



AUDIT REPORT
ON
THE ACCOUNTS OF
PUBLIC SECTOR ENTERPRISES
GOVERNMENT OF PAKISTAN
AUDIT YEAR 2022-23
AUDITOR-GENERAL OF PAKISTAN

PREFACE

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973 read with Sections 8, 12 and 15 and other relevant provisions 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 expenditure / receipts from the Federal Consolidated Fund, Public Account and that of Government Commercial Undertakings and of any Authority or Body established by the Federation.

This report is based on audit of the accounts of Public Sector Enterprises (PSEs) of Government of Pakistan for the financial year 2021-22. The Audit Report also contains audit observations of the previous financial years. The Directorate General of Commercial Audit & Evaluation, Islamabad conducted audit during the Audit Year 2022-23 on test check basis, with a view to report significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs. 1.00 million or more. Relatively less significant issues have been listed in the Memorandum for Departmental Accounts Committee **Annex-1**. The audit observations listed in the **Annex-I** shall be pursued with the relevant Principal Accounting Officers (PAOs) of the Ministries/Divisions at Departmental Accounts Committee (DAC) level. In case where the PAOs do not initiate appropriate action, the audit observations will be brought to the notice of the Public Accounts Committee (PAC) through the next year's Audit Report.

Thematic Audit has been made part of this report at Chapter-18. It is an attempt to improve organization's performance through critically reviewing its business processes to identify those risks which are hindering from achieving its intended objectives.

Audit findings indicate the need for adherence to the regulatory frame work besides instituting and strengthening internal control to avoid recurrence of similar violations and irregularities.

Most of the observations included in this report have been finalized in the light of discussions in the DAC meetings.

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 both Houses of Parliament (Majlis-e-Shoora).

Islamabad
Dated: 25.02.2023

Sd/-
(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS	i
EXECUTIVE SUMMARY	xv
Chapter-1	1
Aviation Division Cabinet Secretariat.....	1
1.1 Pakistan International Airlines Corporation	3
1.1.1 Introduction	3
1.1.2 Financial Analysis/Comments on Audited Accounts	3
1.1.3 Compliance of PAC Directives	5
1.1.4 Audit Paras	6
1.2 Skyrooms (Pvt.) Limited.....	86
1.2.1 Introduction	86
1.2.2 Comments on audited accounts	86
1.2.3 Compliance of PAC Directives	86
1.2.4 Audit Paras	87
Chapter-2	91
Cabinet Division	91
2.1 Printing Corporation of Pakistan (Pvt.) Limited	93
2.1.1 Introduction	93
2.1.2 Comments on Audited Accounts	93
2.1.3 Compliance of PAC Directives	97
2.1.4 Audit Paras	98
2.2 Pakistan Tourism Development Corporation (Head Office) Rawalpindi	106
2.2.1 Introduction	106
2.2.2 Comments on Audited Accounts	107
2.2.3 Compliance of PAC Directives	110

2.2.4	Audit Paras	110
Chapter-3		120
Ministry of Commerce & Textile		120
3.1	National Insurance Company Limited	122
3.1.1	Introduction	122
3.1.2	Comments on Audited Accounts	122
3.1.3	Compliance of PAC Directives	122
3.1.4	Audit Paras	123
3.2	Pakistan Re-insurance Company Limited	148
3.2.1	Introduction	148
3.2.2	Comments on Audited Accounts	148
3.2.3	Compliance of PAC Directives	150
3.2.4	Audit Paras	151
3.3	State Life Insurance Corporation of Pakistan	163
3.3.1	Introduction	163
3.3.2	Comments on Audited Accounts	163
3.3.3	Compliance of PAC Directives	164
3.3.4	Audit Paras	166
3.4	Trading Corporation of Pakistan (Pvt.) Limited	220
3.4.1	Introduction	220
3.4.2	Comments on Audited Accounts	220
3.4.3	Compliance of PAC Directives	222
3.4.4	Audit Paras	223
3.5	Pakistan Expo Centers (Pvt.) Limited	247
3.5.1	Introduction	247
3.5.2	Comments on Audited Accounts	247
3.5.3	Compliance of PAC Directives	249
3.5.4	Audit Paras	249

Chapter-4	.....	324
Ministry of Defence	.....	324
4.1	Institute of Space Technology.....	326
4.1.1	Introduction	326
4.1.2	Comments on Audited Accounts	326
4.1.3	Compliance of PAC Directives	328
Chapter-5	.....	329
Ministry of Defence Production	.....	329
5.1	Karachi Shipyard and Engineering Works Limited	332
5.1.1	Introduction	332
5.1.2	Comments on Audited Accounts	332
5.1.3	Compliance of PAC Directives	333
5.1.4	Audit Paras	334
5.2	Pakistan Ordnance Factories (POFs)	361
5.2.1	Introduction	361
5.2.2	Comments on Audited Accounts	362
5.2.3	Compliance of PAC Directives	363
5.2.4	Audit Paras	363
5.3	Wah Industries Limited	376
5.3.1	Introduction	376
5.3.2	Comments on Audited Accounts	377
5.3.3	Compliance of PAC Directives	377
5.3.4	Audit Paras	377
5.4	Wah Brass Mills (Private) Limited	393
5.4.1	Introduction	393
5.4.2	Comments on Audited Accounts	393
5.4.3	Compliance of PAC Directives	395
5.4.4	Audit Paras	395

5.5	Wah Nobel (Private) Limited	418
5.5.1	Introduction:	418
5.5.2	Comments on Audited Accounts	420
5.5.3	Compliance of PAC Directives	423
Chapter-6	.....	424
Finance Division	.....	424
6.1	House Building Finance Company Limited	427
6.1.1	Introduction	427
6.1.2	Comments on Audited Accounts	427
6.1.3	Compliance of PAC Directives	428
6.1.4	Audit Paras	429
6.2	National Bank of Pakistan	447
6.2.1	Introduction	447
6.2.2	Comments on Audited Accounts	447
6.2.3	Compliance of PAC Directives	448
6.2.4	Audit Paras	449
6.3	NBP Fund Management Limited	678
6.3.1	Introduction	678
6.3.2	Audit Paras	678
6.4	National Security Printing Corporation (Pvt.) Limited	682
6.4.1	Introduction	682
6.4.2	Comments on Audited Accounts	682
6.4.3	Compliance of PAC Directives	682
6.4.4	Audit Paras	682
6.5	Pakistan Security Printing Corporation (Pvt.) Limited	692
6.5.1	Introduction	692
6.5.2	Comments on Audited Accounts	692
6.5.3	Compliance of PAC Directives	693

6.5.4	Audit Paras	694
6.6	State Bank of Pakistan	714
6.6.1	Introduction	714
6.6.2	Comments on Audited Accounts	715
6.6.3	Compliance of PAC Directives	717
6.6.4	Audit Paras	717
6.7	SME Bank Limited	746
6.7.1	Introduction	746
6.7.2	Comments on Audited Accounts	747
6.7.3	Compliance of PAC Directives	749
6.7.4	Audit Paras	750
6.8	Zarai Taraqiati Bank Limited	769
6.8.1	Introduction	769
6.8.2	Comments on Audited Accounts	770
6.8.3	Compliance of PAC Directives	774
6.8.4	Audit Paras	775
6.9	Kissan Support Services (Pvt.) Limited	823
6.9.1	Introduction	823
6.9.2	Comments on Audited Accounts	823
6.9.3	Compliance of PAC Directives:	825
6.9.4	Audit Paras	825
Chapter-7	.....	846
Ministry of Energy (Power Division)		846
7.1	National Engineering Services Pakistan (Pvt.) Ltd.	849
7.1.1	Introduction	849
7.1.2	Comments on Audited Accounts	849
7.1.3	Compliance of PAC Directives	852
7.1.4	Audit Paras	853

Chapter-8	898
Ministry of Federal Education and Professional Training	898
8.1 National Textile University Faisalabad	901
8.1.1 Introduction	901
8.1.2 Comments on Audited Accounts	901
8.1.3 Compliance of PAC Directives	903
8.2 NFC Institute of Engineering and Fertilizer Research, Faisalabad	905
8.2.1 Introduction	905
8.2.2 Comments on Audited Accounts	905
8.2.3 Compliance of PAC Directives	905
8.2.4 Audit Paras	906
8.3 NFC Institute of Engineering and Technological Training (Pvt.) Limited, Multan	912
8.3.1 Introduction	912
8.3.2 Comments on Audited Accounts	912
8.3.3 Compliance of PAC Directives	914
8.4 National Book Foundation	915
8.4.1 Introduction	915
8.4.2 Comments on Audited Accounts	915
8.4.3 Compliance of PAC Directives	917
Chapter-9	918
Ministry of Industries and Production	918
9.1 Export Processing Zones Authority	921
9.1.1 Introduction	921
9.1.2 Comments on Audited Accounts	921
9.1.3 Compliance of PAC Directives	921
9.1.4 Audit Paras	922

9.2	Pakistan Industrial Development Corporation	943
9.2.1	Introduction	943
9.2.2	Comments on Audited Accounts	943
9.2.3	Compliance of PAC Directives	945
9.2.4	Audit Paras	945
9.3	Pakistan Institute of Management.....	978
9.3.1	Introduction	978
9.3.2	Comments on Audited Accounts	978
9.3.3	Compliance of PAC Directives	978
9.3.4	Audit Paras	979
9.4	Pakistan Steel Mills Corporation (Pvt.) Limited.....	985
9.4.1	Introduction	985
9.4.2	Comments on Audited Accounts	985
9.4.3	Compliance of PAC Directives	986
9.4.4	Audit Paras	987
9.5	National Fertilizer Corporation (Pvt.) Limited	1022
9.5.1	Introduction	1022
9.5.2	Comments on Audited Accounts	1022
9.5.3	Compliance of PAC Directives	1024
9.5.4	Audit Paras	1024
9.6	Pakistan Stone Development Company	1032
9.6.1	Introduction	1032
9.6.2	Comments on Audited Accounts	1032
9.6.3	Compliance of PAC Directives	1033
9.6.4	Audit Paras	1034
9.7	Small and Medium Enterprises Development Authority ...	1061
9.7.1	Introduction	1061
9.7.2	Comments on Audited Accounts	1061
9.7.3	Compliance of PAC Directives	1063

9.8	State Engineering Corporation (Pvt.) Ltd	1064
9.8.1	Introduction	1064
9.8.2	Comments on Audited Accounts	1065
9.8.3	Compliance of PAC Directives	1067
Chapter-10	.....	1068
	Ministry of Information Technology and Telecommunication.....	1068
10.1	Pakistan Software Export Board (Guarantee) Limited.....	1071
10.1.1	Introduction	1071
10.1.2	Comments on Audited accounts	1071
10.1.3	Compliance of PAC Directives	1072
10.1.4	Audit Paras	1073
Chapter-11	.....	1087
	Ministry of National Health Services Regulation and Coordination	1087
11.1.1	Introduction	1089
11.1.2	Comments on the Audited Accounts	1089
11.1.3	Compliance of PAC Directives:	1090
11.1.4	Audit Paras	1090
Chapter-12	.....	1128
	Ministry of Information, Broadcasting and National History & Literary, Heritage Division.....	1128
12.1	Pakistan Broadcasting Corporation Limited	1132
12.1.1	Introduction	1132
12.1.2	Comments on Audited Accounts	1132
12.1.3	Compliance of PAC directives	1132
12.1.4	Audit Paras	1133
12.2	Pakistan Television Corporation Limited.....	1183
12.2.1	Introduction	1183
12.2.2	Comments on Audited Accounts	1183
12.2.3	Compliance of PAC Directives:	1184

12.2.4	Audit Paras	1185
Chapter-13		1265
Ministry of Interior		1265
13.1	National Database and Registration Authority (NADRA)	1267
13.1.1	Introduction	1267
13.1.2	Comments on Audited Accounts	1267
13.1.3	Compliance of PAC Directives	1271
13.1.4	Audit Paras	1273
13.2	Islamabad Employee's Social Security Institution	1361
13.2.1	Introduction	1361
13.2.2	Comments on Audited Accounts	1361
13.2.3	Compliance of PAC Directives	1361
13.2.4	Audit Paras	1361
Chapter-14		1391
Ministry of Maritime Affairs		1391
14.1	Gwadar Port Authority	1393
14.1.1	Introduction	1393
14.1.2	Comments on Audited Accounts	1393
14.1.3	Compliance of PAC Directives	1394
14.1.4	Audit Paras	1394
14.2	Korangi Fisheries Harbour Authority	1411
14.2.1	Introduction	1411
14.2.2	Comments on Audited Accounts	1411
14.2.3	Compliance of PAC Directives	1412
14.2.4	Audit Paras	1412
14.3	Pakistan National Shipping Corporation	1428
14.3.1	Introduction	1428
14.3.2	Comments on Audited Accounts	1428

14.3.3	Compliance of PAC Directives	1430
14.3.4	Audit Paras	1431
14.4	Port Qasim Authority	1471
14.4.1	Introduction	1471
14.4.2	Comments on Audited Accounts	1471
14.4.3	Compliance of PAC Directives	1471
14.4.4	Audit Paras	1472
Chapter-15		1512
Ministry of National Food Security and Research.....		1512
15.1	Pakistan Agricultural Storage and Services Corporation Limited	1514
15.1.1	Introduction	1514
15.1.2	Comments on Audited Accounts	1514
15.1.3	Compliance of PAC Directives	1517
15.1.4	Audit Paras	1518
15.2	Pakistan Tobacco Board.....	1574
15.2.1	Introduction	1574
15.2.2	Comments on Audited Accounts	1574
15.2.3	Compliance of PAC Directives	1576
Chapter-16		1577
Ministry of Planning, Development and Special Initiatives		1577
16.1	National Logistics Cell	1579
16.1.1	Introduction	1579
16.1.2	Comments on Audited Accounts:	1579
16.1.3	Compliance of PAC Directives:	1580
16.1.4	Audit Paras	1581
16.2	Pakistan Institute of Development Economics	1602
16.2.1	Introduction	1602
16.2.2	Comments on Audited Accounts:	1603

16.2.3	Compliance of PAC Directives:	1605
Chapter-17		1606
Ministry of Science and Technology		1606
17.1	Pakistan Science Foundation	1608
17.1.1	Introduction	1608
17.1.2	Comments on Audited Accounts	1608
17.1.3	Compliance of PAC Directives:	1609
17.1.4	Audit Paras	1610
17.2	STEDEC Technology Commercialization Corporation of Pakistan (Private) Limited	1662
17.2.1	Introduction	1662
17.2.2	Comments on Audited Accounts:	1662
17.2.3	Compliance of PAC Directives	1662
17.2.4	Audit Paras	1663
Chapter-18		1672
Thematic Audit (18.1)		1672
1.	Thematic Audit on the Role of Trading Corporation of Pakistan (Pvt.) Limited in Import & Export of Commodities in relation to Private Sector	1672
2.	Legal framework governing the theme	1675
3.	Stakeholders and Governmental Organizations identified as directly/indirectly involved	1676
4.	Role of Important organizations	1677
5.	Organization's Financials	1679
6.	Field Audit Activity	1686
7.	Conclusion	1702
8.	Departmental Responses	1703
9.	Recommendations	1703

Thematic Audit (18.2)	1705
1 Thematic Audit of Compliance of PPRA Rules in Contract Management in NLC projects	1705
2 Legal frame work governing the Theme	1706
3 Stake holders and governmental organization identified as directly / indirectly involved	1707
4 Role of Organization	1707
5 Organization's financials.....	1708
6 Field Audit Activity	1709
7 Conclusion.....	1759
8 Department Response.....	1760
9 Recommendations	1760
Annex-1	1762
Annex-2	1778
Annex-3	1781
Annex-4	1782
Annex-5	1786
Annex-6	1787
Annex-7	1793
Annex-8	1796
Annex-9	1797
Annex-10	1798
Annex-11	1799
Annex-12	1801
Annex-13	1822
Annex-14	1828
Annex-15	1830
Annex-16	1832

Annex-17	.....	1833
Annex-18	.....	1835
Annex-19	.....	1837
Annex-20	.....	1838
Annex-21	.....	1839
Annex-22	.....	1840
Annex-23	.....	1841
Annex-24	.....	1843
Annex-25	.....	1844
Annex-26	.....	1845
Annex-27	.....	1847
Annex-28	.....	1848
Annex-29	.....	1848
Annex-30	.....	1850
Annex-31	.....	1851
Annex-32	.....	1853
Annex-33	.....	1856
Annex-34	.....	1857
Annex-35	.....	1862
Annex-36	.....	1866
Annex-37	.....	1867
Annex-38	.....	1869
Annex-39	.....	1871
Annex-40	.....	1882
Annex-41	.....	1883
Annex-42	.....	1884
Annex-43	.....	1895

Annex-44	.....	1898
Annex-45	.....	1900
Annex-46	.....	1901
Annex-47	.....	1903
Annex-48	.....	1906
Annex-49	.....	1908
Annex-50	.....	1912
Annex-51	.....	1914
Annex-52	.....	1916
Annex-53	.....	1917
Annex-54	.....	1918
Annex-53	.....	1919
Annex-55	.....	1928
Annex-56	.....	1930
Annex-57	.....	1933
Annex-58	.....	1934
Annex-59	.....	1935
Annex-60	.....	1936
Annex-61	.....	1938
Annex-62	.....	1940
Annex-63	.....	1942
Annex-64	.....	1943
Annex-65	.....	1944
Annex-66	.....	1945
Annex-67	.....	1946
Annex-68	.....	1948
Annex-69	.....	1949

Annex-70	.....	1949
Annex-71	.....	1950
Annex-72	.....	1950
Annex-73	.....	1951
Annex-74	.....	1953
Annex-75	.....	1954
Annex-76	.....	1955
Annex-77	.....	1956
Annex-78	.....	1958
Annex-79	.....	1958
Annex-80	.....	1959
Annex-81	.....	1961
Annex-82	.....	1962
Annex-83	.....	1963
Annex-84	.....	1964
Annex-85	.....	1965
Annex-86	.....	1966
Annex-87	.....	1969
Annex-88	.....	1970
Annex-89	.....	1971
Annex-90	.....	1973
Annex-91	.....	1986
Annex-92	.....	2003
Annex-93	.....	2006
Annex-94	.....	2009
Annex-95	.....	2010
Annex-96	.....	2011

Annex-97	.....	2012
Annex-98	.....	2013
Annex-99	.....	2014
Annex-100	.....	2015
Annex-101	.....	2017
Annex-102	.....	2018
Annex-103	.....	2020
Annex-104	.....	2022
Annex-105	.....	2024
Annex-106	.....	2025
Annex-107	.....	2026
Annex-108	.....	2027
Annex-109	.....	2029
Annex-110	.....	2034
Annex-111	.....	2035
Annex-112	.....	2036
Annex-113	.....	2039
Annex-114	.....	2040
Annex-115	.....	2041
Annex-116	.....	2043
Annex-117	.....	2045
Annex-118	.....	2046
Annex-119	.....	2047
Annex-120	.....	2048
Annex-121	.....	2049
Annex-122	.....	2054
Annex-123	.....	2055

Annex-124	2056
Annex-125	2057
Annex-126	2059
Annex-127	2060
Annex-128	2064
Annex-129	2064
Annex-130	2066
Annex-131	2066
Annex-132	2067
Annex-133	2068
Annex-134	2069
Annex-135	2070
Annex-136	2073
Annex-137	2074
Annex-138	2074

ABBREVIATIONS AND ACRONYMS

ABL	Allied Bank Limited
A&P Division	Architecture & Planning Division
A.I.R / AIR	Audit Inspection Report
AC	Air Conditioner
ACA	Airworthiness Certification Allowance
ACAC	Agricultural Credit Advisory Committee
ACCA	Association of Chartered Certified Accountants
ACMA	Associated Cost & Management Accountant
AD	Assistant Director
ADBP	Agricultural Development Bank of Pakistan
ADG	Airline Disclosure Guides
ADR	Advances to Deposit Ratio
AED	Emirati Dirham
AFIS	Automated Figure Identification System
AG	Accountant General / Adjutant General
AGL	Agritech Limited
AGM	Annual General Meeting
AGP	Auditor General of Pakistan
AGPR	Accountant General Pakistan Revenues
AHAN	Aik Hunar Aik Nagar
AIBG	Aetmaad Islamic Banking
AIDS	Acquired Immune Deficiency Syndrome
AJK	Azad Jammu Kashmir
AKDISIF	Aqeel Karim Dhedhi Islamic Income Fund
AM	Assistant Manager
AMA	Authorized Medical Attendant
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
ANL	Azgard Nine Limited
AP Tablets	Aluminum Phosphate Tablets
APP	Average Payment Period / Associated Press of Pakistan (Pvt.) Ltd. / Annual Procurement Plan
APPC	Associated Press of Pakistan Corporation
APR	Annual Performance Report
APT	Appointment, Promotion and Transfer
APU	Auxiliary Power Unit
ARC	Account Receivables Conversion
ASF	Air Port Security Force
ATL	Active Taxpayer List
ATMs	Automated Teller Machine
AVP	Assistant Vice President
AVR	Automatic Voltage Regulator
AWT	Army Welfare Trust
AY	Audit Year
B.Sc	Bachelor of Science
BAC	Board Audit Committee

BAFL	Bank Alfalah
BBA	Bachelor of Business Administration
BBIAP	Benazir Bhutto International Airport
BCC	Branch Credit Committee
BCF	Border Crossing Facility
BCP	Business Continuity Plan
BDU	Business Development Unit
BG/BoG	Board of Governors
BGF	Baltoro Growth Fund
BHRRC	Business and Human Rights Resource Centre
BIA	Business Impact Analysis
BIPL	Bank Islami Pakistan Limited
BISE	Board of Intermediate and Secondary Education
BISP	Benazir Income Support Program
BM	Branch Manager
BMP	Banking Mohtasib Pakistan
BMV	Bio-Metric Verification
BNA	Banks Nationalization Act
BoD / BOD	Board of Directors
BoP	Bank of Punjab
BOQ / BoQ	Bill of Quantity
BOT	Board of Trustees / Build, Operate and Transfer
BPD	Biological Production Division
BPS	Basic Pay Scale
BSC	Banking Services Corporation
BSDC-W	Business Skills Development Centre for Woman
C&F	Cost and Freight
C&IBTD	Corporate & Investment Banking, Treasury and Deposit
CA	Chartered Accountant / Contract Agreement
CAA	Civil Aviation Authority
CAD	Cash Against Document Financing / Computer-Aided Design
CAM	Common Area Management
CAP	Continuing Airworthiness of Type Design
CAR	Central Asian Republics
CBA	Collective Bargaining Agent / Cost Benefit Analysis
CBBM	Currency Bundle Binding Machines
CBSWM	Currency Bundle Shrink Wrapping Machines
CCC	Centralized Credit Committee
CCI	Council of Common Interest
CCRV	Compassionate Care for Rape Victims
CCTV	Closed-Circuit Television
CDA	Capital Development Authority
CDC	Central Depository Company
CDD	Customer Due Diligence
CDR	Cash Deposit Receipt
CDWP	Central Development Working Party
CEC	Cotton Exchange Company
CEO	Chief Executive Officer

