OFFICE OF THE DIRECTOR GENERAL AUDIT
DEFENCE SERVICES (NORTH)
RAWALPINDI

SPECIAL AUDIT REPORT
ON
THE ACCOUNTS OF DIRECTORATE GENERAL REMOUNT VETERINARY AND FARMS GHQ RAWALPINDI
2011-12 TO 2015-16

AUDITOR-GENERAL OF PAKISTAN

PREFACE

The Auditor-General conducts audit subject to Articles 169 and 170 of the Constitution of Islamic Republic of Pakistan, 1973, read with sections 8 & 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Services) Ordinance, 2001. The special audit of selected Military Farms was carried out accordingly.

The Directorate General Audit Defence Services conducted Special audit of Military Farms Peshawar, Nowshera, Kohat, Jhelum, Attock and Abbottabad was conducted during March-April, 2017 for the financial years 2011-12 to 2015-16. Audit examined the aspects of economy, efficiency and effectiveness of the project. In addition, audit also assessed, on test check basis, whether the management complied with applicable laws, rules and regulations.

The Special Audit Report indicates specific actions that, if taken, will help the management realize the objectives of the project. This report highlights issues and recommendations which should be implemented to manage project activities on day to day basis and ensuring accountability in a timely manner.

11 Paras on account of 6 Military Farms i.e. MF Peshawar, MF Nowshehra, MF Kohat, MF Jhelum, MF Attock and MF Abbottabad for the year 2011-12 to 2015-16 have been discussed in Ministry of Defence in a DAC meeting held on 6th December, 2017.

The Audit Report is submitted to the President in pursuance of the Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973.

Islamabad
Dated:

(JAVAID JAHANGIR)
Auditor-General of Pakistan

LIST OF ABBREVIATIONS

BWB	Bailed White Bhoosa
CDR	Call Deposit Receipt
CFA	Competent Financial Authority
CMA	Controller Military Accounts
CLAR	Cantonment Land Acquisition Rule
DAC	Departmental Accounts Committee
DG RV&F	Director General Remount Veterinary &Farms
FAO	Field Audit Office
GHQ	General Headquarters
INTOSAI	International Organization of Supreme Audit Institutions
KG	Kilogram
LWB	Loose White Bhoosa
MF	Military Farm
MoD	Ministry of Defence
MEO	Military Estate Office
NOC	No Objection Certificate
RV&FC	Remount Veterinary and Farms Corps
PPRA	Public Procurement Regulatory Authority
QMGs Br	Quarter Master Generals Branch
Qtg	Quartering
SOP	Standard Operating Procedure
TO&E	Table Of Organization & Equipments
ToRs	Terms of References
UN	United Nation
UNRA	United Nation Re-imbursement Account
WMP	Whole Milk Powder

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Executive Summary

The Directorate General Audit, Defence Services (North) is a Field Audit Office (FAO) of the Department of Auditor-General of Pakistan responsible for conducting the audit of budgetary Grants of Defence Services. The audit activities performed by this Directorate Generals is as under:-

- ✓ Compliance with Authority / Regularity Audit
- ✓ Performance Audit
- ✓ Certification Audit
- ✓ Special Study / Audit

Audit on the account of a few formations of RV&F Directorate for the five years 2011-12 to 2015-16 was conducted to evaluate as to what extent the Rules and Regulations framed by the government were adhered to by them while carrying out their operational activities. Some serious financial irregularities having a financial effect of Rs. 927.929 million, pointed out during audit have been embodied in this Report. An amount of Rs. 1.039 million was recovered at the instance of audit during finalization of this Report.

In most of the irregularities pointed out, the auditee pursued the DAC recommendations and record produced to Audit. Regarding violation of PPRA Rules the executive agreed that in future PPRA Rules will be observed in letter and spirit.

Audit Findings

This special audit report contains 10 Paras categorized as under:

- Recoverable
- Irregular/ un-authorized expenditure
- Mis-procurement of stores
- Risk and expense

CHAPTER 1- Introduction of RV & FC (Remount, Veterinary & Farms Corp).

Directorate of Remount, Veterinary and their subordinate organizations are responsible for breeding and procurement of remount animals to meet the requirements of the Army, fodder production in Remount Depots to meet requirements for Remount Depots animal holdings, provision of milk and milk products for troops; arrangements for the procurement of green and dry fodder for Farms cattle and dry fodder for Army animals with the necessary reserve for emergencies and breeding of beef and mutton animals and their supply to Armed Forces.

