PERFORMANCE AUDIT REPORT
ON
PAKISTAN INDUSTRIAL DEVELOPMENT CORPORATION (SUBSIDIARIES) KARACHI
FOR THE PERIOD 2013-14 TO 2017-18

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 Industrial Development Corporation (Subsidiaries) Karachi was carried out accordingly.

The Directorate General of Commercial Audit and Evaluation (South) Karachi conducted Performance Audit of Pakistan Industrial Development Corporation (Subsidiaries) for the period 2013-14 to 2017-18 during June to August, 2019 with a view to report significant findings to stakeholders. Audit examined the economy, efficiency and effectiveness aspects of PIDC (Subsidiaries). In addition, audit also assessed, on test-check basis, whether the management complied with applicable laws, rules and regulations in managing the matters of PIDC subsidiaries. The Audit Report indicates specific actions that, if taken, will help the management realize the objectives of the PIDC (Subsidiaries). Despite request and subsequent reminders, DAC meeting was not 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	**(Muhammad Ajmal Gondal)**
Dated:	Auditor General of Pakistan

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ABBREVIATIONS & ACRONYMS

AGP	Auditor General of Pakistan
AHAN	Aik Hunar Aik Nagar
BoD	Board of Directors
BQIP	Bin Qasim Industrial Park
CEO	Chief Executive Officer
DAC	Departmental Accounts Committee
DWP	Development Working Party
GJTMC	Gems and Jewellery Training and Manufacturing Centers
ISSAI	International Standards of Supreme Audit Institutions
KCIP	Karachi Creek Industrial Park
KE	Karachi Electric
KESC	Karachi Electric Supply Company
KTDMC	Karachi Tools, Dies and Moulds Centre
NFIP	Naushahro Feroz Industrial Park
NIP	National Industrial Park
PC	Planning Commission
PDR	Planning, Development and Reform
PG & JDC	Pakistan Gems & Jewellery Development Company
PIDC	Pakistan Industrial Development Company
PPRA	Public Procurement Regulatory Authority
PSML	Pakistan Steel Mills Corporation Limited
RIP	Rachna Industrial Park
SIP	Sargodha Industrial Park
SRO	Statutory Regulatory Orders
SSGCL	Sui Southern Gas Company Limited
TDAP	Trade Development Authority of Pakistan
TOR	Term of Reference
TUSDEC	Technology Up-gradation and Skill Development Company

EXECUTIVE SUMMARY

The Directorate General of Commercial Audit & Evaluation (South) Karachi conducted Performance Audit of Pakistan Industrial Development Corporation (Subsidiaries) Karachi for the years 2013-14 to 2017-18. The main objectives of the audit were to; (1) Review subsidiaries' performance against intended objectives, (2) Assess whether projects are managed with due regard to economy, efficiency, and effectiveness, for the benefit of Industrialist/Sector development, (3) Examine the adoption of new technologies for improving productivity of industry, and (4) Examine whether the benefits were passed to the end-users. The performance audit was carried out in accordance with ISSAI Auditing Standards.

Key audit findings

i. Loss due to time overrun of Sargodha Industrial Park and Naushahro Feroze Industrial Park-Rs 1,749.823 million
ii. Excess expenditure on purchase of 100 acres of land for Sargodha Industrial Park-Rs 31.800 million
iii. Loss due to non-imposition of penalty –Rs 49.224 million
iv. Loss due to non-depositing/deduction of General Sales Tax-Rs 144.000 million
v. Loss due to undue favor granted to M/s. KIA Lucky Motors - Rs 800 million
vi. Less generation of revenue against target set in Umbrella PC-1 of Project-Rs.91.462 million
vii. Hiring of building and private offices for workshops on rent in non-transparent manner- Rs 85.594 million
viii. Loss on sale of plot at lower rates-Rs 232.369 million
ix. Non-adjustment of advances & outstanding amount against different allottees - Rs 2,169.93 million
x. Loss due to non-deduction of liquidated damages -Rs 44.878 million
xi. Misappropriation / underutilization of funds on plant & machinery for training center and assaying & hallmarking - Rs.269.867 million
xii. Misappropriation/ less expense under foreign consultancy & training of master trainer against umbrella PC-1 approved proposal- Rs 4.431 million
xiii. Wasteful expenditure on foreign visits and tours- Rs.8.525 million
xiv. Loss of foreign exchange due to imposition of SRO - US$ 5,910 million (equivalent to PKR 622.26 billion)
xv. Loss due to mis-management and closure of GJTMC-Sargodha-Rs 43.721 million
xvi. Non- adjustment of Pakistan Industrial Development Company (PIDC) / Government of Sindh (GoS) share due in sale of land by NIP-Rs. 3,975.451 million

xvii. Undue favor extended to Ex-Chief Executive Officer (CEO) and Non-posting of officers on key positions -Rs. 16.316 million
xviii. Non-approval of PC-I of NIP projects and defective clause of sustainability in Umbrella PC-1 for Pakistan Gems & Jewellery Development Company caused recurring loss - Rs.142.821 million in 2017-18 with accumulated deficit of Rs.1.431 billion
xix. Loss due to non-achievement of objectives in violation of PC-1-Rs. 156.88 billion
xx. Non-sustainability of Pakistan Gems & Jewellery Development Company due to steadily increasing accumulated losses-Rs.1,536.438 million
xxi. Unjustified/Excess expenditures against the PC-I Grant - Rs.155.382 million

Recommendations

PIDC (Subsidiaries) / NIP should ensure planning, budgeting, executing & awarding of contracts according to approved PC-I to avoid cost & time overrun of the projects.

i. PC-I should be got approved from Planning Commission before starting of the project and projects may be executed accordingly.
ii. Changes in the scope of the project should be monitored, justified and approved accordingly.
iii. Excess expenditure may be avoided.
iv. Public Procurement rules should be followed in letter and spirit.
v. Monitoring may be ensured during execution of projects for mid – course correction.
vi. HR may duly be employed in accordance with PC-I.
vii. Mismanagement of resources should be avoided through corrective measures.

1. INTRODUCTION

The primary aim of establishment of PIDC was to set up industries in such fields where the private sector was reluctant and where large amount of capital outlay with long gestation period was required. Secondly, the object was to set up industries in such areas which were backward with a view to creating employment opportunities and removal of regional disparities. The operational strategy was to set up projects on a continuous basis and transfer them to the private sector after successful operation, thus, promoting the development of the private sector.

The role of PIDC was redefined during 2004-05 with a view to facilitate the pace of industrialization in the country in line with the Government of Pakistan (GOP) initiative for strategic development & competitiveness and to develop non-traditional sectors to contribute effectively towards the growth in exports of Pakistan. In pursuance of this role of PIDC, following eight new wholly-owned subsidiaries were incorporated under section 42 of the Companies Ordinance, 1984.

1. National Industrial Parks Development & Management Company (NIP), Karachi.
2. Pakistan Gems & Jewellery Development Company (PG & JDC), Karachi.
3. Karachi Tools, Dies and Moulds Centre (KTDMC), Karachi.
4. Furniture Pakistan, Lahore
5. Aik Hunar Aik Nagar (AHAN), Lahore
6. Pakistan Stone Development Company, Islamabad
7. Pakistan Hunting & Sporting Arms Development Company, Peshawar
8. Technology Upgradation and Skill Development Company (TUSDEC), Lahore

Major internal factors affecting business of Subsidiaries, *inter alia*, are delayed receipt of funds, shortage of funds, non-approval / delayed-approval of PC-Is, non-preparation of PC-Is, and non-implementation / completion of projects according to targets set in PC-Is.

External factors have also affected the business due to difficulties faced for the approval of building plans from the concerned authorities, non-installation of own power plant by the operator, non-clearance of title of ownership of land, frequent changes in rates of land by PSM, 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

2.1 The major objectives of the audit were to:

a) Evaluate as to whether the grants/loans were utilized according to objectives,
b) Review subsidiaries' performance against intended objectives,
c) Evaluate whether assets were economically and efficiently utilized,
d) Evaluate whether the internal controls for operational activities were in place,
e) Assess whether projects are managed with due regard to economy, efficiency, and effectiveness, for the benefit of Industrialists / Sector development,
f) Assess whether the projects developed industrial parks, gems & Jewellery training and hallmarking centers and ascertain quality of designing, engineering and manufacturing of local tools, dies and moulds,
g) Assess whether the services provided were in accordance with the PC-I/policy/agreement,
h) Examine the adoption of new technologies for improving productivity of industry,
i) Examine whether the benefits were passed to the end-users,
j) Examine whether hiring/requirement of employees was according to rules.

3. AUDIT SCOPE AND METHODOLOGY

3.1 Audit Scope

Main audit scope of the Special Audit of PIDC (Subsidiaries) was:

a. To examine the overall performance of the PIDC (Subsidiaries) i.e. National Industrial Parks (NIP), Karachi, Pakistan Jems & Jewellery Development Company (PG & JDC), Karachi and Karachi Tools, Dies and Moulds Centre, Karachi, *et al* in the light of audit objectives
b. To review record of PIDC subsidiaries from 2013-14 to 2017-18.

3.2.1 Audit Methodology

The audit team;

a. Reviewed the Terms of Reference (TORs) set for the Performance Audit.
b. Reviewed past paras of PIDC (Subsidiaries) already printed in Compliance Audit Reports.
c. Reviewed the Permanent and Planning files of PIDC.
d. Ascertained the risk areas through review of documents and meeting with management.

e. Reviewed the auditable record at PIDC (Subsidiaries).
f. Used stratified random sample approach to available data for examination and adequate evidence was gathered to support the observations.
g. The audit checks were applied in accordance with ISSAI Auditing Standards.

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Financial Management

4.1.1 Loss due to time overrun of Sargodha Industrial Park, Sargodha – Rs.232.97 million

According to Section - 12 of Implementation Schedule of PC-I, "the project shall be completed within 18 months after the release of funds". Further, Section - 10 *ibid* says that the total cost of the project will be Rs.434 million proposed to be borne by PIDC / Federal Government in the manner that, Cost of Land + Taxes of Rs.100.6 million plus 40 *per cent* of Development Cost of Rs.133.36 million, which will be released in advance by funding agency to NIP. NIP will raise the balance from the prospective buyers in the following manner;

(Rs.in million)

Revenue	Area (in *Kanals*)	Price per *kanal*	Total
Revenue from sale of plots	240	1.6	384

The input / output of the project given in PC-I are as under:

S#	Input	Output	Outcome (Targets after completion of Project)
1	Land	150 new industrial setups	Investment of millions of rupees and employment generation of approx.4,000 direct & 15,000 indirect jobs
2	Infrastructure	Systematic and organized industrial facility	Extensive growth of allied and auxiliary industries
3	Technical training	Skilled manpower	Highly skilled manpower available to the industry

S#	Description	Amount (Rs. in million)
1	NIP received funds from PIDC on 27-06-2012	46.79
2	NIP received funds from PIDC on 06-07-2012	91.01
3	NIP received funds from PIDC on 25-11-2013	55.17
4	NIP received funds from PIDC on 10-09-2012	10
5	NIP received funds from PIDC on 07-11-2012	10
6	NIP received funds from PIDC on 01-03-2013	20
Total		**232.97**

According to above schedule, an amount of Rs.232.970 million was released by PIDC up-to the month of Nov, 2013 and the completion date of the project was 18 months which comes to May, 2015. However, after lapse of 3 and half years neither the project (Sargodha Industrial Park, Sargodha) was completed nor any single industrial setup established.

Audit was of the view that due to time overrun, the project of Sargodha Industrial Park could not achieve its objectives and, thus, suffered a loss of Rs.232.97 million.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends that an independent inquiry committee should be constituted to investigate the causes of delay of the project for fixing of responsibility.

4.1.2 Excess expenditure on purchase of 100 acres of land for Sargodha Industrial Park, Sargodha - Rs.31.800 million

According to Section-7 of PC-I, Total Cost of 100 acres land was Rs.100.000 million & land transfer fee was Rs.6.000 million.

During performance audit of PIDC (Subsidiaries) Karachi for the years 2013-14 to 2017-18, it was observed that management of National Industrial Parks Development and Management Company (NIP), as an execution company / agency, paid an amount of Rs.137,800,000 for procurement of land for Sargodha Industrial Park, Sargodha. Details are as under:

Cost of 100 acres of land at Rs.1,325,000 per acre	Rs.132,500,000
Taxes at 4 per cent	Rs.5,300,000
Total cost of land	**Rs.137,800,000**

Management of NIP paid an amount of Rs.137.800 million for procurement of 100 acres of land for Sargodha Industrial Park, Sargodha.

Audit was of the view that management procured the land at exorbitant rates i.e. Rs.137.8 million against an amount of Rs.106.0 million. Thus, excess payment of Rs.31.8 million against the PC-I was irregular.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends that responsibility be fixed on the person (s) at fault by recovering the excess amount under intimation to audit.

4.1.3 Loss due to time overrun of Naushahro Feroze Industrial Park - Rs.45 million

According to Section-6 of PC-I (Revised & Reviewed), Zone Infrastructure will be completed within 18 months subject to land procurement and funds released for development. Further, Section-4 entailed that Naushahro Feroze Industrial Park (NFIP) Project would be funded by PIDC from its own resources. The total cost of the project will be Rs.439.11 million.

