistan (Private) Limited.
ix. National University of Sciences and Technology (NUST).
x. Pakistan Standards and Quality Control Authority (PSQCA).
xi. Prescription of standards and measures for quality control of manufactured goods.
xii. Establishment of standards of weights and measures.
xiii. Development, deployment and demonstration of renewable sources of energy.
xiv. Pakistan National Accreditation Council (PNAC).
xv. Pakistan Council of Renewable Energy Technologies (PCRET).
xvi. COMSATS Institute of Information Technology.
xvii. Pakistan Engineering Council (PEC).
xviii. Pakistan Halal Authority.
xix. National University of Science and Technology.

(Rs. in million)

Sr. No.	Description	Total Number	Audited	Expenditure Audited (FY-2023-24)	Revenue/ Receipt Audited (FY 2023-24)
1	Formations	114	5	969.00	10,857.03
2	Assignment Accounts (Excluding FAP)	9	-	-	-
3	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

31.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Science and Technology Division for the financial year 2023-24 was Rs. 18,250.280 million, out of which the Division expended an amount of Rs. 18,228.800 million. Grant-wise detail of current and development expenditure is as under:

(Rs. in million)

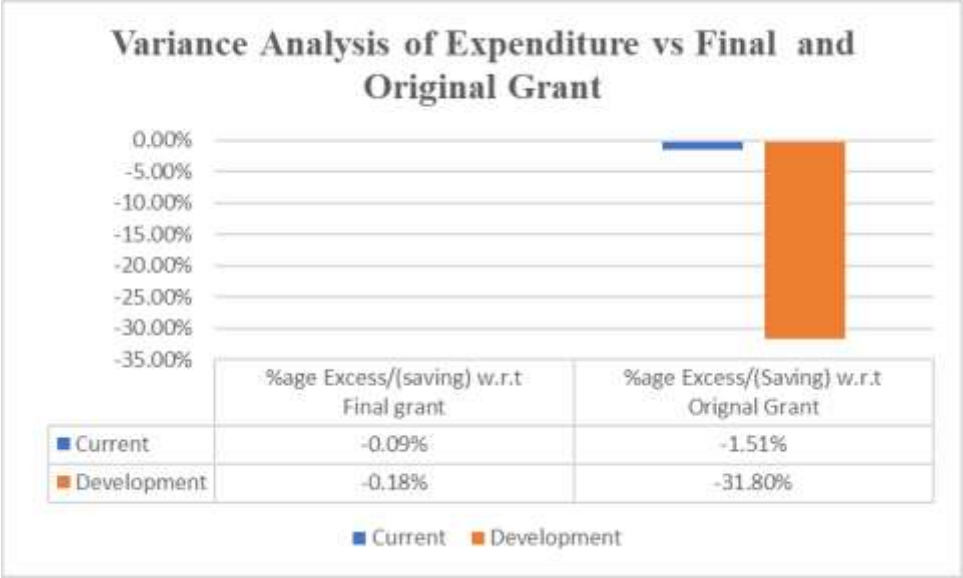
Grant Number	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)
87	Current	12,968.51	-	(184.46)	12,784.04	12,772.63	(11.41)
121	Development	8,000.00	-	(2,533.76)	5,466.24	5,456.17	(10.07)
	Total	**20,968.51**	**-**	**(2,718.23)**	**18,250.28**	**18,228.80**	**(21.48)**

Audit noted that there was an overall savings of (Rs. 21.480 million), which was mainly due to saving in current grant.

Supplementary Grants obtained without careful cash forecasting

According to Para 71 of GFR, Vol-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 in the current and development expenditure, it was observed that, in case of the development grant, there was -31.80% of saving w.r.t the original grant which was finally reduced to -0.18% w.r.t the final grant and in case of the current grant -1.51% saving was finally reduced to -0.09%.



31.3Classified Summary of Audit Observations

Audit observations, amounting to Rs. 288.146 million, were raised in this report during the current audit of the **Ministry of Science and Technology**. Summary of the audit observations classified by nature is as under:

(Rs. 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	69.151
B	Procurement related irregularities	59.832
C	Management of account with commercial banks	7.304
D	Recovery	7.497
E	Internal Control	29.000
4	Value for money and service delivery	
5	Others	115.362

31.4Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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	-
2023-24	15	0	0	15	-
Total	**115**	**44**	**9**	**106**	-

31.5 AUDIT PARAS

Special Audit of PCSIR including all Labs.

31.5.1 Non-appointment of Member, Finance

As per PCSIR Act, 1973, the Council shall consist of the following twenty-one members, namely:

i. Chairman to be appointed by the Federal Government;
ii. A Finance Member, being representative of the Ministry of Finance;
iii. Two whole-time Science Members, of whom at least one shall be an engineer or a technologist, to be nominated by the Federal Government;
iv. Four officers serving under the Federal Government, to be nominated by that Government;
v. Director of Industries in each Province, ex officio;
vi. Three Directors of the Institutes, to be nominated by the Federal Government so, however, that a Director shall not be nominated for another term until the other directors have been members;
vii. Six representatives of industries in the private and public sector, to be nominated by the Federal Government.

The Chairman shall be the Chief Executive Officer of the Council and the other members, except the Finance Member, shall perform such functions as the Council may assign to each of them from time to time.

The Finance Member shall exercise such powers and perform such functions as may be prescribed.

Further, PCSIR Governing Body consisted of the following members, namely:

i. The Chairman;
ii. The Finance Members; And
iii. The Two Whole-Time Science Members.

The governing body is the executive organ of the Council and is, subject to the superintendence and control of the Council, perform all functions of the Council and is guided by such general or special instructions as may from time to time be given to it by the Council.

Audit observed that the PCSIR did not appoint the Member, Finance till June, 2024, hence, composition of the Council and governing body of the Council was not completed.

Audit also observed that the Member, Finance is the key post in the PCSIR who is also a Member of many committees as per the Act and Rules i.e. Promotion Committee, Budget Committee, etc.

Audit is of the view non-appointment of the Member Finance was a violation of the Act and the authenticity of the expenditures and promotions could not be ascertained without involvement of the Member, Finance.

As per management's stance, Section 4(b) of PCSIR Act, 1973 states that a Finance Member shall be a representative of the Ministry of Finance. The post of Member (Finance) is lying vacant at the PCSIR and the Ministry of Finance did not nominate any representative since 17.05.2016.

PCSIR itself neither appoint nor can approach the Finance Division for nomination of its representative as Finance Member but can request through its administrative Ministry i.e., Ministry of Science and Technology (MoST).

In this context, the PCSIR has requested the Ministry of Science and Technology (MoST) several times vide Letters of even numbers dated 28.06.2016, 26.01.2017, 09.05.2017, 01.06.2017, 12.07.2017, 22.08.2017, 07.11.2017, 02.01.2018, 31.01.2018, 08.01.2019, 19.02.2019, 13.03.2019, 16.01.2020, 30.09.2020, 19.01.2021, 01.03.2021, 24.05.2021, 11.08.2021, 01.11.2023 and

26.02.2024. However, no representative of the Finance Division has been nominated and posted as yet.

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

The PAO and the audited formation were informed on 02.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that mater may be taken up with the Ministry of Finance through the MoST for appointment of the Member, Finance for fulfilment of the provision of the Act.

