



**AUDIT REPORT
ON
THE ACCOUNTS OF
PUBLIC SECTOR ENTERPRISES
GOVERNMENT OF SINDH
AUDIT YEAR 2017-18**

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

AGP	Auditor General of Pakistan
DAC	Departmental Accounts Committee
DAP	Di Ammonium Phosphate
DG CA&E	Director General Commercial Audit & Evaluation
GFR	General Financial Rules
GoP	Government of Pakistan
MFDAC	Memorandum For Departmental Accounts Committee
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PSE	Public Sector Enterprises
SECP	Securities & Exchange Commission of Pakistan
SGP	Sindh Government Press
SLMDC	Sindh Land Management & Development Company
SPPR	Sindh Public Procurement Rules
SPPRA	Sindh Public Procurement Regulatory Authority
SSC	Sindh Seed Corporation
SSIC	Sindh Small Industries Corporation
SESSI	Sindh Employees' Social Security Institution

Preface

Articles 169 and 170 of the constitution of the Islamic Republic of Pakistan 1973, read with Sections 8 and 15 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 require the Auditor General of Pakistan to conduct audit of the accounts of government commercial undertakings and of any authority or body established by the Federation or the Province.

This report is based on audit of the accounts of Public Sector Enterprises of Government of Sindh for the year 2016-17. The Director General of Commercial Audit and Evaluation, Karachi conducted audit of these formations during July 01, 2017 to November 15, 2017 on a test check basis, with a view to reporting significant findings to the stakeholders. The main body of the report includes only systemic issues and audit findings carrying value of Rs. 1 million or more. Relatively less significant issues are listed in the **Annexure-1** shall be pursued with Principal Accounting Officers (PAOs) at the Departmental Accounts Committee (DAC) level and in all cases where the PAOs do not indicate appropriate action, the audit observations will be brought to the notice of Public Accounts Committee through the next year's Audit Report.

The observations have been finalized in the light of written replies of the Departments as DAC meetings could not be convened despite repeated requests except Special Initiative Department. Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

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

Islamabad
Dated:

(Javaid Jehangir)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General of Commercial Audit & Evaluation DG (CA&E), South, Karachi carries out audit and evaluation of Public Sector Enterprises (PSEs) established by Government of Sindh, which maintain their accounts on commercial pattern.

Section 15 of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 empowers Auditor General of Pakistan to conduct audit of companies and corporations established in the public sector. For this, DG (CA&E) South, Karachi has a human resource of 08 officers and staff (worked out on prorata basis) resulting in 2,000 mandays. The annual budget of DG (CA&E) South, Karachi for the year 2017-18 was Rs.19.070 million (worked out on prorata basis). The DG (CA&E) South, Karachi is mandated to conduct regularity audit (financial audit & compliance with authority audit) and performance audit of Public Sector Enterprises (PSEs) under administrative control of various departments of Government of Sindh.

a. Scope of Audit

There are 6 commercial entities of the Government of Sindh under the jurisdiction of DG (CA&E), Karachi. These entities operate under the administrative control of 04 different Principal Accounting Officers. As per Audit Plan 2017-18, the DG (CA&E) audited the accounts of the 05 commercial entities pertaining to year 2016-17.

DG (CA&E) South Karachi conducted the audit of amount of Rs.295.621 million of 05 entities falling under 04 PAOs on test check basis.

This report contains results of audit and evaluation of financial performance of PSEs for the financial year 2016-17 conducted during the audit year 2017-18. Audit observations pertaining to previous financial year are also included in the report. It was also assessed whether or not the organizations are managed in accordance with sound commercial practices and follow canons of financial propriety and government policy directives.

Internal controls were reviewed with the objectives of identifying weak areas and recommending improvements.

The analysis/comments on the annual audited accounts of Public Sector Enterprises were required to be included in this report; however, these entities (**Annexure-2**) failed to submit their annual audited accounts by November 30, 2017, i.e., the prescribed date.

b. Recoveries at the instance of Audit

Recovery of Rs.5.959 million was pointed out in this report. Out of total recoveries, an amount of Rs.5.682 million was affected during January, 2017 to December, 2017. (**Annexure-4**)

c. Audit Methodology

Planning and Permanent Files of auditees were maintained and consulted/updated for audit of accounts for the year 2016-17. Audit was carried out on the basis of risk and adequacy of Internal Control System in the auditee organizations, with specific emphasis on high value items and inherent risk areas. Audit checks were applied keeping in view the nature of transactions, current commercial accounting and auditing best practices in Pakistan and relevant financial and operational manuals.

