PERFORMANCE AUDIT REPORT
ON
PAKISTAN GEMS & JEWELLERY DEVELOPMENT COMPANY
FOR THE PERIOD 2014-15 TO 2018-19

AUDITOR - GENERAL OF PAKISTAN

PREFACE

The Auditor General of Pakistan conducts audit under Articles 169 and 170 of the Constitution of the 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. The Performance Audit of Pakistan Gems and Jewellery Development Company (PG&JDC) for the period 2014-15 to 2018-19 was carried out accordingly.

The Directorate General of Commercial Audit and Evaluation (South), Karachi conducted the Performance Audit of Pakistan Gems and Jewellery Development Company (PG&JDC) for the period 2014-15 to 2018-19 during May, 2019 to June, 2019 with a view to report significant findings to stakeholders. Audit examined the economy, efficiency, and effectiveness aspects of PG&JDC. In addition, audit also assessed on test - check basis whether the management complied with applicable laws, rules and regulations in managing the Company. The Audit Report indicates specific actions that, if taken, will help the management realize the objectives of PG&JDC. Despite repeated requests, no DAC meeting was convened by the PAO.

The Audit Report is submitted to the President of Pakistan in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973, for causing it to be laid before the Parliament.

Islamabad
Dated:

(Muhammad Ajmal Gondal)
Auditor General of Pakistan

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ABBREVIATIONS AND ACRONYMS

A&HLM	Assaying and Hall Marking
AGPR	Accountant General Pakistan Revenues
BBSHRR&DB	Benazir Bhutto Shaheed Human Resource, Research &

	Development Board
BBSYDP	Benazir Bhutto Shaheed Youth Development Program
BoD	Board of Directors
CAD	Computer - Aided Designing
CAM	Computer - Aided Manufacturing
CEO	Chief Executive Officer
CFTMC	Common Facility Training & Manufacturing Centers
CIA	Chief Internal Auditor
EOBI	Employees Old - Age Benefit Institution
GCFTC	Gems Common Facility Training Center
GFR	General Financial Rule
GJTMC	Gems Jewellery Common Facility Training Manufacturing Center
GSICL	General Society for Internal Co-operation Ltd.
IA	Internal Auditor
IAS	International Accounting Standard
IGS	Institute of Gemological Science
MOI&P	Ministry of Industries & Production
NAVTTC	National Vocational & Technical Training Commission
NBP	National Bank of Pakistan
NOC	No Objection Certificate
OGDC	Oil Gas & Development Company
PIDC	Pakistan Industrial Development Corporation
PPRA	Public Procurement Regulatory Authority
PSDP	Public Sector Development Programme
R&D	Research & Development
SECP	Securities & Exchange Commission of Pakistan
SMEDA	Small and Medium Enterprises Development Authority
SRO	Statutory Regulatory Order
STPF	*Strategic Trade Policy Framework*
UPC-1	Umbrella PC-1

EXECUTIVE SUMMARY

The Directorate General of Commercial Audit & Evaluation Karachi conducted Performance Audit of Pakistan Gems & Jewellery Development Company from the years 2014-15 to 2018-19. The main objectives of the performance audit were to: a) evaluate the performance of Pakistan Gems & Jewellery Development Company, b) ascertain whether the funds and grants, loans were utilized according to its objectives, c) review project's performance against intended objectives, d) scrutinize the procurement planning and the tendering process, e) examine the feasibility reports /viability of the projects, f) examine the budget and actual expenditure incurred and advantages and disadvantages of all the projects carried out during the period 2014-15 to 2018-19. The audit was conducted in accordance with INTOSAI auditing standards.

Key Audit Findings:

- i Irregular / unjustified appointment of Chief Executive Officer – Rs 31.996 million
- ii Irregular/unjustified deposit of PSDP funds into commercial banks - Rs 56.495 million
- iii Underutilization of fund on the account of capital cost – Rs 250.891 million
- iv Non-compliance of UPC-1 due to capital cost overrun- Rs 32.787 million
- v Excess utilization beyond the UPC-I - Rs.144.62 million
- vi Non-establishment of Institute of Gemological Science (IGS) Setup - Rs 29.500 million
- vii Violation of UPC-1 due to irregular / unjustified payment of rent – Rs 301.764 million
- viii Embezzlement of sponsorship funds granted by German Society for International Co-operation Ltd. – Rs 12.981 million
- ix Non-compliance of the PC-1 due to mis-utilization of funds allocated in Capital cost – Rs 13.952 million
- x Non-maintaining of Gratuity Fund - Rs. 16.405 million

Recommendations:

i. The management needs to prepare another PC-1 and get it approved for running the closed projects
ii. Business plan may be developed according to the present scenario of the market
iii. The management may appoint company CEO and also fill the key position (s) immediately to run the company & its project (s) smoothly.
iv. Company may take necessary efforts to make Pakistan a hub of gems and jewellery
v. The management may take necessary steps for enhancing the exports and achieving the revenue targets.
vi. The Company management shall take decisions in accordance with law & regulations
vii. The management may fix responsibility on the person (s) at fault for irregular procurement of services, shortage of assets, misusing / embezzlement of funds.
viii. Internal Controls shall be strengthened.

1. INTRODUCTION

Pakistan Gems and Jewellery Development Company (PG&JDC) is a 100% owned subsidiary of Pakistan Industrial Development Corporation (Private) Limited (PIDC) and was incorporated as a company limited by guarantee having share capital under Section-42 of the Companies Ordinance, 1984 on March 28, 2006. Its registered office is situated in Karachi, Pakistan.

Major internal factors affecting business of company are delayed receipts of funds, shortage of funds, non-preparation of another PC-I, and non-achievement of targets set in PC-I.

External factors have also affected its business due to difficulties faced in the approval of business plans, non-acquisition of its own land, heavy cost spent on rent, non-approval of Hallmarking Act, difficulties faced by the exporters of gems and jewellery due to imposition of SRO-760/2013 and non-updating of specified software relating to gems and jewellery.

2. AUDIT OBJECTIVES

Major audit objectives were to:

a. evaluate whether PG&JDC had been successful in achieving its objectives in an effective & efficient manner as laid down in its PC-1
b. evaluate whether the funds & grants/loans were utilized for set objectives/ purpose.
c. assess whether projects are managed with due regard to economy, efficiency, and effectiveness for the benefit of Gems & Jewellery sector development.
d. ascertain whether the management has developed its Business Plan.

3. AUDIT SCOPE AND METHODOLOGY

3.1 Audit Scope:

a. The scope of audit was to examine the overall performance of the PG&JDC, whether the company achieved the targeted objectives as per UPC-I or not and the funds received by the company were utilized for the purpose for which they were provided by PIDC or MoIP.
b. The main objectives of the Performance Audit were to evaluate the performance of PG&JDC whether the funds and grants/loans were utilized according to its objectives.

c. Review of record of PG&JDC from 2014-15 to 2018-19.

3.2 Audit Methodology:

a. Meetings
b. Interviews
c. Documents evaluated and studied
d. Site visits

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Financial Management

4.1.1 Capital cost overrun - Rs.32.787 million

According to Para 10 (i) of GFR, every Public Officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During Performance audit on the accounts of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2014-15 to 2018-19, it was observed that while executing projects under the Umbrella PC-I by PG&JDC, management utilized Rs 32.787 million over & above allocation in the UPC-1. Details of the projects are given below;

(Rs. in million)

S#	Name of Project (s)	Capital Cost Allocated in UPC-I	Actual Capital cost	Capital Cost Over Run as against of UPC-1
1	Quetta, Gems Common Facility Training Center (GCFTC)	36.473	43.81	7.337
2	Assay & Hall Marking (Karachi + Lahore)	37.65	63.10	25.45
			Total	**32.787**

Audit was of the view that management should have utilized the funds according to the UPC-I which was not observed. Consequently, actual capital cost of the projects exceeded the approved capital cost as per |PC-1. Besides, audit also desired to know the source of funds whereby management filled the gap of cost over run of the project.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that the projects were for the period of three (3) years, which extended to further seven (7) years. The inflation rate had also significantly increased during the last ten years. The foreign exchange value also increased considerably, due to which the cost of imported items had risen. The project should have been completed in the prescribed time to avoid the loss of exchange rate.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends investigating the matter and fixing responsibility on the person (s) at fault.

4.1.2 Irregular deposit of PSDP funds into commercial banks - Rs.56.495 million

Controller General of Accounts Letter No. 574/CGNAC-IV/1-1/2011 dated June 20 2012, Para 2 (VI) of the revised procedure for operation of Assignment Account, money will not be drawn for deposit into chest or any bank account. The cheques for payment on accounts of purchase / supplies will be drawn in the name of contractor / supplier only.

During Performance audit on the accounts of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2014-15 to 2018-19, it was observed that the management transferred funds of Rs 48.00 million in the year 2012-13 from assignment account (KA-1125, Dev. Project of Pakistan Gem and Jewellery Development Co. Account No. (CA-3904-2) to commercial banks which was a violation of above referred rule. Further, management placed funds of Rs 48.00 million in the year 2012-13 into commercial banks to earn interest / profit. Subsequently, funds of Rs.37 million and Rs 24 million were rolled over in the years 2012-13 & 2014-15 respectively. Moreover, management encashed all Term Deposits Receipts in the year 2015-16. Detail is as under;

S#	Name of Bank	Purpose of placement	Placement year	Funds Roll over (Rs. in million)
1	Faysal Bank	Term deposit Receipts	2012-13	26.00
2	Bank Al-Falah	-do-	-do-	22.00
	Total investment in TDR 2012-13			**48.00**
1	Faysal Bank	-do-	2013-14	23.00
2	Bank Al-Falah	-do-	-do-	14.00
	Total roll over funds in TDR 2013-14			**37.00**
1	Faysal Bank	-do-	2014-15	10.00
2	Habib Metropolitan bank	-do-	-do-	14.00
	Total roll over funds in TDR 2014-15			**24.00**

Management also transferred funds of Rs 8.495 million from assignment account to commercial banks in violation of above rule / procedure. The management vide letter No. AGPR/05-2012-2013 dated 03.05.2013 certified that "money being drawn through above cheque is requested for immediate disbursement and will not be kept in any bank account" which tantamount to misreporting. Detail is as under:

Name of Bank	Account No.	Amount (Rs.)	Cheque Date	Cheque No.
Faysal Bank	110-0060015179	8,495,847	30.04.2013	950198

Audit was of the view that misreporting facts by the management about parking of public funds into commercial was against the rules of financial propriety. Further, parking of public funds into commercial banks was a gross violation of the above mentioned procedure. Funds were allocated under UPC-1 to PG&JDC for developing projects and not to park in commercial banks.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that The Company generated an amount of Rs.37.52 million revenues for the period up to 2013-14 which was required to be deposited into Govt. AccountNo.1 in compliance of Umbrella PC1. Till the time of deposit of revenues in account no.1, the funds were invested into commercial banks for the benefit of Company to earn profit. Further, PSDP funds for 3rd Quarter for the year 2012-13 were released in the month of May 13 whereas the salaries of projects staff for the period from Jan 13 to Mar 13 were disbursed on monthly basis by the Company from their own commercial bank account i.e. Faysal bank limited which were later claimed and deposited in the same bank account after receiving release from NBP assignment account. The required Bank Statement was requested from bank but received on 14-07-20 after conclusion of performance audit. The management reply was not tenable in the light of CGA instructions of June 20, 2012.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends probing the matter and fixing responsibility on the person (s) found at fault.