31.5.2 Unauthorized establishment of the Contributory Pension Fund Account

As per PCSIR Act, 1973, the Council may, with the previous sanction of the Federal Government, make such regulations, not inconsistent with this Act or the Rules made thereunder, as may, in its opinion, be necessary or expedient for the achievement of its aims and objects or for the performance of its functions.

The management of the PCSIR, HQ, Islamabad established the Contributory Pension Fund and deposited the amount deducted from the employees in it.

Audit observed that the Contributory Pension Fund was established without the approval of the Federal Government.

Audit is of the view that the establishment of Fund without approval of the Federal Government was irregular and unauthorized.

The management replied that draft Contributory Pension (CP) Fund Rules were forwarded to the Finance Division on 16.09.2013 through the Ministry of Science and Technology. The Finance Division further sought views/comments and advice of the Controller General of Accounts (CGA). PCSIR, after incorporating the proposed amendments of the CGA forwarded the same to the Finance Division on 20.08.2024 for final approval.

In order to facilitate the PCSIR employees who fall under the proposed CP Fund Scheme, the Governing Body of the PCSIR has provisionally allowed allotment of CPF to the employees falling under the CPF scheme w.e.f. 01.02.2017 along with recoverable arrears of subscription from their date of entry into PCSIR service i.e. 29.11.2012. This initiative was taken to avoid accumulation of arrears of CPF contribution from the employees as well as employer's contribution of equal amount otherwise financial liabilities would have fallen on the employer as well as the employees.

The reply was not accepted because without approval of the rules, contribution made by the employees was irregular and illegal.

The PAO and the audited formation were informed on 02.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that either the rules may be got approved from the Finance Division or the amount already deposited by the employees may be returned to them.

31.5.3 Wastage of fund due to non-approval of lab. from DRAP - Rs. 15.000 million

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

PCSIR, Peshawar executed the project, "Upgradation and Modernization of herbal, mineral and food pilot plants of PCSIR Laboratories Complex, Peshawar" amounting to Rs. 157.150 million. As per PC-I, pilot plant registration with the DRAP was a pre-requisite for semi/large scale production.

PCSIR, Islamabad released an amount of Rs. 15.000 million during the financial year 2022-23 for the establishment of Herbal Medicine Plant and registration of the plant with the DRAP.

During audit of the PCSIR, Peshawar, it was observed that in December, 2022, the pilot plant of Medical Botanic Center was established but the plant was not registered till June, 2023 with the DRAP despite release of Rs. 15.000 million for the same purpose.

Audit is of the view that non-registration of the pilot plant with the DRAP was a violation of the PC-I and without the registration, bulk production could not be started. Hence, an amount of Rs. 15.000 million was wasted.

The management replied that the factual position of the case was that the project, "Up-gradation and Modernization of Herbal, Mineral and Food Pilot Plants of PCSIR Laboratory Complex, Peshawar" was completed at a cost of Rs. 157.150 million in 2008 and handed over to the PCSIR Laboratory Complex (PLC), Peshawar wherein, production at semi-commercial level was started in all the three pilot plants.

However, in 2012, the Government of Pakistan mandated the Drug Regulatory Authority of Pakistan to regulate Allopathic and Herbal Products. In this regard, PCSIR conducted regular contact with the DRAP to register its Pilot Plant. The DRAP team visited the Pilot Plant of this Complex in January, 2018 and raised certain deficiencies regarding modification in the existing civil structure and the purchase of additional equipment. To fulfill these deficiencies, the PCSIR prepared a Concept Paper for release of Rs. 15.000 million on 13.08.2021, which was approved and the amount released accordingly.

However, on 05.10.2021, the Head Office of the PCSIR vide a Letter No. PCSIR-Herbal Plant/21/4020 directed this Complex to freeze the released amount i.e. Rs. 15.000 million till next order with the view that the Head Office was in the process of getting the PCSIR Owned Private Limited Company registered with the SECP. A number of meetings were held at the PCSIR Head Office as well as in the Ministry of Science and Technology, however, due to different technical reasons, the proposal of registration of the PCSIR as a Private Limited Company with the SECP could not materialize.

In view of the above-prevailing situation, the PCSIR is in the process for registration of Pilot Plant with the DRAP. PCSIR is vigorously approaching the

DRAP for the purpose and as soon as the registration process is completed, the amount will be utilized accordingly.

The reply was not accepted because funds were released to the Peshawar Center in 2021m, which were held there up to June, 2024. Further, due to non-registration with the DRAP, the benefit of total amount i.e. Rs. 157.150 million was compromised.

The PAO and the audited formation were informed on 02.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

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

31.5.4 Irregular payment of GST to the Supplier - Rs 2.158 million

PCSIR under the project, "Efficient Canola Seed Processing and Value addition byproduct" incurred an expenditure for procurement of Laboratory Instruments with complete NIR System. The work was award to M/s Continental Worldwide Trading amounting to Rs. 12,694,500.

Audit observed that as per Goods Delivery (GD), no sales tax was charged on Laboratory Instruments with complete NIR System. Whereas, payment was made on invoice which included GST @ 17%.

Audit is of the view that the payment including GST amounting to Rs 2,158,065 was a loss to the public exchequer.

The management replied that the PCSIR had issued a Letter to M/s Continental Worldwide Trading, instructing them to deposit the 17% GST amount in the Government treasury. It is important to note that the GST was exempted based on the presentation of the tax exemption certificate and the Goods Declaration (GD) by the supplier. We are currently following up with the company to ensure that the necessary amount is recovered and appropriately deposited in the Government treasury.

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

The PAO and the audited formation were informed on 02.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that amount may be recovered and deposited in the Government treasury.

31.5.5 Non-deduction of Sales tax on services - Rs 5.339 million

As per Islamabad Capital Territory (Tax on Services) Act, 2001, "the Schedule Table 1, 9815.5000 Services provided by technical, scientific and engineering consultants - similarly, Table 198.17 Services provided by the laboratories other than services relating to pathological or diagnostic tests for patients are liable to pay 16% sales tax on services."

As per KPK Sales Tax on Services Act, 2022 9817.000, services provided by the laboratories, scientific laboratories, mechanical laboratories, chemical laboratories, electrical or electronics laboratories, pathological laboratories, Forensic laboratories medical diagnostic laboratories including technical services relating to X-rays, CT Scan, MR Imaging (MRI), ultrasound, echo etc. or other such laboratories are liable to pay 10% sales tax on services.

As per Sindh Sales Tax on Services Act, 2011 9815.5000, services provided by the technical, scientific and engineering consultants are liable to pay 13% sales tax on services.

As per Punjab Sales Tax on Services Act, 2012 9815.5000, services provided by the technical, scientific and engineering consultants including technical inspection and certification services, quality control (standards' certification), technical analysis and testing, erection, commissioning and installation services are liable to pay 16% sales tax on services.

The management of the PCSIR made payments to following service providers during 2021-23. Details are as under: -

(Rs.)