Budget Allocation

Detail of year-wise position of Budget Allocation / Authorization and expenditure during the years (2011-12 to 2015-16) as under:

Sr. No.	Financial Year	Allocation/Receipt Rs. in Millions	Expenditure Rs. in Millions
1	2011-12	285,048,173	335,971,322
2	2012-13	465,630,858	525,055,451
3	2013-14	1,231,764,270	1,319,841,485
4	2014-15	1,218,792,287	1,263,996,108
5	2015-16	1,395,016,845	1,514,761,422
	Grand Total	**4,596,252,433**	**4,959,625,788**

CHAPTER 2- BACKGROUND

The RV & FC was raised on 15 October, 1947. Mission of the corp is as under:

Remount

- Breeding, rearing and training of horses and mules.
- Issue of fully trained horses, mules to the army.

Veterinary

- Prevention of infectious and contagious diseases in army animals.
- Collection and evacuation of sick and wounded animals and their subsequent treatment.
- Replacement of animal causalities.
- Provision of veterinary medicines and stores.
- Inspection of meat, fish and poultry issued to troops.
- Breeding, rearing of military dogs and their subsequent employment.

Farms

- Breeding and rearing of cows and buffaloes.
- Provision of milk and milk products to the army.
- Provision of dry fodder to army animals.

<u>ToRs: -</u>

- To examine whether the Farms resources have been utilized effectively and cost was not over run.
- To determine whether special task assigned from time to time was completed. To analyze whether the procurement has been made on requirement basis and by adopting all codel formalities including Government orders, rules regulations and PPRA rules.
- To examine whether store inventory has been properly prepared and maintained, and no store purchased was held for indefinite period in excess of requirement.

- To examine whether the expenditure incurred as per requirement and not to exhaust funds.
- To examine whether the Farm land has been utilized effectively and not encroached.
- To examine whether Government Fund has been utilized according to its authorization.

MANDATE OF SPECIAL AUDIT:

The Special Audit was conducted in accordance with auditing standards of International Organization of Supreme Audit Institutions (INTOSAI) adopted by Auditor-General of Pakistan. The Special Audit Assignment was planned under the direction of the Auditor-General of Pakistan under Article 169 of the Constitution of Islamic Republic of Pakistan read with Sections 8 and 12, and other relevant provisions of the Auditor-General's Ordinance 2001 which require the Auditor-General to conduct the audit of receipts and expenditure from the Federal / Provincial Consolidated Fund and Public Account.

AUDIT METHODOLOGY

i. The Special Audit was taken up under the directions of Director General Audit Defence Services (North). To obtain the requisite information / documents, the Audit team conducted meeting with management for execution of the special audit with request to make ready documents.
ii. Adopted requisition and making conversation with management and staff to obtain the required documents/information.
iii. The CMA concerned was also approached for Budget and its reconciliations.
iv. Rules, regulations, Govt. orders, SOPs, Manual etc. have also been consulted for conclusion of the issues to be reported in the Special Audit Report.

CHAPTER 3- AUDIT PARAS

3.1 Losses/Recoverable

3.1.1 Losses in Earnings of Military Farms Rs. 403.048 Million

According to Rule.37 of Financial Regulation (Vol-I) 1986, all losses, whether of public money or of stores, shall be subjected to a preliminary investigation by the officer in whose charge they were, to ascertain the cause of the loss and the amount involved besides taking write off/ regularization action.

During the Audit of the record held with Six Military Farms it was revealed from their Annual Accounts that earnings for the F.Y 2011-12 to 2015-16 went in decline which caused loss to state of Rs. 403,048,162 (Annex-A).

The irregularity was pointed out by Audit in April, 2017, it was replied that Military Farms have been running on quasi commercial basis and profit is not a sole aim of MFs, rather providing hygienic pure milk and dairy products to three defence services is the main mission/vision of MFs.

Executive reply was not relevant because annual profit and loss depends on better financial and managerial controls which could in turn guarantee better financial gains. Audit, in some instances, observed that some MFs went in profit as well which was reflection of sound financial management. Audit had no objection on quasi commercial status of MFs but sustaining of loss merely on plea of its non-profit status could not be used in support of argument. The optimistic approach for these MFs should be at least to bring its financial accounts on breakeven (no profit no loss) point.