CFM	Cubic Feet Per Minute
CFO	Chief Finance Officer
CFR	Cost Freight Rate
CFT	Cross Functional Team
CFTC	Community Facilitation & Training Centre
CGPA	Cumulative Grade Point Average
CIA	Chief Internal Auditor
CIB	Credit Information Bureau
CLDP	Car Loan Depreciation Policy
CM Division	Construction Management Division
CMA	Controller Military Accounts
CMD	Credit Management Division
CMO	Chief Medical Officer
CNC	Computer Numerical Control
CNE	Cases Not Entitled
CNIC	Computerized National Identity Card
Co.	Company
COAS	Chief of Army Staff
COF	Commodity Operating Financing
COO	Chief Operating Officer
COVID	Coronavirus Disease
Covid-19	Corona Virus Disease of 2019
CP	Counter-Party
CP Fund	Contributory Provident Fund
CPA	Citizen Participatory Audit
CPC	Computerized Payment Certificate / Central Procurement Committee
CPEC	China-Pakistan Economic Corridor
CPF	Contributory Provident Fund
CPLA	Civil Petition for Leave to Appeal
CPR	Computerized Payment Receipt
CPT	Carriage Paid To
CPWD	Central Public Works Department
CRC	Child Registration Certificate
CRMS	Civil Registration Management System
CRP	Competitive Research Program
CRR	Cash Reserve Ratio
CSO	Chief Security Officer
CSR	Corporate Social Responsibility
CTO	Chief Technology Officer
CV	Curriculum Vitae
CVO	Cash Verification Officer
D.O	Demi-Official
DAC	Departmental Accounts Committee
DAGP	Department of the Auditor General of Pakistan
DAU	Data Acquisition Unit
DCC	Disciplinary Cases Committee
DD-IV	Double Dispensary IV
DDWP	Departmental Development Working Party

DF	Demand Finance
DFI	Development Financial Institution
DG	Director General
DG CA&E	Director General Commercial Audit & Evaluation
DGM	Deputy General Manager
DGR	Directorate General of Registration
DHA	Defence Housing Authority
DHQ	District Headquarters
DICR	Director Industrial & Commercial Relations
Dir	Director
DPC	Departmental Promotion Committee
DPDs	Days Past Dues
DPE	Data Processing Executive
DPEs	Defence Production Establishments
DR	Disaster Recovery
DRP	Disaster Recovery Plan
DRP Fund	Disabled Persons' Rehabilitation Fund
DSC	Departmental Selection Committee
DTB	Deposit Taking Branches
EASA	European Union Aviation Safety Agency
EC	Economic Council
ECC	Economic Co-ordination Committee
ECNEC	Executive Committee of the National Economic Council
EDP	Electric Data Processing / Employees Disciplinary Policy
EISA	Extended Industry Standard Architecture
EOBI	Employee Old-Age Benefits Institution
EOI	Expression of Interest
EOL	Extra Ordinary Leave
EPA	Environmental Protection Agency
EPC	Escalation Payment Certificate / Engineering, Procurement and Construction
EPI	Expended Program on Immunization
EPS	Earnings Per Share
EPSL	ENAR Petrotech Services Limited
EPZ	Export Processing Zone
EPZA	Export Processing Zones Authority
ERP	Enterprise Resource Planning
EU	European Union
EVP	Executive Vice President
F&A	Finance & Accounts
F.Sc	Faculty of Science
FA	Financial Advisor
FAOF	Financial Advisor Ordinance Factories
FAP	Foreign-Aided Project
FATA	Federally administrated Tribal Area
FBR	Federal Board of Revenue
FC	Foreign Currency
FD	Finance Division
FDU	Fruit Dehydration Unit

FE&PTD	Federal Education & Professional Training
FERA	Foreign Exchange Regulations Act
FIA	Federal Investigation Agency
FICS	Fellow of International College of Surgeons
FIFO	First in First Out
FIR	First Information Report
FIR	First Information Report
FIRO	Fundamental Interpersonal Relations Orientation
FIU	Field Intelligence Unit
FML	Fund Management Limited
FOB	Free on Board
FOR	Free on Road
FPSC	Federal Public Service Commission
FRC	Family Registration Certificate
FSD	Food Services Department
FTF	Foreign Trade & Finance
FVC PC	Fruits, Vegetables & Condiments Processing Centre
FY	Financial Year
GAS	Ghar Aasan Scheme
GAVI	Global Alliance for Vaccines & Immunization
GB	Governing Body / Gilgit-Baltistan
GDP	Gross Domestic Product
GE	General Electric
G2G	Government to Government
GFATM	Global Fund to Fight AIDS Tuberculosis & Malaria
GFR	General Financial Rules
GHQ	General Headquarters
GI	Galvanized Iron
GIL	Ghandhara Industries Limited
GITEX	Gulf Information Technology Exhibition
GL	General Ledger
GLP	Good Laboratory Practice
GM	General Manager
GMP	Good Manufacturing Practice
GM-PC	General Manager Production Coord
GoBP	Government of Punjab
GoP / GOP	Government of Pakistan
GPA	Gwadar Port Authority
GSP	Geological Survey of Pakistan
GST	General Sales Tax
H&AID	Health & Accidental Insurance Division
HBA	House Building Allowance
HBF	House Building Finance
HBFCL	House Building Finance Company Limited
HBL	Habib Bank Limited
HD	High Definition
HEC	Higher Education Commission / Heavy Electrical Complex (Pvt.) Limited
HF	High frequency

HIV	Human Immune Deficiency Virus
HMT	Hired Mechanical Transport
HO	Head Office
HOD	Head of Department
HP	Hewlett Packard
HPL	Hascol Petroleum Limited
HPT	High Power Transmission
HQ	Head Quarter
HR	Human Resource
HRB	Human Resource Budget
HRBP	Human Resource Business Partner
HRD	Human Resource Division'
HRM	Human Resource Management
HRMG	Human Resource Management Group
Hrs.	Hours
HVAC	Heating, Venting and Air Conditioning
I&B	Information & Broadcasting
i.e.	That is
IA	Internal Audit / Implementation Agreement
IAD	Internal Audit Department
IAS	International Auditing Standard
IASB	International Accounting Standards Board
IATA	International Air Transport Association
IBCC	Inter Board Committee of Chairman
Ibid	In the Same Source
IBs	Islamic Banks
IC	Investment Committee
ICAO	International Civil Aviation Organization
ICB	International Competitive bidding
ICC	International Cricket Council
ICT	Islamabad Capital Territory
IDA	Inspection Department Armaments
IDBP	Industrial Development Bank of Pakistan
IDG	Inclusive Development Group
IDM	Identity Management
IEFR	Institute of Engineering and Fertilizer Research
IESCO	Islamabad Electricity Supply Company
IESSI	Islamabad Employees Social Security Institution
IET	Institute of Engineering and Technological Training
IFRS	International Financial Reporting Standards
IHC	Islamabad High Court
IJP Road	Inter Junction Principal Road
ION	Internal Office Note
IPC	Interim Payment Certificate
ISO	International Standards Organization
IST	Institute of Space Technology
ISU	Industrial Stitching Unit
IT	Information Technology

JCR	Japan Credit Rating
JV	Joint Venture / Journal Voucher
KCIP	Korangi Creek Industrial Park
KE	Karachi Electric
KEPZ	Karachi Export Processing Zone
Kg	Kilogram
KIBOR	Karachi Inter-Bank Offered Rate
KKH	Karakoram Highway
KMs	Kilometers
KoFHA	Korangi Fisheries Harbour Authority
KP	Khyber Pakhtunkhwa
KP-EZDMC	KP-Economic Zones Development and Management Company
KPRA	Khyber Pakhtunkhwa Revenue Authority
KPT	Karachi Port Trust
KS&EW	Karachi Shipyard & Engineering Works
KSSL	Kissan Support Services (Pvt.) Ltd.
KTDMC	Karachi Tools, Dies and Moulds Centre
KVA	kilovolt-ampere
KW	Kilo Watt
KW&SB	Karachi Water & Sewerage Board
KYC	Know Your Customer
LACIP	Loans for agricultural, commercial and industrial purposes
LC	Letter of Credit
LCS	Leopard Courier Services
LD	Liquidated Damages
LEC	Large Expenditure Committee
LFA	Leave Fair Assistance
LME	London Metal Exchange
LMS	Learning Management System
LNG	Liquefied Natural Gas
LOI	Letter of Intent
Ltd.	Limited
LTFF	Long Term Financing Facility
LTU	Large Tax Unit
M&AOA	Memorandum & Article of Association
M&E	Monitoring & Evaluation
M.Com	Masters of Commerce
M.Sc.	Master of Science
M.Ton	Metric Ton
M/s	Messer
MBA	Master of Business Administration
MBS	Metro Bus Service
MCB	Muslim Commercial Bank
MCBFSL	MCB Financial Service Limited
MCC	Medicine Coordination Cell
MCO	Mobile Credit Officer
MCQ	Multiple Choice Question
MD	Managing Director

MDDC	Medical Devices Development Center
MDGs	Millennium Development Goals
MES	Military Engineering Services
MFDAC	Memorandum for Departmental Accounts Committee
MFIs	Micro Finance Institutions
MIS	Management Information System
MLA	Master License Agreement
MMT	Million Metric Ton
MNA	Member of National Assembly
MNFSR	Ministry of National Food Security and Research
MO NFS&R	Ministry of National Food Security & Research
MoD	Ministry of Defence
MODP / MoDP	Ministry of Defence Production
MOE	Ministry of Education
MoF	Ministry of Finance
MOI&P	Ministry of Industries & Production
MoIB	Ministry of Information & Broadcasting
MoITT	Ministry of Information Technology and Telecommunication
MoST / MOST	Ministry of Science & Technology
MOU / MoU	Memorandum of Understanding
MP	Management Position Scales
MPA	Member of Provincial Assembly / Masters of Public Administration
MPC	Member Production Co-ordination
MQ	Model Quarries
MSc	Master of Science
MT	Metric Ton
MTBs	Market Treasury Bills
MTO	Management Trainee Officer
MW	Mega Watt
NAB	National Accountability Bureau
NADRA	National Database and Registration Authority
NBCP	National Book Council of Pakistan
NBDP	National Business Development Program
NBF	National Book Foundation
NBP	National Bank of Pakistan
NCB	National Competitive Bidding / National Commercial Bank
NCLV	No Child Left Behind
NCOC	National Command & Operation Centre
NDC	National Defence Complex/ No Demand Certificate
NDFC	National Development Finance Corporation
NDMA	National Disaster Management Authority
NDO	National Database Organization
NEFT	National Express Freight Train
NEPRA	National Electric Power Regulatory Authority
NESCOM	National Engineering & Scientific Commission
NESPAK	National Engineering Services Pakistan (Pvt.) Ltd.
NEST	National Endowment Scholarships for Talent
NFC	National Fertilizer Corporation of Pakistan (Pvt.) Limited

NFML	National Fertilizer Marketing Limited
NGOs	Non-Government Organizations
NHA	National Highway Authority
NHR&C	National Health Services Regulation & Coordination
NIBAF	National Institute of Banking & Finance
NICL	National Insurance Company Limited
NICOP	National Identity Card for Overseas Pakistani
NIH	National Institute of Health
NIAP	New Islamabad International Airport
NIPD&MC	National Industrial Parks Development & Management Company
NIS	National Identification System
NIT	National Investment Trust
NLB	National Logistics Board
NLC	National Logistic Cell
No.	Number
NOC	No Objection Certificate
NPL	Non-Performing Loans
NPLs	Non-Performing Loans
NRC	NADRA Registration Center
NRTC	National Radio and Telecommunication Corporation
NSI	Non-Scheduled Item
NSPC	National Security Printing Company
NSS	National Science School
NTC	National Telecommunication Corporation
NTN	National Tax Number
NTU	National Textile University
NUST	National University of Science & Technology
NWIZ	North West Industrial Zone
O.M / OM	Office Memorandum
OBU	Overseas Banking Unit
OECD	Organization for Economic Co-operation and Development
OEM	Original Equipment Manufacturer
OGDCL	Oil and Gas Development Company Limited
OIC	Officer in Command / officer incharge
OMR	Omani Riyal
Ops	Operations
ORS	Oral Rehydration Solution
OTS	Open Testing Service
OTT	Over The Top
P&D	Planning and Development
P&GS	Personnel & General Services
PAC	Public Accounts Committee
PACRA	Pakistan Credit Rating Agency
PAF	Pakistan Air Force
PAO	Principal Accounting Officer
PAR	Performance Audit Report
PARC	Pakistan Agricultural Research Council
PASDEC	Pakistan Stone Development Company

PASHA	Pakistan Software Houses Association
PASSCO	Pakistan Agriculture Storage & Services Corporation Ltd
PBC	Pakistan Broadcasting Corporation
PCB	Pakistan Cricket Board
PCSSDC	Pakistan Chemical and Energy Sector Skill Development Company
PCFL	Pak China Fertilizers Ltd
PC-I	Planning Commission Form-1
PCP	Printing Corporation of Pakistan
PD	Project Director
PDC	Product Development Centre
PDM	Pakistan Democratic Movement
PDWP	Provincial Development Working Party
PEC	Pakistan Engineering Council / Pakistan Expo Centre
PEMRA	Pakistan Electronic Media Regularity Authority
PEP	Politically Exposed Persons
PESSI	Punjab Employees Social Security Institution
PG	Pay Group
PG&JDC	Pakistan Gems & Jewellery Development Company
PhD	Doctor of Philosophy
PHDEC	Pakistan Horticulture Development and Export Company
PI	Principal Investigator
PIA /PIAC	Pakistan International Airlines Corporation
PIAC	Pakistan International Airlines Corporation
PIB/T Bills	Pakistan Investment Bonds / Treasury Bills
PIBs	Pakistan Investment Bonds
PICT	Pakistan International Container Terminal
PID	Press Information Department / Partner in Development
PIDA	Pakistan Island Development Authority
PIDC	Pakistan Industrial Development Corporation
PIDE	Pakistan Institute of Development Economics
PIM	Pakistan Institute of Management
PIMS	Pakistan Institute of Medical Sciences
PKR	Pak Rupees
PLIP	PSPC Leadership Induction Program
PLS	Profit & Loss Sharing
PM	Prime Minister / Program Manager / Prime Mover / Per Month
PMDC	Pakistan Medical & Dental Council
PMMS	Project Master Minutes Sheet
PMT	Per Matric Ton
PMTF	Pakistan Machine Tool Factory
PMTL	POFs Metallurgical Testing Laboratory
PMU	Project Management Unit
PN	Pakistan Navy
PNSC	Pakistan National Shipping Corporation
PO	Principal Office / Pay Order
POC	Pakistan Origin card
POF	Pakistan Ordnance Factories
POFB	Pakistan Ordnance Factories Board

POFIT	Pakistan Ordnance Factories Institute of Technology
POL	Petroleum, Oil and Lubricants
POS	Point of Sale
PPOs	Pension Payment Orders
PPP	Public-Private Partnership
PPR	Public Procurement Rules
PPRA	Public Procurement Regulatory Authority
PQA	Port Qasim Authority
PR	Pakistan Railways / Prudential Regulations
PRCL	Pakistan Reinsurance Company Limited
PRs	Prudential Regulations
PSA	Passenger Sales Agreement
PSAA	Passenger Sales Agency Agreement
PSC	Preliminary Selection Committee
PSCCGR	Public Sector Companies (Corporate Governance) Rules
PSCs	Public Sector Companies
PSDP	Public Sector Development Programme
PSEB	Pakistan Software Export Board
PSEs	Public Sector Enterprises
PSF	Pakistan Science Foundation
PSFCL	Pakistan Steel Fabricating Company (Pvt.) Limited
PSL	Pakistan Super League
PSM	Pakistan Steel Mills
PSO	Pakistan State Oil
PSPC	Pakistan Security Printing Corporation
PTB	Pakistan Tobacco Board
PTC	Pakistan Tobacco Company / Plastic Technology Center
PTCL	Pakistan Telecommunication Limited
PTDC	Pakistan Tourism Development Corporation
PTI	Pakistan Tehreek-e-Insaf
PTV	Pakistan Television
PTVC	Pakistan Television Corporation
Pvt.	Private
PWD	Public Works Department
Q&R	Quarter and Rent Regulation
QA	Quality Assurance
QAR	Qatari Riyal
QSF	Quality School Foundation
Qty	Quantity
RAR	Running Account Receipt
RBG	Retail Banking Group
RBS	Re-Broadcasting Station
RCC	Reinforced Cement Concrete
RD&R	Revenue, Debt & Remittance
RE	Regional Executives
RECP	Rice Export Corporation of Pakistan
REFC	Real Estate Finance Committee
Retd.	Retired

RFP	Request for Proposal
RFQ	Request for Quotation
RIC	Rawalpindi Institute of Cardiology
RO	Regional Office / Release Order
RPO	Recovery Point Objective
RRC	Rate Running Contract
Rs	Rupees
RSB	Recruitment and Selection Board
RTO	Regional Tax Office / Recovery Time Objective
S&GAD	Service and General Administration Department
SAM	Special Asset Management
SAP	System Application & Products
SAT	Sight Acceptance Testing
SBCC	Sialkot Business & Commerce Centre
SBP	State Bank of Pakistan
SC	Supreme Court
SCM	Supply Chain Management
SCO	Special Communication Organization
SD	Standard Definition
SDA	Sarhad Development Authority
SDF	Special Deposit Fund
SDGs	Sustainable Development Goals
SEC	State Engineering Corporation
SECP	Securities and Exchange Commission of Pakistan
SEVP	Senior Executive Vice President
Sft.	Square foot
SGA	Shot Gun Ammunition
SGS	Shandar Ghar Scheme
SIDCL	Sindh Infrastructure Development Company Limited
SLA	Service Level Agreement
SLIC	State Life Insurance Corporation
SLTS	Ship Lift And Transfer System
SME	Small and Medium Enterprises
SME FC	Small & Medium Enterprises Facilitation Centre
SMEDA	Small and Medium Enterprise Development Authority
SMME	School of Mechanical and Manufacturing Engineering
SOP	Standard Operating Procedure
SOP / SOPs	Standard Operating Procedure / Standard Operating Procedures
SP&PL	Special Projects and Planning
SPC	Special Procurement Committee
SPD	Strategic Plans Division
SPM	Standard Procedure Manual
SRB	Sindh Revenue Board
SRL	SkyRooms Private Limited
SRO	Statutory Regulatory Order
SSC	Secondary School Certificate / Serious Safety Concern
SSGC	Sui Southern Gas Company
SSP	Senior Superintendent of Police

SST	Sindh Sales Tax
STEDEC	Scientific & Technological Developmental Corporation of Pakistan
STEM	Science, Technology, Engineering and Mathematics
STFS	Science Talent Farming Scheme
STN	Sale Tax Number
STP	Software Technology Park
SVP	Senior Vice President
SW	Short Wave
SWIZ	South West Industrial Zone
T&CMG	Treasury & Capital Market Groups
TA/DA	Travelling Allowance and Dearness Allowance
TB	Tuberculosis
TC	Typhoid Cholera
TCO	Third Country Operators
TCP	Trading Corporation of Pakistan
TD	Term Deposit
TDB	Technical Disposal Board
TDP-ERP	Temporary Displace persons Emergency /Recovery Program
TDR	Term Deposit Receipt
TF	Telecommunication Foundation
TFCs	Term Finance Certificates
TGS	Technical Ground Service
THQ	Tehsil Headquarters
TICs	Tourist Information Centers
TLP	Tehreek-e-Labbaik Pakistan
TMS	Time Management System
ToR	Terms of Reference
TORs	Terms of reference
TPC	Technical Procurement Committee
TRs	Treasury Receipts
TSB	Total serum Bilirubin
U.O	Unofficial
UAE	United Arab Emirates
UBL	United Bank Limited
UET	University of Engineering & Technology
US	United States
US\$	United States Dollar
USA	United States of America
USC	Utility Stores Corporation
USD	United States Dollar
USF	Universal Service Fund
VO	Variation Order
Vol	Volume
VP	Vice President
VSS	Voluntary Separation Scheme
VU	Virtual University
WAPDA	Water and Power Development Authority
WBM	Wah Brass Mill

WDV	Written Down Value
WHO	World Health Organization
WHT	Withholding Tax
WIL	Wah Industries Limited
ZM	Zonal Manager
ZTBL	Zarai Taraqiati Bank Limited

EXECUTIVE SUMMARY

The Directorate General of Commercial Audit & Evaluation, (DG, CA&E), (North) carry out audit and evaluation of Public Sector Enterprises (PSEs) established / controlled by Federal Government which maintain their accounts on commercial basis. Sections 8, 12 & 15 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 empower the Auditor General of Pakistan to conduct audit of companies and corporations established in the public sector.

DG, CA&E (North) has human resource of 196 officers and staff equivalent to 43,791 man-days for audit. Out of which 32,461 man-days were allocated for undertaking field audit activities. Out of these, 12,031 man-days were utilized for conducting audit of Federal Public Sector Enterprises by DG CA&E. The annual budget of the Directorate General for the year 2021-22 amounted to Rs. 72.275 million. This report contains results of audit inspection and evaluation of financial performance of public sector entities for the financial year 2021-22 and thematic audit on theme of "Compliance of PPRA rules in contract management" for one entities (National Logistic Cell) conducted during the audit year 2022-23.

This report also contains comments on the audited annual accounts of 31 public sector enterprises. However, comments on 48 PSEs (**Annex-2**) could not be included in this report as the concerned management failed to submit their audited accounts by the cut-off date i.e. December 31, 2022. Moreover, ten organizations (**Annex-3**) ceased their operational activities during the period 1990 to 2008. These are still under the process of liquidation / privatization.

Thematic Audit

A thematic audit is an in-depth examination of a selected area, which may involve more than one public sector entities. Such in-depth examination enables DAGP to report on good practices in financial governance and controls that it may come across in the course of audit, in addition to lapses. The area selected for thematic audit was Compliance of PPRA rules in contract management, being the primary framework of public sector enterprises procurements. National Logistic Cell was the organization audited thoroughly for Compliance of PPRA

rules in contract management. Another area was also selected to assess the share and effectiveness of Trading Corporation of Pakistan in overall import and export of selected commodities in the country and to conduct comparative analysis of business model. Resultantly audit observations of the themes were reported in a separate report in addition to main regularity audit report. Major procedural lapses were observed in thematic audit reports and corrective measures were suggested.

a. Scope of Audit

This office is mandated to conduct audit of 85 entities working under 23 PAOs/Ministries. Total expenditure and receipts of these entities were Rs. 885.346 billion and Rs. 1,832.682 billion respectively for the financial year 2021-22.

Audit coverage relating to expenditure for the current year comprises 38 entities of 19 PAOs/Ministries having a total expenditure of Rs. 826.972 billion for the financial year. In terms of percentage, the audit coverage for expenditure is 93.41% of auditable expenditure.

Audit coverage relating to receipts for the current year comprises 38 entities of 19 PAOs/Ministries having a total receipt of Rs. 1,811.341 billion for the financial year. In terms of percentage, the audit coverage for auditable receipts is 98.84%.

In addition to this audit report, DG, CA&E conducted two (2) Financial Attest Audit, one (01) Performance Audit, one (01) Foreign Aided Project Audit, one (02) Special Audits and two (02) Thematic Audit. Reports of these audits (except thematic audit) are being published separately.

b. Recoveries at the instance of Audit

As a result of audit, recovery of Rs. 260,811.076 million was pointed out in this report. Recovery effected from Jan. to Dec. 2022 is Rs. 32,251.660 million which has been verified by Audit. **(Annex-4).**

c. Audit Methodology

Audit methodology for conducting audit of the accounts for the year 2021-22 of the auditee organizations started from audit planning, consulting and

updating permanent files. Desk audit helped the auditors in understanding the systems, procedures and environment of the entities before starting field activity. This facilitated to identify high risk areas for audit tests to be applied in the field. Audit was carried out based on adequacy of internal control system in the organization with specific emphasis on high value items and inherent risk areas. Audit checks were applied keeping in view the nature of transaction, accounting standards and best auditing practices as well as rules and regulations contained in relevant financial and operational manuals.

d. Audit Impact

Audit has contributed towards adding value to the control mechanism of organizations which complied with audit recommendations. As a result of audit, management's awareness about internal controls and overall financial discipline has improved. An example of better audit impact was witnessed in improved compliance of PPRA Rules 2004. The importance of management's adherence to competitive procurement processes, transparent recruitments and effective fund utilization was reinforced.

e. Comments on Internal Controls and Internal Audit Department

Though Internal Audit wing exists in most of the organizations, but the real spirit of independence has been compromised by placing it directly under the management. In other instances, it has been noticed that internal audit works under the supervision of heads of the finance wing leading to conflict of interest. Resultantly, free and fair opinion of the internal audit wing could not be achieved. The observations relating to violation of rules and regulations by the organizations are due to under performance of the internal audit wing. It is stressed that internal audit wing should be placed directly under the supervision of audit committee of the BoD, to make its role more effective and meaningful.

f. Key Audit Findings

- i. Twenty six cases of embezzlement/misappropriation/fraud of funds were identified - Rs. 5,588.084 million¹.