4.1.3 Expenditure without provision in the PC-I - Rs.1.698 million

According to Para 10 of GFR, every Public Officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During Performance Audit on the accounts of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2014-15 to 2018-19, it was observed that management hired space on rent for PG&JDC coordination office at Islamabad from Industrial Facilitation Center Pvt Ltd. Detail of expenditure along with infrastructure cost incurred for managing coordination office is given below;

S#	Description(s)	Area and rate per Sq. Ft.	Rent per month (Rs.)	Period in months	Total (Rs.)
1	3rd Floor industrial facilitation Center (Pvt) Ltd. Software Technology Park	390 Sq. Ft @ Rs 60/-	23,400	01.08.2013 to 31.07.2014 (12 months)	280,800
2	Extension period		25,740	01.08.2014 to 31.07.2015 (12 months)	308,880
3	-do-		28,314	01.08.2015 to 31.07.2016 (12 months)	339,768
4	-do-		31,145	01.08.2016 to 31.07.2017 (12 months)	373,740
5	Cost of office furniture & Equipment				395,290
				Total	**1,698,478**

The above table shows that management incurred expenditure amounting to Rs 1.698 million for maintaining PG&JDC coordination office at Islamabad without having provision in the PC-1. Meanwhile, project was initiated and funded by Pakistan Industrial Development Corporation (PIDC) under the separate PC-I whereby PG&JDC Head office was to be established in Karachi.

Audit was of the view that management should have utilized the funds according to the PC-1 which was not observed. Further, chances of mis-utilization of funds from other heads of accounts could not be ruled out. Audit also observed that management booked whole expenditure of the coordination office Islamabad in head office account and no separate head of account was maintained for recording expenditures of coordination office.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that the office was acquired on rent at Islamabad for coordination between PG&JDC and Ministry. In this regard, necessary office staff was deputed to run the affair of the company smoothly. As per PC-I, PIDC provided funds for operations and management of the Company. The payment of rent was made from the head of rent expense and no separate account was required to be created for recording expenditures for that office. The office was closed due to fire incident that took place in the building of industrial facilitation center, Islamabad. Since then, no separate office on rent was acquired.

Audit was of the view that the expenditure should not have been incurred unless it was covered in PC-I.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends investigating the matter and fixing the responsibility on the person (s) at fault.

4.1.4 Non-achievement of revenue target - Rs.85.103 million

As per Government of Pakistan, Planning Commission PC-1 Section 10, the estimated target revenue generate over 3 year will be Rs.173.15 million which will go in Account No.1 of the Government of Pakistan.

During the performance audit on the accounts of Pakistan Gems and Jewellery Development Company for the years 2014-15 to 2018-19, it was observed from the Umbrella PC-I that Project was planned to generate revenue of Rs.173.15 million over three year's from its operations. Record revealed that the project commenced on 19th July, 2007. However, total revenue generated by PG&JDC from the projects after eleven (11) years was Rs.88.047 million from its operations which was Rs.85.103 million less than targeted revenue **{**(173.15 - 88.047 = 85.103 million**}**. Details of revenue generated during the years 2008-09 to 2018-19 are as under;

(Rs. in million)

Years	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Income earned	0.795	3.082	3.901	9.256	8.369	12.834	9.446	7.864	17.777	10.425	5.013
Total	**88.047**										

Audit was of the view that company could not achieve its revenue target despite the fact that it was in operation for over 11 years. Rather, it was incurring operational losses every year and was in financial fix.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that the revenue target of Rs.173.15 million was conceived keeping in mind the fact that initiatives would be undertaken simultaneously so that the output of one could be taken as input of another. However, the funding approved for the subject initiatives was not released to the Company as per the approved plan or the demand submitted by the Company each year. Had funding as required by the Company been provided on time and as per demand, the Company would have achieved the revenue target as perceived in the Umbrella PC-I. It was also necessary to point out that the revenue target mentioned in the Umbrella PC-I was an estimated target and even though the required funds were not released to the Company on time, it still managed to generate an amount of Rs.88.047 million through its operations.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends investigating the matter and fixing the responsibility on the person (s) at fault.

4.2 Procurement and Contract Management

4.2.1 Abnormal delay in finalization of business plan - Rs.2.619 million

According to Para 10 of GFR, every Public Officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During the performance audit on the accounts of Pakistan Gems and Jewellery Development Company for the year 2014-15 to 2018-19, it was observed that the management hired M/s Grant Thornton Consulting Private Ltd (M/s GT) on November 17, 2016 for the preparation of business / continuity plan for Rs.2.619 million. The main task of M/s GT was to prepare a business / continuity plan for the company and its initiatives covering a period of 20 years encompassing skill development program, facilitation of sector to adopt new technologies, quality assurance regime, marketing and branding with tangible results and export growth. The Business Plan was required for onward submission to Ministry of Industries and Production (MoI&P) and Planning Commission for approval. The contract was signed between the management and M/s GT on December 05, 2016. As per contract terms, the maximum time of furnishing the business / continuity plan to the management was two (02) months or 60 calendar days whichever less.

Furthermore, first draft of the Business Plan was submitted by M/s GT on January 30, 2017 which was returned back after some amendments on January 31, 2017. After doing amendment it was resubmitted on February 02, 2017 by M/s GT. However, the draft did not contain concrete proposal of financial resources for funding and had needless repetition. It was again submitted on March 30, 2017 which was placed before the board of Directors on March 31, 2017 but the Board of Directors (BoD) did not approve it. Revised Business Plan was again submitted after incorporating comments of the BoDs on July 21, 2017 which was also not approved. The management requested M/s GT for final changes on October 18, 2017 but Business Plan was not completed by the M/s GT nor it was presented to the BoDs after amendments.

Audit was of the view that due to considerable delay of business plan by Consultant and unprofessionalism and slackness of the management, Business Plan had not been completed for onward submission to Ministry of Industries and Production (MOI&P) and Planning Commission for approval. This was serious negligence on the part of the management as Business Plan was of utmost importance for survival of future business of the company. Had Business Plan been received in due course of time and furnished to the Ministry of Industries & Production (MOI&P) and Planning Commission for approval, its benefits could have been achieved. Further, management also did not take any action against the Consultant for delayed submission which tantamount to an undue favor. Therefore, expenditure incurred on development of Business Plan amounting to Rs. 1.178 million resulted in wastage of public money, hence irregular and unjustified.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that PG&JDC awarded contract of developing Business Plan to M/s Grant Thornton against an amount of Rs.2.619 million. The subject task was to be completed in 60 calendar days. As per the contract executed between PG&JDC and M/s Grant Thornton, the payment schedule was as under:

(Amount in Rs.)

Advance:	20% of the total cost	523,800
2nd Payment:	25% upon submission of 1st draft	654,750
3rd Payment:	25% upon presenting the plan to BoD and its approval from BoD	654,750
Final Payment:	30% upon approval of plan from competent authority	785,700
	Total	**2,619,000**

The management informed that the payment amounting to Rs.1,178,550 made to M/s Grant Thornton by PG&JDC was as per the relevant clauses of the contract agreement and it was made because no delay in services was experienced from the Vendor. However, the subsequent phases were not completed by the vendor on time hence, PG&JDC withheld the remaining payment of the Vendor which was not issued till - date. The payment issued to the vendor was justified as the Vendor succeeded to submit the first draft of the subject business plan hence there was no reason for PG&JDC not to issue the corresponding payment to the vendor. PG&JDC would take up the final version of Business Plan in the upcoming BoD meeting of the Company for approval.

The management reply was not tenable as the business plan was faulty and for the same reason it was not approved, which not only resulted in wastage of public money but also proves inefficiency on the part of management for non-finalization of BCP.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends thorough investigation into the matter with a view to fix responsibility on the person (s) found at fault.

4.2.2 Irregular / unjustified appointment of Chief Executive Officer - Rs.31.996 million

As per Articles of Association of Pakistan Gems and Jewellery Development Company of clause (iii) defines that "Chief Executive Officer (CEO) means the chief Executive Officer within the meaning of Section 2(6) of the ordinance. He / She will be from the private sector and hold offices as provided in the ordinance."

During Performance Audit on the accounts of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2014-15 to 2018-19, while scrutinizing personnel file of Mr. Bakhtiar Khan, Chief Executive Officer, it was observed that management advertised post of the Chief Executive Officer in two daily newspaper namely Dawn & Jang on 3rd July, 2011. In response, 48 candidates applied for that post, out of which 10 candidates were short listed. Further, HR Committee interviewed the candidates and finally selected three candidates on the basis of qualification, experience and other factors considered essential for the posts. The selected candidates gave presentation before the HR committee at Islamabad and on that basis Mr. Bakhtiar Khan was finally selected for that post because of holding senior position as General Manager polices and research. Later on, matter was placed in the board meeting dated 11th October, 2011 and board approved appointment of Mr. Bakhtiar Khan as Chief Executive Officer of the PG&JDC on contract basis for two years at monthly salary of Rs 300,000/- along with other benefits w.e.f. 17th November, 2011. Subsequently, contract period was extended till 16.11.2017 with revision of pay during the entire contract tenure. Detail of payment on account of salary paid during his tenure is as under;

S#	**Contract Period**		**Monthly Pay (Rs.)**	**Months**	**Total (Rs.)**
	From	**To**			
01	17.11.2011	16.11.2013	300,000	02	600,000
Revised salary		19.01.2012	400,000	17	6,800,000
		01.07.2013	440,000	05	2,200,000
02	17.11.2013	16.11.2015	440,000	19	8,360,000
Revised Salary		01.07.2015	484,000	05	2,420,000
03	17.11.2015	16.11.2017	484,000	24	11,616,000
				Total	**31,996,000**

The management did not adhere to the rule specified in the Articles of Association of PG&JDC according to that CEO should be from the Private Sector while the incumbent belonged to the Public Sector namely SMEDA and was working as General Manager Policy & Planning Division in that organization. Thus, incumbent appointment as CEO in the company and payment of Rs.31.996 million on account of salaries including other benefits for the entire contract tenure stood irregular / unjustified.