Clause 17 of Revenue Model (based on PC-I) stated that it is assumed that the total saleable area is 80 *per cent* i.e. 40 acres from 50 acres, including 3 per cent commercial. Total area of the land would be 80 acres. In phase-I, we would develop 50 acres. Remaining area will be developed in phase-II with the sale receipts of the Phase-I area. The Revenue Model can be shown as under:

				(Rs.in million)
S#	**Year**	**Acres to be sold**	**Proposed Rates per acre**	**Total amount**
1	2015-16	5	9	45
2	2015-16	5	10.5	52.5
3	2016-17	6	12.5	75
4	2015-17	21	13	273
5	2015-17	3	16	48

During performance audit of PIDC (Subsidiaries) Karachi for the years 2013-14 to 2017-18, it was observed from PC-I that a project named Naushahro Feroze Industrial Park (NFIP) over an area of 80 acres was executed by National Industrial Parks Development and Management Company (NIP).The total cost of the project was of Rs.439.11 million - out of this Rs.86.80 million was the cost of 80 acre land, Rs.6.25 million was the transfer fee of land and remaining Rs.346.06 million was for infrastructure development of 50 acres (Phase-I) of the Project, whereas remaining 30 acres would be developed from sale proceeds of Phase-I. NFIP Project would be funded by PIDC from its own resources. Details of funds released by PIDC are as under:

S#	**Description**	**(Rs.in million)**
1	NIP received funds from PIDC on 18-06-2015	50.000
2	NIP received funds from PIDC on 30-06-2015	50.000
3	NIP received funds from PIDC on 29-03-2017	50.000
	Total Receipts	**150.000**

According to above schedule, funds were released by PIDC up-to the month of March, 2017 and the completion date of the project after 18 months would have been

January, 2019, which was not completed till May 2019. Thus, project faced time overrun.

Audit was of the view that due to time overrun, the project Naushahro Feroze Industrial Park (NFIP) could not achieve its objectives by selling 5 acres land in first year 2015-16 at a proposed rate of Rs.9 million per acre after its completion as per PC-I. Therefore, development of phase – II as per PC-I would suffer. Thus, neither phase-I was developed nor funds were realized from sale of plots to be utilized on development of phase-II. This caused a loss of Rs.45 million (5 acres * Rs.9 million).

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends that an independent inquiry committee should be constituted to investigate the matter for fixing of responsibility.

4.1.4 Loss due to time overrun and excess expenditure on sale of plots - Rs.1,471.41 million

According to Clause-12 of PC-I on Implementation Schedule, the development work should have been started from financial year 2006 which remained slow in progress due to land title and lease issues. After renewal of lease in June 2009, the remaining work was to be completed in 54 months ending calendar year 2013.

During performance audit of PIDC (Subsidiaries) Karachi for the years 2013-14 to 2017-18, it was noted from record of National Industrial Parks Development and Management Company (NIP) that it had been assigned the task by Pakistan Industrial Development Corporation (PIDC) and the Ministry of Industries & Production to establish an industrial Park of Korangi Creek Industrial Parks (KCIP) in Karachi. The estimated cost of the project was of Rs.5,442.544 million. PIDC had provided an area of 240 acres of land to NIP for establishment of KCIP. However, there was time over-run of four and half years as the project was not completed within stipulated completion time in Dec, 2013. Besides, there was cost over-run of Rs.1427 million, an increase of 77 *per cent per acre*. Details of cost incurred as on 30-06-2018 are as under:

			(Rs in million)
Description	**Cost**	**Acres**	**Per acre cost**
As per PC-I capital cost revised on 05.10.2012	3,776.456	250	15.106
Actual cost upto June, 2018	3,388.400	126.9	26.701
Difference		**123.1**	**(11.60)**
Cost over - run (Acres 123.1 x 11.60 cost per Acre = Rs.1,427 million)			

Audit was of the view that due to time overrun, the project of Korangi Creek Industrial Parks (KCIP), Karachi could not achieve its objectives and, thus, suffered a loss of Rs.1,471.41 million.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends that an independent inquiry committee should be constituted to investigate the causes of project delay for fixing of responsibility.

4.1.5 Loss due to non-imposition of penalty – Rs.49.224 million

According to Clause 6.1 of Terms and Conditions for plot of land at Korangi Creek Industrial Park, the allottee shall in accordance with NIP's approved building plans/drawing, complete, within twenty-four (24) months of execution of the License Agreement, construction and erection of all building(s), structure (s) and facilities on the allotted Plot.

Clause 6.6 states that in the event of non-completion of Project within the specified timelines as per clause 6.1, NIP reserves the right to cancel the License Agreement and repossess the plot with construction thereon, with 10 per cent of the amount paid by the allottee to be forfeited as penalty.

During performance audit of PIDC (Subsidiaries) Karachi for the years 2013-14 to 2017-18, it was observed from the record that NIP issued License Agreement to 18 allottees during the period 2013 to 2016. It was observed that allottees did not construct the plot after lapse of 24 months **(Annex-A).**

Audit was of the view that non-deduction of penalty from the above mentioned allottees was violation of the rule. Resultantly, NIP sustained a financial loss of Rs.49.224 million.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends that management should investigate the matter by fixing responsibility upon the person (s) at fault and also recover the amount of penalty from the defaulter allottees under intimation to audit.

4.1.6 Unjustified payment of bonus – Rs.2.584 million

Finance Division (Regulation Wing) vide letter dated March 18, 2002, entailed that bonus would be paid on operational profit of the organization only excluding income from other sources.

According to Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, the Chief Executive's responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

According to Clause 5 (a) on the principle of probity and propriety, company's assets and resources shall not be used for private advantage and due economy is exercised so as to reduce wastage.

During performance audit of PIDC (Subsidiaries) Karachi for the years 2013-14 to 2017-18, it was observed from Trial Balance that NIP paid an amount of Rs.2.584 million on account of bonus under the account code SIP-P-220-SIP36 to the officers/officials during the year 2012-13. The total cost of the Sargodha Industrial Park (project) was Rs.434 million which was borne by PIDC / Federal Government.

Audit was of the view that payment of bonus of Rs.2.584 million was unjustified because there was no operational profit of the company. Further, there was time overrun and even not a single industrial unit was established there.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends to recover the amount from the employees by fixing responsibility upon the person (s) at fault.

4.1.7 Wasteful expenditure on inauguration-Rs.5.085 million

According to Rule 5 of Public Sector companies (Corporate Governance) Rules, 2013, 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 of PIDC (Subsidiaries) Karachi for the years 2013-14 to 2017-18, it was observed from Trial Balance that NIP had conducted an inauguration ceremony during the year 2012-13 by incurring an expenditure of

Rs.5.085 million under the account code SIP-P-220-SIP36. Despite conducting inauguration ceremony, NIP could not achieve its objectives of inauguration. Neither a single plot was sold to the industrialists nor was a new setup established in Sargodha Industrial Park, Sargodha after lapse of 3 and half years.

Audit was of the view that inauguration ceremony was not conducted in a manner to motivate the potential industrialists in the area to establish units in SIP. Thus, expenditure of Rs.5.085 million was wasted / unjustified.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends to justify the expenditure incurred on inauguration despite non-operation of the project and to fix responsibility on person (s) at fault.

4.1.8 Loss due to granting undue favour granted in adjustment of outstanding dues-Rs.22.425 million

According to Rule 5 of Public Sector Companies (Corporate Governance) Rules, 2013, 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 of PIDC (Subsidiaries-NIP) Karachi, for the years 2013-14 to 2017-18, it was observed from the 65th BOD meeting held on 23rd October, 2018 that M/s IMS, BOO (Power Station (Pvt.) Ltd.-PSPL) operator for power in Korangi Creek Industrial Park (KCIP), Karachi was allotted 3.087 acres Plot No.UT-02A8 in April 2014 for installation of a captive power plant at KCIP. M/s IMS, (Power Station (Pvt.) Ltd.-PSPL) has made payment of first installment of Rs.22.425 million against this plot. However, M/s IMS (Power Station (Pvt.) Ltd.-PSPL) requested the management that amount of Rs.22.425 million paid for the said plot can be considered for adjustment against outstanding dues for another Plot No.GJ-01-A3 in the high density zone at KCIP for its business group company M/s Studio 146.

Audit was of the view that adjustment of payment of Rs.22.425 million against the outstanding amount for Plot No.GJ-01-A3 caused a financial loss to the company. On one side management handed over the Plot No. UT - 02A8 in April 2014 for installation of a captive power plant at KCIP to M/s IMS, (Power Station (Pvt.) Ltd.-PSPL) without charging any cost of land, on the other hand instead of recovering the outstanding amount from the defaulter undue favour was granted by adjusting the amount against the cost of plot as M/s IMS was the owner of both the plots.

The matter was reported to the management in June, 2019, but no reply was received.

Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends to conduct an independent inquiry with a representative from the Ministry' to investigate the matter for fixing of responsibility upon the person (s) at fault. Further, full cost of Plot No. UT-02A8 and the outstanding dues against Plot No. GJ-01-A3 may be recovered under intimation to audit.

4.1.9 Loss due to non-depositing/deduction of General Sales Tax – Rs.144.000 million

According to Rule 5 of Public Sector Companies (Corporate Governance) Rules, 2013, 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 of PIDC (Subsidiaries) Karachi for the years 2013-14 to 2017-18, it was observed from the record that M/s Power Station (Pvt.) Ltd. installed and commissioned a power plant of up to 48 MW at the Korangi Creek Industrial Park, Karachi supplying energy to industrial users situated within KCIP. M/s Power Station (Pvt.) Ltd. issued monthly invoices to the industrial customers for the energy consumed. The invoices reflected that GST at 17 per *cent* was charged by Power Station (Pvt.) Ltd. from the industrial customers but the same was not deposited in the Government Treasury. Details are as under:

Month	GST at 17 *per cent*	Number of industrial customers	For a period of 2013-14 to 2017-18 (60 months)	Total GST Rs.
1	200,000	12	60	144,000,000

Audit was of the view that as per agreement M/s Power Station (Pvt.) Ltd. prepared electricity bills for industrial customers and then sent the same to NIP. NIP's management will send these bills to industrial customers in order to collect the billed amount along with the GST. Later on, GST will be deposited in the Govt. treasury. Instead of this, M/s Power Station (Pvt.) Ltd. itself sent electricity bills to industrial customers by collecting the electricity cost-plus GST.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends to recover the loss from the CEO-NIP under intimation to audit.

4.1.10 Loss due to granting undue favor to M/s KIA Lucky Motors - Rs.800 million

According to Rule 5 of Public Sector Companies (Corporate Governance) Rules, 2013, 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 of PIDC (Subsidiaries) Karachi for the years 2013-14 to 2017-18, it was observed from minutes of 60th meeting of the BOD held on February 02, 2018 Agenda item No.02 that an inquiry was conducted against the CEO-NIP, Mr. Mudassar Iqbal, to the effect that 100 acres plots was allotted at price of Rs.18 million per acre to M/s KIA Lucky Motors in Bin Qasim Industrial Park without taking the approval from Board. Further, M/s KIA Lucky Motors failed to deposit the payment as per pre-defined payment plan, thus, a new price i.e. Rs.26 million per acre was to be charged. CEO-NIP Mr. Mudassar Iqbal assured M/s KIA Lucky Motors that they will not be charged more than an amount of Rs.18 million per acre (the old price).

Audit was of the view that non-charging of new price i.e. 26 million per acre caused a loss of Rs.800 million (Rs.26 million per acre less Rs.18 million per acre = Rs.8 million per acre x 100 acres).

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends to recover the loss from the CEO-NIP under intimation to audit.

4.1.11 Less generation of revenue against target set in Umbrella PC-1 - Rs.91.462 million

According to Section 10 of PC-I, the estimated target revenue generated over 3 years will be Rs.173.15 million which will go in Account No.1 of the Government of Pakistan.

During performance audit of PIDC (Subsidiary - PG & JDC) Karachi for the years 2013-14 to 2017-18, it was observed from Umbrella PC-I Project of Pakistan Gems & Jewellery Development Company that Project will generate revenue of Rs.173.15 million over three year operations. However, the project was extended upto 10 years and generated revenue of Rs.81.688 million from its operations which is Rs.91.462 million less than the targeted amount of Rs.173.15 million. The details of the income generated are hereunder;

S#	Year	Income (Rs.)	S#	Year	Income (Rs.)
1	2008-09	79,550	6	2013-14	12,833,811
2	2009-10	3,081,766	7	2014-15	9,445,687
3	20010-11	3,901,353	8	2015-16	7,863,850
4	2011-12	9,256,273	9	2016-17	17,827,102
5	2012-13	8,369,922	10	2017-18	9,029,114
Total					**81,688,428**

Audit was of the view that company had not achieved its revenue target after 10 years of operations because of operational losses and instead remained dependent upon the Government grants.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends that the management should investigate the matter for fixing of responsibility upon the person (s) at fault.