¹ Para-1.1.4.3, 4.1.4.1, 4.1.4.9, 5.2.4.12, 5.2.4.15, 5.2.4.16, 5.2.4.18, 5.2.4.19, 5.2.4.21, 5.2.4.22, 5.2.4.23, 5.2.4.24, 5.2.4.34, 5.2.4.38, 10.1.4.16, 10.1.4.20, 11.1.4.5, 11.1.4.15, 13.1.4.3

- ii. Irregularities in one hundred and twenty two HR/ employees related issues were identified - Rs. 14,070.284 million².
- iii. One hundred and thirty seven cases of mis-procurement due to violation of rules, procedures & regulations were identified – Rs. 87,639.293 million³.
- iv. Fourteen cases of imprudent investments leading to loss - Rs. 16,665.794 million⁴.
- v. Sixty six cases of non-recovery were identified – Rs. 108,171.872 million⁵.
- vi. In thirteen cases, management did not produce auditable record – Rs. 1,735.839 million⁶.
- vii. Value for money was compromised in one hundred and fourteen procurement cases - Rs. 147,367.887 million⁷.

² Para- 2.1.4.4, 2.1.4.5, 3.5.4.6, 3.5.4.7, 3.5.4.9, 3.5.4.10, 3.5.4.12, 3.5.4.13, 5.2.4.7, 5.3.4.1, 5.3.4.2, 5.3.4.4, 5.4.4.2, 5.4.4.15, 6.2.4.12, 6.2.4.13, 6.2.4.15, 6.2.4.18, 6.2.4.24, 6.2.4.27, 6.2.4.35, 6.7.4.8, 6.7.4.9, 6.7.4.10, 6.7.4.11, 6.7.4.12, 6.7.4.13, 6.8.4.7, 6.8.4.9, 6.8.4.35, 6.8.4.36, 6.9.4.3, 6.9.4.4, 6.9.4.5, 6.9.4.6, 6.9.4.7, 6.9.4.8, 6.9.4.9, 6.9.4.10, 7.1.4.6, 7.1.4.7, 7.1.4.9, 7.1.4.12, 7.1.4.14, 7.1.4.16, 7.1.4.20, 7.1.4.25, 7.1.4.27, 7.1.4.28, 7.1.4.29, 7.1.4.37, 8.2.4.4, 9.6.4.10, 9.6.4.12, 9.6.4.13, 9.6.4.14, 9.6.4.16, 9.6.4.19, 10.1.4.1, 10.1.4.3, 10.1.4.6, 11.1.4.11, 12.1.4.20, 12.1.4.21, 12.1.4.23, 12.1.4.27, 12.1.4.28, 12.1.4.30, 12.2.4.22, 12.2.4.28, 12.2.4.29, 12.2.4.31, 12.2.4.32, 12.2.4.33, 12.2.4.34, 12.2.4.35, 12.2.4.36, 12.2.4.37, 12.2.4.38, 12.2.4.39, 12.2.4.40, 12.2.4.42, 12.2.4.47, 12.2.4.48, 12.2.4.49, 12.2.4.55, 12.2.4.56, 12.2.4.57, 13.1.4.9, 13.1.4.10, 13.1.4.13, 13.1.4.14, 13.1.4.15, 13.1.4.18, 13.1.4.28, 13.1.4.33, 13.2.4.5, 13.2.4.14, 13.2.4.15, 13.2.4.20, 13.2.4.21, 15.1.4.1, 15.1.4.6, 15.1.4.10, 15.1.4.19, 15.1.4.22, 15.1.4.23, 15.1.4.25, 15.1.4.26, 15.1.4.28, 15.1.4.29, 15.1.4.30, 15.1.4.31, 15.1.4.37, 15.1.4.38, 16.1.4.13, 16.1.4.14, 17.1.4.4, 17.1.4.12, 17.1.4.20, 17.1.4.24

³ Para- 1.1.4.3, 1.1.4.30, 2.2.4.4, 2.2.4.5, 2.2.4.6, 3.5.4.21, 3.5.4.23, 3.5.4.24, 3.5.4.25, 3.5.4.26, 3.5.4.27, 3.5.4.28, 3.5.4.32, 3.5.4.39, 5.1.4.6, 5.2.4.2, 5.2.4.10, 5.3.4.9, 5.3.4.13, 5.3.4.14, 5.4.4.1, 5.4.4.4, 5.4.4.7, 5.4.4.8, 5.4.4.12, 6.1.4.4, 6.8.4.8, 6.9.4.11, 7.1.4.4, 7.1.4.22, 7.1.4.23, 7.1.4.30, 7.1.4.31, 8.2.4.3, 9.5.4.4, 9.6.4.5, 9.6.4.6, 9.6.4.7, 9.6.4.8, 9.6.4.11, 10.1.4.7, 10.1.4.9, 11.1.4.2, 11.1.4.3, 11.1.4.6, 11.1.4.9, 12.1.4.6, 12.1.4.11, 12.1.4.12, 12.1.4.13, 12.1.4.17, 12.1.4.22, 12.2.4.1, 12.2.4.2, 12.2.4.3, 12.2.4.15, 12.2.4.16, 12.2.4.17, 12.2.4.18, 12.2.4.19, 12.2.4.21, 12.2.4.23, 12.2.4.25, 12.2.4.27, 12.2.4.30, 12.2.4.44, 12.2.4.45, 12.2.4.53, 12.2.4.54, 13.1.4.1, 13.1.4.3, 13.1.4.4, 13.1.4.5, 13.1.4.12, 13.1.4.16, 13.1.4.17, 13.1.4.19, 13.1.4.20, 13.1.4.21, 13.1.4.22, 13.1.4.23, 13.1.4.24, 13.1.4.25, 13.1.4.30, 13.1.4.34, 13.2.4.9, 13.2.4.10, 15.1.4.2, 15.1.4.4, 15.1.4.20, 15.1.4.24, 16.1.4.2, 16.1.4.3, 16.1.4.4, 16.1.4.7, 17.1.4.5, 17.1.4.6, 17.1.4.8, 17.1.4.17, 17.1.4.26, 17.1.4.27, 17.1.4.28, 17.2.4.1, 17.2.4.2, 17.2.4.3, 17.2.4.4, 6.2.2.1, 6.2.2.2, 6.2.2.3, 6.2.2.4, 6.2.2.5, 6.2.2.6, 6.2.2.7, 6.2.2.8, 6.2.2.9, 6.2.2.10, 6.2.2.11, 6.2.2.12, 6.2.2.13, 6.2.2.14, 6.2.2.15, 6.2.2.16, 6.2.2.17, 6.2.2.18, 6.2.2.19, 6.2.2.20, 6.2.2.21, 6.2.2.22, 6.2.2.23, 6.2.2.24

⁴ Para-1.1.4.11, 3.2.4.4, 3.2.4.6, 5.1.4.1, 5.3.4.6, 6.7.4.2, 6.8.4.14, 6.8.4.37, 6.9.4.12, 12.2.4.50, 13.2.4.6, 15.1.4.5, 15.1.4.36, 17.1.4.16

⁵ Para-1.1.4.2, 1.1.4.14, 1.1.4.24, 1.1.4.25, 1.2.4.2, 3.1.4.2, 3.2.4.2, 3.3.4.3, 3.5.4.21, 3.5.4.25, 3.5.4.27, 5.2.4.2, 5.2.4.4, 5.2.4.5, 5.3.4.1, 5.3.4.5, 5.3.4.8, 5.3.4.9, 5.3.4.10, 5.3.4.11, 6.7.4.1, 6.7.4.7, 6.7.4.12, 6.8.4.4, 6.8.4.13, 6.8.4.15, 6.8.4.16, 6.8.4.17, 6.8.4.19, 6.8.4.37, 6.8.4.38, 6.9.4.13, 7.1.4.5, 7.1.4.8, 7.1.4.10, 7.1.4.18, 7.1.4.35, 7.1.4.36, 9.6.4.2, 9.6.4.5, 9.6.4.6, 9.6.4.7, 9.6.4.15, 12.1.4.9, 12.1.4.10, 12.1.4.18, 12.1.4.25, 12.1.4.26, 12.1.4.30, 12.1.4.31, 12.2.4.15, 12.2.4.30, 12.2.4.53, 13.1.4.8, 13.2.4.4, 13.2.4.6, 13.2.4.8, 13.2.4.11, 15.1.4.3, 15.1.4.5, 15.1.4.20, 15.1.4.34, 16.1.4.1, 16.1.4.2, 16.1.4.5, 16.1.4.9

⁶ Para-6.2.3.67, 6.2.3.93, 6.4.4.9, 6.6.4.24, 6.8.4.13, 7.1.4.5, 7.1.4.26, 9.4.4.30, 9.6.4.15, 11.1.4.7, 11.1.4.13, 12.2.4.6, 12.2.4.58

⁷ Para-2.1.4.1, 2.1.4.7, 2.2.4.1, 2.2.4.2, 2.2.4.3, 3.5.4.8, 3.5.4.14, 3.5.4.37, 3.5.4.40, 3.5.4.41, 3.5.4.44, 3.5.4.45, 3.5.4.46, 5.2.4.2, 5.2.4.3, 5.2.4.5, 5.2.4.6, 5.2.4.8, 5.3.4.5, 5.3.4.7, 5.3.4.8, 5.4.4.3, 5.4.4.5, 5.4.4.6, 5.4.4.10, 5.4.4.13, 6.7.4.1, 6.7.4.4, 6.7.4.5, 6.8.4.1, 6.8.4.2, 6.8.4.4, 6.8.4.5, 6.8.4.10, 6.8.4.17, 6.8.4.20, 6.8.4.29, 6.8.4.30, 6.8.4.31, 6.8.4.32, 6.8.4.33, 6.9.4.2, 6.9.4.13, 7.1.4.1, 7.1.4.3, 7.1.4.8, 7.1.4.10, 7.1.4.13, 7.1.4.17, 7.1.4.19, 7.1.4.21, 7.1.4.38, 8.2.4.1, 8.2.4.5, 9.5.4.1, 9.5.4.2, 9.5.4.6, 9.6.4.1, 9.6.4.2, 9.6.4.4, 9.6.4.17, 11.1.4.1, 11.1.4.4, 11.1.4.8, 11.1.4.10, 11.1.4.12, 11.1.4.17, 11.1.4.18, 11.1.4.21, 11.1.4.22, 12.1.4.1, 12.1.4.3, 12.1.4.4, 12.1.4.8, 12.1.4.9, 12.1.4.10, 12.1.4.19, 12.1.4.25, 12.1.4.26, 12.1.4.31, 12.1.4.34, 12.2.4.7, 12.2.4.8, 12.2.4.9, 12.2.4.12, 12.2.4.14, 12.2.4.20, 12.2.4.26, 12.2.4.43, 12.2.4.51, 13.1.4.2, 13.1.4.8, 13.2.4.1, 13.2.4.4, 13.2.4.7, 13.2.4.8, 13.2.4.13, 13.2.4.16, 13.2.4.17, 13.2.4.19, 15.1.4.7, 15.1.4.15, 15.1.4.16, 15.1.4.17, 15.1.4.34, 17.1.4.2, 17.1.4.7, 17.1.4.10, 17.1.4.22, 17.1.4.23, 17.1.4.29, 17.1.4.30, 17.1.4.32, 17.2.4.5

g. Recommendations:

- i. Internal control structure needs to be strengthened to curb the incidence of embezzlement, fraud and misappropriation.
- ii. Appointments should be made in transparent manner and according to the respective HR policies of the organizations with due regard to Government policies on the subject
- iii. Procedure of procurement in public sector enterprises should be streamlined to achieve economy, efficiency and value of money as per Public Procurement Rules, 2004.
- iv. Efforts should be made by the management to improve its fund management with commercial banks with respect to investments.
- v. PAOs should make efforts for early realization of receivables.
- vi. Record should be provided to Audit besides fixing responsibility on the person(s) at fault.
- vii. All expenditure should be incurred after due diligence keeping in view the sense of probity & propriety.

Chapter-1

Aviation Division Cabinet Secretariat

Overview

The Aviation Division spearheads strategy, policy and oversight of all matters related to civil aviation. It has the primary focus on matters concerning civil aviation by virtue of its structural and human-resource oriented acumen. A developed civil air transport system is vital to economic development of a country. Important economic centers like trade and tourism rely on functioning of air transport system. This Division's activities hence are geared directly towards aviation and indirectly corroborating existing national economic growth plans. Aviation sector must thrive to some reasonable degree on its own terms. An entrepreneurial spirit and 'can-do' attitude among many other business values is encouraged.

Aviation Division had been working under Ministry of Defense as a wing until it was separated and created a new Division under the Cabinet Secretariat in June, 2013.

The vision is to promote and regulate civil aviation activities and to develop an infrastructure for safe, secure, efficient, adequate, economical and well-coordinated civil air transport service in Pakistan. Three main drivers of control to pursue this vision are strategy, policy and oversight.

Aims & Objectives

1. To improve governance and oversight for the compliance of ICAO standards of aviation safety, security and efficiency.
2. To provide level-playing field for national airlines and liberalize aviation sector in the country by allowing market forces to determine the price, quality, frequency and range of air services options.
3. To follow suitable Public-Private Partnership (PPP) models for the operations, management and development of airports.
4. To develop a state-of-the-art infrastructure for the provision of safe and efficient air transportation.
5. To incentivize aviation sector for socio-economic growth.

6. To create conditions conducive for affordable general aviation activities, i.e. sports flying and inter-city air travel by private aircraft /air-taxi service/charters, etc.

Governing Laws and Policies

- Aircraft (Removal of Danger To Safety) Ordinance, 1965
- Pakistan Civil Aviation Authority Ordinance, 1982.
- Airport Security Force Act, 1975.
- Civil Aviation Ordinance, 1960.
- Carriage by Air Act, 2012.

(Rs. in million)					
S#	Description	Total	Audited	Expenditure audited FY 2021-22	Revenue/ Receipts audited FY 2021-22
1	Formations	2	2	275,521.632	316,645.715

Classified Summary of Audit Observations

Audit observations of Rs.220.314.855 million were raised as a result of this audit. This amount also includes recoverable of Rs. 31,466.431 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)		
S#	Classification	Amount
1.	Non-production of record	-
2.	Reported cases of fraud, embezzlement and misappropriation	42.418
3.	Irregularities	-
A.	HR / Employees related irregularities	244.412
B.	Procurement related irregularities	35,234.480
C.	Management of Accounts with Commercial Banks	-
4.	Value for Money and service delivery issues	8,424.533
5.	Others	176,369.011

1.1 Pakistan International Airlines Corporation

1.1.1 Introduction

Pakistan International Airlines Corporation (PIAC) was incorporated on 18 April, 1956 under the Pakistan International Airlines Corporation Act, 1956 (PIAC Act 1956). With effect from April 19, 2016, the Company has been converted from a statutory company into a public limited company by shares Pakistan International Airlines Company Limited through Act No. XV of 2016. As a result of conversion, its shares are quoted in Pakistan Stock Exchange. The principal activity of the Corporation is to provide air transport services. In addition, the Corporation is engaged in providing engineering and allied services to other airlines.

1.1.2 Financial Analysis/Comments on Audited Accounts

1.1.2.1 The working results of the Corporation for the period ended December 31, 2020 compared with December 31, 2021 are reflected hereunder:

	2021	% Inc / (Dec)	2020	% Inc / (Dec)	(Rs. in million) 2019
Revenue - net	86,185.394	(9.27)	94,989.391	(42.36)	164,646.35
Other operating income	6,548.789	(41.71)	11,235.155	355.18	2,468.28
Operating expenses	(115,107.648)	2.91	(111,853.707)	(44.48)	(34,808.82)
Operating loss	(22,373.465)	297.46	(5,629.161)	(71.41)	(19,691.95)
Financial charges	(27,390.283)	(7.85)	(29,724.512)	(18.31)	(36,386.77)
Loss before taxation	(49,763.748)	40.76	(35,353.673)	(36.96)	(56,078.72)
Income tax expenses	(337.743)	(52.49)	(710.862)	1,592.93	41.99
Loss after taxation	(50,101.491)	44.62	(34,642.811)	(38.18)	(56,036.74)

(Source: Audited Accounts 2020 & 2021)

1.1.2.2 Revenue decreased by 9.27 % as compared with previous year (2021: Rs. 86,185.394 million 2020: Rs. 94,989.391 million), registering decrease of Rs. 8,803.997 million in 2021, which needed to be justified.

1.1.2.3 Operating expenses increased by 2.91% as compared with previous year (2021:115,107.648 million 2020: Rs. 111,853.707 million), registering increase of Rs. 3,253.941 million in 2021, while revenue decreased which needed to be elaborated.

1.1.2.4 Other operating income decreased by 41.71 % as compared with previous year (2021: Rs. 6,548.789 million 2020: Rs. 11,235.155 million), registering decrease of Rs. 4,686.366 million in 2021, which needed elucidation.

1.1.2.5 Operating loss increased by 297.46 % as compared to previous year (2021: Rs. 22,373.465 million 2020: Rs. 5,629.161 million), registering increase of

Rs 16,744.304 million in 2021. Decline in operating activity needs to be explained.

1.1.2.6 Stores increased by 45.43% as compared with preceding year (2021: Rs 994.940 million 2020: Rs. 684.150 million) registering increase of Rs. 310.79 million in 2021, which needed to be justified.

1.1.2.7 Salaries, wages and allowances increased by 5.65 % as compared with preceding year (2021: Rs. 2,141.067 million 2020: Rs. 2,026.613 million) registering increase of Rs. 114.454 million in 2021, despite the fact that number of employees availed the Voluntary Separation Scheme (VSS), which needed justification.

1.1.2.8 Trade debts increased by 49.61 % as compared with preceding year (2021: Rs. 14,925.854 million 2020: Rs. 9,976.294 million) registering increase of Rs. 4,949.56 million in 2021, which needed elucidation.

1.1.2.9 As per operation review Route kilometers covered by aircrafts was decreased by 47.00 % as compared with previous year (2021: Route kilometers 374,054 2020: Route Kilometers 705,820), registering decrease of Route Kilometers 331,766 in 2021, which needed to be justified.

1.1.2.10 Passenger load factor in current year 2021 remained 66.89 % low as compared to previous year 2020: 74.46, which needed to be justified.

1.1.2.11 The Corporation's current assets as on December 31, 2021 stood at Rs. 45,093.507 million, and its current liabilities Rs. 313,715.044 million, which casts doubts regarding the Corporation's ability to meet its short-term debt obligations and therefore, continue as a going concern. The financial structure of the Corporation is highly leveraged and its current ratio was 0.14% which showed that the Corporation's current assets were not enough to cover its current liabilities.

1.1.2.12 Debt-equity ratio was 1.29:1 showing that business operations rely on borrowings which leads to risk of bankruptcy. The long-term debt of the Corporation stood at Rs. 643,829.638 million and total shareholder's equity (negative) of Rs. 497,463.604 million as on December 31, 2021 which depicted Corporation's total reliance on borrowing. Audit was of the view that the Corporation was extremely vulnerable to the risk of default on its debt obligations. Corporation's short-term debt obligations seemed to be spiraling out of control and stood at Rs. 30,580.489 million on December 31, 2021. This poor financial health of the Corporation requires major corrective actions. The long-term financing stood at Rs. 272,685.376 million in 2021 and Rs. 214,644.605 million which was Rs. 58,040.771 million and was higher in the current year, which meant that the Corporation may have to resort to more borrowing to pay off debt servicing costs of its old debts.

1.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% age of compliance
1998-99	28	24	4	42, 43, 53, 72	86%
2001-02	31	16	15	74, 75, 77, 78, 79, 81, 83, 84, 85, 87, 90, 91, 93-94, 96	52%
2002-03	31	24	7	37, 38, 39, 40, 40.1, 40.2, 40.4	77%
2003-04	18	13	5	22, 23, 25, 26, 27	72%
2004-05	11	3	8	21, 22, 24, 25, 26, 27, 28	27%
2006-07	32	23	9	18, 19, 20, 22, 24, 25, 26, 28, 30	72%
2007-08	29	23	6	27, 31, 32, 33, 34, 35	79%
2009-10	12	6	6	38, 39, 41(i), 41(ii), 43, 44, 46	50%
2010-11	25	7	18	3.1.2, 3.1.2.1, 3.1.2.2, 3.1.2.3, 3.1.2.4, 3.1.2.5, 3.1.2.6, 3.1.2.7, 3.1.3, 3.1.4.1, 3.1.4.2, 3.1.4.3, 3.1.4.18, 3.1.4.19, 3.1.4.20, 3.1.4.21, 3.1.4.23, 3.1.4.24,	28%
2012-13	15		3	4.1.4.10, 4.1.4.1, 4.1.4.8	0%
2014-15	40		9	1.1.4.7, 1.1.4.25, 1.1.4.37, 1.1.4.5, 1.1.4.6, 1.1.4.22, 1.1.4.3, 1.1.4.38, 1.1.4.33	0%
2016-17	30	8	22	1.1.4.1, 1.1.4.7, 1.1.4.8, 1.1.4.30, 1.1.4.29, 1.1.4.19, 1.1.2.2, 1.1.2.4, 1.1.3, 1.1.4.12, 1.1.4.13, 1.1.4.15, 1.1.4.16, 1.1.4.17, 1.1.4.20, 1.1.4.22, 1.1.4.23, 1.1.4.24, 1.1.4.25, 1.1.4.26, 1.1.4.27, 1.1.4.28	27%
2017-18	49			1.1.4.2, 1.1.4.31, 1.1.4.23, 1.1.4.9	

2018-19	42	1	41	(1.1.4.1, 1.1.4.3, 1.1.4.9, 1.1.4.12, 1.1.4.18, 1.1.4.19, 1.1.4.20, 1.1.4.23, 1.1.4.27, 1.1.4.32) (1.1.2.1, 1.1.4.2, 1.1.4.4, 1.1.4.5, 1.1.4.6, 1.1.4.7, 1.1.4.8, 1.1.4.10, 1.1.4.11, 1.1.4.13, 1.1.4.14, 1.1.4.15, 1.1.4.16, 1.1.4.17, 1.1.4.21, 1.1.4.22, 1.1.4.24, 1.1.4.25, 1.1.4.26, 1.1.4.28, 1.1.4.29, 1.1.4.30, 1.1.4.31, 1.1.4.33, 1.1.4.34, 1.1.4.35, 1.1.4.36, 1.1.4.37, 1.1.4.38, 1.1.4.39, 1.1.4.40 PAC referred for DAC level)	2%
2019-20	18		18	11.4.1, 1.1.4.8, 1.1.4.9, 1.1.4.10, 1.1.4.11, 1.1.4.12 and remaining at DAC level	0%
Total	411	148	171		36%

The overall compliance of PAC directives was not satisfactory which required attention of the management.