Audit was of view that neither Board nor Ministry had taken notice of gross violation of the Article of Association of PG&JDC. Besides, it also depicted that while initial screening of the candidates, the management did not adhere to the rule specified in the Article of Association of Pakistan.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that they fully agreed with the facts narrated by the Audit. The appointment of the CEO was made strictly in accordance with Companies Ordinance and terms of Articles of Association of the Company. Hence, the services of Mr. Bakhtiar Khan were not transferred from SMEDA to PG&JDC in continuity of his service period. He was newly appointed on PG&JDC's terms and conditions, being in a private capacity and appointed on open merit. The appointment of Mr. Bakhtiar Khan in SMEDA was not in permanent cadre. He was a contract employee, appointed there for a particular period from Private Sector. When he applied for the post of CEO, PG&JDC, he resigned from the contract employment of SMEDA and joined PG&JDC in the same capacity of a private sector employee. The reply was not tenable as the Articles of Association of Pakistan Gems and Jewellery Development Company was not observed.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends investigating the matter and fixing responsibility on the person (s) at fault.

4.2.3 Unjustified / irregular appointment of Principal Quetta Center- Rs.3.416 million

According to the advertisement for the post of Principal dated 20th September, 2015 in daily Dawn, following eligibility criteria was required;

- Experience: Minimum five (05) years on managerial /supervisory position in any reputable organization;
- Experience of reputable Vocational / Educational Training Institutions will be preferred
- Having Strong management & team building skills, excellent communication & presentation skills and ability to liaise with similar organizations

During Performance audit on the accounts of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2014-15 to 2018-19, it was observed that the management advertised the post of Principal for Quetta Center in the daily

Dawn dated 25th September, 2015. In response, management had conducted interview after initial screening of the applicants. Detail of evaluation sheet of interviewed candidates is mentioned below;

S#	Name of Applicant	Overall remarks given by panel members
1	Syed Bashir Agha	Recommended
2	Mr. Jamil Ahmed	Hold
3	Mr. Muhammad Arif Khan	Post qualification is not five years which is basic requirement for this post.
4	Mr. Abdullah	Good candidate but does not have required experience not assessed

Furthermore, management appointed Syed Bashir Agha as Principal at Quetta Center on contract basis for two years w.e.f. 21 .01.2016 to 20.01.2018 on monthly remuneration of Rs.80,000 per month with other perks and benefits. Moreover, management further extended his contract period as Principal w.e.f 21.01.2018 to 30.06.2018, 01.07.2018 to 31.12.2018 & 01.01.2019 to 31.03.2019, 01.04.2019 to 30.06.2019 with monthly salary of Rs 88,000.

Syed Bashir Agha was already working as Admin & Accounts Office at Quetta Centers since 27.08.2009 to 20.01.2016. Besides, management had given acting charge of Principal, Quetta center from 04.08.2014 to 20.01.2016. His post-qualification experience was as an accounts and admin officer at the same center. Thus, payment of Rs.3.416 million i.e. {(24 * 80,000) + (17 * 88,000) = 3,416,000} for appointment as Principal of incumbent stands irregular / unjustified.

Audit was of the view that management extended undue favour to the incumbent while appointing him as a Principal at Quetta Center. Further, as mentioned remarks given by panel member in the above table for other candidates that "Post qualification is not five years which is basic requirement for this post" while incumbent did not possess post qualification experience of five (05) years on managerial /supervisory position. It clearly indicated that panel/board did not perform their duties in professional manner and granted undue favour to the incumbent who was already working at Quetta Center.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that Syed Bashir Ahmed was appointed as Admin & Accounts Officer from 27-08-2009 at Gem Exchange-Quetta (A project of Pakistan Gems and Jewellery Development Company). He reported to the then Regional Executive/Project Head –Gem Exchange -Quetta. Almost after two & half months of joining of Admin & Accounts Officer the Regional Executive-Quetta resigned on 04-11-2009. After the resignation of Regional

Executive, Syed Bashir Ahmed (Admin & Accounts Officer), was supervising/handling the affairs of Gem Exchange Quetta Project.

Furthermore, NTS had conducted the test and among all candidates, Syed Bashir Ahmed got highest marks i.e. (59) Marks and interview panel committee recommended him on the basis of his highest marks.

The management's reply was not tenable as the post-qualification experience of the officer was not five years, which was basic requirement for this post.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends investigating the matter and fixing the responsibility on the person (s) at fault.

4.2.4 Irregular appointment of Assistant Manager (Finance) and unjustified payment of additional charge allowance on abolished post - Rs.9.754 million

Clause 20.3 of Human Resource Policy Manual of PG&JDC stipulates that vacancy announcements will be made through advertisements placed in the newspapers and uploaded on the website of the company.

During Performance Audit on the accounts of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2014-15 to 2018-19, while scrutiny of personnel file of Syed Aamir Ali, Assistant Manager (Finance), it was observed that management advertised post of Internal Auditor and in response many accounting processionals applied. After initial screening, management selected four candidates for that post. Subsequently, after interviewing candidates, name of Syed Amir Ali had been finalized for appointment as Assistant Manager Finance (Project / Training) on contract basis initially for the period of three months at monthly remuneration of Rs 55,000 as per letter of contract dated 30.07.2010.

Appointment as Assistant Manager (Finance) was held irregular in audit as the post advertised for recruitment was Assistant Manager (Internal Audit).

On completion of three months, his contract period was extended for further one year w.e.f. 02.11.2010 with same terms and condition of the last contract signed by the incumbent. Later on, management again extended his contract period from 02.11.2011 to 01.11.2012, and from 02.11.2012 to 30.06.2020 with the approval of the competent authority. During the period, he was paid Rs.9.351 million **(Annex-1a)**.

Furthermore, management had given additional charge of Asst. Manager (R &D) to Syed Aamir Ali with 20% additional allowance w.e.f. 01.07.2015. However, post of Assistant Manager (R&D) had been abolished by the Board in its meeting held on 29th September, 2016 but incumbent received additional charge allowance for the post of Assistant Manager (R&D) till 05.09.2018. Thus, additional charge allowance Rs 401,911/- for 23 months was given to incumbent which stood irregular / unjustified **(Annex-1b)**

Audit was of the view that management extended undue favour to the incumbent while appointing him as Assistant Manager (Finance) without advertisement because post was advertised for Assistant Manager (Internal Auditor). Besides, management allowed additional charge allowance of abolished post to incumbent that indicated negligence on the part of the management.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that the additional charge of Assistant Manager (R&D) was assigned to Syed Aamer Ali in addition to his existing job responsibilities w.e.f. 01-07-2015 along with additional charge allowance @ 20% of running salary as per Company HR Policy. The post was abolished on 29th September, 2016. The compliance of the directives was implemented through Company Office Memorandum No. PG&JDC/04/O.O (III)/18/1122 on 5th September 2018.

The reply was not tenable as the management extended undue favour to the incumbent while appointing him as Assistant Manager (Finance) without advertisement because post was advertised for Assistant Manager (Internal Auditor). Besides, additional charge allowance was paid against a post which was abolished.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends investigating the matter and fixing the responsibility on the person (s) at fault, besides, recovery of the unauthorized allowance.

4.3 Asset Management

4.3.1 Non-recovery from sponsors - Rs.4.856 million

Rule 26 of GFR provides that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

During Performance audit on the accounts of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2014-15 to 2018-19, it was observed that the management failed to recover an amount of Rs. 4.856 million from a client.

PG&JDC signed a contract with Benazir Bhutto Shaheed Human Resource, Research & Development Board (BBSHRR&DB) on 26th January, 2017 under the name of "Training Delivery Contract for Phase-IX". An amount of Rs.2.556 million was received against execution of training programme at a cost of Rs.7.236 million. Balance of Rs.4.856 million was outstanding till the time of audit.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that the PG&JDC was in continuous contact with BBSHRR&DB (BBSYDP) regarding release of pending payments. They have intimated that the cases of payments were pending due to non-release of funds by the Sindh Government.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends to expedite the remaining recovery and investigate the matter to fix responsibility on the person (s) found at fault.

4.3.2 Mis-utilization of funds allocated in capital cost - Rs.13.952 million

Rule 23 of GFR states that every Government officer should realize fully that he will be held responsible for any loss sustained by the Government through fraud or negligence on his part.

During Performance audit on the accounts of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2014-15 to 2018-19, it came to notice that PG&JDC Head office, Karachi was established under separate PC-I and project was funded by the Pakistan Industrial Development Corporation (PIDC). Capital cost of Rs 29.083 million was allocated in the PC-I to build infrastructure of the Head Office which included Rs.16.00 million for common machinery Pool (CAD-CAM Mould Maker, Modern Casting / Furnace Units, Automated Finishing Machines, Latest Lapidary Machine etc.). Scrutiny of record revealed that the following office machinery items were shown in the accounts of Head Office:

S#	Date of Posting	Description(s)	Rate Per Unit (Rs.)	Qty.	Total Amount (Rs.)
1	26.07.2008	Faceting unit with Factors & all Accessories	168,686	10	1,686,860
2	26.07.2008	Dual Grinder with two Diamond Grinding	87,701	02	175,402
3	30.06.2011	Stores and Spares-Machinery	-	-	186,666
Total cost of Machinery Items					**2,048,936**

It is evident from the above table that management utilized the funds for office machinery Rs.2.048 million out of Rs 16.00 million. However, remaining funds of Rs.13.952 million were not utilized as per PC-I.

Audit was of the view that management should have utilized the fund according to the instruction given in the PC-I, which was not followed. Resultantly, management failed to build infrastructure in the common machine pool such as CAD-CAM Mould maker, Modern Casting / furnace units, Automated Finishing Machines, Latest Lapidary Machines etc. The chances of the mis-utilization of the fund to the other head of account could not be ruled out.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that the amount of Rs.13.952 million saved from the allocated cost was utilized to enhance operating period of the Company from 2010-11 to 2013-14 (4 years) as PIDC arranged funds of Rs.150 million for the period from 2006-07 to 2008-09 (3 years), whereas the Company runs with the said funds up to the year 2013-14 (8 years).

The management reply was not tenable as the funds should have been utilized according to the instructions of PC-1

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends to investigate the matter and fix responsibility on the persons at fault.

4.3.3 Underutilization of funds on the account of capital cost - Rs.250.891 million

Rule 23 of GFR states that every Government officer should realize fully that he will be held responsible for any loss sustained by the Government through fraud or negligence on his part.

During Performance Audit on the accounts of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2014-15 to 2018-19, it was revealed that under the Umbrella PC-I, PG&JDC executed various projects in different region of Pakistan for which Rs 1,400 million had been financed by PSDP. Audit observed certain discrepancies over utilization of the allocated and actual capital cost in the UPC-1 as under;

(Rs. in Million)				
S#	**Name of Project (s)**	**Capital Cost Allocated in UPC-I**	**Actual Capital Cost**	**Underutilization of fund under Capital Cost as against UPC-1**
1	Karachi Gems & Jewellery Common Facility Training Manufacturing Center	168.485	76.53	91.955
2	Lahore, G&JCFTMC	166.323	66.84	99.483
3	Peshawar, G&JCFTMC	84.796	48.43	36.366
4	Gilgit, GCFTC	73.637	50.55	23.087
			Total	**250.891**

As is evident from above table, management underutilized funds of Rs 250.891 million in the above mentioned projects in the head of capital cost.