Audit therefore proposed formation of a committee to look into the aspects of loss in earnings of MFs which may also suggest remedial measures besides fixing responsibility against the delinquent(s) if any. Action to write off/ regularize losses reported by Audit may also be taken.

Para was discussed by the DAC in its meeting held on 6th December, 2017, DAC directed to constitute a committee with a clear mandate to probe into the matter and dig out the reason of losses in earnings, fix responsibility against person(s) at fault and propose recommendations and suggest remedial measures for implementation in future and regularize the losses.

Audit Recommendations

Audit stresses for immediate constitution of committee and finalization of its recommendations, compliance and its provision to audit for verification.

3.2 Irregular/ Unauthorized Expenditure

3.2.1 Unauthorized Expenditure Out of Al-Mizan Funds Rs. 341.00 Million

As per Para-1(v) of Ministry of Defence letter No. 7/6/2004-05/D-21 (Budget) dated 30th November, 2004, the releases from Special Transfer Account shall be used for procurement of stores and for replenishment of stock. According to Standing Operating Procedure of Al-Mizan Package-2008 Para-1(a) issued by GHQ Chief of Logistic Staff Secretariat Monitoring and Budget Cell, "This fund is utilized only for the procurement of store/equipment required for the troops deployed in operation Al-Mizan".

During the Audit of the record held with 04 Military Farms, it was revealed that works contracts valuing Rs. 341.000 Million (detail in Annex- B) were concluded contrary to above cited letter. Therefore, the expenditure incurred on this account stood unauthorized and needed regularization by the Government of Pakistan.

The irregularity was pointed out by Audit in April 2017, it was replied that the funds were utilized as per administrative sanction accorded by the Competent Authority for the said purposes.

The reply furnished by the executive was not acceptable as Al-Mizan funds could only be utilized for procurement of stores and for replenishment of stock for the troops deployed in operation Al-Mizan in the light of above MoD's letter dated 30.11.2004. Audit, therefore, proposed for regularization of expenditure from the Government of Pakistan.

The para was discussed by the DAC in its meeting held on 6th December, 2017, DAC pended the para till the case is decided for authorization/regularization of expenditure out of Al-Mizan Fund by Finance Division.

<u>Audit Recommendations</u>

i. An early regularization action in the matter be finalized and produce to audit for verification.

ii. Adoption of remedial measures to avoid recurrence of such lapses in future.

3.2.2 Unauthorized Utilization of Funds Out of United Nation Reimbursement Account Rs. 6.701 Million

According to provision of Government of Pakistan Ministry of Defence letter No. 7/7/2004/05/D-21 (Budget) dated 27th November 2004, expenditure out of UNRA could be utilized for:-

a) Purchase and replenishment of stores for Army contingents deployed on peace keeping missions.
b) Pay and allowances and transportations of troops.
c) Incidental and misc, expenditure of Army contingent directly related to UN peace keeping mission.

Further, as per amendment made by the Ministry of Defence letter dated 07.03.2009 expenditure can be incurred on projects approved by the Chief of Army Staff and financially concurred by the Finance Secretary on case to case basis.

During the Audit of the record held with Military Farm, Kohat, it was revealed that an amount of Rs.6,701,000 (Annex-C) was expended on construction of Buildings Works out of UNRA in contravention to above authority. Therefore, the expenditure incurred out of UNRA needed regularization.

The irregularity was pointed out by Audit in April 2017, the executive replied that the funds were utilized as per directives of the higher authorities without violating any instructions.

Executive reply was not correct as expenditure was incurred in contravention of above Government letters which needed regularization action.

The para was discussed by the DAC in its meeting held on 6th December, 2017, DAC pended the para till the case is decided for authorization/regularization of expenditure out of UNRA by Finance Division.

<u>Audit Recommendations</u>

i. Audit stresses for an early regularization action of the expenditure.
ii. Adoption of remedial measures to avoid such lapses in future.

3.2.3 Unauthorized Conclusion Of Contracts For Supply Of Bailed White Bhoosa At Higher Rates By Non Acceptance Of Lowest Rate Rs. 1.402 Million

Rule.04 of Public Procurement Rules 2004 provides that procuring agencies while engaging to procurement shall ensure that the procurements are conducted in fair and transparent manner, the object of procurement brings value for money to the agency and the procurement is efficient and economical. Rule 40 ibid stipulates that there shall be no negotiations with the bidder having submitted the lowest evaluated bid or any other bidder. Rule 38 ibid provides that the bidder with the lowest evaluated bid if not in conflict with any other law, rules or regulation of policy of the Federal Government, shall be avoided the procurement contract, within original or extended period of bid validity.