S. No.	Service provider	Financial year 2021-22	Financial year 2022-23	Total	Service tax rate %	Tax due amount
1	Lahore University of Management Sciences, Lahore	172,000	383,500	555,500	16	88,880
2	HEJ Research Institute of Chemistry, University of Karachi	2,857,600	3,308,250	6,165,850	13	801,561
3	COMSATS University, Islamabad	2,697,017	3,206,000	5,903,017	16	944,483
4	SCME NUST University, Islamabad	57,800	352,700	410,500	16	65,680
5	PCSIR	3,720,500	4,732,450	8,452,950	16	1,352,472
6	Centralized Science Laboratory, University of Karachi	80,700	81,500	162,200	13	21,086
7	Commercial Testing and other related services, NEDUET, D-CEP	32,205	-	32,205	16	5,153
8	Islamic University of Bahawalpur	60,000	-	60,000	16	9,600
9	Centralized Resource laboratory, University of Peshawar	319,560	459,100	778,660	10	77,866
10	HDIP, Islamabad	1,254,656	-	1,254,656	16	200,745
11	NIBGE, Faisalabad	300,000	-	300,000	16	48,000
12	IBGE, Islamabad	998,100	-	998,100	16	159,696
13	Alpha Genomic Pvt. Ltd.	5,401,000	-	5,401,000	16	864,160
14	LAB Genetix Pvt. Ltd.	3,436,880	-	3,436,880	16	549,901
15	UET, Peshawar	-	66,000	66,000	10	6,600
16	NCE in Geology, University of Peshawar	-	46,400	46,400	10	4,640
17	Neuro Molecular Medicine Research Center (NMMRC), Peshawar	-	49,050	49,050	10	4,905

18	Centre for advance electronic and Photovoiliac Engineering (CAEPE), International Islamic University, Islamabad	-	7,800	7,800	16	1,248
19	Institute of Space Technology (IST), Islamabad	-	310,000	310,000	16	49,600
20	Central Hi-Tech Lab., University of Agriculture, Faisalabad	-	103,500	103,500	16	16,560
21	Fatima Jinnah University, Rawalpindi	-	320,000	320,000	16	51,200
22	Service and Contracts, NSPL, Islamabad	-	96,250	96,250	16	15,400
Total		**21,388,018**	**13,522,500**	**34,910,518**		**5,339,436**

Audit observed that the management did not deduct sales tax on services on the above payments.

Audit is of the view that due to non-deduction of sales tax on services, the related public exchequers were put to a revenue loss amounting to Rs 5,339,436.

The management replied that on the following grounds, Services Sales Tax was not applicable on the payments mentioned in the observation:

1. Project Execution Committee approves the request for analysis of the Research Scholars as grants at specific rate (already approved) and issues the award letters to the Research Scholars as well as to the concerned university with the request to analyze the sample and submit the case for payment in line with the above conditions.

2. The payments made to the Research Scholars through respective Government owned educational institutions.

The payments made to the Research Scholars are as grants to do R&D owned innovation/merging concepts for the promotion of S&T Framework in Pakistan.

The reply was not accepted because granting of exemption on any services is the mandate of the Federal Board of Revenue/concerned Revenue Authority.

The PAO and the audited formation were informed on 02.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that amount may be recovered and deposited in the Government treasury.

31.5.6 Loss due to illegal occupation of 45 Marlas land by the Peshawar Development Authority (PDA)

PCSIR, Peshawar Laboratory owned a land area of 447 Kanals - 04 Marlas at the University Road, Peshawar. The Peshawar Development Authority (PDA) vide a Letter dated 05.10.2020 informed the PCSIR Laboratory, Peshawar that the Provincial Government intended to construct a Slip Road in the land situated at the University Road which belonged to the PCSIR, Laboratory. For this purpose, approximately 11 Marlas' land is required. The rate has already been sorted out by the DC, Peshawar for compensation as per the Provincial Government Policy.

Audit observed that as per case filed by the PCSIR, Peshawar against the PDA, 45 Marlas' land was illegally occupied without payment of compensation and permission.

Audit is of the view that the occupation of the land by the PDA/Provinvial Government was irregular and loss to the PCSIR, Peshawar.

The management replied that, Peshawar Development Authority (PDA) had requested for 11 Marlas of PLC land for construction of Slip Road under the Peshawar Beautification Project. When correspondence was underway and the proceedings had not yet been finalized, PDA, all of a sudden unilaterally acquired 45 Marlas of land. This Complex obtained a Stay Order from the Court over demolition/encroachment activities by the PDA. However, Peshawar District Court vacated the Stay Order as the extra land acquisition/encroachment was undertaken in Public Interest under the Peshawar Beautification Project.

This Complex has now filed Amended Suit in the Peshawar District Court for recovery of damages/price of land of Rs. 22,500,000 (Twenty-Two Crores Fifty Lacs) along with interest for the PCSIR, Peshawar land acquired for the construction of Slip Road Joining Road No. 1 and University Road, Peshawar by the PDA. The needful has been done. The case is sub judice in the District Court.

The PAO and the audited formation were informed on 02.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that matter may be pursued actively to recover land or due compensation.

31.5.7 Encroachment on 1.5 Acre land - Rs. 100.362 million

PCSIR, Karachi owned land 152 Acres out of which 1.5 Acre of (7,260 Sq. Yards) land was encroached during 2006-08. PCSIR, Karachi is in litigation from 2012 till date.

Audit observed that as per the Federal Board of Revenue immovable property rates and Sindh Government DC valuation, today (09.05.2024,) value of land is as under:

Authority	Rate	Total (Rs.)
Federal Board of Revenue	13,824 per Sq. Yard	100,362,240
DC, Karachi property valuation (industrial)	11,520 per Sq. Yard	83,635,200
DC, Karachi Structure rates	2,780 per Sq. Feet	

Audit is of the view that undue delay in decision forwarded favor to the encroacher.

The management replied that the encroached land case was pending at the Sindh High Court and followed by the Legal Counsel. On 14.03.2023, the Chairman has approved the change of above legal counsel. The matter of the encroachment is in progress with the Court.

The PAO and the audited formation were informed on 02.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that case may be pursued vigorously to vacate the land.

31.5.8 Non-reconciliation of royalty receipts - Rs 7.304 million

Rules 7(1) of FTR, Vol-I 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.

PCSIR, Karachi leased process/products to customers and received royalty during 2019-2023. Details are as under:

S. No.	Financial year	Amount (Rs.)
1.	2023	803,643
2.	2022	1,177,195
3.	2021	4,789,383
4.	2020	442,797
5.	2019	91,374
Total		**7,304,392**

Audit observed that royalty collected was deposited in the NIDA account of PCSIR, HQ without any reconciliation.

The management replied that the PCSIR Karachi Laboratory Complex (KLC) followed the proper procedure to calculate the royalty on products produced at the Technology Business Incubation Center (TBICs) units. In this regard, monthly production sheets are prepared and signed by the TBIC concerned person and the scientist deputed at the TBIC and submit to the Marketing Cell. The Marketing Cell calculates the royalty per product as decided by the TBIC Committee and then it is approved by the Director General. Then, royalty bills are issued to the TBICs on a monthly basis. The royalty has been reconciled with the bills and no discrepancies have been found.

The reply was not accepted because only those bills were reconciled which were deposited in the account. Whereas, no reconciliation was made with the gate passes issued.

The PAO and the audited formation were informed on 02.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that proper reconciliation may be carried out and outcomes may be shared with Audit.

31.5.9 Irregular offering of 25% discount on Royalty

As per Clause 10 of the Agreement between PCSIR Labs. Complex, Karachi and M/s Espior Pharma dated 27.02.2019 for the use of Technology Business Incubation Center II (TBIC II), "the party II (M/s Espior Pharma) will pay 25% of the existing production royalty to the party I (PCSIR Labs. Complex, Karachi)." This discount has been given because of increasing the building utilization charges.