Audit was of the view that management should have surrendered the underutilized fund of the projects into government account. The chances of the mis-utilization of the fund to the other head of accounts could not be ruled out. This act of the management was gross violation of the UPC-I.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that Capital cost of Training and Manufacturing Centers allocated in Umbrella PC-1 was later on changed and re-appropriated by the Government. An amount of Rs.173.00 million was curtailed from capital cost of Training Centers and added in capital cost of Assaying and Hallmarking Centers leaving difference of Rs.77.891 million and not Rs. 250.891 million (250.891 - 173.00 = 77.891 million). The reply was not tenable due to underutilization of funds.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends investigating the matter and fixing the responsibility on the persons at fault.

4.3.4 Excess expenditure beyond PC-I - Rs.144.62 million

According to Para 10 (i) of GFR every Public Officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During the performance audit on the accounts of Pakistan Gems and Jewellery Development Company (PG&JDC) for the year 2014-15 to 2018-19, while scrutiny of the Umbrella PC-I and PC-IV it was revealed that management incurred excess expenditure in the heads of recruitments, furniture & fixtures and other operating expenditure of Rs 60.81 million, Rs 0.98 million and Rs 82.83 million respectively. Comparison of actual expenditures alongside approved budget of PC-I is as under;

				(Rs. in million)
S#	**Description**	**Estimated in UPC-I**	**Actual Expenditures**	**Excess expenditures**
1.	Recruitment/Establishments	249.10	309.91	60.81
2.	Furniture & Fixture	8.79	9.77	0.98
3.	Other operating Expenses	179.43	262.26	82.83
			Total	**144.62**

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that due to delay/inadequate release of funds and ban on hiring, development projects of PG&JDC could not achieve their completion date. The projects were completed and made fully functional in September, 2017. The company had to retain HR to continue its functions. The Cost of employee's salaries / recruitment / establishment was increased due to increased period of the projects.

The reply was not tenable as the excess utilization beyond the UPC-I is a clear violation of PC-I.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends management should investigate the matter by fixing responsibility upon the person (s) found at fault.

4.3.5 Non-establishment of Institute of Gemological Science - Rs.29.500 million

Rule 23 of GFR states that every Government officer should realize fully that he will be held responsible for any loss sustained by the Government through fraud or negligence on his part.

During Performance Audit on the accounts of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2014-15 to 2018-19, it was observed that under the Umbrella of PC-1(UPC-I) fund of Rs 29.50 million had been allocated for establishing IGS setup. After completion of the project and despite receiving funds of Rs.1,400 million, no IGS was setup / established till - date. Detail of bifurcations of IGS setup with cost is as under;

S#	Description(s)	Cost (Rs)
1	Machinery tools	3,606,000
2	Library Infrastructure	1,470,000
3	Gemstone Samples	10,039,000
4	Training of Staff	720,000
5	Study Material	75,000
Total Capital Cost		15,910,000
Total Operating Cost		13,590,000
Total Project Cost		**29,500,000**

Audit was of the view that management should have utilized the fund according to the UPC-1 which was not observed. Further, chances of mis-utilization of fund to others head of accounts could not be ruled out.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that the IGS Setup was not a separate project involving infrastructure development. Rather, it was to be housed within the training centers to be established by PG&JDC, therefore, no land acquisition cost or renovation cost was included in the Umbrella PC-I. PG&JDC successfully implemented IGS setup in its projects throughout the Country. The training centers of PG&JDC across Pakistan have full-fledged separate gem labs, gemstone training components and library setup which have been established keeping in view the standards set by IGS. The gemologists hired by the Company have also been given gemology trainings from IGS Thailand who has implemented their acquired skills in PG&JDC training centers and gem labs. The management has fully utilized the funding allocated for IGS Setup in Umbrella PC-1 in the exact head of accounts.

The reply was not satisfactory due to non-establishment of Institute of Gemological Science (IGS) Setup till now.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends investigating the matter and fixing the responsibility on the persons at fault.

4.3.6 Irregular / unjustified payment of rent - Rs.301.764 million

According to Para 10 (i) of GFR every Public Officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During the performance audit on the accounts of Pakistan Gems and Jewellery Development Company for the year 2014-15 to 2018-19, it was observed that under Umbrella of PC-1 (UPC-I) funds of Rs.261.11 million had been allocated for land acquisition for the projects out of total Rs.1400 million. However, management hired spaces for the project on rental basis rather than to acquire land / building / office spaces according to the UPC-1.

Further, as per Project Completion Report PC-IV, PC-I estimated value of Land Acquisition was Rs.261.11 million whereas actual expenditures at the same was of Rs 259.38 million. Moreover, civil works were estimated to be Rs 76.21 million in PC-1 whereas actual cost was of Rs 59.30 million.

The management did not acquire even single piece of land and office space(s) for the Project (s) for last 10 years since inception to completion of the projects. Meanwhile, management had totally relied on rental basis Project (s) for which spaces or building had been hired from landlord and carried out civil works on them. Total rents paid and civil works carried out as on 30th June, 2019 is given below;

			(Rs. in million)
S#	**Name of item(s)**	**PC-1 Estimates**	**Actual Expenditure**
1	Rent	Nil	301.764
2	Civil works	76.21	59.30

Audit was of the view that management misused their authority and financial power. The funds were allocated for acquiring land whereas management utilized it for paying rent. Had management acquired land, firstly rental expenditure could have been avoided; secondly civil works carried out on rental property could have been used for longer run. Thus, payment of rent of Rs.301.764 million tantamount to gross violation of the PC-1.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that these projects were considered a first step towards the development of Gems and Jewellery sector, in the approved Umbrella PC-I, no separate cost was allocated for owned premises and it was approved that the projects would be housed in rented premises. This was the reason no premises were purchased as no such provision was given in the Umbrella PC-1. Furthermore, it was necessary to point out that provision of owned premises was given only for Assaying and Hallmarking Centers as they were destined to be permanent initiatives due to the fact that PG&JDC intended to acquire membership of Vienna Hallmarking Convention.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends to fix responsibility on the person (s) found at fault.

4.3.7 Non-recovery from Gemologist - Rs.1.2 million

As per agreement clause 1 & 5, on completion of the training Mr. Adnan Abdul Karim had to return to Pakistan and to serve the company for minimum period of five years, otherwise he had to reimburse all expenditure incurred on his training abroad including travelling, boarding, living and any other expenditure incurred upon them.

During performance audit on the accounts of Pakistan Gems and Jewellery Development Company for the year 2014-15 to 2018-19, it was observed that management had sent three Gemologists for six (6) months training at Accredited Gemologist Diploma Program (A.G.) at Asian Institute of Gemological Sciences, Thailand. The training program was started from 6th July, 2009 to 24th December, 2009 and total course fees after 10% discount were USD 24,637.50 (Equivalent to PKR. 1,995,758).

Further scrutiny of the records revealed that Gemologist, Mr. Adnan Abdul Karim-from Lahore center availed fourteen days leave from 7th October, 2010 to 20th October, 2010 but after completion of the leave period he did not join the office. Further, management served notices to Gemologist for unauthorized long absence dated 12th February, 2011 & 22nd March, 2011 and directed him to resume duty immediately. Moreover, company had right to recover the entire amount as per surety bond from the person and his sureties. It was also noticed by management that Mr. Adnan Abdul Karim, Gemologist, had joined OGDCL. However, total surety recoverable from employee under master trainer was Rs. 1.2 million which management failed to recover. In addition, management did not provide surety bond and agreement to Audit. Besides, no legal action was initiated by management against ex-employee till - date.

Audit was of the view that management should initiate legal action against him and his sureties in order to recover all expenditure on training of master trainer from ex-employee, under intimation to Audit.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that Mr. Adnan Abdul Kareem was also one of the Gemologists who had taken the training and as per agreement he had to serve the Company for a minimum period of five years, otherwise he had to reimburse all the expenditures incurred on him. After some months he had applied for leave for 14 days leave w.e.f. 07-10-2010 to 20-10-2010 and was supposed to resume duty on 21-10-2010 but he did not join the Company.

As per HR policy two notices were served to Mr. Adnan Abdul Kareem for unauthorized long absence but no response was received from him. Management had decided to take legal action against long absence without intimation. In this context, letter dated.20-05-2011 was sent to our legal consultant for filling case against Mr. Adnan Abdul Kareem.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends early recovery of the amount.

4.4 Monitoring and Evaluation

4.4.1 Non-achievement of export targets - US$ 1500 million

According to section- 5 of the Umbrella PC-I project objectives are to establish Pakistan as a high value added, international competitive, world class hub for precious stone cutting and Jewellery manufacturing. Further, section 6 states that Export of Gem & Jewellery will be increased from USD 29 million in 2004-05 to USD 1500 million in 2017.

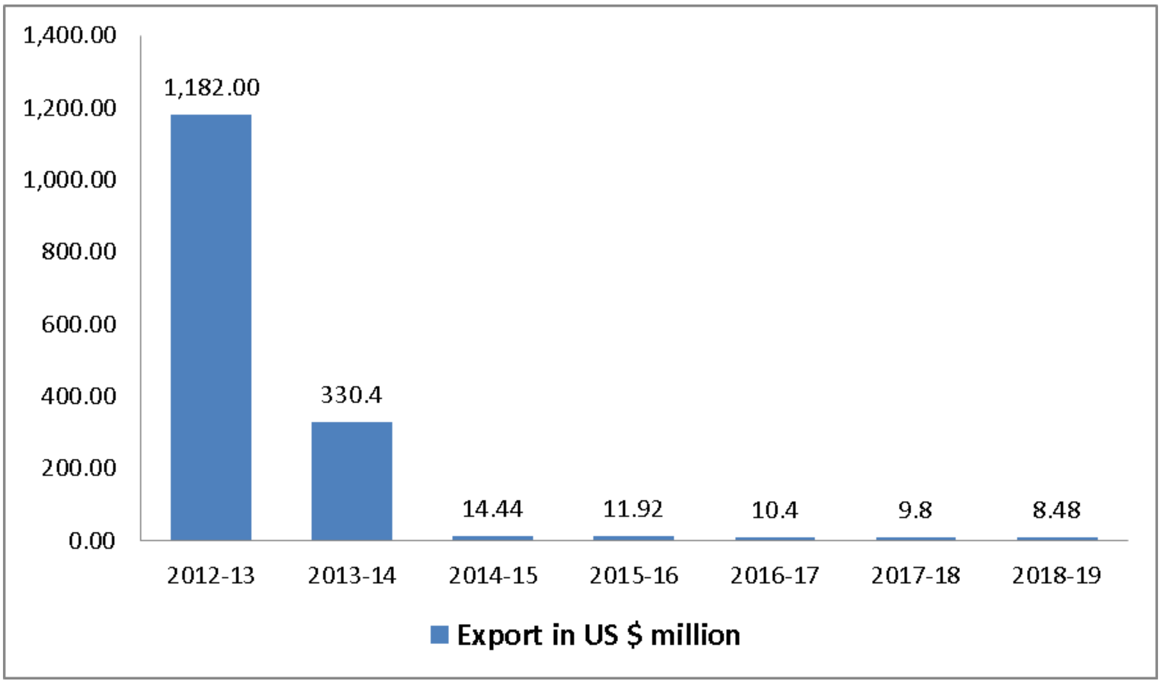
During performance audit on the accounts of Pakistan Gems and Jewellery Development Company (PG&JDC) for the year 2014-15 to 2018-19, it came to notice that total Gems & Jewellery export of the country was US$ 1,182 million in the 2012-13. However, exports sharply declined from 2014-15 to 2018-19 as compared to the year 2012-13. Thus, export target set in the UPC-1 could not be achieved.