During the Audit of the record held with Military Farm Abbottabad, it was revealed that 4x contracts for BW Bhoosa were concluded by RV&F Dte. GHQ for Military farm Abbottabad @ Rs.1140 per 100 kg with M/s Malik Brothers. However, lowest rates quoted by M/S Tayyaba Traders were Rs.1110 per 100 kg which was not accepted on the basis of non-provision of CDR.

Audit was of the view that if provision of CDR was pre-requisite for participation in competition and ignoring the lowest rate on these grounds then his bid should have been rejected and not formed part of comparative statement.

Due to ignoring lowest offer of Tayyaba Traders, Govt exchequer sustained a loss of Rs. 1,401,900 (Annex-D) for 4673 Ton @ 30 per 100 kg (1140 -1110) which required regularization.

The irregularity was pointed out by Audit in April 2017, the executive replied that tender were called for purchase of Bhoosa. At the time of advertisement, it was clearly mentioned that participants should deposit 2% security in shape of CDR but M/S Tayyaba Traders did not provide CDR due to which rates quoted were not accepted.

Reply advanced by the executive was not convincing due to the fact that contracts were awarded to second lowest by ignoring lowest bidder.

The para was discussed by the DAC in its meeting held on 6th December, 2017, DAC directed to constitute fact finding inquiry committee to probe into the matter with reference to bidding documents and report within two months.

Audit Recommendations

i. Audit stresses for an early implementation of the DAC directives and its verification from audit.
ii. Adoption of remedial measures to avoid such lapses in future.

3.3 Misprocurement

3.3.1 Misprocurement of Cattle Feed Rs. 104.513 Million

Rule.04 of public procurement Rules 2004 provides that procuring agencies while engaging to procurement shall ensure that the procurement is conducted in fair and transparent manner, the object of procurement brings value for money to the agency and the procurement is efficient and economical. Rule 40 of Public Procurement Rules 2004 stipulates that there shall be no negotiations with the bidder having submitted the lowest evaluated bid or any other bidder.

According to Sub Rule.1 of Rule.31 of Public Procurement Rules 2004, No bidder shall be allowed to alter or modify his bid after the bids have been opened.

During the Audit of the record held with 04 Military Farms, it was revealed that certain contracts valuing Rs.104.513 million (Annexure-E) were concluded with different contractors for supply of cattle feed. In all these contracts, the management negotiated with the contractors to revise their bids after opening of tenders and before conclusion of contracts which was violation of above PPRA Rules.

The irregularity was pointed out by Audit in April 2017, it was replied that the Board of Officers had approved the rates of bidders after carrying out detailed negotiations with bidders for reduction of quoted rates in the best interest of state by saving millions of rupees. In some cases, executive stated that omission was occurred due to lack of PPRA's knowledge by concerned staff.

Executive reply was not convincing as negotiations with bidders for reduction of quoted offers after opening of tenders were not permissible, nor bidders could be allowed to alter their bids after opening of bids as per above PPRA Rules. The practice of manipulating the process of tender was against the spirit of fair play and transparency. Audit, therefore, proposed for regularization of above violations of PP Rules from the MoD.

The para was discussed by the DAC in its meeting held on 6th December, 2017, DAC directed that detailed documents pertaining to tender process in respect of MF Jhelum, MF Kohat & MF Attock be provided to audit for verification within two weeks. In case of Military Farm Nowshehra the documents were verified and DAC settled the Para.

Audit Recommendations

i. Audit stresses for an early implementation of the DAC directives and its verification from Audit.
ii. Adoption of remedial measures to avoid such lapses in future.

3.3.2 Mis-procurement of Whole Milk Powder Rs. 48.00 Million

According to Rule.04 of Public Procurement 2004, procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Rule 38 ibid provides that the bidder with the lowest evaluated bid if not in conflict with any other law, rules or regulation of policy of the Federal Government, shall be avoided the procurement contract, within original or extended period of bid validity. Rule.40 further provides that there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder.