1.1.4 Audit Paras

1.1.4.1 Loss on account of grounded aircrafts - Rs. 38,404.440 million

According to Section 2.10.3.1 of Engineering and Maintenance Manual, PIA Engineering and Maintenance shall respect minimum maintenance requirements and ensure that all maintenance is carried out in conformance with the manufacturer's documentation/ instructions.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Engineering Department for the year 2021, it was observed that following aircrafts remained grounded due to temporary grounding and schedule maintenance. As per Maintenance Plan, management allocated estimated time for temporary grounding and schedule maintenance of 19 to 28 days, which were not followed, as detailed below:

Aircraft	Reg. No.	Working days			
		Estimated	Actual	Delay	Status
B-777	AP-BID	26	520	494	Owned
B-777	AP-BMG	32	250	218	Owned
A-320	AP-BLT	19	905	886	Leased
A-320	AP-BLC	28	540	512	Leased
ATR72	AP-BKV	24	905	881	Leased
		129	3,120	2,991	

2,991 days * Rs.12.84 million (Average revenue per day rate) = Rs.38,404.440 million
(Source: PIAC Engineering Department)

Audit was of the view that slackness on the part of management resulted in prolonged grounding of aircrafts up to 905 days which resulted in bearing loss to PIAC and created hurdles in operational continuity.

The matter was reported to the management on December 16, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. The management informed that reduced operations, financial constraints and parts requirement on operating fleet resulted in increased cannibalization from aircraft under heavy maintenance which caused delay in aircraft roll out. DAC directed the management to provide relevant documents to Audit reflecting efforts / justifications for extended delay. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.2 Non-recovery from various parties - Rs.26,488.649 million

Clause 2.02 of Credit Policy of Pakistan International Airlines Corporation (PIAC) states that credit period may be up to 30 days (Government of Pakistan 60 days), financing cost @ 1.25% per month is to be added to all overdue credit for such period(s) (except Government of Pakistan) and all further credit on overdue accounts should be stopped until all past dues are cleared.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Finance Department for the years 2021, it was observed that an amount of Rs. 26,488.649 million was outstanding against various parties as detailed below:

(Rs.in million)					
S#	Name of Client	Amount	S#	Name of Client	Amount
1	Post Master General	82.29	6	Airlines	44.919
2	Counter Sales	1,085.967	7	Cargo Receivables	1,326.29
3	Commercial Agents	861.05	8	M/s. Mediterranee Tours (MED Tours)	185.474
4	Trade Debtors (Foreign & Domestic)	15,479.31	9	Block Space Agreement (BSA) Cargo	391.382
5	IATA BSP Agents	7,031.97	Total		26,488.65

(Source: PIAC Finance Department)

Audit was of the view that the management was unable to recover a huge amount of Rs. 26,488.649 million receivables from various parties, which showed negligence and weak recovery mechanism.

The matter was reported to the management on October 01, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023.

1. The management informed that amount of Rs.40 million has been recovered. DAC directed the management to provide relevant documents to audit for examination i.e. amounts already recovered and pursue the leftover cases.
2. The management informed that amounts were recovered in the subsequent year. DAC directed the management to provide relevant documents to Audit for its examination and comments.
3. DAC directed the management to provide revised replies on the specific recovery pointed out by the Audit.
4. The management informed that reconciliation of amount is in process. DAC directed the management to provide details (segregated vs non-segregated amounts) and finalize the reconciliation within three months.
5. DAC directed the management to provide relevant reply with documents for discussion during next DAC meeting.
6. DAC directed the management to provide relevant reply with documents for discussion during next DAC meeting.
7. The management informed that reconciliation of amount was in process. DAC directed the management to provide details (segregated vs non-segregated amounts) and finalize the reconciliation within three months.
8. The management informed that all amounts have been recovered. DAC recommended the management to verify the recovered amount.
9. DAC directed the management to pursue NAB and FIA cases accordingly.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos. 450, 452, 453, 455, 459, 460, 461, 466 & 467)

1.1.4.3 Irregular purchase of jet fuel without tendering - Rs.22,857.000 million

Rule 4 PPRA Rules, 2004, states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Rule 12 (2) states that all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in

other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During audit of Pakistan International Airlines Corporation (PIAC) Flight Operation Department for the year 2021, it was observed that management purchased Jet fuel on domestic station and at international stations without inviting tender for International stations. Management advertised the tender in a single newspaper i.e. Ausaf (local newspaper) instead of two national dailies English and Urdu having wide circulation and establishment of fora in violation of above rules.

Audit was of the view that the management purchased Jet fuel amounting to Rs. 22,857.000 million without proper tendering and establishment of fora.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that at domestic stations, Shell Pakistan was sole jet fuel supplier providing refueling services at Quetta, Sukkur. Similarly at other locations PSO was sole jet fuel supplier and there was no alternative source of jet fuel supply and PIA was in direct contracting with PSO & Shell. DAC directed the management to provide relevant documents to Audit reflecting the propriety nature of the procurement and approvals thereof by the competent forum in case of procurement from PSO and tendering process in instances of procurement from M/s Shell. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.4 Loss due to cancellation of flights – Rs.19,372.500 million

According to Section (4.1.3) (a), Chapter 4 of Operations Control of PIAC, “The Flight Control Manager shall supervise Situation Room, which is the nerve center of all the airline operation in accordance with the PIA policies. Situation Room has the responsibility to exercise the authority over initiation, continuation, diversion, cancellation or termination of a flight and shall have the responsibility to exercise authority to carry out the recovery plans to overcome operational irregularities”. (d) Situation Room shall ensure the safe, efficient, regular and economical operation of all the flights.

During audit of Pakistan International Airlines Corporation (PIAC) Flight Operations Department for the year 2021, it was observed that total scheduled flights were 23,636, out of which 4,305 flights (domestic & international) were delayed. Details of cancelled flights are as below:

Month	Scheduled Flights	Cancelled	Cancelled%	Operated
1	1,733	260	15	1,473
2	1,584	273	17	1,311
3	1,824	274	15	1,550
4	1,691	343	20	1,348
5	1,834	538	29	1,296
6	1,916	496	26	1,420
7	2,015	420	21	1,595
8	2,219	603	27	1,616
9	2,075	316	15	1,759
10	2,222	375	17	1,847
11	2,207	201	9	2,006
12	2,316	206	9	2,110
Total	23,636	4,305	18	19,331
Net revenue of total flights operated (Rs.in million)				86,185
Net revenue per flight operated (Rs.in million)				4.5
Total loss due to cancelled flights (4,305 x 4.5) (Rs.in million)				19,372.500
<i>(Source: PIAC Flight Operations Department)</i>				

Audit was of the view that due to lack of proper planning and control over the flights cancellation, the corporation sustained a loss of Rs. 19,372.500 million.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. The management informed that the Situation Room was one of the most important areas of Pakistan International Airlines. It primarily functions to maintain on-time punctuality of the airline to ensure passenger comfort as their tickets drive revenue for the corporation. Flights were canceled for a variety of reasons but each reason as previously mentioned had passenger comfort as its top priority. DAC directed the management to provide relevant documents to Audit reflecting instance-wise cancellation (segregate the instance as controllable/non-controllable by the management) and further directed the management to establish appropriate accountability mechanism. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.5 Irregular obtaining of financing facility - Rs.18,000.000 million

Para-3 (b) of Government of Pakistan, Finance Division (Budget Wing) O.M. No. F.4 (1)/2002-BR.II, Islamabad dated 02-07-2003, regarding working balances provides that the process of selection of bank(s) should be transparent.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Finance Department for the year 2021, it was observed that the management approached Bank of Punjab on 01-04-2020 to avail financing facility in order to meet routine financing and working capital requirements of Rs.10,000 million. Bank of Punjab approved the financing facility on mark-up basis of Rs. 18,000 million to meet out the working capital requirements which included payment of salary expenses, fuel expenses, engineering expenses, aeronautical charges and overhauling expenses etc. at the rate of 1 months Kibor + 125 basis points (bps) per annum maximum up to seven years from the date of disbursement, inclusive of two years of grace period. Facility Fee of 1.68 % of the facility amount was required to be paid after disbursement of full facility amount. In this connection, term finance agreement was signed on 29.04.2022 between PIACL and Bank of Punjab.

Audit was of the view that the management did not observe the process of selection of bank in a transparent manner. The management did not obtain competitive bids from at least three independent banks.

The matter was reported to the management on October 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that the PIACL did not opt for tender process while arranging financing facilities from commercial banks in Pakistan due to its financial health and predominantly backing by GoP and benchmark determination of IRR by MOF. DAC directed the management to provide relevant documents to Audit including letter of comfort from Ministry of Finance. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.6 Non-payment of long term loan facility - Rs.17,900.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for 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.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Finance Department for the year 2021, it was observed that the management obtained long term loan facility from Government of Pakistan (GoP) amounting to Rs.8,000 million with repayment period from years 2011-2020 on 16 half-yearly installment basis. However, the management has not repaid any principal amount for the said loan since its inception and the markup factor kept on accumulating, which now has reached to Rs. 9,900 million up to December 31, 2021 making non-payment of National Exchequer obligation to Rs.17,900 million. (Principal Rs. 8,000 million and Interest Rs. 9,900 million) This was a very rare case that markup amount of any loan has exceeded its original principal amount and no payment has been made whatsoever.

Audit was of the view that the management failed to pay the principal and markup amount on time which reflected poor financial management.

The matter was reported to the management on October 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that such loan facility was on simple interest rate. DAC directed the management to provide relevant documents to Audit including ageing of the loans availed by PIACL. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.7 Non-payment of accrued markup - Rs. 11,482.190 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for 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.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Finance Department for the year 2021, it was observed that the

management obtained long term loan facility from different national & international banks amounting to Rs. 342,411.890 million (foreign loan amount is not included due to identifying dollar rate) during the period of December 2015 to 2021. The corporation had to pay Rs. 11,482.19 million markup in 2021 which was still unpaid. Furthermore, obtained funds were utilized for repayment of outstanding principal / accrued markup rather than increasing its earning capacity.

Audit was of the view that outstanding accrued interest clearly showed poor financial management and also indicated that management was not worried to overcome the debt burden, resultantly financial position of the PIACL was getting worse day by day.

The matter was reported to the management on October 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed the DAC that such loan facility was on simple interest rate. DAC directed the management to provide relevant documents to Audit including ageing of the loans availed by PIACL. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.8 Non-depositing of Provident Fund & Markup in separate bank account - Rs. 11,342.290 million

Section 218 of the Companies Act, 2017 states that all moneys or securities deposited with a company by its employees in pursuance of their contracts of service with the company shall be kept or deposited by the company within fifteen days from the date of deposit in a special account to be opened by the company.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Finance Department for the year 2021, it was observed that the management failed to deposit the employee's provident fund in a separate bank account on monthly basis for the year 2021 as per details given below:

(Rs.in million)			
Particulars	Amount	Particulars	Amount
Provident Fund	2,916.05	Accrued Markup	8,426.24
Total			11,342.29
<i>(Source: PIAC Finance Department)</i>			

Audit was of the view that the management failed to formulate a strategy to pay off their provident fund liability and to protect the interest of their employees. This showed in-efficiency, weak policy making and poor financial management.

The matter was reported to the management on October 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that PIA was striving its best to reduce the liability. DAC directed the management to take necessary steps in accordance with the standard procedures on priority.

Audit recommends implementation of the DAC directives.

1.1.4.9 Loss due to non-disposal of surplus inventory of grounded aircrafts – Rs.8,566.000 million

According to principles of procurement enunciated in the PIAC's Procurement Manual, one of the five basic concerns that govern PIAC's procurement policies is to ensure that the funds are used to buy only those Products/Goods, Services, Works, Plant & Equipment and Information Systems which are needed to operate and maintain PIAC.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Engineering & Maintenance Department for the year 2021, it was observed that inventory worth Rs. 8,566 million of grounded / phased out aircraft parts had been lying in the company's different stock rooms since long. Inventory details (aircraft-wise) are tabulated below:

S #	Aircraft Type	Grounding date	Inventory cost (Rs.)
1	B 747-300	2015	1,238,774,911
2	C 707	N/A	199,404,951
3	J 747-200	2013	1,798,117,237
4	K CESSNA	2015	8,313,808
5	S A-310	2015	3,873,205,060
6	W B-737	2013	1,448,629,338
Total			8,566,445,305
<i>(Source: PIAC Engineering & Maintenance Department)</i>			

Audit was of the view that huge quantity of surplus inventory showed that the managements made purchases without any planning and due diligence. Further, management also failed to dispose of the surplus inventory even after a

lapse of considerable time, thereby causing a loss of Rs. 8,566 million to the organization.

The matter was reported to the management on December 16, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to provide ageing/plan of such procurement. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.10 Obtaining irregular insurance from private insurance companies – Rs.6,928.000 million

According to Section 166 (3) of Insurance Ordinance, 2000, all insurance business relating to any public property, or to any risk or liability pertaining to any public property, shall be placed with National Insurance Company Limited only and shall not be placed with any other insurer.

During audit of Pakistan International Airlines Corporation (PIAC) Flight Operations Department for the year 2021, it was observed that the management got Hull Insurance from private insurance companies instead of NICL as detailed below:

(Rs. in million)			
S#	Account Code	Party Name	Amount
1	81801001	Security General Insurance Company Limited	2,826.000
2	81801001	The United Insurance Company of Pakistan Ltd.	697.000
3	81801001	United Insurance Brokers Limited	3,405.000
Total			6,928.000
(Source: PIAC Flight Operations Department)			

Audit was of the view that the management insured the hull from private insurance companies Rs. 6,928.000 million other than National Insurance Company in violation of above Ordinance.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed the DAC that such insurance cover from private companies was based on the prior NOC from NICL. DAC directed the management to provide relevant documents to Audit for its examination and comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.11 Borrowing through Sukuk certificates on higher rates – Rs.5,675.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for 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.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Finance Department for the year 2020, it was observed that the management raised finance in the form of redeemable capital by issuance of Shariah compliant Sukuk Certificates amounting to Rs.5.765 billion at a face value of Rs.5,000 per certificate for a tenor of 10 years (inclusive a grace period of 2 years) at a rate of Kibor 7.52% + 1.00% (7.52% is a fixed Kibor rate and 1% is a corporation offer rate). All formal procedures were carried out by online portal of National Bank of Pakistan and Bank Islami. Details of participants are given below:

S #	Bidder ID	Bidder Name	Min. Spread (gap b/w the bid and the ask prices)	No. of Certificates Allocated	(Amount in Rs)
					Total Amount (No. of Certificates * Face Value per Certificate)
1.	BO12813	Habib Bank Ltd.	100.00	200,000	1,000,000,000
2.	BO12814	Bank Islami Pakistan Ltd.	150.00	200,000	1,000,000,000
3.	BO12816	SSGC LPG Pvt. Ltd. Employees Gratuity Fund	-50.00	4,000	20,000,000
4.	BO12819	Zarai Taraqiyati Bank	100.00	100,000	500,000,000
	BO12827	MCBFSL Trustee AKD Islamic Income Fund	000.00	10,000	50,000,000
5.	BO12828	Seagold Pvt. Ltd. Employees Provident Fund	50.00	1,000	5,000,000
6.	BO12833	Dawood Family Takaful Ltd.	-53.00	60,000	300,000,000
7.	BO12812	CDC Trustee Alfalah GHP Islamic Income Fund	49.00	60,000	300,000,000
8.	-	Summit Bank Ltd.	40.00	500,000	2,500,000,000
			Total	1,135,000	5,675,000,000

(Source: PIAC Finance Department)

Furthermore, most of the clients demanded profit/return on investment below the corporation and State Bank of Pakistan (SBP) interest rate which was issued for the banking sector (State Bank of Pakistan announced a one year interest rate which was Kibor 7.53% + 0.5% (7.53% is a bid price, 0.5% is a spread / profit margin of bank and 8.03% is an offer price).

Audit was of the view that the management raised finance in the form of redeemable capital by issuance of Shariah compliant Sukuk Certificates amounting to Rs. 5.765 billion instead of considering the clients demanded profit/return on their investment below the Corporation and SBP interest rate.

The matter was reported to the management on October 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to provide relevant documents reflecting justification of the rate of interest to Audit for its comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.12 Loss of revenue due to suspension of flights - Rs.5,000.000 million

Clause 47 Appendix C of PIAC Employees Disciplinary Policy (EDP) 2019 states that Causing damage or loss to any property, business, or operations, of the Company or causing loss or damage to the property of any customer. Disciplinary offences & corresponding penalties along-with Classification of Offences: Compulsory retirement/ dismissal from service and recovery of the whole or any part of pecuniary loss caused to the Company by negligence or breach or breach of any discipline, followed by criminal proceedings.

During audit of Pakistan International Airlines Corporation (PIAC) Supply Chain Management (SCM) for the year 2021, it was observed that the management sustained a loss of more than Rs. 5,000 million approx. on suspension of PIA operations by the European Union Aviation Safety Agency (EASA) from the month of July 2020 due to safety concerns vide its letter dated 30-06-2020. The letter indicated that the EASA was already in pursuance of safety issues in PIA. The PIA was issued with Third Country Operators (TCO) authorization in June 2016 after continuous monitoring required by EASA. PIA had failed to implement all elements of a safety management system after awarding repeated extensions.

Audit was of the view that the management was not proficient towards its commitment to revitalization of the best international airline. There were still serious safety lapses on the part of PIA management which resulted in suspension of flights to European countries and sustained a loss of more than Rs. 5,000.000 million approx.

The matter was reported to the management on October 01, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. The management informed that EASA imposed restricted operations due to safety concerns of level 01 and 02 in year 2017. DAC directed the management to provide relevant documents to Audit i.e. efforts taken by PIAC & EASA response there-against and share strategy / timelines for addressing the issue of suspension to Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.13 Blockage of funds due to non-utilization of inventory – Rs.3,847.466 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for 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.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Engineering & Maintenance Department for the year 2021, it was observed that the management purchased various parts of aircrafts amounting to Rs. 3,847.466 million but not utilized them which resulted in financial burden and also increased unnecessary expense.

Audit was of the view that procurement of huge inventory without planning showed ill planning and ineffective inventory management system.

The matter was reported to the management on December 16, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. The management informed that major share of spares mainly pertained to the support shops and support shops performed repair/overhaul maintenance work on the spare float inventory. DAC directed the management to provide relevant documents to Audit including ageing / utilization and reconcile the amounts with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.14 Non-adjustment of advances from suppliers – Rs.3,797.120 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for 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.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Finance Department for the year 2021, it was observed that the management failed to recover / adjust advances from various suppliers despite a lapse of considerable time as detailed below:

(Rs.in million)			
Description	Amount	Description	Amount
Advances to Supplier	3,330.22	Advance against Fuel Suppliers	466.899
Total Advances to Suppliers			3,797.12
(Source: PIAC Finance Department)			

Audit was of the view that the due to in-effective financial management, PIAC failed to safeguard its assets and their subsequent adjustments / recoveries, which reflected poor debt management.

The matter was reported to the management on October 01, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. DAC directed the management to provide relevant documents to Audit for the adjustments already made and ensure that the leftover adjustments are made on priority. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.15 Non-recovery of dues / advances - Rs.3,698.327 million

Clause 2.02 of Credit Policy of Pakistan International Airlines Corporation (PIAC) states that credit period may be up to 30 days (Government of Pakistan 60 days), financing cost @ 1.25% per month is to be added to all overdue credit for such period(s) (except Government of Pakistan) and all further credit on overdue accounts should be stopped until all past dues are cleared.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Engineering Department for the year 2021, it was observed that the

management failed to recover / adjust dues from suppliers / lessors amounting to Rs. 3,698.327 million as detailed below: (Annex-5).

(Rs. in million)					
S#	Description	Amount	S#	Description	Amount
1	Advances to Lessors / Maintenance Reserve / Engine Maintenance	3,645.68	3	Outstanding from Suppliers	35.965
2	Advances to Suppliers	16.683	Total		3,698.33

Audit was of the view that the management failed to recover / adjust such a huge amount of advances from lessors, which showed negligence and weak recovery mechanism.

The matter was reported to the management on December 16, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that:

1. The amounts have been paid to lessors as advance for aircraft lease against the security deposits and the same would be settled at the end of the leased terms. DAC directed the management to provide relevant documents to Audit for examination and comments.
2. The amount against these engines, APUs and landing gears stood adjusted as the items have been received back. DAC directed the management to provide relevant documents to Audit for examination.
3. Almost 98% of the advances have been settled. DAC directed the management to provide relevant documents to Audit for examination and further directed the management to pursue the leftover amounts.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos. 1026, 1032 & 1033)

1.1.4.16 Non-achievement of passenger and cargo sales targets – Rs. 3,060.384 million

According to Cargo Sales Manual of Pakistan International Airlines Corporation (PIAC), the District Manager is responsible for achievement of station's cargo sales target.

During audit of Pakistan International Airline Corporation (PIAC), Peshawar Station & District Sale Office, Karachi for the years 2019, 2020 and

2021, it was observed that the management failed to achieve the targets as detailed below:

Passenger Sales Targets				
(Rs. in million)				
Year	Route	Target	Achievement	Difference
2020	Domestic	198.22	138.89	59.33
	International	4,587.49	2,171.98	2,415.51
2021	Domestic (Combined)	388.00	362.13	25.87
Total		5,173.71	2,673	2,500.71
Cargo Sales Targets				
Year / Station		Target	Achievement	Difference
2019-Karachi	Domestic	1380.000	1222.700	157.340
2020-Karachi		1575.000	966.160	144.310
2021-Peshawar		495.000	236.976	258.024
Total		3450.000	2425.836	559.674
(Source: PIAC Peshawar Station & District Sales Office Karachi)				

Audit was of the view that due to non-achievement of targets, the Corporation was deprived of revenue of Rs. 3,060.384 million despite payment of additional sales allowances / incentives / sales discounts / free tickets to the sales staff.

The matter was reported to the management on April 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that:

1. National / International targets could not be achieved due to Covid-19/EASA ban which were beyond the control of the management. DAC directed the management to provide station-wise targets vs achievement and other relevant documents on management assertion on the factors beyond its control.
2. National / International targets could not be achieved due to Covid-19 which were beyond the control of the management. DAC directed the management to provide station-wise targets vs achievement and other relevant documents on management assertion on the factors beyond its control.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos. 7 & 696)

1.1.4.17 Non-receipt of Engines sent abroad for repair - Rs.2,850.000 million

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

During audit of Pakistan International Airlines Corporation Limited (PIAC), Engineering & Maintenance Department for the year 2021, it was observed that following 02 engines were sent abroad for repair but awaiting induction in repair facility which required to return back in 30 months as detailed below:

(Amount in US\$)						
S #	Repair Orders	Dispatch Date	Vendor Name	Serial#	Aircraft	Engine Cost
1	202001070	27-01-2020	GE Aircraft Engine	900-464	B777	18,000,000
2	202002027	25-02-2020	Pratt &Whitney Canada	PCE-ED0480	ATR	1,000,000
Total						19,000,000
US \$ 19,000,000* @ Rs. 150= Rs.2,850,000,000						
(Source: PIAC Engineering & Maintenance Department)						

Audit was of the view that despite incurring daily maintenance and overhaul cost of millions of rupees, the management failed to retrieve engines on time.

The matter was reported to the management on December 16, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. The management informed that there was no financial implication for the Corporation i.e. LD / penalty, payments. DAC directed the management to provide relevant documents / action plan to Audit and copy of the investigation team report once it is finalized. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.18 Excess expenditure due to non-conducting of fuel hedging – Rs.1,703.000 million

As per IATA, Airline Disclosure Guides (ADGs) “Hedge accounting impacts a vast cross section of industries including the airline industry. In addition

to foreign currency, interest rate and credit risks, the airline industry has to manage significant fuel price exposures. Many airlines have risk management policies that include the use of derivative financial instruments to hedge these risks. The International Accounting Standards Board (IASB) issued IFRS 9 Financial Instruments in July 2014 as a replacement to IAS 39 Financial Instruments: Recognition and Measurement. Adoption is mandatory for accounting periods beginning on or after 1 January 2018 in countries applying International Financial Reporting Standards (IFRS)”.