The sectoral growth witnessed in 2012-13 could not be sustained in the subsequent years due to imposition of strict regulation which caused export value to drop to US$ 330.4 million in 2013-14, and further declined to US$ 8.48 million in 2018-19.

As per objective of UPC-I, it was projected that export of Gem & Jewellery would be increased from USD 29 million in 2004-05 to USD 1500 million in 2017. Contradictory to the above, it was observed that actual exports of the Gems & Jewellery were far behind the desired objective. Export value comparison based on current to previous years is tabulated below;

Year	Export in US $ million	Decrease in % Changes to previous year
2012-13	1,182.0	-
2013-14	330.4	72%
2014-15	14.44	95%
2015-16	11.92	17%
2016-17	10.40	12%
2017-18	9.80	6%
2018-19	8.48	13%

(Source: www.tdap.gov.pk)



Audit was of the view that the management / ministry had not taken timely corrective measures towards development of export of Gems & Jewellery. Resultantly, Gems & Jewellery sector could not achieve the desired target of US$ 1500 million.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that due to concerted efforts of the Company the exports of Gems and Jewellery increased from USD 47 million in 2006-07 and reached to the tune of USD 1.182 Billion in 2012-13. In September 2013, the Ministry of Commerce issued SRO 760(I)/2013 to regulate import/exports of Gems and Jewellery which contained numerous restrictions that acted as trade growth barriers for the trade. Due to imposition of these restrictions, the exports of Gems and Jewellery decreased drastically.

The Government has itself admitted these facts vide its STPF 2015-18 documents and held this SRO responsible for decrease in exports.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends to take necessary action for improvement of the gems & jewellery export because this sector has massive potential to contribute towards GDP.

4.4.2 Embezzlement of sponsorships fund - Rs.12.981 million

Rule 23 of GFR states that every Government officer should realize fully that he will be held responsible for any loss sustained by the Government through fraud or negligence on his part.

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During Performance Audit on the accounts of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2014-15 to 2018-19, it was observed that German Society for Internal Co-operation Ltd (GIZ) sponsored an amount of Rs.12.981 million to Gems Jewellery Training manufacturing Center, (GJTMC) Quetta. It was observed that no lists of participants of the conferences were forwarded to the management of PG&JDC for final approval whereas participants should have invited according to the approval of the management of PG&JDC. Furthermore, internal auditor (IA) also observed that conferences' expenditure had various discrepancies and fake invoices. Existence of the vendor of the expenditure, claimed by Principal Quetta, could not be traced at the addresses mentioned in the invoices.

Further, Quetta center also entered an agreement with National Vocational & Technical Training Commission (NAVTTC) for conducting training classes at Quetta center. Internal audit reported that first course class was found empty and not even a single student attended the class. In addition, in second course, only 05 students were present out of 25 students. In addition, two NAVTTC programmes consist of 110 students for which total stipend was allocated Rs 1.980 million by NAVTTC. Subsequently, an amount of Rs 1.284 million was withdrawn on account of stipend paid till 30th June, 2018.

Management committee on 20th November, 2017 accorded approval to Principal (Mr. Bashir Agha) and staff working under him (Ms. Fareen Agha) as authorized joint signatories of the Bank (NBP).

Audit was of the view that Principal of Quetta submitted fake invoices on the expenditures incurred for GIZ review conferences. Besides, management also extended undue favour to the principal and his subordinate staff by approving Principal & his subordinate as authorized signatories of bank account.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that the subject suspicions were highlighted by the Internal Audit department of PG&JDC during their scheduled audit of the center, which were subsequently discussed during meetings of Audit Committee of PG&JDC Board of Directors. Show cause notice was also issued to the concerned Principal and clarifications were sought from him. Subsequently, as the matter warranted suspicion on part of the Principal, PG&JDC took action against him and his contract was not renewed after June 2019 whereas his pending dues were also withheld.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends that the necessary recovery be made from the person (s) at fault.

4.4.3 Key management positions lying vacant

Rule 5 of Public Sector companies (Corporate Governance) Rules 2013 states that board shall exercise its power and carry out fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During performance audit on the accounts of Pakistan Gems and Jewellery Development Company for the year 2014-15 to 2018-19, it was observed that various key management positions were lying vacant in the company since long. Detail is as under;

S#	Name of Post	Number of Post (s)	Date since of vacant post
1.	General Manager (Marketing & Quality Assurance)	01	07-04-2011
2.	General Manager, Training & Development	01	26-02-2018
3.	Chief Financial Officer & Company Secretary	01	20-11-2017
4.	Manager Projects	01	01-05-2012
5.	Manager Accounts	01	29-09-2016
6.	Manager (Admin & HR)	01	02-07-2014
7.	Manager (Internal Audit) / CIA	01	02-10-2013
8.	Assistant Manager (Quality Assurance)	01	29-09-2016
9.	Assistant Manager (Projects)	01	29-09-2016

It was a matter of extreme concern that key management positions of the company were lying vacant for considerable period. However, no concrete efforts had been made by the management to fill these positions.

Audit was of the view that in absence of the key management position the functioning of the company had been affected badly. Furthermore, Board of Directors failed to perform their fiduciary duties in true letter and spirit as they were responsible for non-appointment of key management personnel in the company.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that the company received no funds from MOIP. Under this un-certain financial position of the Company, the Management was unable to appoint or fill the said positions. During FY 2019-20, the company advertised the position of CEO PG&JDC on 11-08-19 after getting approval from BoD and recommendation of three candidates was forwarded to MOIP for concurrence of the Government. The advertisement procedure for the statutory positions i.e. CFO / Company Secretary & CIA had been published in the daily Newspapers on 14th October 2020. The remaining key positions pointed out by the Commercial auditors would be immediately filled after the appointment of regular CEO of the Company and subject to availability of sufficient funds.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends that vacant position should be filled with suitable candidates through proper recruitment process.

4.4.4 Abnormal delay in appointment of CEO

As per SECP Public Sector Companies (Appointment of Chief Executive) Guidelines, 2015 stipulates that board shall initiate the appointment process, at least three months before the term of the incumbent chief executive is going to expire, by issuing a public advertisement in the print media, inviting applications for appointment against the vacant position.

During the performance audit on the accounts of Pakistan Gems and Jewellery Development Company (PG&JDC) for the year 2014-15 to 2018-19, it was observed that Ex-CEO, Mr. Bakhtiar Khan retired from his position on 16th November 2017. Subsequently, Mr. Muhammad Iqbal Tabish CEO, PIDC was nominated as acting CEO of PG&JDC from 17th November, 2017 to 5th August, 2019. Later on, acting charge of CEO was assigned to Mr Rizwan Ahmed Bhatti from 27.08.2019 to 25.10.2019 and now present charge of acting CEO has been given to Mr. Shahid Iqbal Qureshi from 25.10.2019 to till - date. In addition, MOI&P issued NOC for publications of advertisement for appointment of CEO vide Establishment Division O.M no. 15/1/2008-SP dated 7th December, 2017. However, record revealed that despite issuing of NOC 20 months ago, management advertised the post of CEO, PG&JDC in print media on 11th August, 2019 but no appointment had been made till - date which indicated serious negligence on the part of the management.

Audit was of the view that non-appointment of CEO within the time-frame was clear cut violation of the above rules. Further, CEO was primarily responsible for the management of the public sector company`s affairs, its performance as well as implementation of corporate strategy but due to delay in appointment of regular CEO company's performance was badly affected.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that on expiry of employment contract of Mr. Bakhtiar khan, from PG&JDC with effect from 17th November, 2017, appointment of regular CEO could not be materialized due to certain reasons. The temporary charge in place of CEO PG&JDC was given to Mr. Mohammad Iqbal Tabish who was appointed for PIDC from Private Sector. On expiry of his contract, the temporary charge was given to Mr. Rizwan Ahmed Bhatti for two months. All the three persons were appointed from Private Sector. They were not regular employees of Public Sector. They were contract employees and later two were given additional/temporary charge who were not getting any salary from the Company. During FY 2019-20, the company advertised the position of CEO PG&JDC on 11-08-19 after getting approval from BoD and recommendation of three candidates was forwarded to MOIP for concurrence of the Government. In response, MOIP vide letter 2(16)/2014-ME-II dated: 19-06-20 directed to re-advertise the position of CEO PG&JDC due to certain deficiencies in qualification/experience of the shortlisted candidates that were not full-filling the requirements of the advertisement for the position of Chief Executive Officer PG&JDC. The ad for the position of CEO PG&JDC was re-advertised on 01-09-2020 and the shortlisting of the candidates was in process.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends that the company follows the relevant rules on timely basis.

4.4.5 Non-evaluation of Board performance

Public Sector Companies (Corporate Governance Compliance) Guidelines, 2013 rule 8 states that the Board has to carry out performance evaluation of its members, including the chairman and the chief executive, on the basis of a process, based on specified criteria. The Board also has to monitor and assess the performance of senior management on annual/half-yearly/quarterly basis.

During Performance audit on the accounts of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2014-15 to 2018-19, it was observed that Board was installed as per notification on 23rd January, 2018 issued by Ministry of Industries & Production. The Board had met 07 times since inception. Detail of board meetings are as under;

S#	Date of meeting	Meeting No.
1	25th April, 2018	32
2	30th August 2018	33
3	22nd October, 2018	34
4	22nd January, 2019	35
5	31st May, 2019	36
6	25th October,2019	37
7	14th November, 2019	38

It came to notice while reviewing of the Board's minutes that the Board did not initiate any steps to evaluate the performance of the Board members, CEO / Chairman. Further, Board also failed to monitor and assess the performance of senior management on annual / half yearly / quarterly basis.