During the Audit of the record held with 06 Military Farms, it was revealed that a contract valuing Rs. 488.00 (M) for supply of 1000 tons Whole Milk Powder at the rate Rs.488.00 per kg was concluded between M/s Premier Dairies Pvt Ltd and RV & FC Dte GHQ who stood 4th lowest bidder in the competition with initial bid offer of Rs.549.00 per kg but he was brought to 1st lowest bidder by reducing his offer to Rs.488.00 per kg after detailed negotiations, whereas lowest rates quoted by M/S Shadra Traders Lahore i.e. Rs.440.00 per Kg was not accepted due to non furnishing of CDR which caused loss to state of valuing Rs.48.00 Million (Rs.488 – Rs.440 = Rs.48/- x 1,000,000 kgs). The offer of lowest bidder was away rejected by the Purchase Committee and no such opportunity was extended to this firm to fulfill terms and conditions of tender.

The irregularity was pointed out by Audit in April 2017, the executive stated that the lowest bidder i.e. M/S Shadra Traders Lahore did not provide the CDR with financial quotation as per requirement of bidding documents therefore his bid was rejected by the Board of Officers.

Executive reply was not acceptable as negotiations were carried out with 4th lowest bidder culminating in award of contract to the firm, but no opportunity was extended to lowest bidder for provision of CDR. The management extended undue-favor to 4th lowest bidder and at the same time opted not to extend a harmless favor to the lowest bidder in the interest of state as it could have saved Rs.48.00 million of public money. Audit, therefore, suggests for probing the matter by initiating independent fact finding inquiry for fixing the responsibility against the delinquent(s).

The para was discussed by the DAC in its meeting held on 6th December, 2017, DAC pended the para till verification of security documents held with GHQ and bidding process be produced to audit for verification within one month. No documents were produced for verification till finalization of this report.

Audit Recommendations

i. Audit stresses for an early implementation of DAC directives and its verification from Audit.
ii. Adoption of remedial measures to avoid such lapses in future.

3.3.3 Un-Justified Increase of Rates after Conclusion of Contracts Rs. 21.331 Million

According to Sub Rule.1 of Rule.31 of Public Procurement Rules 2004, No bidder shall be allowed to alter or modify his bid after the bids have been opened.

During the Audit of the record held with Military Farm Jhelum, it was revealed that 11 No's of contracts for Loose White Bhoosa at the rate Rs.660.00 per 100 kg and Bailed White Bhoosa at the rate Rs. 810.00 per 100 kg were concluded with the contractor M/s Shan International Trader, but during the currency of these contracts on the plea that market rates for Loose White were increased to Rs 978.00 per 100 kg and of Bailed White Bhoosa to Rs.1186.00 per 100 kg, corresponding increase in contracts rates was allowed valuing Rs.21.331 M (Annex-F). Post-bid conclusion rate revision is not covered under the rules. If such opportunity was to be extended to contractor for increasing their rates after conclusion of contract being lowest bidders, then no open competition would be required.

The irregularity was pointed out by Audit in April 2017, the executive replied that the increase in contract rates were sanctioned by the DG RVF after getting prior approval from the CFA in the light of Rule.89 (a)(3) of Financial Regulation (Vol-1) 1986.

Reply advanced by the executive was not convincing as Public Procurement Rules do not allow any alteration in bids or contract rates. Moreover, Public Procurement as per its Rule.51 has an overriding effect notwithstanding anything to the contrary contained in any other rules concerning public procurements. Therefore, unjustified increase of rates during currency of contract needed investigation and regularization.

The para was discussed by the DAC in its meeting held on 6th December, 2017, DAC pended the para till verification of relevant record by Audit within two weeks. No record was produced for verification till finalization of this report.

Audit Recommendations

i. Audit stresses for an early implementation of DAC directives and its verification from Audit.
ii. Adoption of remedial measures to avoid such lapses in future.