4.1.12 Double payment of salaries to officers/staff for seven months – Rs.14.500 million

According to Rule-10 of GFR, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money. Public moneys should not be utilized for the benefit of a particular person or section of the community.

During performance audit of PIDC (Subsidiary - PG & JDC) for the years 2013-14 to 2017-18, it was observed that an amount of Rs.14.500 million was paid by the management on account of salary from the "Assignment Account" which was actually meant for development expenditure. Further, the monthly salaries of 19 Head Office staff for the months of July, 2017 to January, 2018 were also paid every month as was evident from bank payment vouchers and bank reconciliation statements.

Audit was of the view that not only the management made payment of salaries from the Assignment Account, but also paid double salaries for the same period from

July 2017 to January, 2018. This tantamounts to embezzlement / misuse of public funds.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends to recover the overpaid amount from the persons to whom double payment was made and fix responsibility upon the person (s) at fault.

4.1.13 Loss due to misuse of funds-Rs.5.677 million

According to Clause 7 of PC-1 for Establishment of Gems and Jewellery Training and Manufacturing Center, Sargodha, following were year-wise estimates of physical activities by main components;

Items	Unit	Year-I	Year-II	Year-III
Premises Acquisition	Sq. ft	5,000 Sq. ft will be acquired	Retained	Retained

Year-wise /component-wise financial phasing

(Rs.in million)

Items	Unit	Year-I	Year-II	Year-III	Sub Total
Premises Acquisition (5,000 sq. ft)	Sq. ft	9.000	0	0	9.000
Civil Work (at 1,200/- Sq. ft)	Sq. ft	6.000	0	0	6.000

During performance audit of PIDC (Subsidiary - PG & JDC) for the years 2013-14 to 2017-18, it was observed from the lease agreement file that premises was hired on rent for GJTMC Sargodha from Mr. Javaid Iqbal for a period of three years on a monthly rent of Rs.55,000 commencing from 1st day of Dec, 2012 at A-99 Bhadur Shah Zafar Road, Old Civil Lines, Sargodha. Detail is as under:-

Description	Monthly Rent (Rs.)	Yearly Rent (Rs.)
1st Term of Lease Agreement		
Dec 2012 to Nov 2013	55,000	660,000
Dec 2013 to Nov 2014 with 10 *per cent* increase	60,500	726,000
Dec 2014 to Nov 2015 with 10 *per cent* increase	66,500	798,600
2nd Term of Lease Agreement		
Dec 2015 to Nov 2016 with 10 *per cent* increase	73,205	878,460
Dec 2016 to Nov 2017 with 10 *per cent* increase	80,526	966,312
Dec 2017 to Nov 2018 with 10 *per cent* increase	88,579	1,062,948
3rd Term of Lease Agreement		
Dec 2018 to March 2019 with 10 *per cent* increase	97,437	389,748
2019 April 2019 to May 2019	97,437	194,874
Total Amount		**5,676,942**

According to PC-I, an amount of Rs.9 million was allocated for Land (Premises Acquisition 5,000 Sq.ft.) along with Rs.6 million for Civil Works. Instead of purchasing land, the management acquired the building on rent.

Audit was of the view that this was violation of PC-I and caused loss of Rs.5.677 million to the company.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends for fixing of responsibility upon the person (s) at fault and recovery of the loss.

4.2. Procurement and Contract Management

4.2.1 Hiring of private offices and workshop on rent in non-transparent manner - Rs.85.594 million

According to Rule – 12 of PPRA Rules, 2004, all procurement opportunities over two million rupees should be advertised on the Authority's websites as well as in other print media or newspapers having wide circulation. The advertisement in the newspaper shall principally appear in at least two national dailies, one in English and other in Urdu.

During performance audit of PIDC (Subsidiary - PG & JDC) Karachi for the years 2013-14 to 2017-18, it was observed from rental records that all Common Facilitation Training Centers (CFTMC), Assaying & Hallmarking Initiative with Two Exchange Centre and Training and Manufacturing Centre, Peshawar were established on rental basis in different cities (**Annex-B**) for PSDP Funded Project without competition.

The management of the company hired all buildings on rent in different cities without going into open competitive rate from market which shows undue favor extended to certain parties. Thus, Financial Statements of the Company of 2007-08 to 2014-15 in Note 17 of Direct Costs of Project, rent upto June 30, 2014 was Rs.42.496 million out of Rs.158.194 million. Total operating expenses clearly reflected that the rent figure was about more than 25 per cent of total Direct Cost of projects showing unusual burden on operational cost of project that makes company non-sustainable. Thus, the Company continued facing operating losses and financial constraints.

Audit was of the view that management of the company hired premises on non-competitive rates which was non - economical and became one of the fundamental causes of non-sustainability of running the projects. This reflected weak internal controls in the Organization.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends that the management should terminate the higher value rental agreements of the hired premises and re-hire such premises through competitive process on economical rates according to PPRA Rules, 2004.

4.3 Asset Management

4.3.1 Non-recovery of Annual Ground Rent - Rs.208.818 million (approx.)

According to Clause 8.6 on execution of the sub-lease deed as per Terms and Conditions for plot of land at Korangi Creek Industrial Park, the Allottee shall be liable to pay to NIP or its Estate Management Company such Annual Ground Rent charges in such manner and at such time as is notified by NIP.

Clause 8.6.2 states that in the event of any delay in any payment, a late payment surcharge at 2 *per cent* per month shall be payable by the Allottee to NIP or its Estate Management Company on the unpaid due amount.

During performance audit of PIDC (Subsidiaries) Karachi for the years 2013-14 to 2017-18, it was observed that NIP in Korangi Creek Industrial Park sold out 129 acres of land to the industrialists / allottees. However, no Annual Ground Rent was charged from such industrialists / allottees since the execution of sub-lease. Details are as under:

Total Area	250 Acres
Location	Korangi Creek, Karachi
Low Density Zone	118 Acres all sold
High Density Zone	23 Acres 11 acres sold
Annual Ground Rent Per Acre	Rs.400/- per Square meter (Approx,)
1 acre =	4,046.86 sq. meters.
118 + 11 acres= 129 acres	522,044.94 sq. meters.
522,044.94 sq. meters. X Rs.400/- per sq. meters.	Rs.208,817,976/- per year

Audit was of the view that the purpose of the Annual Ground Rent was to meet out the future development expenditure on the existing infrastructures which will deteriorate with the passage of time. However, since selling out of plots to industrialists / allottees, the management did not charge the Annual Ground Rent from them. Apparently, undue favour was granted to such industrialists / allottees which indicated that no effective steps were taken by the management for the recovery of Annual Ground Rent.

Audit was of the view that as per terms and conditions, annual ground rent became due from the date of execution of the sub-lease deed, instead from the date of sale of plot. Thus, an amount of Rs.208.818 million for a period of one year was still outstanding against the allottees.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends that effective measures should be adopted to recover the amount from the allottees.

4.3.2 Non-recovery of monthly maintenance charges - Rs.313.227 million (approx.)

According to Clause 8.6.1 on execution of the Certificate of Completion in Terms and Conditions for plot of land at Korangi Creek Industrial Park, the Allottee shall be liable to pay to NIP or its Estate Management Company such Monthly Maintenance Charges in such manner and at such time as is notified by NIP.

During performance audit of PIDC (Subsidiaries) Karachi for the years 2013-14 to 2017-18, it was observed that NIP in Korangi Creek Industrial Park sold out 141 acres of land to the industrialists / allottees. However, management did not charge the monthly maintenance charges to allottees though the Certificates of Completion were issued since long. Details are as under:

Total Area	250 Acres
Location	Korangi Creek, Karachi
Low Density Zone	118 Acres all sold
High Density Zone	23 Acres 11 acres sold
Annual Ground Rent Per Acre	Rs.400/- per Square meter(Approximately)
1 acre =	4,046.86 sq. meters.
118 + 11 acres= 129 acres =	522,044.94 sq. meters.
522,044.94 sq. meters. X Rs.50/- per sq. meters.	Rs.26,102,247/- per month
Total per year	**Rs.313,226,964/-**

Audit was of the view that the purpose of the monthly maintenance charges was to meet out the expenditure incurred on repair / maintenance of the existing infrastructures due to wear and tear. However, due to sale of plots to industrialists/ allottees, the management did not charge the monthly maintenance charges from them. Apparently, undue favour was granted to such industrialists / allottees which indicated that no effective steps were taken by the management for the recovery of monthly maintenance charges. Thus, an amount of Rs.313.227 million was outstanding against the allottees.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends that action may be taken against the person (s) at fault for non-charging of monthly maintenance charges along with adopting effective measures to recover the amount from the allottees.

4.3.3 Loss due to sale of land at lower rates- Rs.87.828 million

Clause 5.1 of Article-5 of the Agreement dated 13th July 2007 for Development and Management of Industrial Park between Pakistan Steel Mills Corporation (Pvt.) Ltd. and National Industrial Parks Development and Management Company, provided that NIP and PSM agree that the price of each plot of the Land mentioned in the GOP letter shall be mutually reviewed by NIP and PSM after a period of five years from the date of Agreement and thereafter on an annual basis where after any increase in the amount shall be determined by PSM and NIP on the basis of the situation existing at the time of the said revision.

During performance audit of PIDC (Subsidiaries) Karachi for the years 2013-14 to 2017-18, it was observed that NIP allotted 5.027 Acres land to M/s Mid Coil Center on 25-04-2014 at an amount of Rs.6/- million per acre and 16.93 acres land to five (05) companies, including M/s Horizon Steel (Pvt.) Ltd., at Rs.7/- million per acre. A letter received from M/s PSM reference No. Sec-NIP/324/2017/1405 dated September 06, 2017 stating that M/s NIP did not conduct any meeting with M/s PSM management to mutually review prices of plots on annual basis. Thus, sale of plot to M/s Mid Coil Center at Rs.6/- million per acre and M/s Horizon Steel (Pvt.) Ltd. at Rs.7/- million per acre without mutual review was in violation of agreement.

Further, Para – 3 (ii) of the Minutes of the Meeting dated 9th August, 2017 of Ministry of Industries & Production required resolution of land price dispute between Pakistan Steel Mills (PSM) and National Industrial Parks Development & Management Company (NIP).

Since price of 522 acres of land sold during 2016-17 was approved by PSM’s Board at Rs.13 million/acre, sale of the same at lower rates resulted into loss to NIP of Rs.87.828 million (5.027 acres + 16.93 acres = 21.957 acres X loss of Rs.4 million per acre).

Audit was of the view that as terms & conditions have already been decided in the agreement on 13-07-2017 by saying that after a period of five years from the date of agreement the price of plots shall be reviewed mutually on annual basis then why NIP allotted the plots on five (05) years previous rates without reviewing the price of land when the initial period of agreement was completed. Thus, management remained unable in exercising its power and carrying out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company. Resultantly, price of land was not reviewed and the company/project had to sustain a loss of Rs.87.828 million.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends a thorough investigation with a view to fix responsibility on the person (s) at fault. Furthermore, prices of land need to be reviewed mutually with PSM every year to avoid further losses in future.

4.3.4 Non-adjustment of advances - Rs.45.112 million

According to Rule-23 of GFR, 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 or on the part of any other officer to the extent to which it may be proved that he contributed through his own negligence or action.

During performance audit of PIDC (Subsidiaries) Karachi for the years 2013-14 to 2017-18, it was observed that the management paid advances to suppliers worth Rs.1.076 million for various works in NIP. Details are as under:

S#	Account Code	Description	Amount in Rs.
1	KHO F 42 ADV40	Advance to Supplier	1,075,687
2	SIP	Mobilization Advance to the Contractor	22,660,391
3	NFP P 221 NFP30	Mobilization Advance to the Contractor	21,375,440
	Total amount		**45,111,518**

Trial Balance as of 30-06-2018 reflected that these advances to suppliers were not adjusted against adjustment vouchers till close of the financial year 2017-18.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends that management should adjust the advances to suppliers and provide adjustment vouchers to audit.

4.3.5 Non-recovery of outstanding dues–Rs.50.197 million

According to Rule-26 of GFR, it is the duty of controlling officer to see that all sums due to government are regularly and promptly assessed, realized and credited to public account.

During performance audit of PIDC (Subsidiaries) Karachi for the years 2013-14 to 2017-18, it was observed from the record that an amount of Rs.50.197 million was lying outstanding from different debtors under different heads for more than one year. Details are as under:

(Amount in Rs.)

S#	Account Code	Description	Amount Outstanding
1	KCP P 11 ADVQB	Receivable from QBL	3,557,094
2	KHO F 32 YMBQP	Receivable from Yamaha	7,457,719
3	KHO F 32 AMTFF	Receivable from Admore Gas	25,103,714
4	KHO F 32 RCKSZ	Receivable from Khairpur Project	14,078,785
		Total	**50,197,312**

The accumulation of outstanding amount indicated that no effective steps were taken by the management for the recovery of outstanding amount in time, which caused blockage of funds.

Audit was of the view that the management extended undue favor to the above parties by taking no effective measures to recover the amount since long.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends that action may be taken against the persons found at fault for non-recovery along with taking effective measures to recover the amount from the defaulters.