Audit was of the view that it was the responsibility of the Board to develop mechanism for evaluating the performance of the Board members, CEO / Chairman and also monitor and assess the performance of the senior management according to the Public Corporate Governance Rules, 2013.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that the Company was working without regular CEO, Company Secretary/CFO, Chief Internal Auditor and other senior positions. During FY 2019-20, the company advertised the position of CEO on 11-08-19 after getting approval from BoD and recommendation of three candidates was forwarded to MOIP for concurrence of the Government. The advertisement for the positions of Chief Financial Officer/Company Secretary & Chief Internal Auditor was also published in Daly Dawn & Daily Jang on 14th October 2020.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends that the performance evaluation of Board and other offices be done according to rule.

4.4.6 Irregular nomination of the private sector board member

Public Sector Companies (Corporate Governance) Rules, 2013 defines criteria for determining a 'fit and proper person' the person proposed to be a director is a reputed businessman or a recognized professional with relevant sectoral experience.

During Performance Audit on the accounts of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2014-15 to 2018-19, it was observed that the board was installed as per Ministry of Industries & Production notification dated 23rd January, 2018 which comprised eight Public Sector members and 6 belonged to Private Sector. However, portfolio of the private sector board member nominated by the company i.e. Ms. Nadia Ahmed Chhotani's experience was not relevant to the Gems & Jewellery sector. She was engaged in representing various principals in major jewellery exhibitions and fairs. She designed and showcased jewellery for various Pakistan movies and dramas and also designed jewellery related course.

Audit was of the view that nomination of Ms. Nadia Ahmed Chhotani was not appropriate for the PG&JDC's Board. She was basically media related personality and had no experience about Gems & Jewellery sector. It indicated that her appointment was made on favoritism basis on the Board. Thus, selection was irregular / unjustified.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that Ms. Nadia Ahmed Chhotani was one of the Private member or Board of Directors. Ms. Nadia Chhotani was the director of N. M Chhotani Jewellers since August 2008 to date. N.M. Chhotani Jewellers was one of the most reputed jeweller company in the subcontinent and had been in the Jewellery trade since pre partition days in Ahmedabad India.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends that the criteria for appointment of director be followed in letter and spirit.

4.4.7 Irregular appointment of Public Sector Chief Executive Officer

As per Articles of Association of Pakistan Gems and Jewellery Development Company clause (iii) "Chief Executive Officer (CEO) means the chief Executive Officer within the meaning of Section 2(6) of the ordinance. He / She will be from the private sector and hold office as provided in the ordinance."

During Performance Audit on the accounts of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2014-15 to 2018-19, it came to notice that since establishment of the company till - date 06 CEOs were appointed so far. However, three belonged to private and three to public sector. Detail of CEOs appointed since inception till - date is as under;

S#	CEOs Name	Joining date	Resigned/contract/expired/ terminated on	Remarks	Sector
1	Mr. Fawad Khan	26.06.2007	09.01.2010	Regular	Private
2	Mr. Bashir Ahmed Abbasi	26.03.2010	04.05.2011	regular	Private
3	Mr. Bakhtiar Khan	17.11.2011	16.11.2017	Regular	Public
4	Mr. Muhammad Iqbal Tabish	17.11.2017	05.08.2019	Additional charge	Public
5	Mr. Rizwan Ahmed Bhatti	27.08.2019	25.10.2019	Look after charge	Public
6	Mr. Shahid Iqbal Qureshi	25.10.2019	Till to date	Look after charge	Private

It is evident from the above table that Article of Association of Pakistan Gems and Jewellery Development Company had not been observed in true letter and spirit. The maximum period of the CEO was of those belonging to public sector while preference should have been given to the private sector CEOs.

Audit was of the view that management / concerned ministry should have observed Article of Association of Pakistan of the company while appointing CEO. Due to maximum period of the CEO other than private sector, company and Board failed to improve the organization infrastructure of the sector. Resultantly, company did not deliver the results which were expected by the government.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that Mr. Bakhtiar Khan, who was engaged on contract by SMEDA from Private sector was appointed as CEO, PG&JDC after he resigned from contract employment of SMEDA. He was not a regular employee of SMEDA and he was also engaged for a particular period from private sector. Moreover, the temporary charge in place of CEO PG&JDC was given to Mr. Mohammad Iqbal Tabish who was appointed in PIDC from Private Sector. On expiry of his contract, the temporary charge was given to Mr. Rizwan Ahmed Bhatti for two months. All the three persons were appointed from Private Sector. They were not regular employees of Public Sector. They were contract employees and later two were given additional/temporary charge who were not getting any salary from the Company.

DAC meeting was not convened by PAO despite request by Audit.

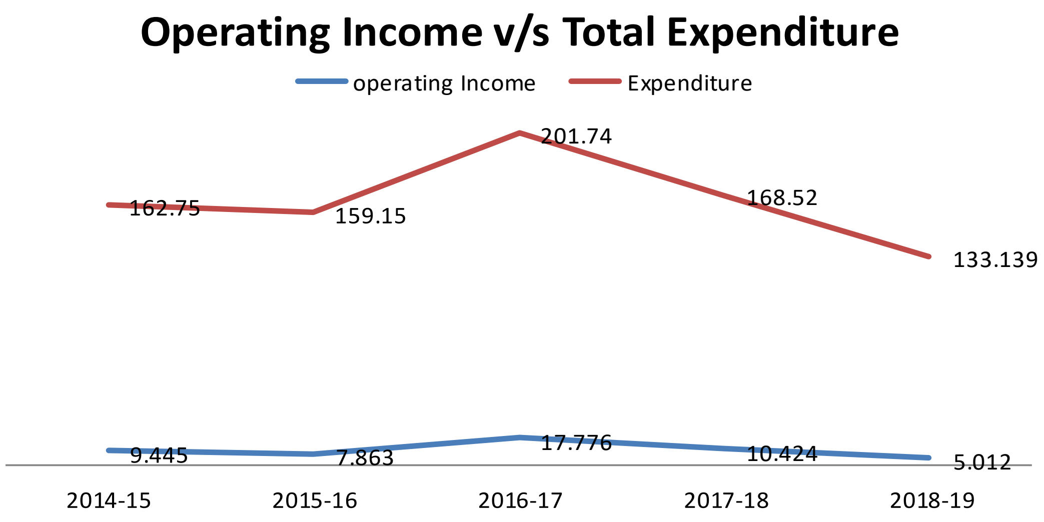
Audit recommends that the respective rule be followed in letter and spirit.

4.5 Sustainability

4.5.1 Non-sustainability of company due to progressively increasing losses - Rs.1,662.5 million

During the performance audit on the accounts of Pakistan Gems and Jewellery Development Company for the year 2014-15 to 2018-19, it was observed that operational income from the projects showed an overall decreasing trend from Rs

9.445 million in the year 2014 - 15 to Rs 5.012 million in the year 2018-19, registering a decline of 47%. It was also observed that management did not perform even single operational activity from exhibition and license fees for last two years (i.e. 2017-18 & 2018-19). However, total expenditure rose to Rs 162.75 million in the year 2014-15 as compared to Rs 133.139 million in the year 2018-19, registering a decline by 18 %. It showed that income drastically declined while expenditure remained stagnant to around the same level. This is further elaborated graphically as below:

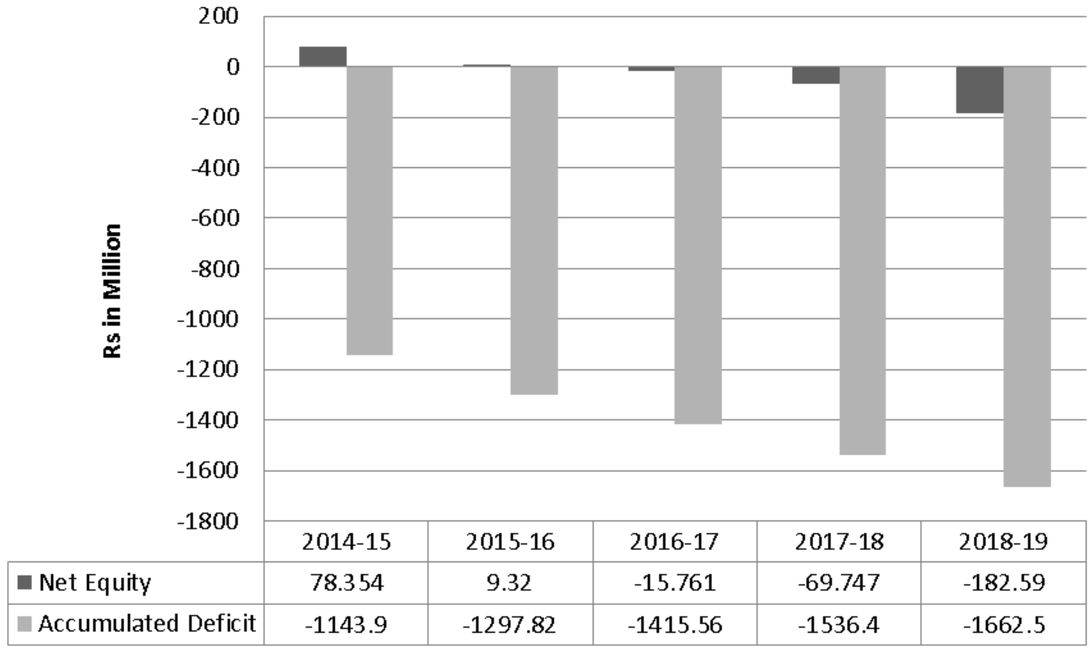


(Rs. in million)

Year	Operating Income	Expenditure
2014-15	9.445	162.75
2015-16	7.863	159.15
2016-17	17.776	201.74
2017-18	10.424	168.52
2018-19	5.012	133.139

Review of Accumulated Deficit/Loss and Net Equity:

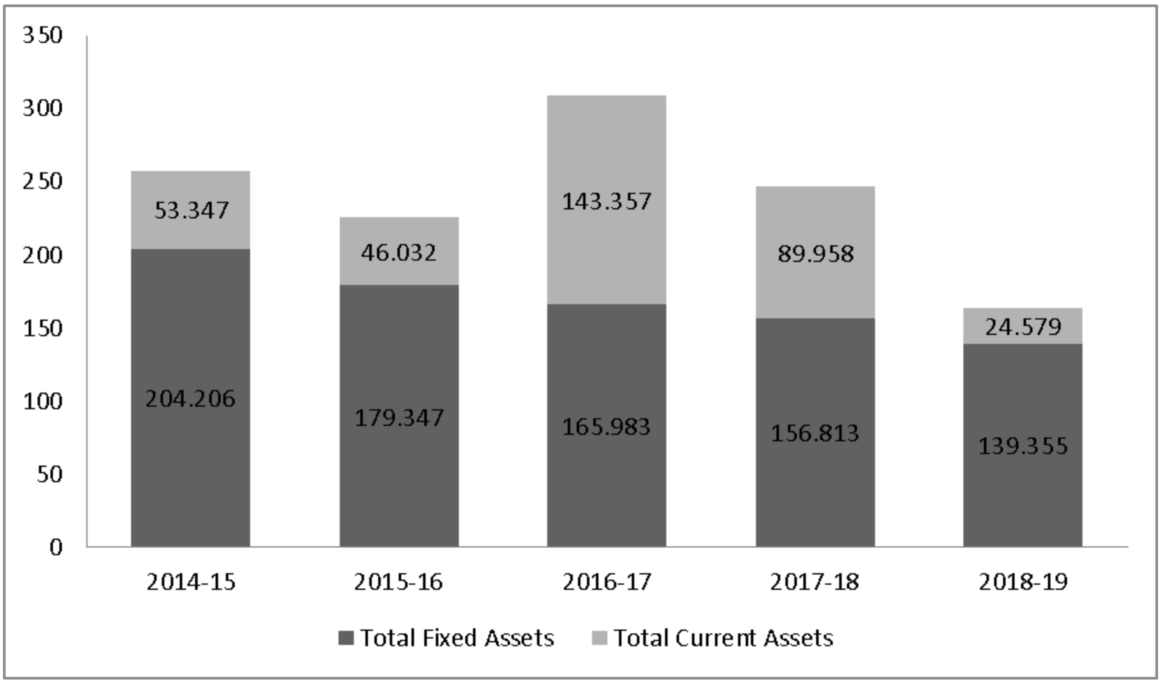
Accumulated losses or the company shot up from Rs.1,143.969 million in the year 2014-15 to Rs.1,662.512 million in the year 2018-19, showing an alarming increase of 45%. This was mainly due to huge burden of direct, administrative cost and other expenses. At the same time, net equity recorded steep decline from Rs 78.35 million in the year 2014-15 to negative Rs (182.59) million in year 2018-19, a massive decrease of 330%. Graphically trend is as below:



		(Rs. in million)
Year	**Net Equity**	**Accumulated Deficit**
2014-15	78.354	(1143.90)
2015-16	9.3200	(1297.82)
2016-17	(15.761)	(1415.56)
2017-18	(69.747)	(1536.40)
2018-19	(182.590)	(1662.50)

Review of Assets:

Total assets of PG&JDC were Rs 257.553 million and Rs 163.934 million in years 2014-15 and 2018-19 respectively, registering a decline of 36%. Fixed assets of PG&JDC included expensive imported machinery and office equipment which was lying idle due to closure of all projects. The graphical depiction is as below:



(Rs. in million)

Year	Total Fixed Assets	Total Current Assets	Total Assets
2014-15	204.206	53.347	257.553
2015-16	179.347	46.032	225.379
2016-17	165.983	143.357	309.34
2017-18	156.813	89.958	246.771
2018-19	139.355	24.579	163.934

Audit was of the view that the management incurred huge expenditures without generating income from the operating activities. This resulted in accumulated deficit to increase from Rs 1,143.969 million in the year 2014-15 to Rs 1,662.512 million in the year 2018-19. The net equity became negative to the extent of Rs (182.59) million. Furthermore, fixed assets like machinery and office equipment were becoming obsolete with passage of time. The above scenario reflected that the project had shown poor performance and resulted in failure.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that the main objective of the company was to develop the sector and enhance the Gems and Jewellery exports through facilitation, technology up-gradation, skill development and marketing and branding. It was clearly defined in the approved Umbrella PC-I that "The operating entities of PG&JDC may not generate a self-sustaining cash flow over the medium to long term. The operating entities of PG&JDC are intended to generate intangible benefits and assets that will be monetized in favor of the industry and the stakeholders rather than in favor of the PG&JDC entities themselves". As a result of technology up gradation, human resource development and marketing & branding the quality of products had improved and the export had increased from USD 47.00 million (2006-07) to USD 1.18 billion in 2012-13. It is estimated that an amount of approximately Rs. 3.00 billion had been contributed to Government exchequer as withholding tax and Rs. 0.75 billion to Export Development Fund during the said six years.

Justification given by the management was not acceptable in audit as the extent of losses and absence of operational activities of the company were not addressed in the reply.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends that the company be turned into a profitable entity.

4.6 Overall Assessment

4.6.1 Non-compliance of EOBI Act due to non-registration of employees - Rs. 1.52 million

EOBI Act 1976, clause 1[(4) stipulated that wherein ten or more persons are employed by the employer, directly or through any other person, whether on behalf of himself or any other person, or were so employed on any day during the preceding twelve months, and shall continue to apply to every such industry or establishment even if the number of persons employed therein is, at any time after this Act becomes applicable to it, reduced to less than ten. Further, Section 9 of (1) and (2) explains that contribution shall be payable every month by the employer to the Institution in respect of every person in his insurable employment.

During the performance audit on the accounts of Pakistan Gems and Jewellery Development Company for the year 2014-15 to 2018-19, it was observed that PG&JDC did not register its employees with Employees Old Age Benefits Institution (EOBI) since inception. This matter also discussed in the BoD meeting 33 & 34 dated 16.08.2018 & 22.10.2018 respectively, in which Board accorded approval for registration of the employees in EOBI from the date of their appointments and payment of Rs.1.52 million as company contribution accordingly. However, management did not register its employees in the EOBI which is also non-compliance of the board decision by the management.

Audit was of the view that non-registration of employees with EOBI is clear cut violation of the above rules. Furthermore, non-compliance of the Board decision which indicates that management is deliberately depriving rights of their employees.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that the Company is not in a financial position to pay arrears of contribution from the date of hiring of employees and the Company may get the employees registered in EOIB on availability of funds as soon as possible.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends registration of employees of the company with EOBI.

4.6.2 Non-maintaining of Gratuity Fund - Rs. 16.405 million

As per approved Human Resource Policy Manual of PG&JDC clause 14, the employees of the company are entitled for gratuity which is to be governed by employee gratuity fund to be constituted and established under part-III of the sixth schedule of the Income Tax Ordinance, 1979. The gratuity fund account shall be created and amount of gratuity payable to employees shall be transferred to the gratuity fund account. Payment of gratuity shall be made to the employees from this account which is not taxable.

During the Performance audit on the accounts of Pakistan Gems and Jewellery Development Company for the year 2014-15 to 2018-19, it was observed that management did not create separate gratuity fund since the inception of PG&JDC till to date. Further, employees at the time of leaving, gratuities are being paid from available funds in the account of salary & benefits. Besides, accumulated provision of gratuity Rs 16.405 million has piled up as on June 30, 2019. Record revealed that management requested to MOI&P for allocation of additional funds for gratuity funds of the company employees. In response of that MOI&P vide letter no. 1(6)/2015-ME-II dated 3rd December, 2018 intimated that Federal Government does not allocate any amount for the payment of gratuity funds for the retired employees of the autonomous bodies and it is the responsibility of the autonomous body to make arrangements for the payment of gratuity to its employees.

Audit was of the view that management violated its own policy due to non-maintaining of gratuity fund. It indicates that financial burden has been piling up over the company due to non-paying liability of gratuity to the employees at the time of leaving the office.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that the company requested MOIP for allocation of additional funds for Gratuity of company employees but

MOIP intimated that Federal Government does not allocate funds for payment of gratuity funds for the retired employees of autonomous bodies and it is the liability of autonomous body to make arrangements for the payment of gratuity to its employees. Further, the retired employees are filing application in the court due to non-payment of gratuity at the time of retirement.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends the relevant amount be arranged for payment of gratuity fund.

4.6.3 Instances of non-compliance of Public Sector Companies (Corporate Governance) Rules, 2013

Rule 5 of Public Sector companies (Corporate Governance) Rules 2013 states that board shall exercise its power and carry out fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During the performance audit on the accounts of Pakistan Gems and Jewellery Development Company for the year 2014-15 to 2018-19, it was observed that the company did not comply with provisions of Public Sector Companies (Corporate Governance) Rules, 2013 in different years. The rules were issued for the purpose of establishing a framework of good governance, whereby a public sector company was managed in compliance with best practices of public sector companies. However, the following rules were not complied with:

A. The Board shall appoint a chief financial officer, a company secretary, and a chief internal auditor by whatever name called.
B. That shall be an internal audit function in every public sector company.

S#	Provision of the Rules	Rule No.
1	Board shall monitor and assess the performance of senior management on annual/half-yearly/quarterly basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)
2	All the Board members to undergo an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules	11
3	Financial statements have been prepared by the management and presents fairly its state of affairs, the results of its operations, cash flows and changes in equity (IAS-19)	17(2)(b)

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that the serial 1 & 2 compliance would be ensured in future. At serial No. 3, we have only un- funded

Gratuity as retirement benefit for our employee of Head Office. The proposal for funded gratuity would be forwarded to BOD for approval and subject to available funds. At serial No. 4, Chief Internal Auditor would be appointed very soon.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends the implementation of (Corporate Governance) Rules, 2013 in letter and spirit.

4.6.4 Loss due to appointments beyond sanctioned strength

PC-1 for Pakistan Gems & Jewellery Development Project (Head Office) stipulates that any changes to the document will only be made through the Board's consent.

During Performance audit on the accounts of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2014-15 to 2018-19, it was observed that 25 employees were sanctioned in the PC-I(Head office) while actual sanctioned strength in the Head office was 35 employees resulting into excess of 10 employees. The excess strength of employees caused extra burden on Company.

Audit was of the view that management increased sanctioned strength of the Head Office without getting approval of the Board of Director which was mandatory to increase the employees' strength against PC-1. This undue favour was extended to the employees at company's cost, indicating weak internal controls.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that upon establishment and operational of projects the demand for manpower had increased. Therefore, the management increased the manpower strength from 25 to 35 after getting the approval /consent of Board of Directors to cater to the demands/requirements of the Projects effectively.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends that overstaffing is avoided to save cost.

4.7 Non-production of Record

4.7.1 Non-production of auditable record

Section 14 (2) of Auditor General's (Functions, Powers and Terms & Conditions of Service) Ordinance, 2001 entails that (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.(3) Any person or authority hindering the auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such persons.