3.4 Risk and Expense/ Regularization

3.4.1 Non-Cancellation Of Contract On Risk And Expense Of Defaulting Firm Rs. 1.934 Million

Under clause 7 (a) of Standard Terms & Condition of Contract PAFZ-2120 " in the event of failing, declining, neglecting or delaying to comply with any demand or requisition or otherwise not executing the same in accordance with the terms of contract, the officer operating the contract shall be at (liberty without prejudice to any other remedy the Government may have on account of such breach or non/performance of the contract) to purchase or to procure or to arrange from Govt stock or otherwise, at my our expense, such supplies/services as may have been rejected or that I /we may have failed, declined, neglected, or delayed to supply or such authorized substitutes therefore as are specified in the Schedule hereto and any excess cost so incurred over the contract price (together with all incidental charges and expense) incurred in purchasing, procuring or arranging such supplies/ services or their authorized substitute and in case where issues in replacement are made from Government stocks or supplies, the cost or value of such stock or supplies (together with all incidental charges and expense) shall be recoverable from me / us on demand'' further under Clause 8 (f) of PAFZ-2120 "in the case of such rescission Govt. shall be entitled to recover from me / us on demand any extra expense the Govt made be put to in obtaining supplier / services hereby agreed to be supplied, from elsewhere in any manner mentioned in clause 7(a) hereof for which this contract was entered into without prejudice to any other remedy the Government may have.

During audit of the record held with Military Farm Attock, it was revealed that a contract valuing Rs. 1,933,800 for supply of Loose White Bhoosa was concluded with M/S Raza & Associates Okara with delivery period i.e. 27.05.2015 to 28.06.2015 but despite lapse of 2 years, no quantity of LWB was delivered by the contractor.

When pointed out by the Audit in April 2017, it was replied that M/S Raza Associates Okara failed to deliver the contracted products for which blacklisting and cancellation action was recommended to higher authorities vide letter No.692/LWB/CPF dated 01 Mar 2016. As sufficient stock of Bhoosa was available for feeding of Farm animals up to June 2016, no qty of Bhoosa was purchased /transferred from other Military Farms during the period and no extra charges were incurred by the Military Farm Attock.

Executive reply was not acceptable as neither security deposit nor bank guarantee was forfeited by the management. Further, if sufficient Bhoosa was available in stock up to June 2016 then there was no need for conclusion of contract for supply of Bhoosa in June, 2015. The funds against the subject contract were retained by the MF, Attock in its accounts without any liability which itself is to financial irregularity.

Audit, therefore, proposed to cancel the contract on risk and expense of defaulting contractor besides taking regularization action from the Competent Authority for retaining public funds in accounts without any liability.

The para was discussed by the DAC in its meeting held on 6th December, 2017, DAC directed that security deposit of the defaulting contractor be forfeited besides blacklisting of contractor and the relevant documents be provided to audit for verification within one month.

Audit Recommendations

i. Audit stresses for an early implementation of the DAC directives and its verification from audit.

ii. Adoption of remedial measures to avoid such lapses in future.

3.4.2 Illegal Encroachment on Military Farm Land

According to Rule 13 & 14 of CLAR 1937 lays down that MEO is responsible to submit an annual certificate to the Central Government as to the correctness of the plans and schedules of Class 'A' land together with a report of any unauthorized construction or encroachment. Responsibility for removal of encroachment shall rest with the Army authorities. Further, rule 26 (ix) ibid provides that encroachment on Government land should not be permitted to remain in existence under any circumstances unless, it is properly regularized.

During the Audit of the record held with M.F Peshawar, it was revealed from a reference mad to GHQ QMGs Br RV&F Dte Rawalpindi letter No. 5828/11/Farms-Ontoa dated 03-03-2014 that land measuring 44.641 acres (A-1) was under occupation of Garrison Park Peshawar for recreation activities and 19 acres was occupied by Afghan refugees for residential purpose. The A-1 /provincial land in possession of Military Farms could not have been transferred / used by any formation / organization without the formal approval of Qtg and land Dte after getting NOC from RV&F Dte. Rawalpindi.

Audit, therefore, required that either formal approval of Qtg & Land Dte may be produced to audit for verification or occupied land of military farm got vacated from HQ 7 Div & Provisional Government /Afghan refugees.

At the time of DAC, the management of M.F Peshawar apprised that 19 x acres of land at Jabba Jheel has been accomplished by the civil administration and police authority, whereas, 44.641 acres of Military Farm land has already been transferred to other units through MEO record.

The para was discussed by the DAC in its meeting held on 6th December, 2017, DAC directed that verification from MEO regarding vacation of land be produced to audit for verification within one month and case for transfer/re-classification of land to army be expedited. No record was produced for verification till finalization of this report.

Audit Recommendations

i. Audit stresses for an early implementation of the DAC directives and its verification from audit.
ii. Adoption of remedial measures to avoid such lapses in future.