4.3.6 Loss on sale of plot to M/s Yamaha Motor Pakistan (Pvt.) Ltd.-Rs.144.541 million

Clause 5.1 of Article-5 of the Agreement dated 13th July 2007 for Development and Management of Industrial Park between Pakistan Steel Mills

Corporation (Pvt.) Ltd. and National Industrial Parks Development and Management Company, provided that NIP and PSM agree that the price of each plot of the Land mentioned in the GOP letter shall be mutually reviewed by NIP and PSM after a period of five years from the date of Agreement and thereafter on an annual basis thereafter any increase in the amount shall be determined by PSM and NIP on the basis of the situation existing at the time of the said revision.

Para (iv) of Independent Auditors Report on financial statements of the Company for the year 2017-18 recorded Basis for Adverse Opinion on the subject matter to the effect that the Company received letter from PSM dated August 11, 2017 that PSM Board approved their share of price for the said land as per proposal issued by PSM vide letter No. Sec.Land-259/2016/407 dated October 28, 2016.

During performance audit of PIDC (Subsidiaries) Karachi for the years 2013-14 to 2017-18, it was observed that M/s NIP sold a plot bearing No. AA 01-07,27-34,77-86 measuring 50.275 acres to M/s Yamaha Motor Pakistan (Pvt.) Ltd. for Rs.427.338 million without considering mutually revised rate of plots. NIP determined M/s PSM share in sale proceeds as Rs.106.834 million, out of this an amount of Rs.91.50 million was paid and remaining of Rs.15.334 million was booked as liability in the year 2014-15 to pay M/s PSM. However, M/s PSM revised rates of the same plot and then demanded from NIP an amount of Rs.251.375 million as its share, later on, the same was paid to them. In this regard, a loss of Rs.144.541 million (Rs.251.375 million – Rs.91.501 million – Rs.15.334 million) was booked by M/s NIP in its financial statements for the years 2017-18.

Audit was of the view that when the terms & conditions had already been decided in the agreement on 13-07-2007 that after a period of five years from the date of agreement, the price of plots shall be reviewed mutually on annual basis then why NIP allotted the plots for five (05) years at old rates without reviewing the price of land when the initial period of agreement had already completed. After reviewing the prices of plots, M/s PSM demanded from M/s NIP to pay an additional amount of Rs.144.541 million. Thus, a loss of Rs.144.541 million was sustained by NIP.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit stresses upon the management to undertake a thorough investigation with a view to fix responsibility on the person (s) at fault.

4.3.7 Outstanding amount against different allottees – Rs.1,907.990 million

Following clauses on Payment of Price of Land of Terms and Conditions for Plot of Land at Korangi Creek Industrial Park state that:

Clause 4.2.1, 1st Installment of 25 *per cent* of the price of allocated Plot shall be paid by Applicant within 10 working days of receiving the Provisional Acceptance Letter,

Clause 4.2.2. 2nd Installment at of 25 *per cent* of price of allotted Plot shall be paid by Allottee within 120 days of issuance of the Provisional Acceptance Letter or on receiving the Confirmation Letter,

4.2.3. 3rd Installment of 25 *per cent* of the price of allotted Plot to be paid within 6 months of the execution of the License Agreement.

4.2.4. 4th & Final Installment of remaining 25 *per cent* of remaining 25 *per cent* of the price of allotted Plot to be paid within 12 months of the execution of the License Agreement.

During performance audit of PIDC (Subsidiaries) Karachi for the years 2013-14 to 2017-18, it was observed that an amount of Rs.1,907,990,150 was outstanding as on 30-06-2018 (**Annex-C).** The summary is as under:

(Amount in Rs.)

S#	Project Name	Total Plot Value	Amount Received	Outstanding Amount
1	Bin Qasin Industrial Parks	3,659,748,500	3,043,416,850	616,331,650
2	Korangi Creek Industrial Park	1,448,665,500	733,467,000	715,198,500
3	Rachna Industrial Park	1,036,080,000	459,620,000	576,460,000
	Total	6,144,494,000	4,236,503,850	1,907,990,150

The accumulation of outstanding amount indicated that no effective steps were taken by the management for the recovery of outstanding amount in time, which caused blockage of funds.

Audit was of the view that the management extended undue favor to the above parties due to which no effective measures were taken to recover the amount since long.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends that action may be taken against the persons found at fault for non - recovery along with taking effective measures to recover the amount from the defaulters.

4.3.8 Loss due to non-deduction of Liquidated Damages – Rs.44.878 million

Para 2 (b) & 2 (c) of Letter of Acceptance dated 23rd September, 2013, issued by National Industrial Parks Development Company (NIP D&MC) to M/s Housing Enterprise state that:

Para 2 (b) Time is of essence of the project and you will be required to complete the Work within six (6) calendar months from the Commencement Date.

Para 2 (c) You will be liable to pay liquidated damages to the Employer as per Contract Document in case of any delay in the completion of the Project beyond the stipulated period.

Para 100 of Letter of Acceptance (Ref No. NIP/TD / 4019/1549) dated March 19, 2011, requires 10 *per cent* (one-tenth of one per cent) of contract price for each day of delay in completion of the works subject to a maximum of 10 per cent of contract price.

During performance audit of PIDC (Subsidiaries) Karachi for the years 2013-14 to 2017-18, it was observed that first contract agreement was signed between National Industrial Parks Development Company (NIP D&MC) and M/s Housing Enterprise for construction of roads along with storm water drainage works Phase-II at Korangi Creek Industrial Park, Karachi (KCIP) at a total cost of Rs.138,829,291/-. Details are as under:

Date of Award of Works	20th September 2013
Date of Commencement of Works	21st October 2013
Date of Completion of Works (as per contract)	20th April 2014
1st Extended Date of Completion	20th June 2014
2nd Extended Date of Completion	20th October 2014
Date of Substantial Completion	20th October 2014

Second contract agreement was signed between National Industrial Parks Development Company (NIP D&MC) and M/s Gulzari Associates for construction of road along with storm water drainage works (Road A-01,B-01,B-02 &B-03) Phase-I at Korangi Creek Industrial Park, Karachi(KCIP) at a total cost of Rs.309,957,350/-. Details are as under:

Contract Date of Commencement	April 21,2011
Contract Date of Completion	October 21,2011
1st Extended Date of Completion	June 30,2012
2nd Extended Date of Completion	March 31,2013
Actual date of completion of work	March 31,2013

As per first contract, the completion date of work was 20th April, 2014. But management awarded two extensions to the contractor for completion of work. Further, taking - over certificate dated 13th May 2015 reflected that the work was substantially complete. Second contract's completion date of work was October 21, 2011. Two extensions were granted to contractor for completion of work but the project was delayed for about one (1) year and five (5) months.

Audit was of the view that the work was delayed in both contracts despite two time extensions. However, management did not deduct the liquidated damage charges of Rs.13.882 million from the contractors as per contract agreement (Rs.138,829,291/- X 10 per cent = Rs.13,882,929/-) from M/s Housing Enterprise and Rs.30.996 million (Rs.309,957,350/- X 10 per cent = Rs.30,965,735/-) from M/s Gulzari Associates which were violations of Contract Agreements.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends to recover the LD. Charges from the contractors under intimation to audit.

4.3.9 Non-recovery from M/s Admore Gas (Pvt.) Ltd. - Rs.165 million

According to Rule-26 of GFR, 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 National Industrial Parks Development and Management Company (NIP D&MC) for the years 2013-14 to 2017-18, it was observed that the management made investment and signed agreement with Admore Gas (pvt.) Ltd., in 2009 for Term Finance Facility of Rs.105 million, but due to non-fulfillment of financial obligations and default in payment, Admore Gas (Pvt.) Ltd. had to pay principal amount of Rs.105 million plus accrued markup of Rs.60 million in the year 2009.

Audit was of the view that non-recovery of the amount is indicative of negligence and mismanagement on the part of the management.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends that responsibility may be fixed on person (s) at fault.

4.3.10 Misappropriation / Misclassification of funds on Plant & Machinery for Training Center and Assaying & Hallmarking - Rs.195.151 million

According to Umbrella PC-I of Planning Commission approved for PSDP Funded Project of Pakistan & Jewellery Development Company, the allocated cost of Rs.468.281 million was for the purchase of Plant & Machinery.

During performance audit of PIDC (Subsidiary - PG & JDC) Karachi for the years 2013-14 to 2017-18, it was observed that an amount of Rs.273.13 million was utilized for purchase of Plant & Machinery of the company against allocated budget of Rs.468.281 under Umbrella PC-1 of PSDP Funded Project. The break-up of Rs.468.281 million is as below:

(Rs.in million)

S#	Operations	Allocated Amount for Plant & Machinery as per UPC-1
1	CFTMC (Karachi)	143.051
2	CFTMC (Lahore)	143.051
3	CFTMC (Peshawar)	66.451
4	CFTMC (Quetta)	23.031
5	CFTMC (Sargodha)	58.348
6	CFTMC (Muzaffarabad AJK)	7.727
7	Assaying & Hallmarking Center (Karachi)	13.12
8	Assaying & Hallmarking Center (Lahore)	9.896
9	AIG Setup	3.606
	Total	**468.281**

Audit was of the view that the expenditure of remaining amount of Rs.195.151 million out of Rs.468.281 million of Plant & Machinery was utilized for operating activities of the company without any re-appropriation or approval. This was irregular and unjustified.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends that matter needs to be investigated as why budget of Plant & Machinery was utilized in operating expenditure.

4.3.11 Non-adjustment of advances - Rs.1.630 million

According to Rule-38 of GFR, it is primarily the responsibility of the Departmental Authorities to see that all revenue or other debts due to government which have to be brought to account, are correctly and promptly assessed, realized and credited to Public Account.

During performance audit of PIDC (Subsidiary - PG & JDC) Karachi for the years 2013-14 to 2017-18, it was observed that the management paid advances to suppliers worth Rs.1.630 million for various works in the Pakistan Gems and Jewellery Development Company under different accounts heads. Trial Balance as of 30-04-2019 reflected that these advances to suppliers/employees were not adjusted against adjustment vouchers till close of the audit.

Audit was of the view that non – adjustment of the amount reflected negligence of the management.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends that management should adjust these advances to suppliers and provide adjustment vouchers to audit.

4.3.12 Misappropriation of expenditure allocated for foreign consultancy - Rs.4.431 million

According to Umbrella PC-I of Planning Commission approved PSDP Funded Project of Pakistan & Jewellery Development Company, an amount of Rs.26.244 million was allocated for purpose of foreign consultancy and Training of Master Trainer of project operations for all Common Facility Training Centre of Karachi, Lahore, Peshawar, Quetta and Gilgit.

During performance audit of PIDC (Subsidiary - PG & JDC) Karachi for the years 2013-14 to 2017-18, it was observed that out of an allocated budget of Rs.26.244 million, amount of Rs.21.813 million was utilized for Training of Master Trainer. However, the remaining amount of Rs.4.431 million, allocated for foreign consultancy, was utilized for purposes other than those mentioned in PC-I, stating that the proposed project expertise was not found in Pakistan.

Audit was of the view that the desired allocated budget was needed to be utilized fully only for training of Master Trainer by obtaining Foreign Consultancy, whereas the expenditure of Rs.4.431 million was utilized for other activities of the company without any re-appropriation or approval which was irregular and unjustified. This indicated lack of proper planning in preparation of PC-1 estimates and weak internal controls of the organization.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends to fix responsibility upon person (s) at fault.

4.3.13 Unauthorized expenditure on foreign visits and tours - Rs.8.525 million

According to Rule-10 of GFR, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money. Public moneys should not be utilized for the benefit of a particular person or section of the community.

During performance audit of PIDC (Subsidiary - PG & JDC) Karachi for the years 2013-14 to 2017-18, it was observed that an amount of Rs.8.531 million was expended on foreign tour / visit without provision for the same in PC - 1 & Umbrella PC-1 of the Project. The details of the amount are as under:

S#	Name	Designation	Amount in Rs.
1	Khalid Mehmood	Lab Incharge	1,519,148
2	Wasif Shafiq	Chemist	1,477,078
3	Shumaila Zubair	Assistant Gemologist	1,703,948
4	Khwaja Muhammad Abbas	Gemologist	1,703,949
5	Ali Murtaza Shad	Assistant Gemologist	1,546,486
6	Bakhtiar Khan	CEO	327,760
7	Yaser Islam	Assistant Manager Marketing & IT	247,134
Total			**8,525,503**

Audit was of the view that the amount was spent unauthorizedly.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

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

4.3.14 Wasteful expenditure on rent for assaying and hallmarking center Karachi & Lahore - Rs.62.716 million

Umbrella PC-1 allocated amounts of Rs.1.130 million and Rs.4.444 million for Civil Works and Land Cost, respectively, in its Capital Cost of the Project.