d. Audit Impact

Audit has contributed towards adding value to the control mechanism of organizations where compliance was made on audit recommendations. Audit has also played pivotal role in implementation of SPPRA rules for transparency in procurement at the most competitive and economical rates. Audit has suggested many recommendations to the management for implementation of effective financial control system to avoid undue wasteful expenditure resulting into losses.

e. Comments on Internal Control and Internal Audit department

Internal controls are reflected from policies, procedures, rules, regulations and monitoring mechanism in any organizations. These controls not only guard against fraud, waste and inefficiency, but ensure reliable and accurate operational and financial information for rational decision-making. A number of internal control weaknesses were observed during the audit of Public Sector Enterprises, some of them are illustrated below:

- i. Management of Receivables in almost all the organizations required immediate attention. The revenue due was not being collected timely resulting in accumulation thereof with a risk of non-recovery.
- ii. Financial Management needs to be strengthened by establishing a system of maintenance of accounts comprising immediate posting of financial transactions, periodical reporting within a financial year, observance of year-end procedures, timely preparation of financial statements upon close of financial year and timely audit of accounts. The Principal Accounting Officers will be in a position to control the affairs of their organizations by strengthening the financial management. The non-submission of audited accounts illustrates weakness of internal control.

f. The key audit findings of the report;

- i Loss due to shortage of crops at godown was reported in 01 case – Rs.0.669 million¹
- ii Misuse of public resources was reported in 02 cases - Rs. 3.080 million²
- iii Non-recovery of dues was reported in 02 cases - Rs. 182.563 million.³
- iv Irregular payment /expenditure was reported in 02 cases - Rs. 23.191 million⁴
- v Loss of revenue was reported in one case - Rs. 736.910 million⁵

¹Paras- 1.1.4.1

²Paras- 1.1.4.3 & 4.1.4.1

³Paras-1.1.4.2 & 3.1.4.2

⁴Paras- 2.1.4.2 & 4.1.4.2

⁵Paras- 3.1.4.1

g. Recommendations

The Principal Accounting Officers need to take necessary steps to evaluate, institute and strengthen the management, budgeting and accounting controls to:

- i. Ensure that inventory of stock is monitored properly.
- ii. Public resources must be used for the benefit of organizations.
- iii. Ensure that all Government dues are recovered timely.
- iv. Expenditure must be made keeping in view the occasion demand by following the relevant rules.
- v. Ensure that loss of revenue is avoided.
- vi. Arrange timely submission of annual audited accounts to audit authorities. (**Annexure-2**)
- vi. Expedite liquidation of closed enterprises to avoid recurring expenses and deterioration of their assets.(**Annexure-3**)
- vii. The Principal Accounting Officers need to established internal controls system so that preventive measures are taken well in time.

SUMMARY TABLES & CHARTS

SUMMARY TABLES & CHARTS

Table 1: Audit Work Statistics

(Rs. in million)

Sr. No.	Description	No.	Budget
1	Total Entities (Departments/PAO's) in Audit Jurisdiction	4	295.621
2	Total formations in Audit jurisdiction	5	295.621
3	Total Entities (Departments/PAO's) Audited	4	295.621
4	Total formations Audited	5	295.621
5	Audit & Inspection Reports	5	295.621
6	Special Audit Reports	Nil	-
7	Performance Audit Reports	Nil	-
8	Other Reports	Nil	-

Table 2: Audit observations regarding Financial Management

(Rs. in million)

Sr. No.	Description	Amount Placed under Audit Observation
1	Unsound asset management	2.293
2	Weak financial management	1,193.915
3	Weak internal controls relating to financial management	99.768
4	Others	454.825
Total		1,750.801

Table 3: Outcome Statistics

(Rs. in million)

Sr. No.	Description	Expenditure on acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total current year	Total last year
1	Outlays Audited	0.138	Nil	94.257	201.229	295.621	869.188
2	Amount Placed under Audit Observation/ Irregularities	2.293	Nil	1,193.915	554.593	1,751.085	638.930
3	Recoveries Pointed Out at the instance of Audit	Nil	Nil	961.168	42.225	1,003.393	261.57
4	Recoveries Accepted /Established at the instance of Audit	Nil	Nil	961.168	42.225	1,003.393	261.57
5	Recoveries Realized at the instance of Audit	Nil	Nil	0.768	4.914	5.682	Nil

Table 4: Irregularities pointed out

(Rs. in million)

Sr. No.	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations and violation of principle of propriety and probity in public operations.	152.455
2	Reported cases of fraud, embezzlement, theft, and misuse of public resources.	2.820
3	Accounting Errors (accounting policy departure from IPSAS, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	-
4	If possible quantify Weaknesses of internal control systems.	287.460
5	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public moneys	1,003.393
6	Non-production of record.	-
7	Others, including cases of accidents, negligence etc.	304.673