3.4.3 Un-Justified Excess Retention Of Fellow Land

According to para 29 b (1) of Standing Orders Military Farms Land 1995 "One tenth of land of the total acreage is permissible to be kept as fellow if sufficient water is not available".

During the Audit of the record held with Military Farm Nowshera, it was revealed that 940 acres land was kept as fellow in excess of permissible limit of 10% which either needed to be disposed off or leased out on annual rental basis.

The irregularity was pointed out by Audit in April 2017, the executive replied that 940 x acres land was barren due to water logging/sodicity/alkanity and was not producing anything. This fact was reflected in land statement of the Farm.

Reply advanced by the executive was not agreed to as fellow land could not be retained in excess of permissible limit of 10%. Audit, therefore, proposed that proper disposal of excess fellow land be initiated after consultation with higher authorities.

The para was discussed by the DAC in its meeting held on 6th December, 2017, DAC directed that Board of Officers should determine whether the 940 acres of land is cultivable or not and share the report with audit within two months.

Audit Recommendations

i. Audit stresses for an early implementation of the DAC directives and its verification from Audit.
ii. Adoption of remedial measures to avoid such lapses in future.

Recommendations:

1. PPRA Rules should be observed strictly in letter and spirit.
2. Regularization action in violation of Rules and Regulations.
3. Recovery of amount involved.
4. Strengthening of internal control.
5. To ensure implementation of Rules and Regulations.
6. Procurement of stores from the lowest evaluated bidders.
7. Un-authorized increase of rates during currency of contracts should be avoided.
8. Fellow land in excess of permissible limit should not be retained.
9. Encroachment of Military Farm land should be restored as per rule for its better utilization.

Conclusion:

The management of Military Farms should focus on all levels and take steps to utilize their resources effectively and minimize the huge losses as pointed out in this report.

The management should also educate the staff to adhere proper care to the rules and regulations while making public transactions in the official record. The PPRA rules should be followed in letter and spirit while making procurement process. The management may require to arrange special training on contract management. Proper system should be evolved to make public properties in safe hands to avoid any inconvenience or complication.

Annexure- A

Sr. No	Name of Formations	LOSS DURING THE YEARS 2011-12 TO 2015-16					Total Loss Of 5 years (Rs.)
		2011-12	**2012-13**	**2013-14**	**2014-15**	**2015-16**	
1	MF Nowshera	25,747,221.00	16,974,687.00	19,732,471.00	23,806,425.00	13,238,002.00	**99,498,806.00**
2	MF Kohat	3,191,872.00	3070572.00	-	2,010,917.00	2,846,084.00	**11,119,425.00**
3	MF Jhelum	-	27,899,362.00	-	44,358,131.00	26,773,722.00	**10,003,125.00**
4	MF Attock	-	8,679,766.00	2,942,384.00	-	-	**11,622,150.00**
5	MF Peshawar	17,294,304.00	24,002,266.00	23,859,347.00	18,170,621.00	-	**83,326,538.00**
6	MF Abbottabad	4,689,806.00	6,797,302.00	-	5,367,054.00	80,595,866.00	**97,450,028.00**
						TOTAL	**403,048,162.00**

O L No	Formation	Financial year (Cash Assignment out of Al-Mizan)	**Al-Mizan funds Rs. (in Millions)**
02	MF, Peshawar	2011-12 Rs. 8 M 2012-13 Rs. 8 M 2013-14 Rs. 3.675 M 2015-16 Rs. 0.150 M	**19.825**
02	MF, Jhelum	2011-12 Rs. 40.20 M 2012-13 Rs. 56.50 M 2013-14 Rs. 125.0 M 2014-15 Rs. 0 2015-16 Rs. 4.523 M	**226.223**
02	MF, Nowshera	2011-12 Rs. 5.00 M 2012-13 Rs. 16.50 M 2013-14 Rs. 11.675 M 2014-15 Rs. 0 2015-16 Rs. 13.716 M	**46.891**
05	MF, Abbottabad	2012-13	**9.500**
08	MF, Attock	2011-12 Rs. 12 M 2012-13 Rs. 8.340 M 2015-16 Rs. 4.321 M	**24.661**
	MF, Kohat	2012-13 Rs. 6.250 M 2015-16 Rs. 7.650 M	**13.900**
	Total		**341.000**