During the performance audit on the accounts of Pakistan Gems and Jewellery Development Company for the year 2014-15 to 2018-19, management failed to provide the auditable records despite issuance of reminder. In other words, the management is reluctant to provide the record to audit as under:

<table>
<tr><th>S#</th><th>Req #</th><th>Dated</th><th>Details of information / record</th></tr>
<tr><td>1</td><td>01</td><td>09.03.2020</td><td>1. Letter to Managements and its replies for the years 2014-15 to 2018-2019 PC-II to PC-III.</td></tr>
<tr><td>2</td><td>03</td><td>11.03.2020</td><td>Composition of investment committee.
Minutes of the meeting of the investment committee.</td></tr>
<tr><td>3</td><td>04</td><td>11.03.2020</td><td>1. Minutes of Audit Committee or any other committee if any along with working papers.
Detail of court cases along with their present status and brief of fee paid.
2. List of procurements/services hired/contract awarded during the years under review.</td></tr>
<tr><td>4</td><td>07</td><td>19.03.2020</td><td>1. Details of allocation of funds and income generated from projects/centers in the given format:
Name of Project/ Center
<table>
<tr><th rowspan="2">Year</th><th colspan="2">Fund allocation as per PC-I</th><th colspan="2">Actual Expenditures</th><th colspan="2">Variance</th></tr>
<tr><th>Capital Exp.</th><th>Operational Exp.</th><th>Capital Exp.</th><th>Operational Exp.</th><th>Capital Exp.</th><th>Operational Exp</th></tr>
<tr><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td></tr>
</table></td></tr>
<tr><td>5</td><td>08</td><td>20.05.2020</td><td>PC-III (form A: physical target based on PSDP allocation quarter wise, Form B: monthly progress reporting) during the years under review.
Feasibility reports (including all centers)
Statement of assignment accounts for the years under review along with reconciliation statements.</td></tr>
<tr><td>6</td><td>09</td><td>29.05.2020</td><td>Details of adoption of new technologies for improving productivity of industry.
Copies of quarterly, monthly, half yearly and annually Progress Reports.</td></tr>
</table>

<table>
<tr><td>7</td><td>11</td><td>29.05.2020</td><td>Details of all closed centers along with files.</td></tr>
<tr><td>8</td><td>12</td><td>02.06.2020</td><td>Minutes of the meeting of the Audit Committee along with working papers.
Minutes of the meeting of the Marketing & Exhibition Committee along with working papers.
Minutes of the meeting of the Assaying and Hallmarking Committee along with working papers.
Finance & Procurement Committee along with working papers.</td></tr>
<tr><td>9</td><td>13</td><td>02.06.2020</td><td>Minutes of the meeting of the Purchase Committee along with working papers.
A copy of the Schedule of AGPR prepared by accounts department.
Details of short term investment along with approval.
Secretary Marketing Committee minutes of the meeting along with working papers.</td></tr>
<tr><td>10</td><td>15</td><td>02.06.2020</td><td>Detail of all projects developed as per PC-I along with locations, premises rent paid year wise, details of machineries procured year wise and civil works incurred thereon and etc along with present status.</td></tr>
<tr><td>11</td><td>16</td><td>02.06.2020</td><td>Detail of Grievance settlement cases settled and pending along with complete file.</td></tr>
<tr><td>12</td><td>18</td><td>03.06.2020</td><td>List of contract awarded for procurements of any items, services or consultancy services during the period under review.
Year wise actual operation expenses / cost incurred since inception of the project to till - date.</td></tr>
<tr><td>13</td><td>19</td><td>04.06.2020</td><td>Complete file of the tender floated in respect of sale of assets.
Details of the Project (s) under the following proforma.
<table>
<tr><td>me f ojec (s)</td><td>Total Capital cost incurred year wise since 2007 to till - date</td><td>Cost of Civil works year wise since 2007 to till - date</td><td>Operation Cost incurred year wise since 2007 to till - date</td><td>Cost of renovation works year wise since 2007 to till - date</td><td>Rent paid year wise since 2007 to till - date</td><td>Cost Surrendered Year wise since 2007 to till - date along with nature of the surrendered cost</td><td>Revenue earned year wise since 2007 to till - date</td><td>Present status of the each project (whether closed or not) if close, explain the reason of the close of the project</td></tr>
<tr><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td><td>8</td><td>9</td><td>10</td></tr>
</table></td></tr>
<tr><td>14</td><td>21</td><td>10.06.2020</td><td>Total Number of courses / training center wise planned during the years under review.
Total number of students targeted for each courses / training center wise.
Estimated revenue and expenditures of the planned courses / training by each center.
Total Number of courses / training announced / offered center wise.
Total number of courses / training canceled / hold center wise.
Total number of students participated / enrolled centers and course / training wise.
Course / training fee per student decided by the management.</td></tr>
</table>

			Details of discounts were given to the students / participants course / training and centers wise.
15	22	15.06.2020	Complete file in all respect Government grant & loans received from PIDC and utilized against the PC-I & Umbrella PC. Head wise utilization of the Government grant during the periods 2014-15 to 2018-19, Head wise utilization of the loan received from PIDC during the year 2014-15 to 2018-19. Year wise business plan against actual progress during the year under review.
16	23	15.06.2020	Complete details of center-wise training conducted during the periods 2014-15 to 2018-19along with relevant files. Complete details of Centers wise income generated head-wise during the periods 2014-15 to 2018-19along with relevant ledger and files. Complete details of Centers available in different province along with Expenditures incurred head-wise during the periods 2014-15 to 2018-19 along with relevant ledger accounts and files. Complete details of Jewellery who certified their products from Centre. Details of Gems identification performed on these Centers during the period under review. Complete details of closed centers along with date of operational and date of closure of the centers as well as expenditures incurred thereon along with files. Complete details of the IT base common facility centers. Complete details of the skill development made by the company in the sector of Gems & Jewellery during the year under review. Complete details of R&D and innovation made by the company in the sector of Gems & Jewellery during the year under review.
17	24	16.06.2020	Complete file in respect of appointment of Mr. Khalid Aziz as consultant. Target vs Actual Revenue generated from exhibition / Gem bazaar etc during the year under review.
18	25	16.06.2020	Detail of instructor hired by management for vocation / technical institutions.
19	26	18.06.2020	Complete files in all respect regarding for all contracts awarded above 0.5 million for procurements of assets / services /consultancy & hired / engaged visiting / temporary staff /faculty and instructors etc during the years 2014-15 to 2018-19.
20	27	18.06.2020	Total Capital cost of AIGS item wise since inception till to date. Detail of item wise operating cost incurred on AIGS since inception till to date. Detail of Machinery and tools procured for AIGS since inception till to date. Detail of procurement made for library infrastructure for AIGS. Detail of course for gemstones sample collection for AIGS. Detail of tanning of staff at AIGS. Detail of Human Resources hired / appointed for AIGS designation wise along with personnel files.
21	28	19.06.2020	Compete detail of utilization of amount as received in respect of fire claim incident occurred at Head office.
22	29	19.06.2020	Complete detail of Human Resource deputed designation wise along with salary detail year wise and all other expenses incurred thereon since inception to till - date at Islamabad office.
23	30	19.06.2020	A copy of the project wise closure report in all respect.
24	31	22..06.2020	Completion report of the project of Gem Exchange (Peshawar & Quetta) along with capital and operational cost incurred thereon since

			inception till to date. Complete report regarding of the achieved target by Gem Exchange (Peshawar & Quetta) since inception to till - date. Closure report of the both gem exchange (Peshawar & Quetta). Year wise Audit Plan during the years under review. Complete detail of lease hold improvement disposed off amounting to Rs 6.215 million during the year 2017-18.
25	32	22.06.2020	Complete detail of defined benefit plan along with case file, refer annual accounts 2018-19 note No. 19.1 Complete detail of loss on / disposal of property, plant and equipment during the year under review along with files and also showing historical cost with charges depreciation year wise there on.
26	33	22.06.2020	Complete file of the supplier in respect of company newsletter was designed, developed and circulated among the Gems and Jewellery sector of the country. Complete detail along with files of all employees who obtained training of master trainers during the years under review also showing participant wise total cost incurred for training. List of outsource services of the master trainer obtained by the company along with complete files during the years under review. List of instructor(s), company hired / arranged to conduct the training program / courses project / centers wise along with details name of course, duration of course, payment per course and name of sponsor(s) (if any) during the years under review.
27	34	24.06.2020	GIZ program report conducted by the sponsored authority. Details of total amount outstanding from sponsored aging wise.

In the absence of the aforesaid requisitioned records, audit was unable to ascertain transparency in the relevant transactions or otherwise. The strategy of the management with regard to the record production was tantamount to non-production of auditable record. The matter may be explained to audit.

The matter was reported to the management in October, 2020. The management stated in its reply dated November 02, 2020 that the present auditors had to face the situation due to prevailing critical circumstances in the country caused by COVID-19. The matter was also discussed with the auditors and explained the situation that most of the employees had become affected of the virus and were unable to attend the office. Government had already directed to stay at home and work from home especially to those who have become affected of this virus.

Apart from that, the Company had already bare minimum workforce which made it difficult for them to deliver the information in time. The situation got severe when further six senior positions became vacant and their employment contracts were not extended beyond 30-06-20 when the commercial audit of the company was going on. The management reply was not tenable.

DAC meeting was not convened by PAO despite request by Audit.

Audit recommends to investigate the matter and fix responsibility on the person (s) found at fault.

5. CONCLUSION

Audit raised observations that company's net equity has become negative which reflects that it has financial constraints and sustainability issue. Audit also observed that board failed to comply their powers, functions and duties in connection with the Government Directives. Despite release of funds for acquiring of land for projects, management hired premises on rental basis which had heavily dented to the company objectives. Resultantly, stakeholders could not be benefited with knowledge and skills to identify purity of gems and gold.

ACKNOWLEDGEMENT

We wish to express our appreciation to the Management and staff of Pakistan Gems & Jewellery Development Company (PG&JDC) for the assistance and cooperation extended to the auditors during this assignment.

Annex-1a: Irregular appointment of Assistant Manager (Finance) and unjustified payment of additional charge allowance on abolished post - Rs.9.351 million

S#	Contract Period		Monthly Pay (Rs.)	Months	Total (Rs.)
	From	To			
1	02.08.2010	01.11.2011	55,000	11	605,000
	Revised salary w.e.f	01.07.2011	60,500	04	242,000
2	02.11.2011	01.11.2012	60500	18	1,089,000
	Revised Salary w.e.f	01.07.2012	66,500	04	266,000
3	02.11.2012	01.11.2013	66,500	08	532,000
	Revised salary w.e.f	01.07.2013	73,205	04	292,820
4	02.11.2013	01.11.2015	73,205	16	1,171,280
	Revised Salary w.e.f	01.07.2015	80,526	08	644,208
5	02.11.2015	01.11.2017	80,526	24	1,932,624
6	02.11.2017	01.11.2019	80,526	24	1,932,624
7	02.11.2019	30.06.2020	80,526	08	644,208
				Total	**9,351,764**

Annex-1b: Irregular appointment of Assistant Manager (Finance) and unjustified payment of additional charge allowance on abolished post - Rs.0.401 million

S#	Period		No. of months	Monthly payment of additional allowance 20% of salary	Irregular amount paid to incumbent
1	01.10.2016	30.06.2017	09	16,705	150,345
2	01.07.2017	30.06.2018	12	17,716	212,592
3	01.07.2018	05.09.2019	02	19,487	38,974
				Total	**401,911**