During performance audit of PIDC (Subsidiary - PG & JDC) for the years 2013-14 to 2017-18, it was observed from Umbrella PC-1 that funds were allocated to establish and construct premises for Assaying and Hallmarking Centers in Karachi and Lahore. Pakistan Gems & Jewellery Development Company hired premises on rent for Assaying and Hallmarking Centers in Karachi instead of purchasing land and constructing premises for the operation as provided in Umbrella PC-1 i.e. Rs.1.130 million and Rs.4.444 million for Civil Works and Land Cost, respectively in its Capital Cost of the Project **(Annex-D).**

Audit was of the view that the management of Pakistan Gems & Jewellery Development Company had to construct desired Assaying and Hallmarking Center in Karachi and Lahore because it was a permanent function of the company. Thus, the entire expenditure of Rs.62.716 million incurred on rent was in violation of UPC-I and held irregular and wasteful.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

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

4.3.15 Loss of foreign exchange due to imposition of SRO – US$ 5,910 million equivalent to Pak Rs.622.26 billion

According to Section-06 of PC-I of 2007, the Export of Gems & Jewellery will be increased from USD 29 million in 2004-05 to USD 1.5 billion in 2017.

As per Memorandum of Association of Pakistan Gems and Jewellery Development Company, objectives of the company under clause 11 were to provide inputs to the concerned ministries, institutions, organizations, departments and authorities of the Government of Pakistan including the provincial and local governments, propose new rules, regulations, bye - laws and standards for providing a level playing field and conduct regulatory environment for the development of Industry and propose amendments thereof in any existing rules, regulations, bye - laws and standards.

During performance audit of PIDC (Subsidiary - PG & JDC) for the years 2013-14 to 2017-18, it was observed that export of Gemstone and Jewellery had reduced from the year 2013-14. As a result of reduction in export, activities of GJTMC / AHC, Karachi and Lahore were also badly affected.

Audit was of the view that due to certain restrictions imposed through SRO 706 (1) / 2013 dated 02.09.2013, certain difficulties were faced by the exporters as it became difficult for them to meet the conditions of the said SRO. Resultantly, export of Gems and Jewellery decreased. The data of export for the last years is tabulated below:

Export Figures & loss to Company caused by the SRO			
			US$ in million
Year	**Exports**	**Year**	**Exports**
2009-10	641.763	2014-15	14.44
2010-11	406.769	2015-16	11.92
2011-12	925.833	2016-17	10.4
2012-13	1182	2017-18	9.8
2013-14	330.4	**Total**	**3,533**
Loss in $5,910 = $1,182 loss per year x 5 years (from 2013-18)			

From the above data, it is clear that exports reduced after 2012-13, mainly due to imposition of restrictions through the said SRO 706 (1) / 2013 which caused loss of foreign exchange of approximately US$5,910 million up to 2017-18. The impact of the SRO was also felt by GJTMC / AHC.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends that the Company management should take up the matter with the Government through concerned Ministry for lifting of restrictions imposed through the said SRO to make the projects viable according to the objectives of the company and take all possible actions in coordination with Ministry for earning desired foreign exchange according to the PC-1.

4.3.16 Loss due to mismanagement and closure of GJTMC Sargodha-Rs.43.721 million

According to Clause 8.2 of PC-1, for Establishment of Gems and Jewellery Training and Manufacturing Center, Sargodha, annual operating cost of the project after 3 years was estimated to be Rs.8.589 million. The project was required to generate an amount of Rs.8.589 million annually (by charging fee to participants of training programs & by charging service charges of common facility Centre services of the project) to sustain its operations.

Clause 11 (a) (i) *ibid* states that the project will charge for its common facility centre services on the basis of costs, which will help in the sustainability of the project.

Clause 14 *ibid* states that the project will run in close coordination with all Gems and Jewellery Training and Manufacturing Centers (GJTMCs) and Gem Exchanges operating under Pakistan Gems and Jewellery Development Company.

During performance audit of PIDC Subsidiary Pakistan Gems & Jewellery Development Company for the years 2013-14 to 2017-18, it was observed that PC-1 of Gems and Jewellery Training and Manufacturing Center (GJTMC), Sargodha was prepared by Pakistan Gems & Jewellery Development Company. The total cost of the project was Rs.59.911 million. The project was 100 *per cent* equity-based contributed by Ministry of Industries and Production. Details of the expenditure as on 31-05-2019 are as under:

Capital Cost

		(Rs.in million)
Items	**Total Cost as per PC-I**	**Actual Expenditure**
Land Acquisition (5,ooo Sq.ft)	9.000	NIL
Civil Work (at 1,200/- sq.ft)	6.000	NIL
Procurement	-	-
Machine and Tools	7.727	7.624
Off Equipment	0.500	0.948
Generator	1.000	1.240
Furniture	1.000	0.652
Vehicles	3.000	-
Human Resource Development	0.500	-
Contingency Cost	2.310	0.288
Sub-total Capital Cost (A)	**31.037**	**10.752**

Operational Cost

	(Rs.in million)	
Salaries	15.093	15.417
Office Rent	Nil	5.787
Consultancy by PG & JDC 10 per cent of the Project cost	5.380	5.380
Expenses on Training program	0.993	0.803
Travel and transportation	0.662	0.945
Office expenses	1.324	0.328
Utilities	1.589	1.109
Promotional expenses	0.331	0.865
Administrative benefits	1.159	0.245
Repair & Maintenance	0.993	0.506
Miscellaneous expenses	0.331	1.584
Contingency cost	1.019	-
Sub - total operational cost (B)	**28.874**	**32.969**
Total Cost (A +B)	**59.911**	**43.721**

According to PC-I, the project would require to generate an amount of Rs.8.589 million annually to sustain its operations. Moreover, the project would run in close coordination with Pakistan Gems and Jewellery Development Company. Details regarding the Revenue earned by project up to 30-06-2019 are as under:

Account Title	Grand Total (Rs.)
Lab Testing Fee	40,000
Training Fees	554,000
Grand Total	**594,000**

Audit was of the view that management of PG & JDC earned revenue of Rs.0.594 million against the PC-I target i.e. Rs.8.589 million. However, management of PG & JDC charged Consultancy from the project for Rs.5.380 million. Thus, the project failed and loss was sustained by the exchequer due to poor performance of the management.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends to conduct an inquiry at the Ministry level by fixing responsibility upon the person (s) at fault and recover the amount of loss sustained by the exchequer.

4.4 Monitoring and Evaluation

4.4.1 Irregular/unjustified expenditure of Rs.148.04 million and loss of income Rs.30.29 million due to decreasing operating activities/business of the company

According to Rule-23 of GFR, 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 or on the part of any other officer to the extent to which it may be proved that he contributed through his own negligence or action.

During Performance audit on the accounts of National Industrial Parks Development and Management Company (NIP D&MC) for the years 2013-14 to 2017-18, it was observed that the National Industrial Parks Development and Management Company (NIP D&MC) was incorporated in Pakistan as a public company with a share capital limited by guarantee on Mar 07, 2005 under section 42 of the Companies Ordinance, 1984. Government of Pakistan (GOP) holds 80.25 *per cent* shares and Pakistan Industrial Development Corporation (Pvt.) Ltd. (PIDC) holds 19.75 *per cent* shares in the Company. The principal activity of the Company is establishing, developing and managing industrial estates or parks and upgrading existing estates and undertaking related activities.

(Rs.in million)

Description	2017-18	2016-17	2015-16	2014-15	2013-14
Revenue	568.99	682.47	6.65	348.98	39.05
Development Cost	(439.08)	(522.27)	-	(290.64)	-
Gross Profit	**129.91**	**160.20**	**6.65**	**58.34**	**39.05**
Administrative Expenses	(112.17)	(108.67)	(91.02)	(100.93)	(100.90)
Operating loss for the year	5.56	51.54	(84.38)	(42.58)	(61.85)
Other Income	148.49	77.79	37.21	81.26	141.01
Other Charges	-	(144.54)	-	(0.77)	(1.57)
Financial Charges	(0.44)	(0.41)	(0.26)	-	(0.52)
Profit/Loss before taxation	**154.00**	**(15.25)**	**(47.19)**	**37.90**	**77.07**
Taxation	-	-	(0.44)	(6.44)	-
Profit after taxation	**154.00**	**(15.25)**	**(47.63)**	**31.46**	**77.07**
Loss of Rs.30.29 million due to decrease of Gross Profit from 160.20 million to 129.91 million and increase in total expenses of Rs.148.04 million due to Admn exp from Rs.108.67 million to Rs.112.17 million = difference of Rs.3.5 million + Rs.144.541 million loss of plot included as other charges Rs.144.54 million during 2016-17					

(Source Annual audited accounts)

Audit was of the view that gross profit was decreased 19 *per cent* from Rs.160.20 million to Rs.129.91 million during the years 2016-17 to 2017-18, respectively. While administrative expenses increased 3 per cent from Rs.108.67 million to Rs.112.17 million during the same period. Further, in the year 2016-17 management misreported the loss incurred on sale of plot by charging it to the head of account Other Expenses of Rs.144.541 million resulting a net loss before taxation of Rs.15.254 million by violating the accounting standards. This needed to be justified.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends to conduct an inquiry at the Ministry level by fixing responsibility upon the person found at fault and recover the amount of loss sustained by the exchequer.

4.4.2 Non-adjustment of Sindh Government share on sale of land - Rs.3,975.451 million

According to Agreement signed by Government of Sindh (GoS) and Pakistan Industrial & Development Company (PIDC) and National Industrial Park (NIP) dated 19th March, 2009, the Government of Sindh (GOS) shall facilitate NIP / PIDC to establish the Industrial Park in order to expand industrialization and create job opportunities in Sindh province. PIDC and the GOS shall share the value of land in the ratio of 50:50 after recovery of total development cost and service charges by NIP following the sale of plot (s).

Clause-3 ibid states that upon issuance of Sub-Lease Deed by PIDC to the Allottees, NIP shall transfer the amounts received from the allottees / sub-lease-holders after deducting its development cost and service charges, on a periodical basis to PIDC who shall share the same with GOS on agreed 50:50 basis.

During performance audit on the accounts of National Industrial Parks Development and Management Company (NIP D&MC) for the years 2013-14 to 2017-18, it was observed that the management did not pay share of sold plots to the PIDC / GOS against the land of 250 acres handed over by GoS to PIDC / NIP and violated the above agreement. Furthermore, as per agreement between the Government of Sindh (GoS) and PIDC / NIP, NIP after recovery of total development cost and services charges will share the cost of land to PIDC for further Sharing with GOS on the basis of 50:50 after sale of plots. The management of NIP sold almost 119 plots to industrial and commercial customers and out of total sold plots 87 number customer paid 100 *per cent* amount of cost of developed plots and remaining 32 customers paid 84 to 26 *per cent* of the total costs of the plots but the management of NIP neither paid a single rupee to PIDC / GOS share nor showed the same amount in the audited accounts of NIP and PIDC. The details of the sold plots are tabulated below:

(Rs.in million)

S#	No.of sold plots	Total plots value in Rs.	Amount received in Rs.	Percentage of amount received	Remaining amount outstanding in Rs.
1.	87	3,241,984,000	3,241,984,000	100 *per cent*	-
2.	32	1,448,665,500	733,467,000	84 to 25 per cent	715,198,500
Total	**119**	**4,690,649,500**	**3,975,451,000**	**-**	**715,198,500**

Moreover, Management developed and sold plots but the amount recovered on behalf of GOS / PIDC was not disclosed in the audited accounts of NIP and PIDC which showed misstatement / misclassification in the statements of revenues and liabilities of NIP.

Audit was of the view that the management had violated the agreement clauses by neither paying the share of land sold by NIP on behalf of PIDC / GOS nor disclosing it in the audited accounts of NIP as well as PIDC. The management may provide justification for not paying the share of PIDC / GOS and not disclosing the liabilities in the audited accounts.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends that the management may fix responsibility upon person (s) at fault.

4.4.3 Non-payment of PIDC share and non-disclosure of liability by NIP - Rs.4,690.650 million

According to Clause-9 of the Agreement between PIDC and NIP, NIP shall charge proportionate development cost per unit, as determined by NIP Board, for meeting the expenses in the course of developing the Industrial Park. NIP may also in addition charge management/maintenance fee on each plot accordingly. NIP shall receive for each piece of land in two separate pay orders (i) in the name of PIDC for the piece / lease money of land allotted & (ii) in the name of NIP for the development and management fee charges.

Clause-10 *ibid* states that PIDC shall allot / sub-lease the allocated piece of land directly to the business entity to establish the industrial unit after receipt of the pay order through NIP.

During Performance audit on the accounts of National Industrial Parks Development and Management Company (NIP D&MC) for the years 2013-14 to 2017-18, it was observed that the management did not pay the price of sold piece of land to the PIDC and violated the above agreement. Furthermore, as per agreement the PIDC had handed over a land of 250 acres of leasehold industrial land owned by PIDC situated at ST-I, Sector-38,Korangi, Karachi on 14th July, 2005 with the purpose of development and management of an Industrial Park, Viz, Korangi Creek Industrial Park (KCIP). Thereafter, the management developed the area and sold in plots for industrial, commercial basis but the share price of PIDC land was not paid and even disclosed in the accounts of NIP. The details of Plots sold by NIP are tabulated below:

(Rs.in million)

Total no. of plots sold	**Area of plots sold in acres**	**Total value of plots sold (Rs.)**	**Total amount received on account of sold plot**	**Total outstanding amount against customers in Rs.**
		A	B	C=(A-B)
119	126.886	4,690,649,500	3,975,451,100	715,198,500

Moreover, the management developed and sold plots but the amount recovered on behalf of PIDC was not shown in accounts of NIP and even was not paid to PIDC for land sold in violation of the above stated agreement clauses.