During audit of Pakistan International Airlines Corporation (PIAC) Flight Operations Department for the year 2021, it was observed that no fuel hedging was conducted by the management nor it took effective measures to save the fuel cost such as formulating Fuel Conservation Plan and Fuel Hedging Policy which resulted in excess payment amounting to Rs. 1,703.000 million as detailed below:

(Rs. in million)			
Head	2021	2020	Excess amount
Aircraft fuel	22,857	21,154	(1,703)
<i>(Source: PIAC Flight Operations Department)</i>			

Audit was of the view that due to non-conducting of fuel hedging by the management, extra burden of fuel prices of Rs. 1,703.000 million was incurred which reflected inefficiency.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. The management informed that in the year 2020, the fuel market collapsed due to decline in oil demands and decline in global oil prices and economic slowdown. There was an uncertainty about future flight operations due to international travel restrictions. Without knowing global situation ahead and our jet fuel demands, fuel hedging was indecisive. In year 2021, the situation started improving and the fuel prices were moving towards normalization. DAC directed the management to provide revised reply with the relevant documents to Audit for its examination. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.19 Loss due to payment of lease rental on parked air crafts – US\$ 7,200,000 equivalent to Rs.1,584.000 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan International Airlines Corporation (PIAC) Supply Chain Management (SCM) for the year 2021, it was observed that the management was currently paying a cumulative US\$ 600,000 monthly rental fee for two Airbus A-320 planes (AP-BLY and AP-BLZ) that had been parked in Jakarta since September, 2021 for maintenance for the past 12 months. The management suffered a loss of Rs. 1,584.000 million (US\$ 600,000 pm x 12 months = US\$ 7,200,000 x Rs.220 per US\$) to date on account of lease rent of parked aircraft. The PIA officials deputed for supervision were also enjoying foreign visit benefits costing millions of rupees at the cost of PIA.

Audit was of the view that the management failed to redeliver the air crafts as per contract terms which reflected negligence and slackness.

The matter was reported to the management on November 07, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. The management informed that the lessor remained non-responsive on various issues. DAC directed the management to conduct fact-finding inquiry and also resolve the issue on priority. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.20 Undue favor to sales agents by allowing excess sales beyond guarantees - Rs.934.630 million

According to Para 2.02 of Credit Policy of Pakistan International Airlines Corporation (PIAC), all dues from private organizations are required to be recovered within 30 days and further sales be stopped until the previous dues are cleared. Financing cost @ 1.25% per month is to be added to all overdue credit for such period (s) (except Government of Pakistan).

During audit of Pakistan International Airlines Corporation Limited (PIACL) District Sales Office, Karachi for the year 2019, 2020 and 2021, it was observed that management allowed excess sales beyond cash and bank guarantees to following Passenger Sales Agents (PSAs):

Amount in Rs.				
S#	Agent Name	Cash & Bank Guarantee	Sales	Excess Sale
1	M/s Quality Int'l Travels	188,250,000	940,433,004	752,183,004
2	M/s Top Line Travels	16,000,000	40,540,411	24,540,411
3	M/s Meezab Aviation (Pvt.) Ltd	27,500,000	85,965,632	58,465,632
4	M/s Fast Air Travels	11,000,000	63,364,125	52,364,125
5	M/s Easy Way Travels	18,000,000	65,077,130	47,077,130
Total		260,750,000	1,195,380,302	934,630,302

(Source: PIAC District Sales Office, Karachi)

Audit was of the view that the management granted undue favour to the sales agents by allowing sales beyond guarantees which stood irregular/unjustified.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that necessary measures for deterrence against credit advance beyond capping limits has been put in place. DAC directed the management to provide relevant documents to Audit for examination i.e. amounts already recovered, legal cases, measures adopted. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.21 Poor inventory management of phased out aircrafts – Rs.904.610 million

According to principles of procurement enunciated in the PIAC's Procurement Manual, one of the five basic concerns that govern PIAC's procurement policies is to ensure that the funds are used to buy only those Products/Goods, Services, Works, Plant & Equipment and Information Systems which are needed to operate and maintain PIAC.

During audit of Pakistan International Airlines Corporation (PIAC) Supply Chain Management (SCM) for the year 2021, it was observed that inventory worth Rs.904.610 million of different stock items were lying in the different store rooms as on December 31, 2021 for those aircrafts which were no more in PIA service

and phased out long time ago. Despite yearly provision, the successive managements failed to dispose of surplus/ obsolete inventory of phased out aircrafts worth billions of rupees. The details of phased out aircrafts inventory is as under:

(Amount in Rs.)					
S#	Name of Aircraft	Amount of Inventory	S#	Name of Aircraft	Amount of Inventory
1	B-747-300	246,978,159.00	4	K CESSNA	1,011,645.04
2	C 707	8,858,010.33	5	W B-737	289,606,214.00
3	J 747-200	358,156,059.00	Total		904,610,086.79

(Source: PIAC Supply Chain Management Department)

Audit was of the view that huge quantity of surplus inventory reflected that the purchases were made without any planning and due diligence. Further, management also failed to dispose of the surplus inventory even after a lapse of considerable time, thereby, causing a loss of Rs. 904.610 million.

The matter was reported to the management on November 07, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to provide revised reply with relevant documents to audit including ageing, segregation and action plan on the subject matter. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.22 Loss due to late payment of claims - Rs. 896.113 million

According to clause 6.4 of the agreement between PIAC & PSO if, the buyer fails to make payment of the amount of any invoice on the due time, the seller may, at its option, charge interest rates of State Bank of Pakistan discount rates plus + 4% on any amount overdue for payment for a period of more than one month at the end of each month.

During audit of Pakistan International Airlines Corporation (PIAC) Flight Operations Department for the year 2021, it was observed that the management made a contract of jet fuel with PSO. However, over a period of time, the management failed to pay the bills on time which resulted in late payment interest amounting to Rs.896.113 million.

Audit was of the view that the management failed to pay late payment interest payable to PSO which reflected poor financial management.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. The management informed that the all the fuel invoices werre timely provided to finance for payment, however due to delay in payments by finance, late payment interest was imposed. Finance department can give reasoning for the late payments. DAC directed the management to provide relevant documents to Audit including ageing of the payables and reasons of such liability on account of LD against PIAC. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.23 Non-payment of various taxes - Rs. 573.586 million

Under Federal Excise Duty Act, 2005, Federal Excise Duty and Advance Tax collected from passengers was required to be deposited into Government Treasury within 45 days from the date of deduction.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Finance Department for the year 2021, it was observed that the management collected various taxes from their passengers under Federal Excise Duty Act 2005, which were required to be deposited into Government Treasury within 45 days from the date of deduction. However, the management retained the same and did not deposit the taxes within stipulated time as per details given below:

(Rs. in million)		
Description	Payable to	Amount
Federal Excise Duty Payable on inland carriage of goods by air & charter flights and short payment of FED on passengers travelled by air	FBR	311.866
Short payment of WHT payable	FBR	100.455
Penalty	FBR	145.626
Default surcharge	FBR	15.639
Total		573.586
<i>(Source: PIAC Finance Department)</i>		

Audit was of the view that the management failed to deposit the tax amount into Government Treasury within the required time which showed gross violation and in-effective financial management.

The matter was reported to the management on October 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC

directed the management to provide relevant documents to Audit on details/reasons of short / non-payments and penalty by FBR and further directed the management to put in place mechanism for avoiding such instances in future. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.24 Non-recovery / adjustment of credit memo - Rs. 382.501 million

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

During audit of Pakistan International Airlines Corporation Limited (PIAC), Engineering and Maintenance Department for the year 2021, it was observed that an amount of Rs. 382,501,425 was recoverable / adjustable since long against the following vendors on account of credit notes raised during previous years. The details is as under:

(Amount in Rs.)			
S#	Party Code	Party Name	Amount of credit notes
1.	21231	Aercap Global Aviation	227,973,218
2.	6690	Airbus	96,463,479
3.	1326	Shikra Leasing	58,064,728
Total			382,501,425
(Source: PIAC Engineering & Maintenance Department)			

Audit was of the view that the management failed to adjust the credit notes despite lapse of considerable time. Such non-recovery may lead to serious concerns over the cash flow of the company. This showed poor performance of management's recovery mechanism and weak internal controls.

The matter was reported to the management on December 16, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that the amounts against M/s Airbus and M/s Shikra Leasing have been adjusted. However, amounts in respect of M/s Aercap Global Aviation appeared outstanding due to a system error. DAC directed the management to provide relevant documents to Audit for its examination and

comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.25 Non-recovery / adjustment of receivables / outstanding amount – Rs. 377.354 million

According to Rule 5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety states that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage.

Clause 2.02 of Credit Policy of Pakistan International Airlines Corporation (PIAC) states that credit period may be up to 30 days (Government of Pakistan 60 days), financing cost @ 1.25% per month is to be added to all overdue credit for such period(s) (except Government of Pakistan) and all further credit on overdue accounts should be stopped until all past dues are cleared.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Food Services Department for the year 2021, it was observed that the management failed to reconcile / recover / adjust an outstanding amount of Rs. 377.354 million as detailed below:

(Rs. in million)		
S. #	Description	Amount
1.	Un-reconciled amount from M/s. EIRAD Travel & Tourism	372.398
2.	Risk purchase and LD from M/s Gas Professional	4.956
	Total	377.354

(Source: PIAC Food Services Department)

Audit was of the view that the management was unable to reconcile / recover / adjust such a huge amount of receivables which showed negligence.

The matter was reported to the management on November 25, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023.

1. The management informed that there was no such receivable against the company and the claim was raised as a pressure tactic to bring the company on discussion table as NOC from M/s Eirad was mandatory for continuous operations of PIACL to Saudi Arabia. DAC directed the management to provide relevant documents to Audit for its examination and comments.

2. DAC directed the management to finalize blacklisting of the supplier in accordance with the CPC decisions and share the relevant documents with Audit for its examination and comments.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.1008 & 1009)

1.1.4.26 Non-settlement of insurance claims – Rs. 372.875 million equivalent to US\$ 1,864,376

According to Para 2.02 of the Credit policy of PIAC, all dues from private organizations are required to be recovered within 30 days and further sales be stopped until the previous dues are cleared, in case of Govt. organization it will be recovered within 45 days.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Engineering Department for the year 2021, it was observed that the management lodged insurance cases against hull and spares claims which were outstanding against M/s National Insurance Company Limited (NICL) amounting to Rs. 372.875 million (US\$ 1,864,376 @ Rs.200) and remained un-settled after lapse of considerable time.

Audit was of the view that the management failed to settle the claims which reflected inefficiency and negligence.

The matter was reported to the management on December 16, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that collection process of claims were underway. DAC directed the management to finalize the insurance claim within three months. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.27 Loss due to default by agents – Rs. 366.609 million

Article 27 of Passenger Sales Agency Agreement (PSAA) states that Agents will be liable for any outstanding amounts in default and immediately upon

notification of default, ticketing authority will be de-linked and held guarantee(s) will be en-cashed to cover the amounts in default. Article-9 of Passenger Sales Agency Agreement (PSAA) states that the Agents shall be under obligation to submit sales reports and remittances on fortnightly basis in the following manner:- (1) Sales from 1st to 15th day of the month will be settled on 30th of the same month; Sales from 16th to the last day of the month will be settled on 15th of the following month.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Finance Department for the year 2021, it was observed that various domestic agents had defaulted by not depositing the sales amount of Rs.366.609 million, which was required to be deposited fortnightly with PIAC. The agents were allowed to sell the tickets beyond their prescribed limits/capping due to which they defaulted.

Audit was of the view that the management failed to recover the amount against defaulting agents which showed weak internal controls and poor financial management.

The matter was reported to the management on October 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that necessary measures for deterrence against credit advance beyond capping limits has been put in place DAC directed the management to provide relevant documents to Audit for examination i.e. amounts already recovered, legal cases, measures adopted. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.28 Shortfall in Bank Guarantees provided by Passenger Sales Agents - Rs. 350.385 million

Article 3 of Passenger Sales Agreement (PSA) agreement requires:

- a) Cash security - Rs. 1.00 million.
- b) Bank Guarantee of Rs. 2.00 million.
- c) Bank Guarantee / cash deposit be kept by Principal for the period of 14 months after expiry / termination of agreement to ensure coverage of any receivables, costs, expenses or damages which may arise under the agreement.

Further, clause C states that Principal Reserves the right to call for an increased security in the shape of bank guarantee. Failure to effect renewal of bank guarantee within 30 days prior to its expiry or comply with request for an increased bank guarantee within 30 days will permit the principal to terminate the agreement forthwith.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Finance Department for the year 2021, it was observed that various Passenger Sales Agents (PSAs) provided Bank Guarantees in favor of PIAC which were not sufficient, thus, exposing the corporation to the financial risk in the event of default. The detail is as under:

(Amount in Rs.)						
S#	Name of Agency	Cash security	Bank Gurantee	Total Gurantee	Monthly Sales	Bank Guarantee Short Received
1.	Bhv Travels	1,000,000	2,000,000	3,000,000	26,622,578	(23,622,578)
2.	Sky Mate Travels	0	10,000,000	10,000,000	12,065,186	(2,065,186)
3.	Noahisar Travel & Tours	2,500,000	0	2,500,000	24,642,000	(22,142,000)
4.	Abbas International Travels	0	16,450,000	16,450,000	75,013,385	(58,563,385)
5.	Travel Palace Pvt Ltd	0	6,800,000	6,800,000	8,649,958	(1,849,958)
6.	Soneri Travel	0	40,000,000	40,000,000	168,467,132	(128,467,132)
7.	Shukat Travel	1,000,000	7,000,000	8,000,000	134,470,825	(83,470,825)
8.	Zimri Travels (Pvt.) Ltd	0	7,000,000	7,000,000	34,470,887	(27,470,887)
9.	Sethi Travels & Tours (Private) Limited	0	7,000,000	7,000,000	30,763,929	(23,763,929)
10.	Fairway Air Express	2,500,000	0	2,500,000	8,940,195	(6,440,195)
Total						(350,385,250)
(Source: PIAC Finance Department)						

Audit was of the view that shortfall in bank guarantees may lead to non-recovery and loss to the corporation.

The matter was reported to the management on October 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to provide to audit measures adopted and finalize/update the credit policy accordingly. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.29 Unjustified award of meal transportation contracts - Rs. 232.072 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan International Airlines Corporation (PIAC) Food Service Department (FSD) for the year 2021, it was observed that the management executed agreements from years 2019 to 2022 amounting to Rs.232.072 million in lieu of uplifting of meal from terminal building to Airport without consulting TGS for serviceability of available catering vans / lifters as detailed below:

S #	Description	Supplier	Amount (Rs.)
1	Annual Contract- Hiring of Transport Services at BBIAP to new Islamabad International Airport NIIAP & Transit Facility at NIIAP. w.e.f. 01-08-21 to 31-07-22	Airblue Flight Catering (Pvt.) Ltd	51,852,000
2	Executive Approval- Hiring of Transport Services at BBIAP to new Islamabad International Airport. w.e.f. 14.06.2021 to 31.07.2021.	Kitchen Cuisine Private Limited	7,239,173
3	15% Extension- Hiring of Transport Services at BBIAP to new Islamabad International Airport. w.e.f. 19.04.2021 to 13.06.2021.	Kitchen Cuisine Private Limited	8,536,964
4	2nd (final) Term Extension- Hiring of Transport Services at BBIAP to new Islamabad International Airport. w.e.f. 20.04.2020 to 19.04.2021.	Kitchen Cuisine Private Limited	56,654,400
5	1st Term Extension- Hiring of Transport Services at BBIAP to new Islamabad International Airport. w.e.f. 20.04.2019 to 19.04.2020.	Kitchen Cuisine Private Limited	107,789,520
Total			232,072,058
<i>(Source: PIAC Food Services Department)</i>			

It was further observed that the services of Mr. Wajahat (TGS employee) were retained for the recovery of 04 unserviceable catering vans/lifters at Islamabad Station for saving of Rs.62.400 million in existing contract agreement with M/s Kitchen Cuisine, however no savings were made.

Audit was of the view that despite retaining the service of employee, the management failed to save the agreed / discussed amount in the shape of serviceability of lifter.

The matter was reported to the management on November 25, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that FSD approached TGS time to time for recovery and serviceability of catering high lifters, which was recovered and made serviceable since last several months. DAC directed the management to provide justification supported by the relevant documents to Audit for its examination and comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.30 Irregular award of contracts - Rs. 212.490 million

Rule 40 of PPRA Rules, 2004, states that save as otherwise provided there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder: Provided that the extent of negotiation permissible shall be subject to the regulations issued by the Authority. Further, Rule 04 of PPRA

Rules, 2004, states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner.

During audit of Pakistan International Airlines Corporation (PIAC) Flight Operations Department for the year 2021, it was observed that the management floated a tender for hiring of hotel services at Jeddah. The lowest bidder i.e. M/s Amjad Royal Hotel Jeddah offered a financial bid of SAR 235 per night per room, however the service provider did not sign the agreement. The management then, negotiated with the 2nd lowest bidder and awarded the contract to M/s Holiday Inn Al-Salam for 2 years @ SAR 235 inclusive taxes per room per night.

Furthermore, the management awarded a contract for hiring of Hotel services for cockpit crew & aircraft engineers at Lahore to the 2nd lowest bidder i.e. M/s Nishat Hotel amounting to Rs. 65.890 million.

Audit was of the view that the management awarded the contracts of Rs.212.490 in violation of procurement rules.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. The management informed that:

1. First lowest hotel did not accept the agreement signing due to its limitations prevailing upon it during the Covid-19 period. Thus, in order to avoid any operational disruption and cope up the operational contingency, the second lowest hotel was contacted who willingly agreed to sign the agreement on the lower rates i.e. at par the rates quoted by lowest evaluated hotel. The case file was again put up in the Central Purchase Committee through Hotac Committee in line with the PPRA circular Ref No. F. No. 1(5)/M&E/PPRN20181 6l dated 15th Feb, 2021 regarding contracting with the second lowest bidder which proving most advantageous as well. In the light of emergent requirements on operational basis, the forum approved in favor of Hotel Holiday Inn Al-Salam for signing of the agreement. DAC directed the management to provide relevant documents to Audit including correspondence and negotiations on the subject matter.
2. The tenders of hotels are evaluated on techno-commercial basis, 30% weightage for technical evaluation and 70% weightage for financial evaluation. Avari Hotel Lahore was not the lowest / most advantageous hotel as it obtained very less marks than the Nishat Hotel. Avari Hotel did not include Transportation while Nishat Hotel rates were included with

Transportation. DAC directed the management to provide relevant documents to Audit including evaluation criteria for examination.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.669 & 671)

1.1.4.31 Loss due to closure of SpeedEx without recoveries - Rs. 181.374 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for 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.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Finance Department for the year 2021, it was observed that the management decided to close its courier segment SpeedEx, which used to provide courier services across Pakistan. However, the business was closed without actual realization of receivables of SpeedEx amounting to Rs.181.374 million.

Audit was of the view that non-recovery of such a huge amount of receivables showed negligence and weak recovery mechanism.

The matter was reported to the management on October 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed the DAC that an amount of Rs.84.000 million was recovered but not applied in ERP system by the Finance Department. DAC directed the management to provide relevant documents to Audit for examination i.e. amounts already recovered and pursue leftover amounts of recovery. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.32 Unjustified / imprudent hiring / rehiring of pilots – Rs. 158.400 million

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

During audit of Pakistan International Airlines Corporation (PIAC) Human Resource Department for the year 2021, it was observed that the management hired / re-hired 22 pilots at a monthly salary of Rs.600.000 per month with other benefits despite the fact that PIA had 311 regular pilots on permanent basis. It is pertinent to mention here that European Union Aviation Safety Agency (EASA) has suspended / banned PIA flight operations from the month of June 2020 due to safety concerns. Further, total utilization / flown of PIA aircraft fleet at different routes remained less as compared to industry average utilization of aircrafts. Details of pilots hired / rehired are as under:

S #	Name	S #	Name
01	Mr. Arshad Akram Khan	12	Mr. Najib Amin Moghal
02	Mr. Zafar Islam	13	Mr. Muhammad Saqib Ansari
03	Mr. Zrak Khan	14	Mr. Mr. Khalid Mahmood Anwar
04	Mr. Amir Aftab	15	Mr. Sohail Ahmed Qureshi
05	Mr. Syed Bayar Masood	16	Mr. Saeed Ahmed
06	Mr. Masood Aleem Opel	17	Mr. Aziz Ur Rehman
07	Mr. Anwer Adil	18	Mr. Mujeeb Ullah Khan
08	Mr. Muhammad Wasim Ahmed Pirzada	19	Mr, Arbab Akhlaq Khan
09	Mr. Munib Ur Rehman Mufti	20	Mr. Syed Mudassair Raza Bukhari
10	Mr. Nasir Aziz Khan	21	Mr. Abdul Rauf
11	Mr. Tariq Mehmood Rabbani	22	Mr. Shahab Anees Arif
(Source: PIAC Human Resource Department)			

Audit was of the view that hiring /re-hiring of pilots during the suspended/ban period of PIA flight operations for Europe showed imprudence of management causing huge financial loss of Rs.158.400 million to corporation.

The matter was reported to the management on November 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to provide revised relevant reply with documents reflecting the essentiality / justification in accordance with standing orders for discussion during next DAC meeting. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.33 Non-recovery of insurance claims and advances - Rs. 155.081 million

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

During audit of Pakistan International Airlines Corporation (PIAC) Supply Chain Management (SCM) for the year 2021, it was observed that the management failed to recover / adjust the amount against insurance claims and advances as detailed below:

(Rs.in million)			
S#	Vendor	Description	Amount
1.	M/s NICL	Insurance Claim against Aircraft AP-BLU	25.802
2.	M/s NICL	Various Insurance Cases	112.627
3.	Various Foreign Suppliers	Advances against various procured items	16.652
Total			155.081

(Source: PIAC Supply Chain Management Department)

Audit was of the view that the management failed to recover the outstanding amount which reflected inefficiency and weak recovery mechanism.

The matter was reported to the management on November 07, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023.

1. The management informed that estimated repair cost was under review. DAC directed the management to recover the amount within three months.
2. DAC directed the management to recover the amount within three months.
3. The management informed that the amount against 17 clients has been recovered. DAC directed the management to provide relevant documents to Audit reflecting the recovery already made and effect the recovery in the leftover cases within two months.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.423, 425 & 438)

1.1.4.34 Irregular award of contracts - Rs.150.914 million

Rule 12 (2) of PPRA Rules, 2004, states that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

As per principles of procurement enunciated in the PIAC's Procurement Manual, one of the five basic concerns that govern PIAC's procurement policies is to ensure that the funds are used to buy only those Products/Goods, Services, Works, Plant & Equipment and Information Systems which are needed to operate and maintain PIAC.

During audit of Pakistan International Airlines Corporation (PIAC) Supply Chain Management (SCM) for the year 2021, it was observed that the management awarded various contracts in violation of PPRA Rules, 2004 as detailed below:

(Rs.in million)				
S#	Name of Contractor	Description	Violation	Amount
1	M/s Mujahid Brothers	Meal Services	Award of contract without open tender	43.849
2	M/S Digital Entertainment World (DEW)	In-flight Entertainment (IFE)	Continuation of contract without renewal	9.695
3	M/s. Techaces Pakistan (Pvt.) Ltd	ERP	Award of contract without open tender	13.331
4	M/s Info Tech	ERP	Continuation of ERP software and hardware	58.000
5	M/s NTC	Email Hoisting Services	Continuation of contract without renewal	26.039
Total				150.914
(Source: PIAC Supply Chain Management Department)				

Audit was of the view that the management extended undue favor to the contractors in violation of PPRA Rules, 2004.