Table 5: Cost - Benefit

(Rs. in million)

Sr. No.	Description	2017-18	2016-17	2015-16
1	Outlays Audited	295.621	869.188	1,538.25
2	Expenditure on Audit	19.070	10.850	9.26
3	Recoveries realized at the instance of Audit	5.682	Nil	Nil
	Cost - Benefit Ratio	1:0.29	-	-

Chapter- 1

Agriculture Department

1.1 Sindh Seed Corporation, Hyderabad

1.1.1 Introduction

Sindh Seed Corporation (SSC) was established in the year 1976 for the systematic production, procurement, processing and marketing of all kinds of seeds of major crops on the scientific lines. The prime objective of the SSC is to supply high quality, certified seed to the growers of Sindh on affordable price in order to enhance overall per acre yield in the Province of Sindh. The role and objectives of the organization are to provide technical advices / services to the registered growers and procurement, processing and marketing of certified seeds.

1.1.2 Comments on Audited Accounts

1.1.2.1 The organization has failed to submit annual audited accounts for the years 2011-12 to 2016-17 (Annexure-2)

1.1.3 Compliance of PAC Directives

1.1.3.1 The PAC has yet to discuss Audit Paras pertaining to SSC from the year 2004-05.

1.1.4 Audit Paras

1.1.4.1 Loss due to shortage of crops from the store at Lodhra - Rs. 0.669 million

According to the Clause-22.1.10 of Sindh Seed Corporation Act, 1976 willful tampering, theft or destruction of any records, documents and any property of the Corporation or its associated corporations shall be deemed to constitute misconduct or breach of discipline.

During audit of Sindh Seed Corporation (SSC) for the year 2016-17, it was observed that 382 bags valuing Rs. 0.669 million were missing at Lodhra stores which resulted in to loss (**Annexure-5**).

Audit is of the view that shortage of crop indicates negligence and involvement of SSC staff due to which SSC sustained loss of Rs 0.669 million.

The matter was reported to the management in December, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends fixing of responsibility on the person(s) at fault and recovery of loss from them.

1.1.4.2 Non-recovery from Farm Managers/Suppliers – Rs. 5.008 million

Rule 26 of GFR provides that it is the duty of the Departmental controlling Officer to see that all sum due to Government are regularly and properly assessed, realized and duly credited to the Public Accounts.

During audit of Sindh Seed Corporation (SSC) Hyderabad for the year 2016-17, it was observed that an amount of Rs. 5.008 million was recoverable from the Farm Manager Ghotki on account of sale of sugarcane sown on 90 acres of the Farm. The detail is as under:

(Rs. in million)

Particular	Amount
Area 90 acres x 412 maund per acre = 37080 maund	
Total production 37080 kg maund x 182 (Rate per maund).	6.749
Less: Amount Deposited by the Farm Manager, Ghotki	1.511
Balance amount lying with the Farm Manager	5.238
Less: Amount adjusted against the payment made to the Hari by the Farm Manager	0.230
Net amount not deposited by the Farm Manager Ghotki	5.008

Audit is the view that despite lapse of more than one year the management of SSC failed to recover the outstanding amount which shows slackness on its part.

The matter was reported to the management in December, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends fixing of responsibility besides taking necessary steps for the recovery of outstanding amount at the earliest.

1.1.4.3 Loss due to un-authorized possession of bungalow - Rs.1.080 million

Rule 38 of G.F.R. provides that it is primary responsibility of the departmental authorities to see that all revenues or other debts due to government, which have to be brought to account are correctly and promptly assessed, realized and credited to the public account.

During audit of Sindh Seed Corporation (SSC) for the year 2016-17, it was observed that a bungalow No.A-2 of SSC Residential Colony was allotted to Mr. Naveed Ahmad Choudhary, Major Commanding Officer, of Intelligence Battalion, Hyderabad by the Agriculture Department on July 14, 2001 for a period of one year at a monthly rent of Rs.6,000 per month. After expiry of one-year period, neither bungalow was vacated by the said officer nor the rent of the bungalow was paid which resulted into non-recovery of Rs.1.080 million (Rs.6,000 x 180 months) as on June 30, 2017.

Further, it was observed that Bungalow No.A-1 was allotted to Mr. Shafiq Ahmed Mahesar, Ex-Managing Director-SSC on July 02, 2010. The officer was paying rent @ Rs.6,000 plus Rs.1,000 for electric charges till his transfer from SSC on January 14, 2013. After transfer of the officer, the allotment was cancelled on July 01, 2014 but the officer did not vacate the Bungalow and was residing un-authorizedly.