Audit observed that the management of the PCSIR, Karachi offered 25% discount to M/s Espior Pharma without approval of the Board of Governance and against increased utility charges.

Audit is of the view that award of discount to adjust utility charges without approval of the BOG was unauthorized. The same caused a loss to the organization, and forwarded undue favor to M/s Espior Pharma.

The management replied that on the terms of recovery of outstanding Government dues of building utilization charges/rent and vacation of premises, the client was insisting to level the royalty charges to 25%. This made the settlement of the issue of outstanding charges and the client paid off the outstanding amount of Rs. 6.000 million to the PCSIR, KLC.

The terms and conditions were made part of the agreement dated 27.02.2019, which does not require approval of the BoG, but it is well in the information notice of audit examination to clear the outstanding Government dues.

The reply was not accepted because instead of protecting the benefit of the Government, the management favored the tenant by allowing 25% discount.

The PAO and the audited formation were informed on 02.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that matter may be inquired to fix responsibility.

31.5.10 Loss due to non-recovery of the Mobilization Advance - Rs. 13.000 million

Clause 17.8.2 of the tender document relates to the “liquidated damages” and states that the sum up to 2% but not less than 1% for each and every month, or part thereof thereafter, beyond the specified dates of delivery during which the goods has not been delivered, subject to a maximum of 10% of contract price.

PCSIR awarded the work of supply, installation and commissioning of equipment under the projects, “Establishment of facilities for electric motor testing” to M/s Green Hydro Engineering amounting to Rs 45,350,205 and paid 30% of the Purchase Order value, mobilization advance amounting to Rs. 13,600,000.

Audit observed that the mobilization advance was released against the bank guarantee which stood expired on 31.05.2023. Later, M/s Green Hydro Engineering submitted an insurance guarantee on 06.06.2023 instead of bank guarantee despite directions from the PCSIR regarding submission of bank guarantee and reminders on 28.08.2023, 02.01.2023 and 17.10.2023. However, neither, the vendor submitted a valid bank guarantee nor the management recovered the mobilization advance.

Audit is of the view that non-collection of mobilization advance put a loss to the public exchequer.

The management replied that the PCSIR awarded a Purchase Order for the supply, installation, and commissioning of equipment under the project, "Establishment of Testing Facilities for Electric Motors" to M/s Green Hydro Engineering, valued at Rs. 45,350,205. A mobilization advance of 30% of the Purchase Order value, amounting to Rs. 13,600,000, was released in accordance with the provisions of the Tender Documents/RFP.

M/s Green Hydro Engineering requested an extension due to a "force majeure" situation resulting from the Government's ban on LCs for importing goods. This measure was implemented to control the rising dollar rate and protect the local currency from significant depreciation. Consequently, the restriction impacted the delivery timeline, and the bank guarantee subsequently expired.

The delay was caused by the circumstances beyond the vendor's control. In response, management extended the deadline and constituted a committee to assess the case and expedite the delivery process.

At present, partial delivery has been completed via air shipment and delivered to the KLC, while the remaining equipment is currently en route via sea shipment. So, the recovery of advance payment could not be claimed under the present scenario.

The PAO and the audited formation were informed on 02.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the amount may be recovered and deposited in the Government treasury.

31.5.11 Unauthorized payment to M/s AM Tech. - Rs 28.195 million

PCSIR awarded work, "Supply and Installation of instruments/Equipment for Development of computer controller Fermenters and Production of Bio-Chemical and Bio-Product" to M/s Am Tech. dated 26.04.2022 amounting to Rs 28,195,210.

As per the tender documents, the firm must possess Purchase Order of Rs. 50.000 million and above.

Audit observed that:

1. Work was awarded to M/s AM Tech. having a maximum Work Order of Rs. 2.150 million.
2. No Manufacturing Certificate.
3. No bill of lading was provided to ensure that the items were imported.

Audit is of the view that the award of work to less business valued firm was irregular and violation of the tender documents.

The management replied that the under-reference items were procured on FOR basis through Open Tender No. ICCC/MECHEQ/DCFPBB/2022/005, therefore, no bill of lading is required in this case.

However, the manufacturing certificate and as well as bill of lading was also inquired from M/s. AM Tech. for verification. The mechanical equipment was almost retendered 4 times and in the mentioned tender, only M/s. AM Tech. participated for this equipment. Therefore, the tender was awarded to M/s. AM Tech. to save time and money.

The reply was not accepted because as per conditions of the tender, M/s AM Tech. was not a qualified vendor.

The PAO and the audited formation were informed on 02.01.2025 for convening of the DAC meeting but no response was received till finalization of the report. Issue a reminder and mention herein.

Audit recommends that matter may be inquired to fix responsibility.

PCSIR Laboratories Complex, Lahore

31.5.12 Irregular expenditure on consultancy services - Rs.11.268 million

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 website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

Management of the PCSIR Labs., Lahore hired services of different firms for Proficiency Testing (PT) of labs./centers and incurred an expenditure of Rs. 11,268,583 during the financial year 2023-24. Detail is given below:

Sr. No.	Name of firm	Amount (Rs.)
1.	Swiss Consulting (Pvt.) Limited	5,723,368
2.	Advanced Certification (Pvt.) Limited	5,545,215
Total		**11,268,583**

Audit observed that the services of M/s Swiss Consulting and M/s Advanced Certification were hired directly without advertising the opportunities on PPRA website as well as in the print media.

Audit also observed that no agreements were signed with the firms.

Audit is of the view that the management deprived the Government of the benefits of open and fair competition.

Reply was not furnished by the department.

The PAO and the audited formation were informed on 09.12.2024 and 11.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the matter may be investigated to fix responsibility.

31.5.13 Loss to the Government due to non-deduction of late delivery charges - Rs. 7.369 million

Delivery clause of the contract agreement made with the supplier states that delivery of the goods shall be made by the supplier in accordance with the terms specified in office letter on CIF, Lahore basis. The time period for delivery will be sixty (60) days ex-work from the date of opening of L/C by buyer in the name of supplier / beneficiary."

Clause 39-1, General Conditions of the Contract given in the standard bidding documents issued by the PPRA states that the rate of liquidated damages should be 0.1 to 0.2 percent per day of undelivered material/goods value.

Management of PCSIR Labs., Lahore incurred an expenditure of Rs.73.693 million on the procurement of goods from the project titled, "Development of Computer Controlled Fermenters and Production of Biochemical and Bio products" during the financial years 2022-23 and 2023-24. The detail is given below:

(Rs.)

S. No.	Name of firm	Description	Due date	Date of delivery	Delay period (Days)	Total amount	Late delivery charges
1.	M/s LINKTECH	Panel Mount Solid State, Power Line Filters, Wire, Stranded Hook up	30.6.2022	09.6.2023	339	3,839,371	383,937
2.	M/s LINKTECH	Panel Mount Solid State	30.6.2022	21.6.2023	351	848,420	84,842
3.	M/s Blazone Diagnostic	Solid State Fermenter	30.6.2023	19.3.2024	199	24,770,000	2,477,000
4.	M/s Blazone Diagnostic	Cross Flow Filtration System	30.6.2023	Not received	406	38,890,000	3,889,000
5.	M/s Blazone Diagnostic	Lab Scale Homogenizer/ Sonicator	30.6.2023	31.12.2023	180	5,345,300	534,530
Total						**73,693,091**	**7,369,309**

Audit observed that:

i. The suppliers/vendors delivered the ordered goods late beyond the required date of supply.
ii. Management did not deduct the late delivery charges Rs.23.280 million from the suppliers as per term of agreement/Purchase Order.