Formation	Financial Year	Authority	Amount (in Millions)
MF, Kohat	2012-13	GHQ QMGs Branch RV&F Directorate 5803/6/Mzn/Farms(Bgt)9 ZWV4 Dt: 27-05-2013	Rs. 4.887 M
MF, Attock	2012-13	GHQ QMGs Branch RV&F Directorate 5803/6/Mzn/Farms(Bgt)9 ZWV4 Dt: 27-05-2013	Rs. 1.814 M
		Total	6.701 M

Annexure-D

Statement Showing the Conclusion of Contracts at Higher Rates by Non Acceptance of the Lowest Rates

Sr.	Nature of	Quantity	Lowest rate	Rate accepted	Deference	Amount Over Paid
1	BW Bhoosa	1184 Ton 1st CA	Rs. 1110/- Per 100 kg	Rs. 1140/- Per 100 Kg	Rs. 30/- Per100 Kg	Rs.355,200/-
2	BW Bhoosa	1184 Ton 2nd CA	Rs. 1110/- Per 100 kg	Rs. 1140/- Per 100 Kg	Rs. 30/- Per100 Kg	Rs.355,200/-
3	BW Bhoosa	1184 Ton 3rd CA	Rs. 1110/- Per 100 kg	Rs. 1140/- Per 100 Kg	Rs. 30/- Per100 Kg	Rs.355,200/-
4	BW Bhoosa	1121 Ton 4th CA	Rs. 1110/- Per 100 kg	Rs. 1140/- Per 100 Kg	Rs. 30/- Per100 Kg	Rs.336,300/-
					TOTAL	**Rs. 1,401,900/-**

Annexure - E

1	M.F Jehlum	Annex A	45,639,600
2	M.F Nowshera	Annex B	35,068,400
3	M.F Kohat	Annex C	13,103,000
4	M.F Attock	Annex D	10,702,000
TOTAL			**104,513,000**

Annexure- F

S/No	CA No Date	Nature of store	Qty	Rate paid Rs.	Rate on CA is concluded and req to be paid Rs.	Differences Rs.	Overpayment Rs.
1	GHQ 5807/1961/Farms-F9691 dt:18-04-2013	LWBhoosa	600 Ton	978 per 100 Kg	660 per 100 Kg	318 per 100 Kg	1,908,000
2	GHQ 5807/1960/farms-138U7D dt:21-06-2013	LWBhoosa	650 Ton	978 per 100 Kg	660 per 100 Kg	318 per 100 Kg	2,067,000
3	GHQ 5807/1954/farms-91 LND dt:21-06 -2013	BW Bhoosa	550 Ton	1186 per 100 Kg	810 per 100 Kg	376 per 100 Kg	2,068,000
4	GHQ 5807/1955/Farms-b-7518 dt:10-07-2013	BW Bhoosa	550 Ton	1186 per 100 Kg	810 per 100 Kg	376 per 100 Kg	2,068,000
5	GHQ 5807/1953/Farms-9ZC09 dt:18-06-2013	BW Bhoosa	550 Ton	1186 per 100 Kg	810 per 100 Kg	376 per 100 Kg	2,068,000
6	GHQ 5807/1952/Farms-9RWIM dt:21-05-2013	BW Bhoosa	550 Ton	1186 per 100 Kg	810 per 100 Kg	376 per 100 Kg	2,068,000
7	GHQ 5807/1956/Farms-9ZYZU dt:05-07-2013	BW Bhoosa	550 Ton	1186 per 100 Kg	810 per 100 Kg	376 per 100 Kg	2,068,000
8	GHQ 5807/1958/Farms-9NBHW dt:27-08-2013	BW Bhoosa	550 Ton	1186 per 100 Kg	810 per 100 Kg	376 per 100 Kg	2,068,000
9	GHQ 5807/1951/Farms-9SLON dt:31-05-2013	BW Bhoosa	550 Ton	1186 per 100 Kg	810 per 100 Kg	376 per 100 Kg	2,068,000
10	GHQ 5807/1957/Farms-B600W dt:23-07-2013	BW Bhoosa	550 Ton	1186 per 100 Kg	810 per 100 Kg	376 per 100 Kg	2,068,000
11	GHQ 5807/1959/Farms9GOHN dt:12-09-2013	BW Bhoosa	216 Ton	1186 per 100 Kg	810 per 100 Kg	376 per 100 Kg	812,160
						TOTAL	**21,331,460**