Audit is of the view that the management extended undue favour to the officers.

The matter was reported to the management in December, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

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

1.1.4.4 Loss on account of auction of land

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

During audit of Sindh Seed Corporation (SSC) for the year 2016-17, it was observed that Sindh Privatization Commission (SPC) auctioned 741.22 acres of land of SSC Ghotki Farm in July 1998 without permission of Agriculture Department and Board of Revenue. Matter was reported to Governor of Sindh who ordered for withdrawal of the land of Gotki Farm from auction process but same was not done by SPC. Meanwhile a bidder filed suit against SPC and it was decided in favour of the bidder but SPC did not file a review petition. Later on, on the directives of Chief Secretary Sindh, SSC filed a review petition in High Court of Sindh on May 30, 2006 which is still pending adjudication. This resulted into deprivation of 741.22 acres of land meant for cotton seed germination.

Audit is of the view that SPC extended undue favour to bidder by not withdrawing the land form auction and by not filing the review petition. Further, the management should have taken the matter with the SPC when the 741.22 acres land of SSC put under auction.

The matter was reported to the management in December, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends investigating the matter with a view to fixing of responsibility on persons for not pursuing the matter properly.

Chapter- 2

Industries and Commerce Department

2.1 Sindh Government Press, Karachi and Khairpur

2.1.1 Introduction

As a result of disintegration of One Unit, the West Pakistan, Government Press, Karachi was renamed as Sindh Government Press, (SGP) Karachi w.e.f. July 01, 1970 under Controller, Printing and Stationery Department, Government of Sindh. Main functions of the Press are as under:

- Printing of all kinds of jobs for all departments/offices of the Government of Sindh.
- Supply of all types of stationery articles to all departments/offices of the Government of Sindh.

2.1.2 Comments on the Audited Accounts

2.1.2.1 The organizations have failed to submit annual audited accounts since 1984-85 and onwards (**Annexure-2**)

2.1.3 Compliance of PAC Directives

2.1.3.1 The PAC has yet to discuss Audit Paras pertaining to SGP from the year 2004-05.

2.1.4 Audit Paras

2.1.4.1 Non-reconciliation of receipts - Rs.106.500 million

Rule 26 of GFR states that it is the duty of the departmental Controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account. The should accordingly arrange to obtain from their subordinate monthly accounts and returns in suitable form claiming credit for so much paid into the treasury or other wise accounted for and compare them with the statements of treasury credit furnished by the Accountant General, to see that the amount reported as collected have been duly credited in the Public Accounts.

During audit of Sindh Government Press (SGP) Karachi for the year 2016-17, it was observed that during the year, receipts of the Press under various head of accounts were not reconciled with Accountant General Sindh. The details are as under:

Code	Description	Amount of receipts (Rs. in million)
C03511	Sale of Gazette	3.198
C03512	Sale of Other Govt Publication	0.077
C03515	Sale of Forms and Registers	20.705
C03516	Sale of Service books	3.429
C03517	Sale of forms and registers to union	0.277
C03519	Press receipts	0.840
C03520	Printing charges for work done for provincial govt	28.963
C03523	Others	2.346
C03526	Stationery receipts	46.665
Total		106.500

Audit is of view that due to non-reconciliation of the receipts the authenticity of the receipts as reported by SGP Karachi could not be verified.

This matter was reported to the management in July, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends fixing of responsibility on the person(s) at fault besides reconciliation of the receipts with the AG Sindh.

2.1.4.2 Unjustified payment to suppliers - Rs.18.448 million

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

During audit of Sindh Government Press (SGP) Karachi, for the year 2016-17, it was observed that the management paid Rs. 18.448 million to different suppliers. It was however, observed that payments for supplies were not entered into the ledger and the invoices of the suppliers and the examination report of the material were also not available in the record.

Furthermore, the management also did not collect the bid security in the form of Demand Draft/Pay Order from authorized Bank. The detail is as under:

Sr. No.	Name of vendor	Chq. No.	Amount paid (Rs.)
1	Mehran Traders	2756321	867,425
2	New Traders	2757260	880,070
3	Mahmood Traders,	2757255	877,480
4	Mahmood Traders	2757255	877,472
5	Mahmood Traders	2757256	877,472
6	Mehran Traders	275,6137	863,885
7	Mehran Traders	2756138	727,970
8	Mehran Traders	2756116	863,885
9	Mehran Traders	2756133	8,085,000
10	Mehran Traders	2756134	536,330
11	Mehran Traders	2756107	850,960
12	Mahmood Traders	2756118	751,340
13	Mahmood Traders	2756108	877,480
14	M/S Dolphin	2756135	510,850
Total			18,447,619

Audit is of the view that without fulfillment of codal requirements, payments of Rs. 18.448 million was un-justified.