Audit is of the view that the management did not watch the organizational interest at the time of making payment and put the Government to a financial loss for Rs. 23.280 million due to non-deduction of the late delivery charges.

Reply was not furnished by the department.

The PAO and the audited formation were informed on 09.12.2024 and 11.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that:

i. The matter may be investigated to fix responsibility.
ii. The amount in question may be recovered from the suppliers concerned.
iii. The practice needs not to be repeated.

Pakistan Halal Authority, Islamabad

31.5.14 Irregularities in the appointment of the Director General, PHA

Rule 9 (1) of the Pakistan Halal Authority Act, 2016 states that there shall be a Director General of the Authority who shall be the Chief Executive of the Authority and shall be appointed by the Government.

Rule 4 of the Pakistan Halal Authority Employees (Recruitment) Rules, 2021 states that the person or authority specified in the Column (3) of the Table below shall be appointing authority in respect of an employee or a person for his appointment to the post in the BPS specified in column (2) thereof, namely:

Sr. No.	Posts in	Appointing authority
(1)	(2)	(3)

1.	BPS 20 and above and equivalent, except Director General	Prime Minister with previous approval in writing of the Federal Government.
2.	Director General	Federal Government

The Ministry of Science and Technology, Islamabad advertised the post of the Director General, Pakistan Halal Authority on 10.11.2019. The other conditions mentioned in the advertisement were as under:

i.	Management Experience	Experience in Administration/Financial Management at senior level will be preferred.
ii.	Pay and allowances	Equivalent to BS 21.
iii.	Age	Minimum 45 years and maximum 55 years on the closing date of advertisement.
iv.	**Tenure**	**03 years contract.**
v.	Nationality	Pakistani.
vi.	Domicile	Merit.

Minutes of the meeting dated 24.01.2020 of the Selection Board for selection of the Director General, Pakistan Halal Authority, Islamabad revealed that the Selection Board conducted detailed interviews of eight shortlisted candidates on 24.01.2020. The Board evaluated shortlisted candidates on the basis of their Qualification, Leadership, Analytical, Planning Capability, Admin/Managerial/ Monitory Skills, Personality and Presentation. The Board evaluated the candidates and awarded assessment marks as per weightage criteria circulated by the Establishment Division's OM No. F.53/1/2008-SP dated 16.01.2015 to ensure merit-based recruitment. The Board recommended a panel of three candidates in the order of merit for submission of a Summary to the appointing authority i.e. Federal Government of Pakistan (Federal Cabinet) as per the PHA, Clause 9 (1) of Act No. VIII of 2016 on contract basis for a term of three years vide PHA, Clause 6 (1) of Act No. VIII of 2016.

The Federal Cabinet vide case No. 184/08/2020 in the Cabinet Meeting held on 10.03.2020 in the Prime Minister's Office, Islamabad approved the appointment of the 1st officer (1st in the panel of 3) as Director General (BS 21), PHA, Islamabad on contract basis for a term of three (03) years, with immediate effect. The terms and conditions of his appointment were required to be settled in consultation with the Establishment Division.

Audit observed as below:

i. The Ministry of Science and Technology submitted a Summary to the Cabinet Division on 24.01.2020 for the appointment of the Director General on contract basis, referencing Rule 9(1) and Rule 6(1) of the PHA Act, 2016. It is noted that Rule 6(1) is related to the appointment of Members of the Authority, not to the appointment of the Director General, indicating an incorrect application of the statutory provisions.
ii. The terms and conditions for the post of the Director General were set by the Ministry of Science and Technology without consulting the Establishment Division, which was a violation of the Federal Cabinet's decision dated 10.03.2020.
iii. Based on the advertisement, the officer was initially appointed as Director General (BS 21) on a contract basis for a period of three years.
iv. The officer assumed the charge of the Director General, Pakistan Halal Authority on 03.04.2020 under the terms and conditions of the contract appointment, which expired on 02.04.2023. Upon the expiry of this contract, the Board of Governors (BoG), in its 5th meeting, decided to regularize the services of Mr. Akhtar Ahmed Bughio by appointing him as the Director General on a permanent basis.

Audit is of the view that the decision to regularize the contract appointment of the Director General by the BoG, rather than by the Federal Government, which was the authorized appointing authority, constitutes a violation of the PHA Act and the Service Rules.

The management replied that the Audit observation pertains to the Ministry of Science and Technology (MoST). PHA has intimated MoST vide PHA's Letter F. No. 8(15)/2024-Audit-PHA dated 19.09.2024 and subsequent reminder 27.09.2024 for a reply which is still awaited. The reply will be forwarded to the Directorate General Audit as and when received.

The PAO and the audited formation were informed on 30.10.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that the matter be referred to the Federal Government for an appropriate decision.

31.5.15 Non-conducting market surveillance of the Halal products and processes

As per Job Description of the Officers, BPS 17 and above, the Regulation Wing will make market surveillance of the Halal products and processes including inspections, investigation and resolution of complaints about non-compliance with the Halal Regulations.

The management of the Pakistan Halal Authority (PHA), Islamabad provided the job descriptions of its officers for Audit review. Upon scrutinizing the records, it was observed that the PHA has established a Regulation Wing responsible for several critical functions. According to the job descriptions, the Regulation Wing is tasked with the market surveillance of the Halal products and processes. This includes conducting inspections, investigations, and resolving complaints related to non-compliance with the Halal regulations.

Audit observed that no market surveillance activities concerning the Halal products had been conducted by the Regulation Wing. This was confirmed by the absence of any surveillance reports or related documentation being provided to the Audit.

Audit is of the view that failure to conduct market surveillance was a significant deviation from its prescribed duties. The lack of inspections, investigations, and complaint resolutions undermines the PHA's ability to ensure that the Halal standards are being adhered to in the marketplace.

The management replied that the Pakistan Halal (Certification Marks) Regulations, 2021, Pakistan Halal Authority (Business) Rules, 2021, and Pakistan Halal Authority Employees (Recruitment) Regulations, 2021, indispensable for conducting market surveillance and recruitment of regular technical employees in the Authority, were approved by the Federal Cabinet in November, 2021.

After approval of the above-mentioned Rules and Regulations from the Federal Cabinet in 2021, the PHA completed the recruitment process of regular technical employees in 2023. Following completion of the recruitment process,

PHA developed a mechanism for the Single Halal Mark/Logo Scheme and requested the Ministry of Science and Technology for convening the 6th BoG meeting to solicit approval for the implementation of the said scheme. However, the same is yet to be held. This scheme is a pre-requisite for conducting market surveillance of thee Halal products and processes. After approval for the implementation of the Single Halal Mark/Logo Scheme from the BoG, the PHA will be in a position to conduct market surveillance effectively as pointed out by the Audit.

The PAO and the audited formation were informed on 30.10.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that efforts be made to conduct market surveillance.

31.5.16 Non-preparation and submission of the Annual Report on the conduct of Pakistan Halal Authority to the Federal Government

Section 32 (1) of the Pakistan Halal Authority Act, 2016 states that as soon as possible after the end of every financial year but before the last day of the month of December of that year, the Authority shall submit to the Government a report on the conduct of its affairs for that year.