Audit was of the view that the management had violated the agreement clauses by not paying the share of land of PIDC sold and not disclosing the same in the accounts of NIP. The management may provide the reasons of not paying the share of PIDC and not showing the same in the accounts.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends that the management may fix responsibility upon person (s) at fault.

4.4.4 Irregular hiring of premises for Gems & Jewellery Training Center, Karachi - Rs.78,414,240 million

According to Rule – 12 of PPRA Rules, 2004, all procurement opportunities over two million rupees should be advertised on the Authority's websites as well as in other print media or newspapers having wide circulation. The advertisement in the newspaper shall principally appear in at least two national dailies, one in English and other in Urdu.

As per Umbrella PC-1 to establish Development Project for Pakistan Gems & Jewellery Development Company under Public Sector Development Program of Ministry of Industries and Production to establish Common Facilitation Training Centre.

During performance audit of PIDC (Subsidiary - PG & JDC) for the years 2013-14 to 2017-18, it was observed from record that a building was hired for Gems

Jewellery Training Manufacturing Centre (GJTMC), Karachi at Plot No.15, Sassi Building, FB-5, Zaib un Nisa Street, Saddar, Karachi. Pakistan Gems & Jewellery Development Company entered into rental agreement of premises on April 2008 for GJTMC Karachi on Rs.800,000/- per month and Rs.9.600 million annually payable in advance on yearly basis. The initial period of contract was three years, after expiry of the three years term, the rent shall be enhanced by 30 *per cent* and thereafter on expiry of fourth year, the rent shall be enhanced at 10 per cent per annum. The Management of the company hired premises of GJTMC Karachi on exorbitant rates without going into open competitive bidding from market by extending undue favor to Land Lord. Detail regarding the payment of rent is as under:

(Amount in Rs.)

S#	Period of Lease	Rent per Month	No of Months	Total Value
1	April 2008 to March 2011	800,000	36	28,800,000
2	April 2011 to March 2012 with 30 *per cent* increase in rent	1,040,000	12	12,480,000
3	April 2012 to March 2013 with 10 per cent	1,144,000	12	13,728,000
4	April 2013 to March 2014 with 10 per cent	1,258,400	12	15,100,800
5	April 2014 to September 2014 with 10 per cent	1,384,240	6	8,305,440
Total				**78,414,240**

As per above schedule, management paid an amount of Rs.78.414 million as rent for a period of six and a half years to the landlord. During perusal of the hiring procedure, it was observed that hiring of premises was made without issuing invitation of open bids. The management made the hiring of premises directly from the landlords.

Audit was of the view that the whole procedure of hiring of premises was irregular, non-transparent and in violation of PPRA Rules, 2004. Thus, the expenditure of Rs.78.414 million stood irregular and unjustified.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends that rationale of hiring of premises without competitive bidding be explained to Audit. Further, corrective measures be taken to follow PPRA Rules, 2004 by fixing responsibility on the person (s) at fault for not observing PPRA Rules.

4.4.5 Reduction in export of Gemstone and Jewellery due to restrictions imposed through regulation, causing recurring loss of US$ 1182 (equivalent to Pak Rs.124.452 billion) annually

According to Section-5 of approved PC-1 of 2007, Project objectives were to establish Pakistan as a high value added, international competitive, world class hub for precious stone cutting and Jewellery manufacturing.

As per PC-I of 2007, section-06, page-6, the Export of Gems & Jewellery will be increased from USD 29 million in 2004-05 to USD 1.5 billion in 2017.

As per Memorandum of Association of Pakistan Gems and Jewellery Development Company, objectives of the company under clause 11 are to provide inputs to the concerned ministries, institutions, organizations, departments and authorities of the Government of Pakistan including the provincial and local governments, propose new rules, regulations, bye - laws and standards for providing a level playing field and conducive regulatory environment for the development of Industry and propose amendments thereof in any existing rules, regulations, bye - laws and standards.

During performance audit of PIDC Subsidiary Pakistan Gems & Jewellery Development Company for the years 2013-14 to 2017-18, it was observed that performance of GJTMC and Assaying & Hallmarking Center remained poor. Both projects could not achieve their objectives. One of the main reasons of this situation was decrease in export for past few years after issuance of SRO 760(1) /2013. Export of Gemstone and Jewellery began to reduce from the year 2013-14. The management informed that issuance of SRO 706 (1) / 2013 dated 02-09-2013 and insertion of new clauses created difficulties for exporters to fulfill its requirements. Some major issues faced by the sector due to insertion of new clauses in SRO 760(1) are as under:

1. As per Clause 4 (I) (ii) of SRO 760, under the entrustment scheme where gold or other precious metal is supplied by the buyer in advance, Trade Development Authority of Pakistan shall ensure that the contract signed by the buyer is notarized from the relevant foreign country's legal authorities, duly attested by the relevant Pakistan Mission abroad.
2. As per Clause 4 (II) (vi) of SRO 760, random testing of the jewellery export consignments shall be done at the time of export to ensure that they are fully in conformity with the declaration made to the customs.
3. Export Proceeds under entrustment scheme:
    - The exporter shall deposit 1 *per cent* cash margin of the value of precious metals to be imported.

- The exporter shall within 30 days from the date of export submit application to bank for release of 1 *per cent* cash margin deposited.
- The Commercial banks shall forfeit the 1 *per cent* cash margin, in case export proceeds are not realized within the specified time limit.

4. Minimum 50 *per cent* of the export proceeds shall be realized in the form of foreign exchange through normal banking channel. The remaining 50 *per cent* of the export proceeds may be realized either in the form of foreign exchange or in the form of precious metals. Authorization of import of such precious metals shall be authenticated in the passbook by TDAP.
5. Value addition norms: Export of precious metals / jewellery shall be allowed with minimum value addition as given below:
   (a) 8 *per cent* on bangles and chains;
   (b) 12 *per cent* on other plain Jewellery;
   (c) 13 per cent on studded or embedded Jewellery.

Due to issuance of the above SRO, export of Gemstone and Jewellery was reduced. The situations reached a dangerous level unlike in the past. Management did not take any action towards amendment of the SRO as it was directly related to the objectives of the projects of the company which reflected negative impact on the operation of the projects / company. The data of reduction in export after issuance of above SRO is given as under:

Export Figures of Gems and Jewellery

After establishment of PG & JDC			
Year	**Export US$ Million**	**Avg. Dollar Rate**	**Export Rs.in million**
2009-10	641.763	84	53,908.1
2010-11	406.769	85	34,575.4
2011-12	925.833	91	84,250.8
2012-13	1182.0	97	114,654
2013-14	330.4	105	34,692
2014-15	14.44	105	1,516
2015-16	11.92	106	1,263.5
2016-17	10.40	105	1,092
2017-18	9.8	109	1,068.2
Total	**4,090.788**		**365,891.9**
Source: www.tdap.gov.pk			

From the above data, it is clear that up till 2012-13, exports were continuously increasing every year, but after issuance of SRO 760(1) on 02.09.2013, exports had been continuously decreasing and reached substantially from US$1,182 million in 2012-13 to US$ 9.8 million in 2017-18 which is an alarming situation for the export of Gems and Jewellery.

Audit was of the view that the object of the company was to establish Pakistan as a high value added, internationally competitive, world class hub for precious stone cutting and Jewellery manufacturing. As per Memorandum of Association of Company, objective of the company was to provide inputs to the concerned ministries, institutions, organizations, departments and authorities of the Government of Pakistan, propose new rules, regulations, bye - laws and standards for providing a level-playing field and conducive regulatory environment for the development of industry and propose amendments thereof in any existing rules, regulations, bye - laws and standards, but, unfortunately, company did not take measures towards amendments in the said SRO. Ultimately, company could not operate its projects situated at Karachi and Lahore and other cities of Pakistan in a proper way to accelerate its core activities. Hence, reduction in export led the management towards shortage of funds and poor performance of the projects.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends to investigate the matter as to why management / ministry did not take steps towards amendments in the said SRO and did not work to achieve the objectives of the company as per Memorandum of Association.

4.4.6 Loss due to non-approval of proposed Pakistan Assaying and Hallmarking Council Act - Rs.12.00 million annually

According to Memorandum of Association of Pakistan Gems and Jewellery Development Company, objectives of the company under clause-5 are to promote the establishment of Assaying and Hallmarking of precious metal in Pakistan by (a) formulating / drafting internationally acceptable quality (purity) standards and getting the same approved and notified by the competent authorities;

To provide inputs to the concerned ministries, institutions, organizations, departments and authorities of the Government of Pakistan including the provincial and local governments, propose new rules, regulations, bye - laws and standards for providing a level playing field and conducive regulatory environment for the development of Industry and propose amendments thereof in any existing rules, regulations, bye - laws and standards.

During performance audit of PIDC Subsidiary Pakistan Gems & Jewellery Development Company for the years 2013-14 to 2017-18, it was observed that the Company had drafted and submitted a proposal of Pakistan Assaying and Hallmarking Council (PAHC) Act to higher authorities for approval. Enforcement of this act in Pakistan would have helped to generate income through assaying and hallmarking facilities as provided by PG & JDC. Moreover, the projects should have been self-generating by earning revenue of Rs.12 million annually from its operations i.e. laboratory test facilities of precious metals and gems, issuance of certificates and licenses etc. However, despite lapse of a considerable period, the management had not been successful to get the PAHC Act approved from the higher authorities. Due to non-approval of the said Act, not only the strategy of the company for revenue generation for making the project self-sustaining failed, but PAHC Act also could not be implemented due to which difficulties for exporters could not be resolved. It should have been compulsory for the Gems & Jewellery traders to get their products certified from the center and their goods should not have been checked by the custom and foreign institutions.

Audit was of the view that the management / ministry was not taking strenuous efforts for approval of PAHC Act due to which it could not be enforced and the management is sustaining loss of Rs.12.00 million annually.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends to take prompt action for approval and implementation of PAHC Act and also take steps for making the projects self-sustaining.

4.4.7 Non-posting of officers on key positions lying vacant since long

According to Rule 5 of Public Sector Companies (Corporate Governance) Rules, 2013, 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 of PIDC Subsidiary Pakistan Gems & Jewellery Development Company for the years 2013-14 to 2017-18, it was observed that various key posts were lying vacant in the company **(Annex-E)** for a considerable period and no concrete efforts have been made by the management to fill these positions.

Audit was of the view that in absence of officers on key posts, functioning of the company has been affected badly. The Board of Directors (BoD) along with management was responsible to take remedial measures to fill up the vacant key posts which has not been done so far.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends that vacant position should be filled with suitable candidates on merit.

4.4.8 Undue favor extended to ex-Chief Executive Officer–Rs.16.316 million

According to PC-I of the Company, salary of staff / officers is required to be increased to the extent of 10 per cent annually.

Rule 5 (2) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the Board shall evaluate the candidates based on the fitness and proper criteria and the guidelines specified by the Commission for appointment to the position of the chief executive and recommend at least three candidates to the Government for its concurrence for appointment of one of them as chief executive of the Public Sector Company, except where the chief executive is nominated by the Government. On receiving concurrence or nomination of the Government, as the case may be, the Board shall appoint the chief executive in accordance with the provisions of the Ordinance. The Board shall also be responsible for development and succession planning of the chief executive.

During performance audit of PIDC Subsidiary Pakistan Gems & Jewellery Development Company for the years 2013-14 to 2017-18, it was observed that Mr. Bakhtiar Khan was appointed as Chief Executive Officer (CEO) vide letter dated Nov 01, 2011 on a fixed salary of Rs.300, 000 per month on contract for a period of two years subject to renewal for further period. His salary was enhanced from Rs.300, 000 to Rs.400, 000 per month vide letter dated February 08, 2012 at par with the salary of previous two (02) CEOs of the company w.e.f. January 19, 2012. This enhancement was made after two (02) months of his appointment and was equal to 33 per cent of the total salary in violation of PC-I which permits only 10 per cent increase as mentioned above. Later on, his contract was further extended for a period of two (02) years w.e.f. Nov 17, 2013 to Nov 16, 2015 by the Board of Directors (BoD) in its meeting dated September 25, 2013. In the light of the above decision of the BoD, his monthly salary was increased by Rs.40,000 per month w.e.f. July 01, 2013 and payment of arrears of Rs.200, 000 for a period from July to Nov, 2013 was also made.

Furthermore, on the recommendations of Human Resource and Nomination Committee vide its meeting held on September 17, 2015, the BoD approved the re-appointment of existing CEO for a further period of two (02) years effective from Nov 17, 2015. The management furnished the case of re-appointment for a further period of two (02) years as per rule 5 (2) of the Public Sector Companies Rules, 2013 to Ministry of Industries of Production (MoIP) for approval vide letter dated October 16, 2015. The MoIP approved the re-appointment / extension vide letter dated Dec 03, 2015. This re-appointment / extension was made in violation of rule 5 (2) of the Public Sector Companies Rules, 2013 because BoD was required to recommend at least three (03) candidates to the Government for its concurrence for appointment of one of them as chief executive of the Public Sector Company. In contravention, BoD only recommended Mr. Bakhtiar Khan as CEO to the concerned Ministry which is a serious violation on the part of management.