The matter was reported to the management on November 07, 2022. The irregularity was discussed in the DAC meeting held on January 16 and 17, 2023.

1. DAC directed the management to conduct inquiry on the subject matter.
2. The management informed that the contract for one year w.e.f. 01.04.2015 to 31.03.2016 was awarded to M/s. DEW with extension of two terms. However, the case for renewal on same terms and conditions could have

not been raised in time.SPC meeting No. 224 dated 21.09.2016 forum directed to, “re-tender the case with new TOR”. The contract period of M/s. DEW was expired on 31-03-2018 and payment for the period 01.07.2016 to 28.02.2018 was not made. DAC directed the management to provide contract agreements and efforts by the management to Audit for its examination.

3. The management informed that the initial contract in 2017 was awarded in accordance with Public Procurement Rules. DAC directed the management to provide relevant documents to Audit reflecting the propriety nature of the procurement and approvals thereof by the competent forum.
4. The management informed that the initial contract in 2017 was awarded in accordance with Public Procurement Rules. DAC directed the management to provide relevant documents to Audit reflecting the propriety nature of the procurement and approvals thereof by the competent forum.
5. The management informed that the initial contract was awarded to M/s NTC in 2007 and the tendering process was followed in M/s Zimbra. DAC directed the management to provide relevant documents to Audit reflecting that the tendering process was followed.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.433, 435, 439, 440 & 443)

1.1.4.35 Non-recovery of utility charges – Rs.121.985 million

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

During audit of Pakistan International Airlines Corporation (PIAC), Works Department for the years 2021, it was observed that an amount of Rs.121.985 million was lying outstanding against PIA Staff Colony on account of utility charges as detailed under:

(Amount in Rs.)			
Description	Paid	Recovered	Outstanding
Electricity	106,091,697	24,902,991	81,188,705
Gas	21,073,400	234,927	20,838,473

Water	20,000,000	641,209	19,358,791
AC	600,000	-	600,000
Total			121,985,969
<i>(Source: PIAC Works Department)</i>			

Audit was of the view that non-recovery of huge outstanding utility charges showed poor monitoring and failure of safeguarding organizational interests due to weak internal controls.

The matter was reported to the management on October 10, 2022. The irregularity was discussed in the DAC meeting held on January 16 and 17, 2023.

1. The management informed that metering has been done in all cases. DAC directed the management to provide relevant documents to Audit for examination.
2. The management informed that there was a ban by SSGC on allotment of new connections. DAC directed the management to raise the level of the matter to higher authorities and take actions accordingly.
3. The management informed that the rate enhancement has been proposed for covering losses. DAC directed the management to provide relevant documents to Audit and pursue the matter accordingly.
4. DAC directed the management to pursue court case accordingly.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.682, 683, 684 & 695)

1.1.4.36 Irregular award of catering contract – Rs.96.500 million

According to contract agreement between M/S POS Aviation and PIAC, the contract shall be valid for an initial period of 01 year, effective from October 13, 2019 to October 12, 2020. The contract may be extended for another year upon satisfactory performance and mutual consent on the same terms and conditions.

During audit of Pakistan International Airlines Corporation (PIAC), Food Services Department (FSD) for the year 2021, it was observed that the management awarded a catering contract to M/s. POS Aviation at Kuala Lumpur, Malaysia for in-flight catering for one year w.e.f. 13.10.2019 to 12.10.2020 extendable for another year. First extension was approved w.e.f. 13.10.2020 to

12.10.2021. However, second extension was also awarded from 13.10.2021 to 12.10.2022 amounting to Rs.83.500 million. In addition to this, third extension was approved from 13.10.2022 to 06.12.2022 amounting to Rs.13.000 million in violation of contract agreement. Furthermore, the contract agreement was also not signed by the management.

Audit was of the view that the management extended undue favor to M/s. POS Aviation in violation of contract agreement. Thus, contract amounting to Rs.96.500 million (Rs.83.500 million & Rs.13.000 million) stood irregular.

The matter was reported to the management on November 25, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that in tender documents it was written that the contract shall be valid for an initial period of 02 years, and may be extended for another year. DAC directed the management to provide agreements and subsequent extensions with justification supported by the relevant documents to audit for its examination and comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.37 Loss due to non-availing of waiver offer – Rs.88.588 million equivalent to US\$ 500,000

According to clause (5)(e) on payment of the agreement “if, payment by the Buyer is delayed beyond the due date or beyond the date on which the Seller has set as being the due date, the Seller shall be entitled to pre agreed liquidated damages as set out in the Agreement or if nothing is set out in the Agreement then as assessed by the Seller from time to time for any part thereof from the date on which the payment was due until the date on which the full payment is received in the Designated Bank Account, in addition to any other rights the Seller may have under the Agreement”.

During audit of Pakistan International Airlines Corporation (PIAC) Flight Operation Department for the year 2021, it was observed that M/s Alshams National Global Energy Company (jet fuel supplier) offered to the management for waive of \$ 500,000 as incentive for renewal and extending the contract. However, the management made agreement without availing waiver offer of LD charges amounting to Rs. 88.588 million.

Audit was of the view that the management sustained a loss of Rs.88.588 million due to non-availing of waiver.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that the amount of liquidated damages was a disputed amount. DAC directed the management to provide justification for non-disclosure of the amount in the accounts and reasons of such liability on account of LD against PIAC. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.38 Non-obtaining of bid security and performance guarantee – Rs. 85.013 million

Rule 25 of PPRA Rules, 2004, states that the procuring agency may require the bidders to furnish a bid security not exceeding five per cent of the bid price. Further, rule 39 of PPRA Rules, 2004, states that where needed and clearly expressed in the bidding documents, the procuring agency shall require the successful bidder to furnish a performance guarantee which shall not exceed ten per cent of the contract amount.

As per tender advertised on newspaper “Prospective firms/companies are required to submit tender fee of Rs 3,000 (non-refundable) in shape of pay order along with ‘Technical proposal’ and earnest money (refundable) equivalent of 2% of total bid value in shape of pay order along with ‘Financial Proposal’.

During audit of Pakistan International Airlines Corporation (PIAC), Motor Transport Department for the year 2021, it was observed that the management hired transport services for cabin crew at Karachi-Lahore-Islamabad from M/s Airport Limousine services (ALS). However, the management did not obtain the bid security and performance guarantee amounting to Rs.85.013 million in violation of PPRA Rules as detailed below:

(Rs. in million)			
Description	Violation	Contract Amount	Total Amount
Transport services for cabin crew at Karachi-Lahore-Islamabad	2 % bid security was not obtained	708.435	14.169
	10 % performance guarantee was not obtained	708.435	70.844

Total	85.013
<i>(Source: PIAC Motor Transport Department)</i>	

Audit was of the view that the management extended undue favor to the contractor which reflected negligence.

The matter was reported to the management on September 23, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023.

1. The management informed that M/s ALS had submitted the bid security. However, M/s Denfa did not submit the bid. Hence, latter's bid was rejected by the tender opening committee at initial stage. DAC directed the management to provide relevant documents to Audit for its examination and further audit comments.
2. The management informed that the service provider submitted the bank guarantee. DAC directed the management to provide relevant documents to Audit for its examination.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.546 & 547)

1.1.4.39 Loss due to late payment of duty & taxes on import of leased air crafts - Rs. 84.120 million

Section 83 (2) of Custom Act, 1969 states that where the owner fails to pay import duty and other charges within 3 [ten] days from the date on which the same has been assessed under sections 80, or 81, he shall be liable to pay surcharge at the rate of KIBOR plus three per cent on import duty and other charges payable on such goods.

During audit of Pakistan International Airlines Corporation (PIAC) Supply Chain Management (SCM) for the year 2021, it was observed that Customs Authorities imposed surcharge of Rs.84.120 million on deferred payment against import of three leased aircrafts. The PIA imported three Aircrafts on dry lease basis for the period of 72 months in 2014. The Economic Co-ordination Committee (ECC) approved the proposal on 17.12.2013 for making payment of taxes on leased Aircrafts on monthly installments basis. The Custom Authorities issued show cause notice on 20.02.2020 for recovery of short paid amount of duty

/ taxes amounting to Rs. 84.120 million. After hearing the case, the Customs Adjudication Authority gave the judgment against PIAC and ordered the respondents (PIAC) to pay Rs. 84.120 million on deferred payments in violation of Customs Act, 1969.

Audit was of the view that the management failed to pay monthly installment on time resultantly, Corporation suffered loss of Rs.84.120 million.

The matter was reported to the management on November 07, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to provide relevant documents to Audit including ECC decision, payment details, expenditure on legal case/order-in-original from custom authorities. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.40 Non-obtaining of valid performance guarantee from contractor – Rs. 81.977 million

Rule 39 of the PPRA Rules, 2004, states that where needed and clearly expressed the bidding documents, the procuring agency shall require the successful bidder to furnish a performance guarantee which shall not exceed 10 percent of the contract amount.

As per clause of 4.4 of PEC bidding document, the Contractor shall furnish to the Employer within fourteen (14) days after receipt of Letter of Acceptance a Performance Security at the option of the bidder, in the form of Bank Draft or Bank Guarantee or an insurance company having at least AA rating from PACRA/JCR for the amount and validity specified in Contract Data.

During audit of Pakistan International Airlines Corporation (PIAC) Supply Chain Management (SCM) for the year 2021, it was observed that the management awarded a contract for manpower supply to M/s Skyrooms for Rs.819.777 million for one year starting from December 2020 to December 2021 extendable for two terms. The management obtained invalid and inadequate performance guarantee in shape of undertaking from contractor on a simple paper showing Corporate Guarantee in violation of PPRA Rules.

Audit was of the view that the management failed to obtain performance guarantee which reflected negligence and undue favor.

The matter was reported to the management on November 07, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that the case was referred to PPRA for waiver of bank guarantee. DAC directed the management to provide relevant documents to Audit for its examination and comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.41 Loss due to less charging of rent and non-utilization of vacant property - Rs. 74.280 million

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

During audit of Pakistan International Airlines Corporation (PIAC), Works Department for the year 2021, it was observed that various residential quarters / shops either remained vacant or paid very low rent due to which the corporation deprived of rent revenue Rs.74.280 million as detailed below:

Property Name	Vacant / Rented Space (A)	Rental Income Per employee (per month) (B)	No of Months	Amount (Rs.) (D) = A*B*C
Air hostess Hostel	48 Rooms	5,000*2	24	11,520,000
Family Quarters	194 quarters	10,000	24	46,560,000
Shops	54 Shops	5,000	60	16,200,000
Total				74,280,000
<i>(Source: PIAC Works Department)</i>				

Audit was of the view that non-utilization of vacant property and charging low rent was tantamount to mismanagement which resulted in loss of rent revenue Rs.74.280 million.

The matter was reported to the management on November 25, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023.

1. DAC directed the management to provide detailed information to Audit for its examination and further discussion during next DAC meeting.

2. DAC directed the management to survey on livability from competent office may be conducted and revised reply be provided for discussion during next DAC meeting.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.692, 693 & 694)

1.1.4.42 Non-utilization of poultry shades / land – Rs. 35.000 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan International Airlines Corporation (PIAC), Works Department for the year 2021, it was observed that the management owned a 30 Kanal (04 Acres) poultry land at Nathia Gali Road, Abbottabad valuing Rs. 35.000 million which remained un-utilized since 2004.

Audit was of the view that non-utilization of land reflected inefficiency and poor financial management.

The matter was reported to the management on November 25, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. The management informed that PIA owns 28 Kanal 5 Marla of land. Adjacent to own land, PIA acquired additional land 88 Kanals 3 Marla from various owners on 50 year lease valid up to 2024-25. The land was utilized for PIA Shaver Poultry Farms and Farms become in-operative from 2004. Recently some parties started illegal construction. DAC directed the management to conduct inquiry covering the aspects of acquisition of land without clear title and non-utilization of the lease land, and fix responsibility accordingly. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.43 Loss due to payment of penalties on delayed flights – Rs. 34.150 million

According to Page 12, Chapter 17 of Job Description Manual of Passenger Handling Services Division, it is the responsibility of the Passenger Handling Services Division of PIAC to analyze station delays over the PIAC network and take corrective and preventive actions to improve the punctuality by ensuring on-time departures.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Finance Department for the year 2021, it was observed that the management paid Rs.34.150 million on account of delayed flights from January to December 2021. There was a lack of proper planning and control over the flights schedule and flight operation, which caused disruption, delays, and cancellation of flights, due to which heavy payment were made on account of delayed flight allowance, penalty paid to passengers, passenger layover, parking charges of aircraft, etc.

Audit was of the view that the management failed to plan the flight management schedule which reflected inefficiency and negligence.

The matter was reported to the management on October 01, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. DAC directed the management to provide 03 years data to Audit for further examination and comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.44 Non-recovery of dues from various parties – Rs.33.447 million

According to Para 2.02 of Credit Policy of Pakistan International Airlines Corporation (PIAC) all dues from private organizations are required to be recovered within 30 days and further sales be stopped until the previous dues are cleared. Financing cost @ 1.25% per month is to be added to all overdue credit for such period (s) (except Government of Pakistan).

During audit of Pakistan International Airlines Corporation Limited (PIACL) District Sales Office, Karachi for the year 2019, 2020 and 2021, it was

observed that an amount of Rs.33.447 million was lying outstanding against various parties as detailed below:

(Amount in Rs.)		
S#	Description	Amount
Travel Agents		
1	M/s Mona Travel	8,743,475
2	M/s Air Asia International Travel	725,485
3	M/s Real Air Travels	1,129,707
4	M/s Saleem Agency	12,327,506
5	M/s Karwan-e-Azam	5,556,522
Government Departments		
6	PAF Faisal, Karachi	266,351
7	CMA (RC) Rawalpindi	1,738,577
8	Navy Pakistan	2,960,220
Total		33,447,843
(Source: PIAC District Sales Office, Karachi)		

Audit was of the view that the management failed to recover the outstanding amount of Rs.33.447 million, which showed poor financial management.

The matter was reported to the management in November 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to pursue FIA and Court cases accordingly.

Audit recommends implementation of the DAC directives.

(DP Nos.471, 472 & 473)

1.1.4.45 Loss due to charging lesser rates of water and gas - Rs. 30.600 million

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

During audit of Pakistan International Airlines Corporation (PIAC), Works Department for the years 2021, it was observed that the management had been charging very low rate on account of water supply and gas charges to PIA Township Residents employees since long. Details are as under:

(Amount in Rs.)					
Utility	Average bill per month A	Amount charged per month B	Difference C	Number of quarters D	Loss E(C *D)
KW & SB	500	75	425	1,000	425,000 *12 months x 3 years = 15,300,000
SSGCL	500	75	425	1,000	425,000 *12 months x 3

					years = 15,300,000
				Total	30,600,000

(Source: PIAC Works Department)

Audit was of the view that due to imprudent decision of the management by charging very low rate of Rs.75 per month to PIA Township resident employees resulted into loss of Rs.30.600 million to the corporation which showed poor monitoring.

The matter was reported to the management on November 25, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. The management informed that the rate enhancement has been proposed for covering losses. DAC directed the management to provide relevant documents to Audit and pursue the matter accordingly. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.690 & 691)

1.1.4.46 Ambiguous technical evaluation criteria in bidding documents- Rs.28.000 million

Rule 29 and 30 of PPRA Rule, 2004 states that procuring agencies shall formulate an appropriate evaluation criterion listing all the relevant information against which a bid is to be evaluated. Such evaluation criteria shall form an integral part of the bidding documents. Failure to provide for an unambiguous evaluation criteria in the bidding documents shall amount to mis-procurement. Furthermore, all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding documents. Save as provided for in sub-clause (iv) of clause (c) of rule 36 no evaluation criteria shall be used for evaluation of bids that had not been specified in the bidding documents.

During audit of Pakistan International Airlines Corporation (PIAC) Food Service Department (FSD) for the year 2021, it was observed that the management invited tender for procurement of 24,000 travel kits on 17-12-2021. Two bidders M/s LAN YU International, China and DALIEN International, Hong Kong participated and samples were sent to FSD Evaluation Committee which rejected the sample of M/s. LAN Yu and accepted the samples of M/s. DALIEN as successful bidder. Later on, M/s LAN YU filed a grievance against their

disqualification. The Grievance Committee validated the vendor's contention and commented that no proper criteria and standard was specified to evaluate the required specifications of the sample. It would not be fair to make post tendering modification by the agency in the required published criteria.

Audit was of the view that the management deliberately avoided specifying proper technical criteria in the bidding documents and later on changed the criteria after publishing the tender documents. Thus, the evaluation committee exceeded its limit by wrongful evaluation of samples and disqualifying the vendor M/s LAN YU in order to give undue favour to the preferred vendor.

The matter was reported to the management on November 25, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that the kit was mandatory for long destinations. DAC directed the management to provide relevant documents to Audit for its examination and comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.47 Irregular payment of final dues – Rs.26.059 million

Para 75 (a to j) and Para 76(h), Chapter 04 of Misconduct and Pakistan International Airline Corporation (PIAC) Personnel Policy Manual states that giving false information regarding name, age, father's name, educational or professional qualification, previous service or experience or anything relating to the record of service at the time of joining the service of the corporation or at any time during the service of the corporation will have penalty of dismissal from service.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Human Resource Department for the year 2021, it was observed that the management made payments of final dues of employees having fake / bogus degrees at the time of their retirement amounting to Rs.26.059 million as detailed below:

(Amount in Rs.)				
S#	Name of Employee	P. No	Status	Amount
1	Mr. Nasir Ali	44100	Retired	7,819,111
2	Mr. M. Iqbal	34248	Retired	4,906,913
3	Captain Shayan Haqqee	48041	Early Retired	13,332,778

	Total	26,058,802
<i>(Source: PIAC Human Resource Department)</i>		

Audit was of the view that the management extended undue favor to the retiring employees which reflected weak internal controls.

The matter was reported to the management on November 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to provide revised relevant reply keeping in view internal proceedings and legal opinion on the subject matter. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.48 Default of sales agents due to allowing excess limit of sale of tickets beyond capping - Rs.25.014 million

According to Article 9 of Passenger Sales Agency Agreement of Pakistan International Airlines Corporation (PIAC), the agent shall be under obligation to submit sales reports and remittances on fortnightly basis. Furthermore, Article 27 says that agent will be liable for any outstanding amounts in default and immediately upon notification of default ticketing Authority will be de-linked and held-guarantees will be en-cashed to cover the amount in default.

During audit of Pakistan International Airlines Corporation (PIAC) Peshawar Station for the year 2021, it was observed that M/s Union Travel, Passenger Sales Agent (owners Mr. Imdad Khan and Mr. Mir Hijam Shah) were allowed to sale the tickets beyond the capping limits against Financial Security of 6.00 million and Security fee of Rs.1.000 million and the agent defaulted in submitting remittances of Rs.43.937 million for the month of February and March 2018. An amount of Rs.21.254 million was recovered and a legal case was filed for Rs.25.254 million which was pending till date.

Audit was of the view that the management extended undue favour to the Agent and allowed sales beyond the limit which resulted in a default of Rs.25.014 million.

The matter was reported to the management on April 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that 46% of the amount has been recovered; most of the leftover cases were in litigation and necessary measures for deterrence against

credit advance beyond capping limits has been put in place. DAC directed the management to provide relevant documents to Audit for examination i.e. amounts already recovered, legal cases, measures adopted. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.49 Non-recovery of embezzled amount - Rs. 24.000 million

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

During audit of Pakistan International Airlines Corporation (PIAC), Works Department for the years 2021, it was observed that various officers of Works department Lahore were involved in embezzlement of funds amounting to Rs.24.000 million. Inquiry was conducted in 2016 however, final outcome was still pending.

Audit was of the view that the management failed to recover the embezzled amount which reflected inefficiency and weak recovery mechanism.

The matter was reported to the management on October 01, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. The management informed that during internal inquiry Mr. Shahbaz Akbar P 66013 and Mr. Shahzad Farooq were found / proven guilty. Later, PIA had sent application to FIA to start inquiry against them. DAC directed the management to pursue FIA case, recovery the established amount and take necessary action for blacklisting of contractors.

Audit recommends implementation of the DAC directives.

1.1.4.50 Non-recovery of outstanding amount against defaulting sales agents – Rs. 23.815 million

According to Article 9 of Passenger Sales Agency Agreement of Pakistan International Airlines Corporation (PIAC), the agent shall be under obligation to submit sales reports and remittances on fortnightly basis. Further, Article 27 says that agent will be liable for any outstanding amounts in default and immediately upon notification of default ticketing Authority will be de-linked and held-guarantees will be en-cashed to cover the amount in default.

During audit of Pakistan International Airline Corporation (PIAC), Peshawar for the year 2020-21, it was observed that that an amount of Rs.23.815 million was outstanding against various defaulted sales agents as per detail shown below:

(Rs. in million)							
S#	IATA Code	Name of Agent	Amount	S#	IATA Code	Name of Agent	Amount
1	2730290	Travel World (Pvt.) Ltd	0.874	8	2731383	New World Travels	3.073
2	2732185	Sanam International Travels	0.811	9	2731746	Pak Air Express	1.199
3	2731684	Abu Waqar Travels	0.081	10	2731957	Wafa International Travels	0.474
4	2730934	Libra Express Travels	1.482	11	2730105	Palwasha Travels (Pvt.) Ltd	4.473
5	2731783	Sarhad Aviation	8.31	12	2730395	Universal Travels & Tours Pvt	0.247
6	2730388	Sarhad Sky Linker	1.559	13	2731162	Friends Travel Inn	0.826
7	2732138	White World International Travels	0.406	Total			23.815
(Source: PIAC Peshawar Station)							

Audit was of the view that the management failed to recover the outstanding amount timely which reflected negligence and weak recovery mechanism.

The matter was reported to the management on April 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that 49% of the amount has been recovered, most of the leftover cases were in litigation and necessary measures for deterrence against credit advance beyond capping limits have been put in place. DAC directed the management to provide relevant documents to Audit for examination i.e. amounts already recovered, legal cases, measures adopted. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.51 Shortage of inventory items – Rs.19.784 million

As per principles of procurement enunciated in the PIAC's Procurement Manual, one of the five basic concerns that govern PIAC's procurement policies is to ensure that the funds are used to buy only those Products/Goods, Services, Works, Plant & Equipment and Information Systems which are needed to operate and maintain PIAC.

During audit of Pakistan International Airlines Corporation (PIAC) Food Services Department (FSD) for the year 2021, it was observed that inventory worth Rs.19.784 million of various stock items remained short in FSD Stock Room since long.

Audit was of the view that huge quantity of short inventory reflected inefficiency and weak inventory management.

The matter was reported to the management on November 25, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that shortage of items of inventory was due to delayed posting in the books. DAC directed the management to provide relevant documents to Audit for its examination and comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.52 Non-recovery of training cost from terminated pilots – Rs.18.000 million

Para 75 (a to j) and Para 76(h), Chapter 04 of Misconduct and Pakistan International Airline Corporation (PIAC) Personnel Policy Manual states that giving false information regarding name, age, father's name, educational or professional qualification, previous service or experience or anything relating to the record of service at the time of joining the service of the corporation or at any time during the service of the corporation will have penalty of dismissal from service.