This matter was reported to the management in July, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends investigating the matter with a view to fix responsibility on the person(s) at fault.

2.1.4.3 Lapse of funds due to non-utilization of grant - Rs. 59.854 million

As per Rule-10 & 11 of General Financial Rules, every 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 the expenditure of his own money. He is responsible for observance and enforcing order and strict economy at every step.

During audit of Controller Printing and Stationery Department Government of Sindh (HO) for 2016-17, it was observed that an amount of

Rs.59.854 million was granted by the Govt. of Sindh under the ADP Scheme No.822 for Import of 02 color offset printing Machine. However, the funds were neither surrendered nor utilized by the management and lapsed at the end of year.

Audit is of the view that due to negligence of the management an amount of Rs. 59.854 million was lapsed which indicated that poor financial management.

The matter was reported to the management in July, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends fixing of responsibility on the person(s) at fault.

2.1.4.4 Non-surrendering excess allocations – Rs. 5.079 million

According to General Financial Rules, the excess amount must be surrendered to Govt. Treasury before the date of 15 June of every closing year.

During audit of Sindh Government Press (SGP) Khairpur for the year 2016-17, it was observed that budget grant of Rs. 47.155 million was released to the Press for the year 2016-17. The management utilized allocations of Rs. 42.076 million whereas, an amount of Rs. 5.079 million was neither utilized nor surrendered till June 30, 2017. Resultantly, an amount of Rs. 5.079 million was lapsed.

Audit is of the view that due to non-surrendering of the amount, the funds could not be utilized elsewhere by the Govt. of Sindh. This shows weak internal controls in the Press.

The matter was reported to the management in December, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

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

2.1.4.5 Non-utilization of funds - Rs. 3.125 million

According to Rule-10 of General Financial Rules, every 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 the expenditure of his own money. He is responsible for observance and enforcing order and strict economy at every step.

During audit of Sindh Government Press (SGP) Karachi for the year 2016-17, it was observed that Govt. of Sindh granted Rs. 3.125 million for establishment of museum of Antique Printing and Allied Machines in Sindh Government Press, Karachi. It was however observed that the management failed to utilize the funds as no museum was established.

Audit is of the view that non-utilization of funds during the year shows inefficiency and incompetency of the management.

This matter was reported to the management in July, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends investigating the matter with a view to fix responsibility on the person(s) at fault.

2.1.4.6 Non-supply of printed items – Rs. 2.376 million

According to the Rule 23 of GFR, every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud and negligence on his part.

During audit of Sindh Government Press (SGP) Khairpur, for the year 2016-17, it was observed that various Govt. Departments deposited an amount of Rs.10.633 million to SGP Khairpur as advance payments for the supply of printed material. Whereas, the management supplied printed material worth Rs. 8.257 million during the year and failed to supply material amounting to Rs. 2.376 million.

Audit is of the view that the short supply of printed material to the Govt, Departments not only affected the performance / working of the Govt. Departments but also shows the poor performance of SGP Khairpur.

The matter was reported to the management in December, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

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

Chapter-3

Labour and Manpower Department

3.1 Sindh Employees' Social Security Institution

3.1.1 Introduction

Social Security Scheme was launched on March 01, 1967 under West Pakistan Employees' Social Security Ordinance No. X of 1965, with the assistance of the International Labour Organization. The Sindh Employees' Social Security Institution (SESSI), however, came into being on July 01, 1970.

SESSI is an autonomous body and is guided by such instructions on questions of policy as may be given to it from time to time by the Government. The main functions of SESSI is to provide medical care and cash benefits to secured workers and their dependents in the event of sickness, maternity, employment injury, death grant, iddat, disablement gratuity, disablement pension, survivors' pension and ex-gratia grant.

3.1.2 Comments on the Audited Accounts

The organizations have failed to submit annual audited accounts since 1987-88 and onwards (**Annexure-2**)

3.1.3 Compliance of PAC Directives

No PAC directive was outstanding since this was the first audit of the entity.

3.1.4 Audit Paras

3.1.4.1 Unjustified shortfall in contribution - Rs.736.910 million

According to Para 22 of Sindh Employees Social Security Act, 2016 every Employer shall keep such records and shall submit to the institution such returns, at such time, in such form and containing such particulars relating to persons employed by as may be provided in the regulation.