Audit was of the view that the management had violated PC-I of the company by awarding the increase up to 33 per cent of salary to the incumbent. Furthermore, the requisite procedure of re-appointment / extension as per rule 5 (2) of the Public Sector Companies Rules, 2013, had not been followed. There seems to be a clear undue favor extended to the incumbent by the management. Therefore, an amount of Rs.16.316 million paid in respect of salary and other allied benefits stands irregular and unjustified.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

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

4.5 Sustainability

4.5.1 Non-approval of NIP projects PC-I from the Planning Commission

According to Clause-1.23 of Manual of Project on Departmental Development Working Party (DDWP), the sanctioning power of DDWP to approve PC-I/PC-II of an individual project is up to Rs.60 million and are only for local funded projects involving foreign exchange/funding less than 25*per cent* of the total cost of the project notified vide Notification No.20 (1)PIA/PC/2009 dated June 16, 2009.

Clause - 1.24 of Development Working Party (DWP-Autonomous Organizations) states that the autonomous organizations whether commercial or non-commercial having board by whatever name called is competent to sanction their development schemes with 100 *per cent* self-financing with no government guarantee and involving less than 25 *per cent* foreign exchange assistance, subject to the following:

i. A DWP should be constituted by each organization and notified to consider and approve their self-financed projects.
ii. The DWP should be headed by the Chairman/ head of the organization and, among other, should include representatives of the M/o PDR, Finance Division, and concerned Ministry / Division each not below the rank of Joint Secretary
iii. The quorum of the DWP would be incomplete without the presence of either representative of the Finance Division and the M/o PDR. In case either of these Divisions does not agree to the project proposal or any aspect thereof, the case would be referred to the CDWP for consideration.
iv. The decision of DWP will be subject to the endorsement of the board of the organization.

The OM No.21 (2-Gen)/PIA/PC/2004 dated 18th Dec, 2004 of the Planning Commission on Procedure for approval of Self-Financed Development Schemes of Autonomous Organization (Commercial/Non-Commercial).

During Performance audit on the accounts of National Industrial Parks Development and Management Company (NIP D&MC) for the years 2013-14 to 2017-18, it was observed that the management did not get approval of the all executed projects from the Departmental Development Working Party (DDWP) planning commission committee before execution and violated the above instructions of the Planning Commission for execution of the projects **(Annex-F).**

Audit was of the view that execution of the projects without getting approval from Departmental Development Working Party (DDWP) planning commission committee was gross violation of the above rule.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

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

4.5.2 Increasing accumulated deficit due to insertion of defective clause in planning documents on Government grants for sustainability - Rs.1.431 billion

Umbrella PC-1 stated facts and described scope of "Sustainability" under Section 10 that "the operating entities of Pakistan Gems Jewellery Development Company (PG & JDC) may not generate a self-sustaining cash flow over the medium to long term. The operating entities of monetized in favour of the industry and the stakeholders rather than in favour of the PG & JDC entities themselves. These intangible benefits and assets are not only expected to be sustainable but indeed to catalyze accelerating processes of positive change, economic growth and social benefits. By expanding our analysis to encompass broader economic and social benefits that will be derived from the projects, beyond merely the operating cash flow of the PG & JDC entities. Over 3 years, the project is expected to generate estimated revenue of Rs.173.15 million which go in Account No.1 of the Government of Pakistan.

During performance audit of PIDC Subsidiary Pakistan Gems & Jewellery Development Company for the years 2013-14 to 2017-18, it was observed that management of operating entities / projects took undue benefit from the above mentioned clause as there was no need to generate revenue from operational activities such as income from training fees, testing fees and exhibitions etc. to run the business affairs as self-dependents. Thus, fee charged from the trainees/participants was too much low and same was not deposited into Government Account. No efforts were taken to charge a reasonable amount of fee in order to meet out its operational requirements instead of depending on Government grants / funds received under the head of Public Sector Development Program.

Financial Statements for the year 2017-18 showed net loss of Rs.142.821 million (total operating income including its Grant-related Income as Interest Income is Rs.58.917 million and total operating expenditure is Rs.201.739). Resultantly, accumulated deficit reached upto Rs.1.431 billion in the year 2017-18.

Audit was of the view that increasing accumulated deficit, non – establishment of mechanism to generate revenue from its operational activities for its sustainability, and dependence on Government grants / funds reflected inefficiency of the management.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends to fix responsibility upon the person (s) at fault

4.5.3 Loss due to non-achievement of objectives as set in PC 1-Rs.156.88 billion

According to Section-5 of approved PC-1 of 2007, Project objectives were to establish Pakistan as a high value added, international competitive, world class hub for precious stone cutting and jewellery manufacturing.

According to Section-6 of PC-I ibid, the Export of Gems & Jewellery will be increased from USD 29 million in 2004-05 to USD 1.5 billion in 2017.

During performance audit of PIDC Subsidiary Pakistan Gems & Jewellery Development Company for the years 2013-14 to 2017-18, it was observed from PC-1 that export of Gems & Jewellery will be increased from USD 29 million in 2004-05 to USD 1.5 billion in 2017. Instead of this, actual exports of the Gems & Jewellery remained at US$10.40 million in 2016-17 and at US$.9.8 million in 2017-18.

Audit was of the view that the management / ministry had not taken corrective measures towards development and operations of the projects i.e. PC-1 of 2016 has not yet been approved, timely funds were not provided and no steps had been taken to increase export of Gems & Jewellery. Because of these shortcomings, a loss of US$ 1.49 billion (equivalent to Pak Rs.156.88 billion) was sustained due to non-export of Gems & Jewellery.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends to justify the above position, besides, taking immediate action towards approval of PC-1, arrangement of necessary funds for the full-fledged operation of the projects and for increase in export of Gems & Jewellery.

4.5.4 Non-sustainability of PG & JDC due to increasing accumulated losses-Rs.1,536.438 million

According to Rule-5 of Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall establish a system of sound internal controls, which shall be effectively implemented at all levels in the manner that company’s assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to (i) handling of public funds, assets, resources and confidential information by directors, executives and employees, and (ii) claiming of expenses.

During Performance audit on the accounts of Pakistan Gems and Jewellery Development Company (PG & JDC) for the years 2013-14 to 2017-18, it was observed from the scrutiny of financial statements for the years from 2013-14 to 2017-18 that total income from the operations was of Rs.15.65 million in the year 2013-14 which decreased to Rs.13.40 million (Rs.63.40 million – Rs.50 million as Government Grant) in the year 2017-18, showing a decrease of 14.38 *per cent*. Further, management did not conduct exhibitions which resulted in zero income from exhibition in the year 2017-18.

Moreover, the net deficit of the company accumulated/increased from Rs.955.997 million 2013-14 to Rs.1,536.438 million 2017-18, showing an increase of 60 *per cent*. This was due to huge burden of direct cost, administrative cost and other expenses. Furthermore, management incurred huge expenditure on hiring office building for establishing training centers, incurred exhibition costs, and paying salaries and allowances to the idle staff hired during the period. The details of Income and Expenditure are tabulated below:-

(Rs.in million)

	2017-18	2016-17	2015-16	2014-15	2013-14
Income					
Training Fee	8.50	8.54	5.63	6.13	7.21
Income from exhibition	0	8.31	1.13	-	1.10
Interest on short-term investment	0	-	3.23	1.40	2.14
Profit on saving accounts	2.88	0.650	0.28	1.43	0.57
other income	2.02	1.42	4.34	3.34	4.63
Grant Income	50.00	39.99	0	0	0
Total Income	**63.40**	**58.92**	**14.62**	**12.30**	**15.65**
Expenditure					
Direct Cost	122.36	155.75	(117.52)	(116.63)	(158.19)
Administrative expenses	43.63	85.84	(41.42)	(39.25)	(48.81)
Bank Charges	0.61	0.63	(0.36)	0.86	(0.01)
Other Expenses	2.46	0.92	(0.17)		
Total expenditure	**168.52**	**201.74**	**(159.15)**	**(162.75)**	**(207.01)**
Deficit for the year	**(105.11)**	**(142.82)**	**(144.53)**	**(150.45)**	**(191.36)**

(Source: Annual Audited Accounts)

Audit was of the view that the management had been incurring huge expenditure without generating enough revenue from operating activities. This resulted into huge deficit from Rs.955.997 million in 2013-14 to Rs.1,536.438 million in 2017-18. This indicated that the project had shown dismal performance. The management may justify if there was a plan for getting out of this trap/downfall.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

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

4.6. Overall Assessment

4.6.1 Non-preparation of consolidated financial statements PG & JDC in the accounts of PIDC

According to Rule 16 (I) of Public Sector Companies (Corporate Governance) Rules, 2013, Every Public Sector Company shall adopt International Financial Reporting Standards (IFRS), as are notified by the Commission under clause (i) of sub-section (3) of section 234 of the Ordinance.

During Performance audit on the accounts of National Industrial Parks Development and Management Company (NIP D&MC) & Pakistan Gems & Jewellery Development Company (PG & JDC) for the years 2013-14 to 2017-18, it was observed that the management did not maintain consolidated financial statements for last many years as it was required by Government rules and provision of IFRS & IAS. Due to non-compliance of above stated rules, a true and fair status of expenses and revenue transactions of subsidiaries was not reported or accounted for in the Financial Statements of PIDC (parent) corporation. The provisions of IAS & IFRS are not accounted for in financial statements of PIDC (parent) corporation such as IFRS pertaining to share based payment, IFRS 11 pertaining to join disclosure of interests in other entities, IFRS pertaining to insurance contracts, IFRS 7-9 pertaining to financial instrument provisions, IAS 19 pertaining to employees benefits and such other provisions were not included in the Financial Statements.

Audit was of the view that the management had not prepared Consolidated Financial Statements for more than a decade which was a serious negligence. It only prepared Financial Statements for PIDC (Parents). The annual expenses, revenues and income, investments, loans and advances, accumulated losses and profits of each subsidiary company of PIDC were not accounted for.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends to fix responsibility upon the person (s) at fault

4.6.2 Unjustified/excess expenditure against the PC-I grant - Rs.144.62 million

According to PC-I, approved budget of PG & JDC is as under:

(Rs.in million)

S#	Items (As per PC-I)	PC-I Estimates	Actual Expenditure	Excess expenditure
1.	Recruitment/Establishments	249.10	309.91	60.81
2.	Consultancy	89.16	66.89	-
3.	Land Acquisition	261.11	259.38	-
4.	Civil Work	76.21	59.30	-
5.	Procurement: I- Machinery & Accessories II- Office Equipment's III- Furniture & Fixture IV- Vehicles	304.21 35.39 8.79 34.14	286.54 26.19 9.77 9.38	- 0.98
6.	Human Resource Development	52.29	34.48	-
7.	POL, Repair & Maintenance	60.76	33.42	-
8.	Stationery, Utilities etc	44.51	42.48	-
9.	Contingencies	4.69	0	-
10.	Other operating Expenses	179.43	262.26	82.83
Total	**1,400**	**1,400**	**144.62**	

During performance audit on the accounts of Pakistan Gems and Jewellery of Development Company (PG & JDC) for the years 2013-14 to 2017-18, it was observed from the scrutiny of Umbrella PC-I record that the management incurred an 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. Furthermore, an amount of Rs.261.11 million was available in the head of Land Acquisition and management incurred an expenditure of Rs.259.38 million without acquisition of single land piece and all amount was utilized in the head of hiring office premises on higher rates without calling tenders. The other operating expenditure of the company was also utilized in excess of Rs.82.62 million which stood 46 *per cent* of the budget.

The matter was reported to the management in June, 2019, but no reply was received. Despite request and subsequent reminders on 06-01-2020, 23-09-2020, 04-12-2020, 23-12-2020, 26-01-2021 and 23-09-2022, DAC meeting was not convened by the PAO.

Audit recommends to fix responsibility upon the person (s) at fault

5. CONCLUSION

It is hereby concluded that there was loss due to time overrun and excess expenditure on purchase of 100 acres of land for Sargodha Industrial Park of

Rs.31.800 million. Penalties were not duly imposed. Adjustments against advances were not made. Deduction of tax amount was not made. Allotment of land was made on lower rates and on favoritism basis in some of the instances. There was less generation of revenue against targets set in Umbrella PC-1. Hiring of building and private offices for workshops on rent were in a non-transparent manner. Funds were not utilized as per PC – I. Instances of non-fulfilling the obligations were also observed. Efforts for robust plan were also not duly made which resulted into accumulated losses.

Management needs to adhere to best practices and develop robust business plan to make the Company profitable and sustainable.

ACKNOWLEDGEMENT

We wish to express our appreciation to the Management and Staff of Pakistan Industrial Development Company (PIDC) Subsidiaries i.e. National Industrial Parks (NIP), Pakistan Gems & Jewellery Development Company (PG & JDC) and Karachi Tools, Dies and Moulds Centre (KTDMC), Karachi for the assistance and cooperation extended to the auditors during this assignment.