As per contract agreement, Article-4 Termination of agreement (d) In the event of termination of contract by employee him/herself under Article 3(a) of if he is dismissed, removed or leave the Corporation as a result of some punishment, the employee and his surety shall be liable jointly and severally to pay the Corporation an amount of Rs. 1,000,000 incurred on his training and courses.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Human Resource Department for the year 2021, it was observed that the management terminated the services of 18 pilots having suspected pilot license with immediate effect on the directives of Aviation Division, Cabinet Secretariat,

Govt. of Pakistan communicated vide letter dated 26-06-2020. Furthermore, the management also paid them 03 month's salary. The details are as under:

S #	Name	P-No.	S #	Name	P-No.
1	F/O Mehtab Tahir Niazi	54155	10	Capt. Akbar Khan Afridi	60581
2	F/O Asim Aziz	47192	11	F/O Kashaun James Ingham	66603
3	Talha Ahmead Khan	62188	12	F/O Faisal Mirza	63667
4	Capt. Syed Mohsin Ali	61078	13	Capt. Atif Munir	61980
5	F/O Syed Saqlin Akhtar	64736	14	Capt. Shaikh Umar Islam	62073
6	F/O Uzair Javed	62695	15	Capt. Saifur Rehman Khan	63657
7	F/O Saleem Ali	52614	16	F/O Saulat Abbas	65042
8	Capt. Ali Hassan Yazdani	62075	17	F/O Hammad Ahmed Khan	65048
9	Capt. M.Bilal Chughtai	60698	18	Capt. Amir Mahmood	61978

(Source: PIAC Human Resource Department)

Audit was of the view that the management failed to recover training and courses cost from the terminated pilots which reflected undue favor.

The matter was reported to the management on November 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC pended the para till decision of the court and directed the management for fact-finding inquiry on the subject matter.

Audit recommends implementation of the DAC directives.

1.1.4.53 Loss due to un-necessary purchase of uniform cloth – Rs.16.251 million

According to principles of procurement enunciated in the PIAC's Procurement Manual, one of the five basic concerns that govern PIAC's procurement policies is to ensure that the funds are used to buy only those Products/Goods, Services, Works, Plant & Equipment and Information Systems which are needed to operate and maintain PIAC.

During audit of Pakistan International Airlines Corporation (PIAC) Supply Chain Management (SCM) for the year 2021, it was observed that various lots of uniform cloth and other related material valuing Rs.16.251 million were lying un-utilized since long.

Audit was of the view that huge quantity was purchased without proper assessment and considering actual requirement of corporation. Thus, the stock of uniform had stuck-up and deteriorated with the passage of time, thereby causing loss to the organization.

The matter was reported to the management on November 07, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that such procurement was made in year 2016. DAC directed the management to provide planned need and utilization details to Audit for its examination and comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.54 Non-recovery of dues from various clients / passengers – Rs.15.642 million

According to Para 2.02 of the Credit policy of PIAC, all dues from private organizations are required to be recovered within 30 days and further sales be stopped until the previous dues are cleared, in case of Govt. organization it will be recovered within 45 days.

The Standard Operating Procedure (SOP) for recovery of deportation fines / COD was circulated vide Circular No. 19/2014 dated June 02, 2014. The reason to develop the above SOP is to expedite the recoveries of exorbitant outstanding amount on account of fines and COD charges incurred for deportation; and concludes the cases within the time limits before it get too old and go beyond expectation of recovery.

During audit of Pakistan International Airline Corporation (PIAC), Peshawar for the year 2020-21, it was observed that an amount of Rs.15.642 million was lying un-recovered against various parties / passengers on account of fines, deportees and sales. (Annex-6)

Audit was of the view that the management failed to implement its credit policy effectively, which resulted in non-recovery of dues.

The matter was reported to the management on April 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that:

1. 56% of the amount has been recovered, most of the leftover cases were in litigation and necessary measures for deterrence against credit advance beyond capping limits have been put in place. DAC directed the

management to provide relevant documents to Audit for examination i.e. amounts already recovered, legal cases, measures adopted.

2. They have been pursuing the case from time to time. The agreement with M/s PAF was signed by the Head Office who extended the credit facility to PAF to facilitate various imports. DAC directed the management to pursue the recovery in the instance cases.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos. 2 & 6)

1.1.4.55 Loss on payment of parking charges for obsolete aircrafts - Rs.13.347 million

According to principles of procurement enunciated in the PIAC's Procurement Manual, one of the five basic concerns that govern PIAC's procurement policies is to ensure that the funds are used to buy only those Products/Goods, Services, Works, Plant & Equipment and Information Systems which are needed to operate and maintain PIAC.

During audit of Pakistan International Airlines Corporation (PIAC) Supply Chain Management (SCM) for the year 2021, it was observed that parking charges of Rs. 556,156 fortnightly were being charged by Civil Aviation Authority (CAA) for three A-310 aircrafts which were obsolete and discarded. The total amount for one year for the year 2021 had been charged at Rs.13.347 million (Rs. 556,156 fortnightly x 2 x 12 months).

Audit was of the view that the management failed to dispose off aircrafts and instead kept on paying parking charges which reflected wastage of funds.

The matter was reported to the management on November 07, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that PIACL has already ordered an investigation into the matter. DAC directed the management to provide relevant documents to Audit for its examination and comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.56 Recurring loss due to excess deployment of officers/staff - Rs.13.200 million

According to Clause 43.01.01 of the Personnel Policy Manual of PIAC, while presenting the hiring status, number of available vacancies shall be highlighted in front of each category being hired. Further, as per Clause 34.08, departments will determine the vacancy position in accordance with the approved establishment. Furthermore, according to PIAC approved HRB, the employees should have been within limit of sanctioned post in each department at PIAC.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Human Resource Department for the year 2021, it was observed that 11 employees were posted in excess against the sanctioned strength as per the approved Human Resource Budget (HRB). This resulted in a recurring loss of Rs.13.200 million (Rs. 50,000 per month salary * 11 employees * 24 months) on account of pay and allowances. The details are as under:

Station	Approved HRB	Existing	Excess
PZH	1	2	1
RYK	11	14	3
MUX	0	1	1
UET	4	5	1
MJD	0	1	1
LHE	6	9	3
PEW	0	1	1
Total	22	33	11
(Source: PIAC Human Resource Department)			

Audit was of the view that the management failed to follow the approved HRB due to negligence and weak internal controls. The expenditure on account of pay and allowances of excess employees amounting to Rs.13.200 million was held irregular.

The matter was reported to the management on November 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management stated that the matter has been noted for future compliance. DAC directed the management that the matter may be placed before the competent forum for its due consideration.

Audit recommends implementation of the DAC directives.

1.1.4.57 Irregular appointment of Chief Internal Auditor – Rs.12.800 million

According to the advertisement published in newspapers on November 2020 for the post of Chief Internal Auditor, the required qualification was Fellow Chartered Accountant or Fellow Cost and Management Accountant or Master Degree in Finance. As per Job Specification for the post, desired experience was 10 years preferably in airline industry and experience with one of the major audit firm.

Para No 03 of Offer letter for employment as Chief Internal Auditor Ref No. R&P: PLC:05:01:2021 dated 24.03.2021 states that “ If the above offer and terms and conditions are acceptable to you, please reply to this office within 07 days of receipt of this letter”.

During audit of Pakistan International Airlines Corporation (PIAC) Human Resource Department for the year 2021, it was observed that the management appointed Mr. Shaikh Bilal Shams as Chief Internal Auditor (CIA) on 21-06-2021 on contract basis for two years with monthly salary of Rs. 800,000. However, the incumbent did not have any Aviation Industry experience rather he possessed Banking experience of 12 years. The previous advertisements for the post of CIA required the experience of 15 years along with minimum 04 years’ experience of major Audit firm which was reduced to 10 years in current advertisement. Furthermore, his Offer letter clearly stated that he had to respond within 07 days of receipt of appointment letter. However, he submitted the acceptance of offer to PIA on 21.06.2021 after delay of 82 days.

Audit was of the view that the management extended undue favor to the incumbent by accepting his offer after delay of 82 days, accepting his irrelevant experience and relaxing the previous criteria of appointment as CIA. Therefore, the appointment and payment of salary amounting to Rs. 12.800 million (Rs. 800,000 *16 months) to him was also unjustified.

The matter was reported to the management on November 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to provide relevant documents to Audit in support of its assertion that the appointment in the instance case was in order. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.58 Loss of rental income – Rs.12.540 million equivalent to US\$ 62,700

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

During audit of Pakistan International Airlines Corporation (PIAC), Works Department for the years 2021, it was observed that PIA House at New York was not rented out for 11 months which resulted in to loss of rental income of Rs.12.540 million US\$ 62,700 (US\$ 5,700 PM * 11 months*Rs.200). The Board of Directors (BoD) in its 27th meeting held on 28-12 -2018 advised that the land properties outside Pakistan may be considered for disposal or rent out on “as is basis” or after renovation. The property was renovated with total cost of US\$ 124,275 in May, 2019. The property was later on rented out w.e.f. 20 March, 2020 at a monthly rent of US\$ 5,700.

Audit was of the view that the corporation deprived of rental income due to poor performance.

The matter was reported to the management on November 25, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. The management informed that renovation work on NYC property was completed on 10-07-2019. Later on an appraisal was hired to ascertain the rental market value of the house and US\$ 6,600 per month was appraised. Finally the house was rented out at US\$ 5,700 per month in March 2020. DAC directed the management to provide relevant documents to Audit reflecting efforts of the management during the pointed out period of non-renting of the house. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.59 Excess payments for duplicate shipments – Rs. 12.309 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan International Airlines Corporation (PIAC) Supply Chain Management (SCM) for the year 2021, it was observed that various

shipments of aircraft parts / components valuing Rs.12.309 million were received in duplicate, triplicate and quadruplicate consignments against single purchase order.

Audit was of the view that duplicate consignments were received due to carelessness for which excess payment of Rs.12.309 million had been made causing loss to the corporation.

The matter was reported to the management on November 07, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that there are multiple reasons for receipt of such shipments. DAC directed the management to provide details of receiving of such shipments during last three years, segregate the same (duplicate, triplicate and quadruplicate instances), transportation cost, and utilization of the consignments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.60 Loss due to paying excess / additional parking charges – Rs. 12.153 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for 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.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Finance Department for the year 2021, it was observed that the corporation paid Rs. 12.153 million as excess parking charges to various national / international stations due to delay / cancellation of flights.

Audit was of the view that due to lack of proper planning and control over the flights schedule and flight operation, which caused disruption, delays, and cancellation of flights, the corporation sustained a loss of Rs. 8,804.000 million in terms of decrease in revenue which represented 9% decline from the last year 2020{(2021: Rs. 86,185.390 million) - (2020: Rs. 94,989.390 million)} =

Rs. 8,804.000 million} as well as tarnish its goodwill and also caused decrease in number of passengers due to above mentioned issues.

The matter was reported to the management on October 01, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. DAC directed the management to provide 03 years data to Audit for further examination and comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.61 Irregular appointment on fake degrees / certificates - Rs. 12.000 million

Para 75 (a to j) and Para 76(h), Chapter 04 of Misconduct and Pakistan International Airline Corporation (PIAC) Personnel Policy Manual states that giving false information regarding name, age, father's name, educational or professional qualification, previous service or experience or anything relating to the record of service at the time of joining the service of the corporation or at any time during the service of the corporation will have penalty of dismissal from service.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Engineering Department for the year 2021, it was observed that the management appointed 02 employees whose degrees were found fake on verification, but no action was taken. Detail is as under:

Name of employee	Employee Number	Designation	Date of Joining
Mr. M. Mohammad Suleman	49011	Officer Engineering	09-01-1990
Mr. Muhammad Faisal Siddiqui	66089	Senior Technician	01-06-2011

(Source: PIAC Engineering & Maintenance Department)

Audit was of the view that appointment on fake degrees and continuation of services of the employees reflected negligence. This resulted in irregular payment of salary of Rs. 12.000 million (Rs. 50,000 per month x 10 years x 2 employees).

The matter was reported to the management on December 16, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to pursue FIA case accordingly.

Audit recommends implementation of the DAC directives.

1.1.4.62 Irregular award of transport contract to second lowest bidder - Rs. 11.709 million

Rule 36 (b) (v) of PPRA Rules, 2004 states that the procuring agency shall evaluate the technical proposal in a manner prescribed in advance, without reference to the price and reject any proposal which does not conform to the specified requirements;(viii) after the evaluation and approval of the technical proposal the procuring agency, shall at a time within the bid validity period, publicly open the financial proposals of the technically accepted bids only. The financial proposal of bids found technically nonresponsive shall be returned unopened to the respective bidders; and (ix) the bid found to be the *most advantageous bid (lowest evaluated bid) shall be accepted.

During audit of Pakistan International Airlines Corporation (PIAC) Supply Chain Management (SCM) for the year 2021, it was observed that the management awarded the contract of hiring of transport service pick up & drop cockpit/cabin crew /A/c engineering & staff at Peshawar station to M/s. Al-Falah Transport Services at a cost of Rs. 21,331,574 per annum w.e.f. 01.03.2020 to 28.02.2021 for a period of three years being the second lowest bidder. The management did not award the contract to M/s. United Transport Service which offered the lowest rates with total estimated financial impact of Rs. 15,476,640 per annum. Therefore, the contract was awarded at a higher cost of Rs. 5,854,934 per annum.

Audit was of the view that the management extended undue favor in awarding of contract to the second lowest bidder i.e. M/s. Al-Falah Transport Services at a higher cost of Rs.11.709 million (Rs. 5,854,934 per annum x 2 years) in violation of PPRA Rule, 2004.

The matter was reported to the management on November 07, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. The management informed that the contractor did not produce the required make / model fleet for inspection and the company was penalized financial and blacklisted as well. DAC directed the management to provide relevant documents to Audit including evaluation reports and evaluation criteria. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.63 Excess payments to contractual employees - Rs. 10.869 million

The Government of Pakistan, Finance Division vide its OM No.F.3.(7) R-4/98 dated August 18, 1998 introduced salary, perks & privileges of professionals hired from private sector on contract basis against top Management Positions (MP) in the public sector. It was laid down that MP-II scale are meant for professionals from private sector proposed to be appointed on contract basis against senior executive positions in the public sector and no other benefits of any kind would be admissible over and above the package under reference. The MP-II scales as amended time to time are as under:

MP - II w.e.f.	Basic pay Minimum/ Maximum	House Rent Minimum/ Maximum	Utilities Minimum/ Maximum
14.07.2017	181,000 / 290,000	66,000 / 110,000	8,250 / 13,000

During audit of Pakistan International Airlines Corporation (PIAC) Human Resource Department for the year 2021, it was observed that the management appointed following officers with very lucrative perks and benefits in violation of above referred Finance Division's directives as detailed below:

(Amount in Rs.)						
S#	Name	Designation	Date of Appointment	Monthly Salary	MP-II Pay	Excess Payment
1	Shaikh Bilal Shams	CIA	Jun 2021	800,000	413,000	387,000
2	Atif Ali	Dy. GM Treasury	Aug 2020	400,000	255,250	144,750
3	Abdullah Hafeez	GM Budget & Financial Monitoring	Jan 2022	700,000	413,000	287,000
4	M.Khurshid Alam	G.M. Accounting	Nov 2021	500,000	413,000	87,000
Total				2,400,000	1,494,250	905,750
Yearly Impact 905,750 * 12 = Rs.10,869,000						
(Source: PIAC Human Resource Department)						

Audit was of the view that monthly salary as per prevailing MP-II scale was to be granted to the officers appointed on contract basis. But the management granted monthly salaries abnormally higher than the admissible salary as per MP-II scales. Due to grant of high monthly salaries outside MP-II scale, PIAC had to incur extra expenditure amounting to Rs.10.869 million per year.

The matter was reported to the management on November 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The

management informed that the appointments and payments of the officers were duly approved by the competent authority i.e. BOD in case of CIA and CEO in other cases. DAC directed the management to provide relevant documents to Audit for its examination and comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.64 Non-recovery from sacked employees – Rs.10.448 million

According to the Hon'ble Supreme Court of Pakistan, vide its judgment dated 17-08-2021, has declared SERA- 2010 as ultra vires of the constitution and has declared that all benefits accrued to the beneficiaries are to cease with immediate effect. Furthermore, the Supreme Court has ordered that lump sum paid to Sacked Employee shall be recovered.

During audit of Pakistan International Airlines Corporation (PIAC) Human Resource Department for the year 2021, it was observed that the management paid an amount of Rs. 10.448 million as compensation equal to gross monthly emoluments of three years to PIA Sacked employees under section 16 of Sacked Employee Re-instatement Act, 2010. The Hon'ble Supreme Court of Pakistan, vide its judgment dated 17.08.2021, has declared SERA-2010 as ultra vires of the constitution and has declared that all benefits accrued to the beneficiaries are to cease with immediate effect. Furthermore, the Supreme Court has ordered that lump sum paid to Sacked Employees shall be recovered. However, no recovery was made by the management after lapse of more than one year. Further, from Sacked employees who opted the VSS or retired from services, the management also did not deduct the said compensation from their final dues as per Supreme Court of Pakistan order.

Audit was of the view that no serious efforts were made by the management to recover the compensation amount from the Sacked employees either in service or opted VSS / retired form services.

The matter was reported to the management on November 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to pursue court case accordingly.

Audit recommends implementation of the DAC directives.

1.1.4.65 Undue favor extended to officers / officials - Rs. 10.428 million

Clause-47 Appendix C of PIAC Employees Disciplinary Policy (EDP) 2019 states that Causing damage or loss to any property, business, or operations, of the Company or causing loss or damage to the property of any customer. Disciplinary offences & corresponding penalties along-with Classification of Offences: Compulsory retirement/ dismissal from service and recovery of the whole or any part of pecuniary loss caused to the Company by negligence or breach or breach of any discipline, followed by criminal proceedings.

During audit of Pakistan International Airlines Corporation (PIAC) Supply Chain Management (SCM) for the year 2021, it was observed that the management paid withheld amount of Rs.10.428 million to M/s K&N on the directives of Federal Ombudsman without fixing responsibility as recommended by the CPC Forum vide its meeting dated 08.02.2021.

Audit was of the view that the management extended undue favor by not fixing the responsibility as recommended by CPC on the officers/officials concerned.

The matter was reported to the management on November 07, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to provide fresh inquiry conducted in accordance with CPC decision to Audit for its examination and comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.66 Loss due to payment in fake account – Rs. 10.000 million equivalent to US\$ 65,000

Clause 54 of PIAC (PPM) of general conduct of employee's states that any employee who causes or attempts to cause any loss or loss of revenue to the corporation shall be liable to reimburse the loss caused by him and will also be liable to disciplinary action including dismissal from service.

During audit of Pakistan International Airlines Corporation (PIAC) Supply Chain Management (SCM) for the year 2021, it was observed that the management paid an amount of US\$ 65,000 in a fake account for over flying charges payable to Turkmenistan Government. The management received an email

from its official account informing them about the change of email address. After few days, the management received an invoice from new email address demanding charges for 70 PIA flights that used the air space of Turkmenistan with changed bank account to receive the payment. The management transferred the amount of Rs.10.000 million (US\$ 65,000) in new account in April 2018 without proper confirmation of new bank account.

Audit was of the view that the payment in fake account without proper confirmation reflected negligence and weak internal controls.

The matter was reported to the management on October 10, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. The management informed that as per management's directives Security & Vigilance Department conducted the investigation on the above matter. The management further stated that after investigation, the matter was referred to FIA. DAC directed the management to pursue FIA case accordingly.

Audit recommends implementation of the DAC directives.

1.1.4.67 Loss due to purchase of AmbuLifter at higher rate – Rs.9.184 million

According to principles of procurement enunciated in the PIAC's Procurement Manual, one of the five basic concerns that govern PIAC's procurement policies is to ensure that the funds are used to buy only those Products/Goods, Services, Works, Plant & Equipment and Information Systems which are needed to operate and maintain PIAC.

During audit of Pakistan International Airlines Corporation (PIAC) Supply Chain Management (SCM) for the year 2021, it was observed that TGS department issued purchase requisition to SCM on 03-07-2017 for purchase of 03 ambulifter and the tender was uploaded after lapse of two years. In its response, M/s Mallaghan Ireland participated in the tender and technically qualified. However, its financial bid was opened on 07-08-2019 with 180 days of bid validity period. The case was approved by the Central Purchase Committee (CPC) on 15-07-2021 after lapse of further two years by reducing quantity from 03 to 02 ambulifters. The purchase order dated 12-10 2021 was issued to M/s Mallaghan Ireland after expiry of 180 days of bid validity period and thereafter M/s Mallaghan Ireland refused to supply the ambulifter. The management re-tendered

the same on 17.01.2022 and awarded the contract to M/s. Expediter General Trading L.L.C. Dubai, UAE as detailed below:

Price	Name of bidder	Prices in foreign currency	Equal to Pak Rupees
Current	M/s. Expediter General Trading L.L.C	Euro 185,196 x 2=370,392x Rs. 200.22	74,163,550
Previous	M/s Mallaghan Ireland	GBP 168,000 x 2=336,000 x Rs.193.37	64,974,040
Difference in Rs.			9,184,550
<i>(Source: PIAC Supply Chain Management Department)</i>			

Audit was of the view that due to mis-management, the procurement was made on higher rates and resultantly corporation suffered a loss of Rs.9.184 million.

The matter was reported to the management on November 07, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to provide relevant documents reflecting the need of such procurement and reasons of delay to Audit for its examination and comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.68 Loss due to embezzlement in collection of training fees – Rs. 8.418 million

Clause 47 Appendix C of PIAC Employees Disciplinary Policy (EDP) 2019 states that Causing damage or loss to any property, business, or operations, of the Company or causing loss or damage to the property of any customer. Disciplinary offences & corresponding penalties along-with Classification of Offences: Compulsory retirement / dismissal from service and recovery of the whole or any part of pecuniary loss caused to the Company by negligence or breach or breach of any discipline, followed by criminal proceedings.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Human Resource Department for the year 2021, it was observed that an enquiry was initiated against Mr. Amir Rasheed Khan (Reservation and Ticketing Supervisor) on August 02, 2021 on the basis of embezzlement of public funds (training fees) amounting to Rs. 8.418 million. The accused was found guilty as per enquiry report; however no action was taken against him.

Audit was of the view that due to lack of control and monitoring activities, the management sustained a loss of Rs. 8.418 million.

The matter was reported to the management on November 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to pursue FIA case accordingly.

Audit recommends implementation of the DAC directives.

1.1.4.69 Unauthorized payment of encashment of LPR – Rs. 7.789 million

According to Clause 1 of Admin Order No.11/2018 dated 13.12.2018, Management has decided to discontinue the policy of Encashment of LPR of all categories of retiring employees with immediate effect.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Human Resource Department for the year 2021, it was observed that the management allowed encashment of Leave Preparatory to Retirement (LPR) of 09 retiring officers/officials in violation of above mentioned order amounting to Rs.7.789 million as detailed below:

(Amount in Rs.)									
S #	Name	P#	LPR encashment period	Amount	S#	Name	P#	LPR encashment period	Amount
1	Wajahat Ikram	45638	19.12.2019 to 07.05.2020	220,382	6	Farrukh Hussain	51417	22.10.2021 to 21.11.2021	-
2	S. Kaleemullah Hussaini	44840	18.01.2020 to 13.10.2020	796,383	7	Omer Khyyam	51440	07.09.2021 to 21.12.2021	1,616,312
3	Yousaf Sheikh	48059	31.12.2020 to 16.11.2021	1,162,502	8	Abdul Rauf	51445	16.10.2021 to 20.12.2021	-
4	Shoain Anwar Baig	41774	12.04.2020 to 05.03.2021	1,022,454	9	Aijaz Ali Shah	46385	02.06.2021 to 31.08.2021	328,143
5	Muhammad shuaib	45562	15.07.2020 to 12.04.2021	2,642,767	Total				7,788,943
(Source: PIAC Human Resource Department)									

Audit was of the view that the management extended undue favor to above retiring employees by paying of encashment of LPR of Rs.7.789 million.