During audit of Sindh Employees Social Security Institution (SSESI) F. B. Area, Karachi Directorate for the years 2014-15 & 2015-16, it was observed that the management failed to achieve the targets fixed for the years 2014-15 and 2015-16. This resulted into shortfall of target by Rs.736.910 million. The detail is as under:

(Amount in Rupees)

F. Year	Targets Fixed	Target Achieved	Short fall/ Deficit
2014-15	425,586,696	392,434,482	33,152,214
2015-16	1,146,061,524	442,302,826	703,758,698
TOTAL	1,571,648,220	834,737,308	736,910,912

Audit is of the view that the targets could not be achieved due to slackness of the management.

The matter was reported to the management in September, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends fixing of responsibility on the person(s) at fault.

3.1.4.2 Non-recovery of Contribution from Employers - Rs.177.555 million

Para-28 of General Financial Rules states that no amount due to Government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable the orders of competent authority for their adjustment must be sought.

During audit of Sindh Employees Social Security Institution (SSESI) of F. B. Area Directorate Karachi for the years 2014-15 & 2015-16, it was observed that the management failed to recover the contribution from 4,559 Employers amounting to Rs.177.555 million.

Audit is of the view that the non-recovery shows slackness on the part of the management.

The matter was reported to the management in September, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends fixing of responsibility on the person(s) at fault besides, recovery of the amount.

3.1.4.3 Unjustified withdrawal of funds - Rs. 27.655 million

According to Sindh Employees Social Security Institution's (SESSI) Letter No. S.S.FD/85/7058 dated January 13, 1986 no cash transaction will be made except from petty cash imprest, as per rules and all transactions ie income/expenditure should be made through crossed cheques. The cheques book will remain in the custody of accounts officer. Cheques should be invariably be "crossed" before issued. All receipts i.e Cheque/Pay order/Cash etc. should immediately be got deposited with the banks.

During audit of SSESI, F. B. Area, Karachi Directorate for the years 2014-15 & 2015-16, it was observed that the management withdrawn Rs.27.655 million for internal purpose without any justification.

Audit is of the view that the withdrawal of amount without any justification was irregular act on the part of the management.

The matter was reported to the management in September, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends that inquiry should carried out in the matter with a view fixing responsibility on the person(s) at fault.

Chapter-4

Special Initiative Department

4.1 Sindh Land Management & Development Company

4.1.1 Introduction

Sindh Land Management & Development Company (SLMDC) has been incorporated on June 24, 2010 as a public limited Company by shares under the Companies Ordinance, 1984. The Company is mainly engaged in the business of land management and development in line with the government policy in the province and for making available land for the purpose of designing cities, towns, townships, new residential, commercial, industrial, recreational, and other such projects.

4.1.2 Comments on the Audited Accounts

4.1.2.1 The organizations have failed to submit annual audited accounts since 1984-85 and onwards (**Annexure-2**)

4.1.3 Compliance of PAC Directives

4.1.3.1 The PAC has yet to discuss Audit Paras pertaining to SLMDC from the year 2011-12.

4.1.4 Audit Paras

4.1.4.1 Unauthorized retention of Company's cars - Rs.2.000 million

According to Employment agreement section-11.5, Termination of Employment, upon the termination of this agreement for whatever reason, or at any time if so requested by the employer, the employee shall immediately return the employer all information, material, or property (including but not limited to computer disks, printouts, manuals, reports, letters, memos, plans, diagrams, security cards, keys, and laptop computers) either belonging to or the responsibility of the employer and all copies of that material, which are in the Employee's position or under their control.

During audit of Sindh Land Management & Development Company Limited (SLM&DCL) for the year 2016-17 it was observed that a company car make (Toyota Corolla) 2010 model, bearing No.GS-7091 valuing Rs.

1.478 million another (Suzuki Mehran) 2011 model bearing No.GS-7846 valuing Rs. 0.522 million were allotted to Mr. Qasim Naveed Qamar, son of former Minister, Syed Naveed Qamar and Mr. Samiuddin Siddiqui an ex-Secretary Special Initiative Department respectively. However, despite issuance of reminders the same were not retrieved by the company since last three years.

Audit is of the view that management extended undue favour to the above-mentioned persons by allocating them vehicles despite the fact they were not company employees.

The matter was reported to the management in August 2017. DAC meeting was held on January 09, 2018. The management informed the DAC that Mr. Samiuddin Siddiqui retained the car as per rules and after taken charge as Director General, KDA he returned the vehicle to the company. DAC directed the management to get its contention verified from audit. DAC further directed to take up the matter with Syed Qasim Naveed Qamar to retrieve the other vehicles. However, no progress was made till finalization of this report.

Audit recommends implementation of the DAC directives.