Section 19 (1) (2) of the Pakistan Halal Authority (Business) Rules, 2021 states that the Authority shall prepare its annual report and forward it to the Federal Government. The annual report shall give full account of the activity of the Authority during the previous year and shall include the audited accounts of the year and the report of the Auditor-General of Pakistan.

The management of the Pakistan Halal Authority, Islamabad was required to prepare and publish an Annual Report covering performance of the Pakistan Halal Authority, Islamabad to the Federal Government for the period under audit.

Audit observed that the management did not prepare and submit the annual report covering its performance to the Federal Government.

Audit is of the view that this failure to prepare and submit the Annual Report constitutes a clear violation of Section 19 (1) and (2) of the Pakistan Halal Authority (Business) Rules, 2021.

The management replied that the Pakistan Halal Authority Act was passed in 2016 and the Director General of the authority was appointed in 2020, and the Pakistan Halal Authority (Business) Rules were approved in 2021, allowing the authority among other mandates to implement the Halal Certification Marks Logo. The Authority appointed its first batch of the Officers in April, 2023 and Directors in February, 2024, before that, it was not fruitful to prepare the Annual Report as no formal operations of the PHA were started. The 6th Board of Governors meeting includes an agenda regarding implementation of the Halal Certification Marks Logo, which holds utmost importance in meeting out the challenges, the authority faces. Considering the above stated facts, the Authority will prepare and submit the Annual Report on the conduct of the Pakistan Halal Authority ensuring compliance with Section 1*9 (1) and (2) of the Pakistan Halal Authority (Business) Rules, 2021 as it has started some of its operations in the year 2024 and has made significant progress in various areas.

The reply indicates that the annual reports of the Authority have not so far been submitted to the Federal Government.

The PAO and the audited formation were informed on 30.10.2024 and 11.12.2024 followed by a reminder dated 07.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends submission of the Annual Reports to the Federal Government.

Performance Audit Report of the PCSIR

31.5.17 Unauthorized expenses from the Government receipts as incentive to the employees - Rs 67.752 million

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.

Item No. 7 of the Minutes of Meeting issued by the Finance Division (FA's Organization) vide a Letter No. Fin. Div. F A Org. UO No.D.1366-DFA(S&T)/2012 dated 29.11.2012 states that the PCSIR shall not incur any expenditure from its own receipts except for research and development in its own labs. This shall not be incurred for payment of salary, pension and other operational expenditure of the PCSIR.

The management of the PCSIR, Islamabad paid Rs. 67.752 million out of its receipts/earnings as workers' share to its officers/officials during the financial year 2020-21.

Audit observed that the payment of Rs. 67.752 million as workers' share to its officers/officials from the Government receipt/earnings from its labs. were unauthorized as departmental receipts cannot be used to pay salaries/incentives, pension and other departmental expenditure except for research and development.

Audit is of the view that payment of incentive to the employees out of its receipts/earnings from labs. was unauthorized which resulted in a loss of Rs.67.752 million to the Government/PCSIR.

The management replied that the payment of incentive to PCSIR employee was covered under the authorization of the PCSIR Council decision in 2002.

The reply was not accepted as authorization of incentive to the employees from the Government receipts by the Council was unauthorized as Council stood not mandated to approve such payments over the pay and allowances. Further, Government decisions (Ministry of Finance) dated 29.11.2012 for utilization of Government receipts is clear that the PCSIR shall not incur any expenditure from its own receipts except for research and development in its own labs.

The PAO and the audited formation were informed on 07.07.2022, 12.12.2024, and 19.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that responsibility may be fixed for the irregular payment of incentive to the employees out of the Government receipts.

31.5.18 Wasteful expenditure on non-functional laboratory - Rs 29.000 million

Para 5 (A) of the PC-I of the project titled, "Upgradation of Food Processing, Analytical Lab. and Establishment of Gems and Minerals Cutting and Polishing Center at PCSIR," Skardu states that the project was established with the objective of establishment of gems and mineral cutting and polishing center for facilitation of gem stone miners to curb the precious and semi-precious stones wastage at mining level and upgradation of existing fruit processing/preservation center for value addition and minimization of post-harvest losses of fruits and vegetables of Gilgit-Baltistan.

Management of the PCSTR incurred an expenditure of Rs 29.000 million on project activities including construction of the laboratory and procurement of equipment.

Audit observed that a laboratory was constructed on the premises of the PCSIR, Skardu from the project funds but the same is non-functional even after lapse of four years since the initiation of the project. Costly machinery worth Rs. 6.000 million was purchased but the technical staff envisaged in the PC-I was not deputed/appointed to operate the costly machinery, which was deteriorating

Audit is of the view that the expenditure on construction of lab. and procurement of machinery amounting to Rs 29.000 million without actual utilization/value for money, is a wastage of resources as objective of the establishment of gems and mineral cutting and polishing center for facilitation of gem stone miners and minimization of post-harvest losses of the fruits and vegetables of Gilgit-Baltistan was not achieved. The same shows ineffectiveness of the executed project.

The management replied that due to some ground realities of the project area like harsh weather condition, under construction of Gilgit-Skardu Road, delay in release of funds and other unfavorable conditions, construction works of office building and procurement of machineries/equipment became late. The office building was handed over to the PCSIR management in the year September, 2020. Meanwhile the management of the PCSIR Labs., Skardu has undertaken training in the Fruit Processing, Gems, Mineral Cutting and Polishing accordingly.

The management has accepted the audit observation. However, the details of training under taken in the fruit processing, gems and mineral cutting may be shared with Audit.

The PAO and the audited formation were informed on 07.07.2022, 12.12.2024, and 19.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends to fix responsibility for non-initiating of the function of labs.

31.5.19 Overpayment due to irregular pay protection to the Chairman during the tenure of his contract appointment - Rs 1.399 million

Establishment Division's OM No. 10/52/95-R-2 dated 18.07.1996 regarding appointment on contract basis states that pay will be fixed at minimum of the relevant scale of pay.

A Chief Engineer (BS 20) was appointed as the Chairman on contract basis for a period of three years w.e.f. 16.09.2015.

Audit observed that upon appointment in BS 22 on contract basis, pay of the Chairman was protected rather than fixing on the minimum of the relevant scale of pay, in violation of the Establishment Division's OM No. 10/52/95-R-2 dated 18.07.1996.

Audit is of the view that fixing the pay of the Chairman by giving pay protection instead of the minimum of the relevant scale of pay is irregular which resulted in the loss of Rs 1.399 million to the Government.

The management replied that the pay of the ex-Chairman was fixed in the light of Establishment Division's OM dated 31.05.2018 which states that the pay of the regular officers on their appointment on contract may be protected.

The reply was not accepted as appointment of regular employee on contract basis and subsequent protection of pay was irregular in terms of Establishment Division's OM No. 10/52/95-R-2 dated 18.07.1996 as clarified by the Finance Division vide their OM No. F.4(15)R-3/2015-20/2016 dated 27.04.2016, wherein,

proposal of the Ministry of Science and Technology regarding pay protection on contract appointment was declared not in order.

The PAO and the audited formation were informed on 07.07.2022, 12.12.2024, and 19.12.2024 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends that overpayment/recovery may be affected.