ANNEXES

Annex-A:Loss due to non-imposition of penalty (Para No.4.1.5)

S#	Name	Plot\Size	Total Receipts (Rs.)	Licensed Agreement Singed on
1	Getz Pharma	2.215	54,267,500	29-Jan-13
2	Farukh Ipmlex Corporation	1.042	25,529,000	14-Feb-13
3	Al-Rehman Lubricants (pvt.) Ltd.	0.473	11,588,500	14-Feb-13
4	MAL Pakistan Ltd.	3.937	96,456,500	14-Feb-13
5	Mulla Ebrahimji Karimbhoy (MEK)	0.473	11,588,500	07-Mar-13
6	Scilife Pharma (pvt.) Ltd.	2.279	55,835,500	19-Oct-13
7	Alpino Foods	0.474	11,613,000	12-Mar-14
8	Mediplas Innovations (pvt.) Ltd.	1.042	25,529,000	18-Jun-14
9	UniveRs.al Brushware (pvt.) Ltd.	1.181	34,839,500	18-Jun-14
10	Serajsons Printers (pvt.) Ltd.	0.954	28,143,000	2-Jul-14
11	Prince Art (pvt.) Ltd.	0.515	15,192,500	2-Jul-14
12	Palpex (pvt.) Ltd.	0.515	12,617,500	22-Oct-14
13	Mehran Commercial Enterprises	0.531	13,009,500	22-Oct-14
14	Hoora pharma (pvt.) Ltd.	0.985	29,057,500	22-Jan-15
15	Bliss Industries	0.468	13,806,000	22-Jan-15
16	United Trading Co	0.52	12,740,000	22-Jan-15
17	Systems Co	0.771	18,889,500	23-Apr-15
18	Pinnacle Biotech (pvt.) Ltd.	1.741	21,535,500	24-Jun-16
Total			**492,238,000**	
Rs.492,238,000*10 *per cent* = Rs.49,223,800				

Annex-B:Hiring of private offices and workshop on rent in non-transparent manner for PSDP Funded Project - Rs.85.594 million (Para No.4.2.1)

1st Term of Lease	Monthly Rent (Rs.)	Yearly Rent (Rs.)
April 2010 to March 2011	300,000	3,600,000
April, 2011 to March, 2012 with 10 per cent increase	330,000	3,960,000
April, 2012 to March, 2013 with 10 per cent increase	363,000	4,356,000
2nd Term of Lease		
April 2013 to March 2014 with 10 per cent increase	399,300	4,356,000
3rd Term of Lease		
April 2014 to March 2015 with 10 per cent increase	439,230	5,270,760
April 2015 to March 2016 with 10 per cent increase	483,153	5,797,836
April 2016 to March 2017 with 10 per cent increase	531,468	6,377,616
4th Term of Lease		
April 2017 to September 2017 with 10 per cent increase	584,615	3,507,690
5th Term of Lease		
October 2017 to March 2018	584,615	3,507,690
April 2018 to June 2018 with 10 per cent increase	643,077	1,929,231
Total		**43,098,423**

Annex-C:Outstanding amount against different allottees – Rs.1,907.990 million (Para No.4.3.7)

S#	Customer Name	Pot Size/ Acres	Allotment Date	Total Plot's Value (Rs.)	Amount Received(Rs.)	Outstanding amount (Rs.)
1	M/s Gasco Engineering (Pvt.) Ltd.	2	17/09/2015	27,000,000	18,900,000	8,100,000
2	M/s Central Ventilation System Pakistan (Pvt.) Ltd.	3.467	17/09/2015	46,804,500	32,763,150	4,041,350
3	M/s Dawood Engineering (Pvt.) Ltd.	3.27	17/09/2015	44,145,000	30,901,500	13,243,500
4	M/s Barkat Frisian Pasteurized Egg Company (Pvt.) Ltd.	2.5	17/10/2016	45,000,000	31,500,000	13,500,000
5	M/s Ahmed Glass Industries (Pvt.) Ltd.	6.524	19/01/2017	117,423,000	61,101,200	56,330,800
6	M/s Hi-tech Auto Parts(pvt.) Ltd.	12.006	19/01/2017	216,108,000	151,275,600	64,832,400
7	M/s Tecno Auto Glass	10.784	21/03/2017	194,112,000	135,878,400	58,233,600
8	M/s Pinnacle Biotech (Pvt.) Ltd.	10	21/03/2017	180,000,000	63,000,000	117,000,000
9	M/s Master Motor Company (Pvt.) Ltd.	12	11/09/2017	312,000,000	109,200,000	202,800,000
10	M/s Master Motor Company (Pvt.) Ltd.	3	29/03/2018	105,000,000	36,750,000	68,250,000
	Total			3,659,748,500	3,043,416,850	**616,331,650**

Korangi Creek Industrial Parks

S#	Customer Name	Pot Size/ Acres	Allotment Date	Total Plot's Value (Rs.)	Amount Received (Rs.)	Outstanding amount (Rs.)
1	M/s Shan Industries	0.224	02/09/2010	6,608,000	5,578,563	1,029,437
2	M/s Becurx Pharam	0.515	06/12/2010	12,617,500	10,463,125	2,154,375
3	M/s Galaxy Pharam	0.946	22/05/2012	27,907,000	22,907,000	5,000,000
4	M/s Hellium Pharamaceuticals	1.973	27/12/2012	58,203,500	47,000,000	11,203,500
5	M/s Rayyan Sciences	0.473	11/04/2013	13,953,500	10,465,125	3,488,375
6	M/s Al Rehman Lubricants	0.52	19/06/2013	15,340,000	11,505,000	3,835,000
7	M/s Wood Craft	0.515	24/04/2014	15,192,500	11,394,375	3,798,125
8	M/s Meraj Limited	1.995	02/09/2010	48,877,500	36,658,125	12,219,375
9	M/s Faruk Impex Co.(W-H)	0.988	27/12/2012	29,146,000	21,859,500	7,286,500
10	M/s Crafter International Unit-1	0.399	11/04/2013	11,770,500	8,827,875	2,942,625
11	M/s Crafter International Unit-2	0.413	11/04/2013	12,183,500	9,137,625	3,045,875
12	M/s GWCC	0.979	24/04/2014	28,880,500	21,660,375	7,220,125
13	M/s Avant Ventures Unit-3	0.392	18/06/2013	11,564,000	8,673,000	2,891,000
14	M/s AQMAR Pharma	0.494	03/08/2011	12,103,000	9,051,500	3,051,500
15	M/s Shan Industries	0.473	02/09/2010	11,588,500	8,068,812	3,519,688
16	M/s Al Shaheer Corporation (Pvt.) Ltd.	1.401	11/04/2013	41,329,500	26,362,500	14,967,000
17	M/s Delizia	0.81	18/04/2018	120,750,000	75,000,000	45,750,000
18	M/s Gigi Industries (Pvt.) Ltd.	0.987	25/09/2012	29,116,500	16,000,000	13,116,500
19	M/s Gigi Industries (Pvt.) Ltd.	0.988	25/09/2012	29,146,000	16,000,000	13,146,000
20	M/s Mekotex (Pvt.) Ltd.	0.618	09/05/2017	92,700,000	47,300,000	45,400,000

21	M/s Noor Associates HDZ	0.988	20/12/2017	148,200,000	75,000,000	73,200,000
22	M/s Pinnacle Biotech (Hoora)	1.741	02/09/2010	42,654,500	21,535,500	21,119,000
23	M/s Matver Industries	0.474	25/09/2012	13,983,000	6,991,500	6,991,500
24	M/s Reliance Services Co.	0.468	19/06/2013	13,806,000	6,903,000	6,903,000
25	M/s United King Foods	0.468	02/09/2010	13,806,000	6,903,000	6,903,000
26	M/s Flexchem Polyurethanes (Faiz Enter.)	0.90	12/09/2014	26,550,000	13,275,000	13,275,000
27	M/s Bay Point Pvt. Wavetec	0.588	22/09/2015	49,980,000	24,990,000	24,990,000
28	M/s Avant Ventures Unit-2	0.434	18/06/2013	12,803,000	6,401,500	6,401,500
29	M/s Avant Ventures Unit-1	0.53	18/06/2013	15,635,000	7,817,500	7,817,500
30	M/s Nawan Laboratories	1.977	19/06/2012	58,321,500	27,650,000	30,671,500
31	M/s Studio 146	0.613	22/09/2015	52,105,000	14,237,500	37,867,500
32	M/s Hoora Pharma HDZ	1.86	22/03/2017	223,320,000	60,300,000	163,020,000
33	M/s Pinnacle Biotech Unit-2	1.422	12/09/2014	41,949,000	11,062,500	30,886,500
34	M/s Aluplas (pvt.) Ltd.	0.633	02/09/2010	15,508,500	4,062,500	11,446,000
35	M/s IMS Engineering	3.087	24/04/2014	91,066,500	22,425,000	68,641,500
	Total			1,448,665,500	733,467,000	**715,198,500**

Rachna Industrial Park

(Rs. In million)

S#	Sales	Sales Price	Recovered amount	Non-recovery
1	Industrial Plots	1,029.36	454.12	575.24
2	Commercial Plots	6.72	5.50	1.22
Total		**1,036.08**	**459.62**	**576.46**

Annex-D:Wasteful expenditure on rent for assaying and hallmarking center Karachi & Lahore - Rs.62.716 million (Para No.4.3.14)

S#	Assaying and Hallmarking Center Karachi		Assaying and Hallmarking Center Lahore	
	Period and Rate of Rent	**Total Value (Rs.)**	**Period and Rate of Rent**	**Total Value (Rs.)**
1	1st Aug 2009 to 31st July 2010 at Rs.429,400	5,152,800	31st Dec 2009 to 30 Dec 2010	1,416,960
2	1st Aug 2010 to 31st July 2011 at Rs.472,340	5,668,080	31st Dec 2010 to 30 Dec 2011 with 10 *per cent* inc	1,558,656
3	1st Aug 2011 to 31st July In 2012 at Rs.429,400	5,152,800	31st Dec 2011 to 30 Dec 2012 with 10 *per cent* inc	1,714,522
4	1st Aug 2012 to 31st July 2013 at Rs.519,574	6,234,888	31st Dec 2012 to 30 Dec 2013 with 10 *per cent* inc	1,885,975
5	!st Aug 2013 to 31st July 2014 at Rs.571,531	6,858,372	31st Dec 2013 to 30 Dec 2014 with 10 *per cent* inc	2,074,573
6	1st Aug 2014 to 31st July 2015at R.260,000	3,120,000	31st Dec 2014 to 30 Dec 2015 with 10 *per cent* inc	2,282,040
7	1st Aug 2015 to 31st July 2016at Rs.273,000	3,276,000	31st Dec 2015 to 30 Dec 2016 with 10 *per cent* Waived	2,282,040
8	1st Aug 2016 to 31st July 2017 at Rs.286,650	3,439,800	31st Dec 2016 to 30 Dec 2017 with 10 Waived	2,282,040
9	1st Aug 2017 to 31st Dec 2017 at Rs.300,982	1,504,910	31st Dec 2017 to 30 Dec 2018 with 10 Inc	2,510,244
10	1st Jan 2018 to 31st Dec 2018 Rs.300,982	3,611,784	1st Jan 2019 to March 2019	690,319
		44,019,434		**18,697,369**
	Total Rs.62,716,803			

Annex-E:Non-posting of officers on key positions lying vacant since long (Para No.4.4.7)

S#	Name of Post	Number of Posts	Date Since the Post Vacant
1.	Chief Executive Officer	01	17-11-2017
2.	General Manager (Marketing & Quality Assurance)	01	07-04-2011
3.	General Manager, Training & Development	01	26-02-2018
4.	Chief Financial Officer & Company Secretary	01	20-11-2017
5.	Manager Projects	01	01-05-2012
6.	Manager Accounts	01	29-09-2016
7.	Manager (Admin & HR)	01	02-07-2014
8.	Manager (Internal Audit)	01	02-10-2013
9.	Manager (Coordination)	01	-
10.	Assistant Manager (Quality Assurance)	01	29-09-2016
11.	Assistant Manager (Projects)	01	29-09-2016

Annex-F: Non-approval of NIP projects PC-I from the Planning Commission (Para No. 4.5.1)

(Rs.in million)

S#	Name of the Project	Cover Area in Acres	Total Saleable Acres	Total Sold area in Acres	Total sale value of salable land in Rs.	Average Sales Value per Acre land sold in Rs.	Total Cost of Project in Rs.
			A	B	C	D=(C/B)	E=(A×D)
1.	Korangi Creek Industrial Park (KCIP)	250 acres	141	127	4,690	36.93	5,207.13
2.	Bin Qasim Industrial Park (BQIP)	930 acres	750	227	3,659	16.12	12,090.00
3.	Rachna Industrial Park (RIP)	215 acres	-	-	-	-	395.933
4.	Naushero Feroze Industrial Park (NFIP)	80 acres	-	-	-	-	439.11
5.	Sargodha Industrial Park (SIP)	100 acres	-	-	-	-	434.00