4.1.4.2 Loss due to Irregular Payment of additional charge allowance - Rs. 4.743 million

According to Government of Sindh, Finance Department letter dated March 12, 1987 as amended from time to time, the additional charge pay is allowed for total period not exceeding eight months where the additional charge is held of higher post, additional pay is allowed at the rate of 20% of the presumptive pay of the second post subject to the maximum Rs.6,000 per month.

During audit of Sindh Land Management & Development Company Limited (SLMDCL), for the year 2016-17 it was observed that management assigned additional charge to its officers and paid Rs. 4.743 million as additional charge allowances in violation of the above rule. The details are as under:

(Amount in Rupees)

Sr. No.	Name & Designation	No. of months	Amount admissible	Total Amount Paid	Amount excess paid
1	Mr. Roshan Ali Shaikh, CEO	15	36,000	2,250,000	2,214,000
2	Mr. Abdul Jabar	18	36,000	1,035,000	999,000
3	Mr. Naveed Ayaz	54	36,000	1,566,000	1,530,000
			108,000	4,851,000	4,743,000

Audit is of the view that management extended undue favor to the officer by paying excess additional charge allowance than due amounting to Rs. 4.743 million.

The matter was reported to the management in August 2017. DAC meeting was held on January 09, 2018. The DAC after deliberation directed the management to recover the amount from the officers mentioned at Sr. No. 1 & 2. For officer at Sr. No.3 DAC directed the management to get its contention verified from audit. However, no progress was made till finalization of this report.

Audit recommends implementation of the DAC directives.

4.1.4.3 Loss due to non-performing of tangible activities - Rs. 76.746 million

As per Finance Division O.M. No. F.15 (13)-R.14/82 dated September 05, 1982, the funds provided, acquired or generated by the autonomous, semi-autonomous bodies and Corporations are public funds which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with the prescribed rules.

During audit of Sindh Land Management & Development Company Limited (SLMDCL), for the year 2016-17, it was observed that Company was formed in 2010 with a view of developing housing and commercial schemes on the land that was to be allotted to it by the Government of Sindh. A sum of Rs. 300 million was sanctioned as authorized capital for the company, out of which Rs. 200 million was released. Hence, despite lapse of six years of the creation of this company, it has not performed any tangible activity. However, it has incurred expenditure of Rs. 76.746 million from its initial capital as on June 30, 2017.

Audit is of the view that the company was established without any planning and feasibility study due to which the operational activities could not be started despite lapse of six years and consumption of capital amounting to Rs. 76.746 million.

The matter was reported to the management in August 2017. DAC meeting was held on January 09, 2018. The management informed the DAC that the said observation as already been taken up by the PAC in the financial year 2012-13 and a detail report will be submitted before the PAC in the upcoming meeting. The DAC agreed to recommend the para for the consideration of PAC.

Audit recommends implementation of the DAC directives.

ANNEXURES

ANNEXURES

Annexure-1

MFDAC Paras

The Directorate General of Commercial Audit, and Evaluation, Karachi on behalf of the Auditor-General of Pakistan, conducted the audit of organizations of Government of Sindh which maintain their accounts on commercial pattern.

As a result of audit conducted during 2017-18, various types of financial irregularities and losses of public money, etc., were detected and reported to the Departments and organizations concerned. The important irregularities/ losses and malpractices pertaining to various organizations have been printed in this report, while irregularities/losses not considered worth reporting to the PAC as listed below were left for Departmental Accounts Committees. The same will be discussed with the respective Secretaries to the Departments by the Director General, Commercial Audit and Evaluation, Karachi.

Sr. No.	Title of Para	Rs. in million	Remarks
Agriculture Department			
Sindh Seed Corporation			
1	Loss due to under-utilization of seed processing plant	142.573	Weak Internal control
2	Non-utilization of cultivatable land causing loss of revenue	31.918	Weak Internal control
3	Loss due to ill planning	31.055	Weak financial management

4	Loss due to Low Production of Crops	55.810	Poor performance of the management
5	Non-recovery of dues from Government Departments	23.540	Weak financial management
6	Loss due to low yield of wheat seed	22.543	Weak Internal control
7	Loss due to rejection of cotton seed stock	14.957	Poor performance of the management
8	Non-recovery from Tenants of Farms	13.368	Weak financial management
9	Blockage of funds due to unsold stock	4.643	Weak financial management
10	Loss due to rejection of wheat seed	2.286	Poor performance of the management
11	Loss due to excess wastages in processing of Wheat Seed	2.180	Weak Internal control
12	Irregular purchase of fertilizer	1.783	Violation of rules
13	Un-authorized allocation of vehicles	--	Weak financial management
14	Un-authorized possession of residential accommodation by outsiders	--	Weak financial management
Industries & Commerce Department			
Sindh Government Press - Khairpur			
15	Irregular retention of Bid/Performance Security	2.925	Violation of Rules
16	Non-disposal of Machinery lying in the Press	1.250	Weak financial