CHAPTER 32

SENATE SECRETARIAT

32.1 Introduction

After independence, the first Constituent Assembly of Pakistan, elected in December, 1945 in undivided India, was assigned the task of framing the Constitution of Pakistan. This Assembly passed the Objectives Resolution on 12.03.1949 laying down the principles which later became substantive part of the Constitution of Pakistan. However, before it could accomplish the task of framing the constitution, it was dissolved in October, 1954. Thereafter, the Governor General, convened the Second Constituent Assembly in May, 1955, which framed and passed the first Constitution of Pakistan on 29.02.1956. That Constitution was promulgated on 23.03.1956, which provided a parliamentary form of the Government with a unicameral legislature. However, from 14.08.1947 to 01.03.1956, the Government of India Act, 1935, was retained as the Constitution of Pakistan.

On 07.10.1958, the Martial Law was promulgated and the Constitution was abrogated. The Military Government appointed a Constitution Commission in February, 1960, which framed the 1962 Constitution. The same provided for a Presidential form of the Government with a unicameral legislature. The 1962 Constitution was abrogated on 25.03.1969. The Civil Government, which came to power in December, 1971 pursuant to 1970 elections, gave the nation an interim Constitution in 1972.

The 1970 Assembly framed the 1973 Constitution which was passed on 12th April and promulgated on 14.08.1973. The Constitution of Pakistan, 1973 provides for a parliamentary form of the Government with a bicameral legislature, comprising National Assembly and the Senate. The membership of the Senate, which was originally 45, was raised to 63 in 1977 and to 87 in 1985. The membership of the Senate was again raised from 87 to 100 in 2002. The current membership of the Senate is 104, after addition of four seats for non-Muslims through the Constitution (Eighteenth Amendment) Act, 2010.

(Rs. in million)

Sr. No.	Description	Total Number	Audited	Expenditure Audited (FY-2023-24)	Revenue/ Receipt Audited (FY-2023-24)
1	Formations	1	1	3,143.84	-
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

32.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the Secretariat for the financial year 2023-24 was Rs. 5,056.757 million out of which the Secretariat utilized Rs. 4,988.324 million. Audit noted that there was an overall saving of (Rs. 68.432) million

(Rs. in million)

Grant Number	Type of Grant	Original Grant	Suppl Grant	Final Grant	Actual Expenditure	Excess/ (Saving)
74	Current	5,057.76	-	5,056.76	4,988.32	-68.43

As shown in the chart below, it is observed that there was -1.35% of savings w.r.t Original grant which remained unchanged for current expenditure.

32.3 Classified Summary of Audit Observations

Audit observations, amounting to Rs. 28.590 million were raised in this report during the current audit of the Senate Secretariat. Summary of the audit observations classified by nature is as under:

(Rs. 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	28.590
C	Management of account with commercial banks	
D	Recovery	
E	Internal Control	

4	Value for money and service delivery	
5	Others	

32.4Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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**	-

32.5 AUDIT PARAS

Senate Secretariat

32.5.1 Irregular procurement of food items without pre-qualification of vendors – Rs. 28.259 million

Rule 15 (1) of the PPRA Rules, 2004 states that a procuring agency, prior to the floating of tenders, invitation to proposals or offers in procurement proceedings, may engage in pre-qualification of bidders in case of services, civil works, turnkey projects and in case of procurement of expensive and technically complex equipment to ensure that only technically and financially capable firms having adequate managerial capability are invited to submit bids. Such pre-qualification shall solely be based upon the ability of the interested parties to perform that particular work satisfactorily.

Rule 16 (3) of the PPRA Rules, 2004 states that the procuring agency shall promptly notify each supplier or contractor applying 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. Only suppliers or contractors who have been pre-qualified shall be entitled to participate further in the procurement proceedings.

The management of the Senate Secretariat, Islamabad incurred an expenditure of Rs. 28.259 million on Food & Beverage and allied items during the financial years 2020-21 to 2023-24, as per details given below:

(Rs.)

Name of Vendor	Financial Year 2020-21	Financial Year 2021-22	Financial Year 2022-23	Financial Year 2023-24	Grand Total
ID-1931	**436,422**	**3,144,076**	**10,390,756**	**6,399,420**	**20,370,674**
Café Meet & Eat, Islamabad.	112,320	1,978,586	9,427,404	3,674,004	15,192,314
Hanif Rajput Catering Services, Islamabad.	0	94,500	287,970	0	382,470
Heaven Food & Caterers, Islamabad.	324,102	1,070,990	675,382	20,768	2,091,242
Jillani Caters, Rawalpindi.	0	0	0	2,704,648	2,704,648
ID-1934	**0**	**1,310,211**	**3,524,074**	**2,179,844**	**7,014,129**
Café Meet & Eat, Islamabad.	0	0	2,657,110	1,684,450	4,341,560
Heaven Food & Caterers, Islamabad.	0	1,310,211	866,964	180,844	2,358,019
Jillani Caters, Rawalpindi.	0	0	0	170,000	170,000
Naveed Caterers & Event Management	0	0	0	144,550	144,550
ID-1936	**874,733**	**0**	**0**	**0**	**874,733**
Heaven Food & Caterers, Islamabad.	874,733	0	0	0	874,733
Grand Total	**1,311,155**	**4,454,287**	**13,914,830**	**8,579,264**	**28,259,536**

Audit observed that the firms were selected without pre-qualification process prior to procuring food items. As a result, all food items were acquired without the necessary assessment of the vendor qualifications, which undermines the integrity of the procurement process. Furthermore, the procurement was executed without ensuring competitive pricing, which raises concerns about value for money and compliance with best practices in the public procurement.

Audit is of the view that the procurement of food items from the aforementioned vendors was carried out without a pre-qualification process, rendering it irregular and non-competitive. This practice was in violation of the Public Procurement Rules, 2004, which mandate adherence to established guidelines to ensure transparency, fairness, and value for money in the public procurement.

The management replied that procurement of food items was arranged as per direction of the Honorable Chairman, Senate. The vendors had been providing

services to the Senate Secretariat on credit basis on short notices, which includes provision of food items, electric appliances, Catering Services and other miscellaneous arrangements related to the event. The vendors remained available on short notice and supplied food items well in time by not compromising the quality and quantity of the food. The Senate of Pakistan being a Constitutional Body envisages complete financial and administrative autonomy in the Parliamentary Secretariats under Articles 87 and 88 of the Constitution of Pakistan. Further, under Article 88 of the Constitution of Pakistan, expenditure of the Senate within authorized appropriations shall be controlled by the Senate acting on the advice of its Finance Committee. The Senate deals with the Parliamentarians, National and Foreign Delegations, sudden call on to the Ambassadors, visits of students and other Civil Societies Group etc., in emergent situations, the Protocol Branch works on war footings for the arrangements of lunch/dinner and other miscellaneous arrangements that the Honorable Chairman, Senate and the Finance Committee approves. The urgent nature of the situation and the specific requirements of the delegations, conducting a prequalification process was neither suitable nor practical. Moreover, Section 15(1) of the Public Procurement Rules, 2004 stipulates that the Procuring Agency may engage in pre-qualification instead of should engage in pre-qualification, this distinction between the term may and should in the context of pre-qualification indicates that the Procuring Agency had the option to engage in pre-qualification. Consequently, this provision grants discretion to the Procuring Agency to determine whether pre-qualification was necessary and appropriate or otherwise.

The reply of the management is not acceptable as the procurement of food items was made without pre-qualification of the vendors.

The DAC in its meeting held on 11.02.2025 directed the management to provide the rate reasonability of the food items along with relevant vouchers to Audit for verification.

Audit recommends that irregularity be regularized beside observance of PPRA Rules in future.

CHAPTER 33

TRADE DEVELOPMENT AUTHORITY OF PAKISTAN

33.1 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.

(Rs. in million)

Sr. No.	Description	Total Number	Audited	Expenditure Audited (FY-2023-24)	Revenue/ Receipt Audited (FY-2023-24)
1	Formations	1	1	2,131.50	-
2	Assignment Accounts (Excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Project (FAP)	-	-	-	-

33.2 Comments on Budget and Accounts (Variance Analysis)

Final budget allocated to the TDAP for the financial year 2023-24 was Rs. 1,390.790 million out of which the TDAP utilized Rs.1,390.790 million. The expenditure was incurred from the grant of the Commerce Division.

(Rs. in million)

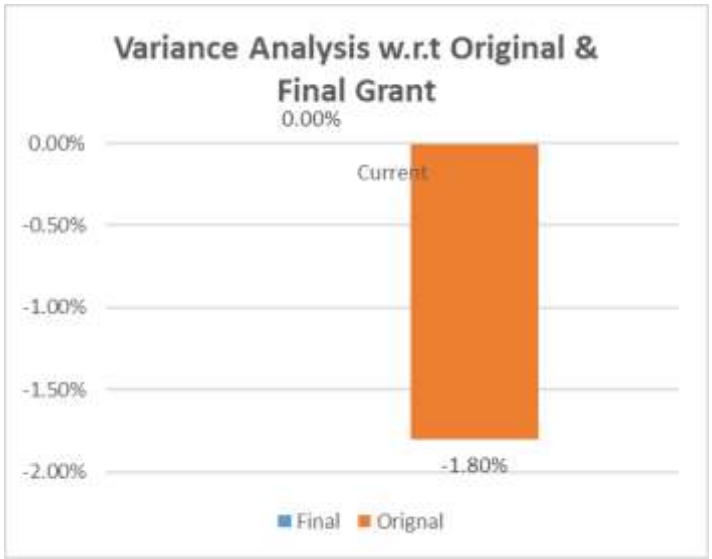
Gr-ant No.	Type of Grant	Original Grant	Suppl Grant	Surrender (-)	Final Grant	Actual Expenditure	Excess/ (Saving)	% age Excess/ (Saving)
24	Current	1,416.28	.00	-30.48	1,390.79	1,390.79	.00	0.00%

*Budget of the 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 GFR, Vol-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 the current expenditure, there was 1.80% of saving w.r.t. the original grant which was finally reduced to zero w.r.t. the final grant.



33.3Classified Summary of Audit Observations

Audit observations, amounting to Rs. 403.243 million, were raised in this report during the current audit of the **Trade Development Authority of Pakistan**. Summary of the audit observations classified by nature is as under:

(Rs. 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	403.243
E	Internal Control	
4	Value for money and service delivery	
5	Others	

33.4Status of compliance with PAC Directives

Audit Year	Number of Audit Paras	Number 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**	-

33.5 AUDIT PARAS

Trade Development Authority of Pakistan, Karachi

33.5.1 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 the parties for participation in the international trade fairs and exhibitions as well as the booking of halls in the Karachi Expo Centre for holding fairs, exhibitions, seminars and conferences etc.

The management of the Karachi Expo Centre, Trade Development Authority of Pakistan, Karachi collected income of Rs. 395,062,185 on account of booking of halls, participation fee etc. from various parties/firms during the financial year 2023-24 and deposited the same in the Bank Account No.3149893086 being maintained with the NBP, FTC Building Branch, Karachi.

Out of the 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 the TDAP Fund, the management of the Expo Centre deposited the entire income in the above said bank account in violation of the 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 the 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 the TDAP Act, 2013.
iv. Proper income and expenditure statements for the financial year 2023-24 were not prepared.

Audit is of the view that non-deposit of the 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. The Expo Centre is a part of the TDAP. The 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 the 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 the Budget estimates for the financial year 2024-25 for the approval of the Board in its upcoming meeting. The TDAP will provide the requisite information at the time of the next audit of the 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.

The PAO and the audited formation were informed on 10.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends obtaining ex-post facto approval of the expenditure of from the Board. In future, the Expo income be deposited in the TDAP Fund. The

expenditure be incurred after obtaining approval of the budget allocation from the Board.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide para number 35.5.4 having financial impact of Rs. 395.062 million. Recurrence of same irregularity is a matter of serious concern.

33.5.2 Non-recovery of the liquidated damages from the contractor - Rs. 8.181 million

Clause 23 of the General Condition of Contract (GCC) 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 the Special Conditions of Contract (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 the SCC. Once the maximum is reached, the Procuring Agency may consider termination of the Contract pursuant to the GCC, Clause 24.

The management of the Expo Centre, TDAP, Karachi floated an open tender in the 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 a Letter of Intent dated 09.09.2022 and Work Order dated 10.10.2022. An expenditure of Rs. 55,106,300 was incurred during the financial year 2023-24, as stated below:

(Rs.)

S. No.	Payment description	Gross amount	Net amount paid	Cheque No. and 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**	

As per TDAP's 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 the 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 the liquidated damages of Rs. 8,181,939 (81,819,391 x 10%) from the contractor as per provision of the Contract.

Audit is of the view that non-recovery of liquidated damages is a violation of the provision of the Contract. The contractor was extended undue favour on this account.

The management replied that the TDAP had made a partial payment in respect of the 1st running bill after verification of all worked done. The liquidated damages will be deducted from the pending payment. The Liquidated 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.

The PAO and the audited formation were informed on 10.01.2025 for convening of the DAC meeting but no response was received till finalization of the report.

Audit recommends recovery of the liquidated damages from the contractor at the earliest beside acting for non-completion of the works.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide para number 35.5.4 having financial impact of Rs. 395.062 million. Recurrence of same irregularity is a matter of serious concern.

MFDAC

S. No.	PAO	No. of Paras	Amount
1	Aviation Division	51	2,040.685
2	Cabinet Division	31	3,697.414
3	Controller General of Accounts	10	1,739.992
4	Ministry of Commerce	3	67.499
5	Federal Public Service Commission	2	374.421
6	Finance Division	11	9,302.323
7	Federal Tax Ombudsman	1	2.084
8	Higher Education Commission	112	18,628.195
9	Industries and Production	4	1,829.133
10	Intelligence Bureau	5	79.575
11	Ministry of Interior	209	52,628.126
12	Inter Provincial Coordination Division	23	1,557.777
13	Kashmir Affairs and Gilgit-Baltistan	1	6.490
14	Maritime Affairs Division	30	7,987.824
15	Ministry of Communication	6	201.638
16	Ministry of Defence	14	467.527
17	Ministry of Housing and Works	1	5,000.000
18	Ministry of National Food Security and Research	15	4,352.755
19	Ministry of Federal Education and Profession Training	42	7,124.264
20	Narcotics Control Division	17	201.867
21	National Assembly of Pakistan	6	141.128
22	National Health Service Regulations Division	16	641.388
23	National Heritage and Cultural Division	19	815.298
24	Pakistan Atomic Energy Commission	71	19,177.817
25	Senate Secretariat	4	551.636
26	Trade Development Authority of Pakistan	6	128.696
	Total	**711**	**138,876.908**