			management
17	Loss due to non-imposition of overhead charges	0.317	Weak financial management
18	Non-recovery from Govt. Departments	0.211	Weak financial management
19	Irregular payment on account of overtime	0.295	Weak financial management
20	Non-maintenance of statutory record	--	Weak financial management
21	Non-revision of the Printing and Stationery Manual, 1960	--	Weak financial management
Special Initiative Department			
Sindh Land Management & Development Company			
22	Irregular re-employment of Deputy Manager	6.740	Weak financial management
23	Wasteful expenditure on hiring of bungalow at lavish area	5.400	Weak financial management

Annexure-2

Non-submission of Audited Accounts

Annual audited accounts of Public Sector Enterprises for the year 2016-17 were required to be submitted to the Directorate General of Commercial Audit and Evaluation, Karachi by November 30, 2017. Despite requests, the organizations (listed below) failed to submit their annual audited accounts for the year(s) indicated against each by the prescribed date. While non-submission of audited accounts needs to be explained, efforts should be made for immediate finalization and submission thereof:

Agriculture Department

- | | | |
|---|---|--|
| 1 | Sindh Agricultural Supplies Organization, Karachi | 2002-03 to 2016-17 (under process of winding up since 2001-02) |
| 2 | Sindh Seed Corporation, Hyderabad | 2011-12 to 2016-17 (under liquidation since 1998-99) |

Industries Department

- | | | |
|---|---|---|
| 3 | Sindh Government Press, Khairpur | Commercialized w.e.f. July 01, 1984 but accounts for the years 1984-85 to 2016-17 were either not compiled on commercial pattern or not submitted to Audit for certification. |
| 4 | Sindh Government Press, Karachi | Commercialized w.e.f. July 01, 1984 but accounts for the years 1984-85 to 2016-17 were either not compiled on commercial pattern or not submitted to Audit for certification. |
| 5 | Sindh Small Industries Corporation, Karachi | 1987-88 to 2016-17 |
| 6 | Sindh Sugar Corporation, Hyderabad | 1998-99 to 2016-17 (under liquidation since 1998-99) |

Labour and Manpower

7 Sindh Employees' Social Security Institution 2015-16& 2016-17

Special Initiative Department

8 Sindh Land Management & Development Company 2016-17

Annexure-3

Organizations under liquidation

The following organizations/units closed their operational activities since the year mentioned against each. The decision about their privatization/liquidation had already been taken but the implementation of the same was awaited.

Agriculture Department

- | | |
|--|---|
| 1. Sindh Agricultural Supplies Organization, Karachi | Under process of winding up since 2001-02 |
|--|---|

Industries Department

- | | |
|---------------------------------------|---------------------------------|
| 2. Sindh Sugar Corporation, Hyderabad | Under liquidation since 1998-99 |
|---------------------------------------|---------------------------------|

Annexure-4

Recoveries made at the instance of Audit

During the year 2017-18, audit inspection of Public Sector Enterprises of Government of Sindh was conducted and results thereof pinpointing various types of financial irregularities and losses of public money, etc. were communicated to administrative Department and Organizations concerned in the shape of Audit Inspection Reports and Audit Paras.

In certain cases, the concerned formations while accepting the losses / irregularities pointed out by Audit, made recoveries to the tune of Rs.5.682 million at the instance / pursuance of audit as detailed below:

(Rs. in million)

Sr. No.	Name of Department/Organization	Brief particulars of recoveries	Amount
Agriculture Department			
1	Sindh Seed Corporation Hyderabad	Non-deposit of sale proceeds of phutty	0.145
Industries and Commerce Department			
2	Sindh Government Press & Stationary Department	Supply of stationery items without paid challans	0.623
3	Sindh Government Press & Stationary Department	Non-recovery of dues from Finance Department	4.914
Total			5.682

(Annexure-5)

(See Para No. 1.1.4.1)

Statement showing the detail of shortage of crops from the store

Sr. No.	Particular	Qty bags	Rate per Bag (Rs)	Value of Crop (Rs)
1.	Paddy IRRI-6	239	800	191,200
2.	Paddy Seed KS-282 Approved	62	800	49,600
3.	Wheat Produce 2014-15	76	4700	357,200
4.	Wheat Produce 2014-15 (Losses of store)	15	4700	70,500
	Total	382		668,500