The matter was reported to the management on November 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to provide relevant documents to Audit reflecting the essentiality of retaining the employees and admissibility of the encashment.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.70 Loss of rental revenue due to charging nominal rent - Rs. 7.500 million

According to Rule 5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety states that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage.

During audit of Pakistan International Airlines Corporation (PIAC) Food Service Department (FSD) for the year 2021, it was observed that the management signed a catering agreement on 01-08-2021 with M/s Air Blue Ltd. As per agreement, the management also provided the limited storage facility at Rs. 1,000 per flight which was very nominal. Further, no specific area in sq. feet / sq. meters was defined in the agreement for storage facility. Moreover, without provision in the agreement huge space for office purpose along with allied facilities was given to the Air Blue staff without charging rent.

Audit was of the view that the management extended undue favor to M/s. Air Blue by charging very nominal rates against huge storage and chiller facilities. A minimum of Rs. 500,000 per month should be charged against these sophisticated facilities. Thus, PIA sustained a revenue loss due to undue favour M/s. Air Blue for the period August 2021 to Nov-2022 Rs. 8,000,000 (Rs. 500,000/- per month x16 months).

The matter was reported to the management on November 25, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to provide relevant agreements to Audit for its examination and comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.71 Undue favor extended to supplier - Rs.5.901 million

Rule 04 of PPRA Rules, 2004, states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a

fair and transparent manner, the object of procurement brings value for the money to the agency and the procurement process is efficient and economical.

During audit of Pakistan International Airlines Corporation (PIAC), Food Services Department for the year 2021, it was observed that a purchase order was issued in favour of M/s Arco Radio Electronics in March, 2021 for purchase of 21,000 air fresheners. However, despite lapse of 18 months, the supplier failed to supply the item.

Audit was of the view that the management had not taken any action against the supplier which reflected undue favor.

The matter was reported to the management on November 25, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. The management informed that the supplier has been penalized accordingly. DAC directed the management to provide relevant documents to Audit for its examination and comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.72 Loss due to non-recovery of immigration fines / penalties - Rs. 5.208 million

Article 4, Clause 6 of Passenger Sales Agent (PSA) states that the duty of sales agent is to advise passenger concerning passport, health, currency, immigration and other regulations in force in countries to and through which they are to travel and ensure as far as practicable that such regulations are observed by all passengers. In case the passenger is found travelling on invalid documents at transit of destination and if a penalty is imposed on the principal, the loss shall be recovered from the agent.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Finance Department for the year 2021, it was observed that the management paid an amount of Rs.5.208 million on account of immigration penalties / fines. These fine / penalties were required to be recovered from PSAs which was not done due to poor internal controls and weak financial management within the organization.

Audit was of the view due to weak internal controls, management failed to recover immigration fines, which directly affected its revenues.

The matter was reported to the management on October 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to provide details on the cost of deportees (COD) for last three years and conduct inquiry on the subject matter. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.73 Loss due to non-recovery of execution of lease agreement without approval – Rs.5.186 million

Appendix C of Clause 47 of PIAC Employees Disciplinary Policy (EDP) 2019 states that causing damage or loss to any property, business, or operations, of the Company or causing loss or damage to the property of any customer. Disciplinary offences & corresponding penalties along-with Classification of Offences: Compulsory retirement/ dismissal from service and recovery of the whole or any part of pecuniary loss caused to the Company by negligence or breach or breach of any discipline, followed by criminal proceedings.

During audit of Pakistan International Airlines Corporation (PIAC), Works Department for the years 2021, it was observed that a show-cause notice was issued to Mr. Allah Dino (Assistant Manager) on 21.05.2018 stating that during his visit at Tashkent Station for renovation, renting out and subsequent lease of PIA sales office for executing an agreement with M/s. New World Travel without obtaining formal approval from the Head Office. This allegation was later found to be true in the enquiry report dated 17.09.2018. Consequently, after scrapping of tender, M/s. New World Travel went into litigation causing PIAC a loss Rs.1.00 million in the form of legal fees. Furthermore, it was also observed that Mr. Allah Dino rented out the property at a very cheap rate of US\$ 730 per month to New World Travel on 01.05.2018 without approval. Subsequently, a court case was filed in local court of Tashkent which decided in favor of PIA on 22.02.2019. The property remained vacant for 09 months and then rented out at a rate of US\$ 1,750 per month w.e.f. 01.01.2020 to 31.12.2029. The management suffered a loss of Rs.5.186 million as detailed below:

Period	Rate	Total loss amount (Rs.)

Rented out period 01-05-2018 to 22-02-2019= 09 months	Previous rate per month US\$ 730 Current rate per month US\$ 1,750 Difference per month US\$ 1,020	US\$ 1,020 per month x 9 months x Rs. 132 per US\$ =Rs.1,211,760
Vacant period 01-03-2019 to 31-12-2019 = 10 month	Rent per month US\$ 1,750/-	US\$ 1,750 per month x 10 month x Rs. 170 per US\$ =2,975,000
Total		4,186,760
<i>(Source PIAC Works Department)</i>		

Audit was of the view that the management sustained a loss of Rs.5.186 million (Rs.4.186 million & Rs.1.000 million) due to negligence and weak internal controls.

The matter was reported to the management on November 25, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. The management informed that the lease agreement was finalized by the individual in accordance with tendering process. However, he was penalized on account of faults at his end. DAC directed the management to provide relevant details / documents to Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.74 Loss due to theft at disposal yard – Rs. 5.000 million

Appendix C of Clause 47 of PIAC Employees Disciplinary Policy (EDP) 2019 states that Causing damage or loss to any property, business, or operations, of the Company or causing loss or damage to the property of any customer. Disciplinary offences & corresponding penalties along-with Classification of Offences: Compulsory retirement/ dismissal from service and recovery of the whole or any part of pecuniary loss caused to the Company by negligence or breach or breach of any discipline, followed by criminal proceedings.

During audit of Pakistan International Airlines Corporation (PIAC) Supply Chain Management (SCM) for the year 2021, it was observed that various cases of theft amounting to Rs. 5.000 million were reported in PIA disposal yard and other stores areas but the management failed to take serious action to safeguard the assets of the company. The disposal yard's management reported to Police Authorities in September, 2022 regarding stealing of PIA assets through backside wall by unknown person. The report indicated missing of various items of iron scrap, parts of vehicles, unserviceable engines, unserviceable parts, iron trolleys and different types of aluminum lots.

Audit was of the view that due to slackness and insufficient security measures, the management incurred a loss of Rs.5.000 million.

The matter was reported to the management on November 07, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to pursue the case and conduct departmental inquiry. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.75 Irregular appointment of Deputy General Manger– Rs. 5.000 million

Para 75 (a to j) and Para 76(h), Chapter 04 of Misconduct and Pakistan International Airline Corporation (PIAC) Personnel Policy Manual states that giving false information regarding name, age, father's name, educational or professional qualification, previous service or experience or anything relating to the record of service at the time of joining the service of the corporation or at any time during the service of the corporation will have penalty of dismissal from service.

During audit of Pakistan International Airlines Corporation (PIAC) Human Resource Department for the year 2021, it was observed that the management appointed Mr. Sher Ali Khan as DGM in the year 2004. The incumbent provided wrong information at the time of appointment. The management issued him a show cause notice on December 28, 2020. However, despite providing wrong information about academic grades, the management exonerated him instead of removal from service. The incumbent drew salary of Rs. 5.000 million (Rs. 189,203 per month *204 months). The details of wrong information is as under:

Degree	Actual Grade	Submitted Grade	Degree	Actual Grade	Submitted Grade
Matric	C	B	Graduation	D	B
Intermediate	D	B	Master	-	A+

(Source: PIAC Human Resource Department)

Audit was of the view that the management extended undue favor to the incumbent by exonerating him instead of removal from service.

The matter was reported to the management on November 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to share inquiry report with relevant documents to Audit

for its examination and comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.76 Irregular appointment due to deficient experience against published criteria – Rs.4.500 million

According to the advertisement published in newspapers dated 29.09.2021, for the post of General Manager Accounting, the required key competencies were “work experience at senior level in Commercial / Corporate finance”.

During audit of Pakistan International Airlines Corporation (PIAC) Human Resource Department for the year 2021, it was observed that Mr. Muhammad Khurshid Alam was appointed as General Manager Accounting in (PG-X) on 26.11.2021 on contract basis for two years with monthly salary of Rs. 500,000. However, the incumbent did not have any senior level experience rather his past experience comprised as Assistant to Supervisor, Executive Manager and Deputy Director in different organizations. The details of his past experience is as under:

S#	Employer	Designation	Duration from	Duration to	Total services
1	Ford Rhodes Robson Morrow	Assistant to Supervisor	April 2001	July 2006	5 years 3 months
2	Shaheen Foundation PAF	Dy. Director	Aug 2006	Feb 2016	9 years 6 months
3	Ernest & Young Ford Rhodes	Executive Manager	March 2016	Jan 2017	10 months
(Source: PIAC Human Resource Department)					

Audit was of the view that the management extended undue favor to the candidate by ignoring the fact of required senior level experience. Hence, the appointment stood irregular and salary of Rs.4.500 million (Rs. 500,000 x 9 months) also stood irregular and unjustified.

The matter was reported to the management on November 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to provide relevant documents to Audit in support of its assertion that the appointment in the instance case was in order. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.77 Excess payments to Chief Financial Officer - Rs. 4.257 million

The Govt. of Pakistan, Finance Division vide its OM No.F.3.(7) R-4/98 dated August 18, 1998 introduced salary, perks & privileges of professionals hired from private sector on contract basis against top Management Positions (MP) in the public sector. It was laid down that MP-II scale are meant for professionals from private sector proposed to be appointed on contract basis against senior executive positions in the public sector and no other benefits of any kind would be admissible over and above the package under reference. The MP-II scales as amended time to time are as under:

MP - II w.e.f.	Basic pay Minimum/ Maximum	House Rent Minimum/ Maximum	Utilities Minimum/ Maximum
14.07.2017	181,000 / 290,000	66,000 / 110,000	8,250 / 13,000

During audit of Pakistan International Airlines Corporation (PIAC) Human Resource Department for the year 2021, it was observed that Mr. Amos Nadeem was appointed as Chief Financial Officer, on 24.11.2021 on contract basis for a period of two years (extendable) with monthly salary of Rs. 800,000 w.e.f. 12.11.2021 to 11.11.2023. According to the standing directives of Finance Division as quoted above, monthly salary as per prevailing MP-II scale was to be

granted to the officers appointed on contract basis. But, the management granted monthly salaries abnormally higher than the admissible salary as per MP-II scales. Resultantly, grant of monthly salaries outside MP-II scale, PIAC had to incur extra expenditure amounting to Rs. 4.257 million (Rs. 387,000 p.m. x 11 months). It was also further observed that the incumbent did not have any Aviation industry experience.

Audit was of the view that undue favour was extended to the officer at the cost of the Corporation.

The matter was reported to the management on November 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to provide relevant documents to Audit in support of its assertion that the payments in the instance case was in order. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.78 Loss due to poor handling of baggage of passengers – Rs. 3.771 million

Section 54 of S&D of PIAC on causing loss of revenue to the corporation states that any employee who causes or attempts to cause any loss or loss of revenue to the Corporation shall be liable to reimburse the loss caused by him and will also be liable to disciplinary action including dismissal from service.

During audit of Pakistan International Airline Corporation (PIAC), Peshawar for the year 2020-21, it was observed that the baggage / cargo of various passengers were damaged, pilfered, stolen at PIAC Station, Peshawar. The year-wise detail of expenditure incurred on account of compensation to the passengers is given below:

(Rs. in million)		
Year	Description	Amount
2019	Pax Lost Baggage	0.727
	Delay Baggage	1.475
2020	Pax Lost Baggage	0.496
	Delay Baggage	0.857
2021	Delay Baggage	0.156
Total		3.711
<i>(Source: PIAC Peshawar Station)</i>		

Audit was of the view that the management failed to exercise due care in handling, baggage of passengers which resulted in a loss of Rs.3.711 million to the Corporation.

The matter was reported to the management on April 01, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. The management informed that that all payments regarding lost baggage and interim relief paid to guest were according to PIAC rules and procedures. DAC directed the management to provide relevant documents to Audit i.e. year-wise number of instances, industry average and reduce the instances to minimum. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.79 Increase in salary in violation of contract terms and conditions – Rs.3.630 million

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

During audit of Pakistan International Airlines Corporation (PIAC) Human Resource Department for the year 2021, it was observed that the management hired 21 employees on contract basis for a period of two years on consolidated salary during the year 2015. The contract was extended from time to time without change in their pay group, emoluments and other terms and conditions. The last extension was made on 24.02.2020. On 07.12.2021, the management upgraded them to next group with up to 25 % increase in salary in violation of contract terms. Details are as under:

S#	Name of Officer	S#	Name of Officer
01	Syed Asad Hasnain Bukhari	12	Sajjad Sarwar
02	Nadeem M. Khan	13	Sehrish Malik
03	M. Arshad	14	Imran Ahmed Hashmi
04	Sajid Sadafi	15	Arif Munir
05	M. Rizwan	16	Sajjad Ali Shah
06	Mukhtar Ahmed Mallah	17	Mr. Shariq Iqbal
07	Muhammad Saad	18	Bilal Ahmed
08	M. Osama Shaikh	19	Shafat Ahmeed
09	Mohsin Anwar	20	Minhaj Raza
10	S. Jawad H. Shah	21	Anwar
11	S. Mohsin Ahsan		
(Source: PIAC Human Resource Department)			

Audit was of the view that undue favour was extended to the employees which showed negligence and poor internal controls. Thus, total increase of salary amounting to Rs.3.630 million for one year (Rs. 302,500 p.m x 12 months) stood irregular and unjustified.

The matter was reported to the management on November 01, 2022. The management informed that the 70% of the contractual employees in the instance case have left. DAC directed the management to revisit the contractual employment in the instance cases and provide relevant reply for discussion during next DAC meeting. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.80 Un-authorized double payment of Airworthiness Certification Allowance - Rs.1.539 million

Clause 3.3 (a) of Human Resource Department Manual of PIAC states that the rate of Airworthiness Certification Allowance shall be as under:

Domestic Flights	Rs.1,500/- per landing
International Flights up to 6 hours (Up & Down).	Rs.3,000/- per Landing
International Flights of 6 to 8 hours (Up & Down)	Rs.4,000/- per landing
International Flights of 8 hours or more (Up & Down)	Rs.5,000/- per landing

The above rates shall be paid on per landing basis and determined by Flight Number either domestic or international. On international flights where slip is involved, Certification allowance will be paid equivalent for one landing only in addition to slip allowance as per international applicable rate.

During audit of Pakistan International Airlines Corporation (PIAC) Peshawar Station for the year 2021, it was observed that the Aircraft Engineers had been allowed Airworthiness Certification Allowance (ACA) for Certification of Aircraft at different stations on the above mentioned rates. Further, it was observed that Aircraft Engineers for certification of a single aircraft for one time, claimed the ACA on double basis. Some identical cases are as under:

(Amount in Rs.)						
S#	Name of Engineer	Reason	Sector	Travel Date		Amount
1	M. Zahir Razzaque	To provide B2 Tech coverage at Abu Dhabi	PEW-AUH- ISB	21.11.2021	AUH	5,000
					ISB	5,000
2		To provide B2 Tech coverage at Sharjah	PEW-SHJ- KHI-PEW	20 to 21.11.2021	SHJ	5,000
					KHI	5,000
3		To provide Tech coverage at Abu Dhabi	PEW-AUH- ISB	18.11.2021	AUH	5,000
					ISB	5,000
4		To provide B2 Tech coverage at Abu Dhabi	PEW-AUH- ISB	19.11.2021	AUH	5,000
					ISB	5,000
5		To provide B2 Tech coverage at Sharjah	PEW-SHJ- KHI-PEW	16 to 16.11.2021	SHJ	5,000
					KHI	5,000

(Source: PIAC Peshawar Station)

Audit was of the view that management has extended undue favour to Aircraft Engineers by making double payments of Airworthiness Certification Allowance for certification of single aircraft for one time. Thus, the payment of Rs.1.530 million on account of ACA was held irregular (Annex-7).

The matter was reported to the management on April 01, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. The management informed that that Airworthiness Certification Allowance for certification of single aircraft was paid on per landing basis except the one terminating at base station. DAC directed the management to provide relevant documents to Audit including the admin orders on the subject matter. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.81 Irregular issuance of tickets to Aircraft Engineers - Rs.1.517 million

According to Minute-2, letter No: PEW/ENGG/SUPY/12 dated September 14, 2012:

- Total 05 engineers out of 10 to be allowed to travel on Supy basis in a week against their weekly off in a staggering manner with no repercussion.
- Maximum of total 20 tickets to be issued in a month, keeping in view the total No. of engineers to use the facility as above, the frequency comes to be 07 days / weekly basis and will not exceed this and will be strictly complied with.

During audit of Pakistan International Airlines Corporation (PIAC) Peshawar Station for the year 2021, it was observed that Mr. Imtiaz Ahmed, Aircraft Engineer availed huge number of SUPY/Free tickets to spend his weekly

offs at Karachi (Peshawar-Karachi-Peshawar) at the cost of Corporation. Furthermore, when he went for flight coverage (certification) from Peshawar Station, he availed the trip as PEW-DXB-LHE-KHI-PEW or even PEW-DXB-ISB-KHI-PEW to visit his home at Karachi. On the other hand other engineers accompanying same flights were supposed to report home station and availed the trip as PEW-DXB-LHE and then to home station Peshawar by surface transport without availing hotel. However, he traveled from LHE-KHI-PEW under Crew Blocked "R" Class Seats without any justification / requirement. The management provided details of only 09 SUPY tickets issued to different Aircraft Engineers and Audit could gather the details of only 32 SUPY tickets issued to Mr. Imtiaz and the factual position could be much / far behind. If an average cost of one ticket only from Peshawar-Karachi-Peshawar was assumed as Rs. 37,000 than total cost of 41 tickets would be Rs.1.517 million (32+9=41* Rs.37,000).

Audit was of the view that the management irregularly issued SUPY tickets to Aircraft Engineers in Revenue Class, without approval of Competent Authority (BoD / CEO) / Admn order. Thus, the issuance of SUPY tickets to Aircraft Engineers stood irregular / unjustified.

The matter was reported to the management on April 01, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. The management informed that Supy tickets were issued in accordance with the approved policies. DAC directed the management to provide relevant documents to Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.82 Loss due to un-authorized withdrawal of funds – Rs. 1.278 million

Appendix C of Clause 47 of PIAC Employees Disciplinary Policy (EDP) 2019 states that Causing damage or loss to any property, business, or operations, of the Company or causing loss or damage to the property of any customer. Disciplinary offences & corresponding penalties along-with Classification of Offences: Compulsory retirement/ dismissal from service and recovery of the whole or any part of pecuniary loss caused to the Company by negligence or breach or breach of any discipline, followed by criminal proceedings.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Human Resource Department for the year 2021, it was observed that a show cause notice was issued to Mr. Abdul Wahid, GM Vigilance (Ex GM, SRL) on March 18, 2021 on the basis of unauthorized withdrawal of Rs. 1,278,552 as cash from SRL account for payment to Sindh Employees Social Security Institution (SESSI), whereas, officer failed to produce any evidence of depositing aforesaid amount.

Audit was of the view that the management failed to ascertain financial fraud in time which resulted in loss of Rs. 1.278 million due to weak internal controls within the organization.

The matter was reported to the management on November 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to share inquiry report with relevant documents with Audit for its examination and comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.1.4.83 Irregular payment to employee on fake degree / certificate

The Honourable Supreme Court of Pakistan in a case of bogus degree (2009 SCR 1492) directed that “ in the given circumstances of the case, when it has been established on the record that both of them had committed fraud and are guilty of gross misconduct, there was no occasion to show leniency in their favour. Further, the department is free to examine possibility of getting registered criminal case against respondents so in future; no one should dare to commit such misconduct in the government department.”

Pakistan International Airline Corporation (PIAC) Personnel Policy Manual, Chapter- 4 para 75(a to j) Misconduct and Para 76(h) states that giving false information regarding name, age, father’s name, educational or professional qualification, previous service or experience or anything relating to the record of service at the time of joining the service of the corporation or at any time during the service of the corporation will have penalty of dismissal from service.

During audit of Pakistan International Airlines Corporation Limited (PIAC), Human Resource Department for the year 2021, it was observed that the

management appointed Mr. Kashif Shafiq on 01.05.2003 on fake / tempered / forged degree. The management issued him a show-cause notice on 27.09.2016 but no further action had been taken. However, the accused had been drawing regular salaries from the corporation.

Audit was of the view that the management extended undue favor to the employee due to weak internal controls.

The matter was reported to the management on November 01, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2023. DAC directed the management to pursue FIA case accordingly.

Audit recommends implementation of the DAC directives.

1.2 Skyrooms (Pvt.) Limited

1.2.1 Introduction

Skyrooms (Pvt.) Limited was incorporated as a private limited company on May 20, 1975. The company is a subsidiary of Pakistan International Airlines Corporation registered under the Companies' Ordinance, 1984 and listed on all stock exchanges of Pakistan. Until June 30, 1999, PIA holdings (Pvt.) Limited was the holding company. The company owns and manages "Airport Hotel" at Karachi. The registered office of the company is situated at Airport Hotel, Karachi.

1.2.2 Comments on audited accounts

1.2.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization of the financial years 2017 to 2021 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2017 to 2021 be provided immediately and timely finalization be ensured in future, besides, fixing responsibility for non-finalization of annual audited accounts (**Annex-2**).

1.2.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% age of compliance
2018-19	10	1	9	1.2.2.1, 1.2.2.2, 1.2.2.3, 1.2.2.4, 1.2.3, 1.1.2.1, 1.1.2.2, 1.1.2.3, 1.1.2.4 (PAC referred for DAC level)	10%
2019-20	1		1	1.2.4.1	0%
Total	11	1	9		0.09%

The overall compliance of PAC directives was not satisfactory which required immediate attention of the management.

1.2.4 Audit Paras

1.2.4.1 Loss of revenue due to non-operationalizing of rooms - Rs. 176.660 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its Producers in Financial and other matters, subject to the oversight and directions of the Board, in accordance with the ordinance and these rules.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2021, it was observed that the Airport Hotel consisted of 310 rooms out of which 121 rooms were non-operational due to poor performance of management as detailed under:

Available rooms	Rooms utilized	Rooms not utilized	Operational Loss
310	186	121	121 rooms * 365 days *Rs.4,000 rent per day = Rs.176.660 million

(Source: Skyrooms)

Audit was of the view that the management failed to utilize the total existing capacity which resulted in revenue loss amounting to Rs.176.660 million per annum which reflected inefficiency.

The matter was reported to the management on October 21, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. DAC directed the management to provide action plan/efforts on utilization of capacity of the hotel for discussion during next DAC meeting. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.2.4.2 Non-recovery from various parties - Rs. 141.182 million

Clause 2.01 of the credit policy of Skyroom (Pvt.) Limited states that the authority extending the credit is also responsible for its timely recovery whilst the Finance Department function is to ensure timely/proper accounting reconciliation and providing an updated status of outstanding dues. Further, clause 2.03 states that credit period may upto a maximum of 30 days and financing cost @ 1.50% per month is to be added to all overdue credit for such additional period(s) till recovery.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2021, it was observed that the management failed to recover an amount of Rs.141.182 million from various parties as detailed below:

(Rs. in million)					
S#	Parties	Amount	S#	Parties	Amount
1	Different debtors	22.784	3	Shop tenants	4.708
2	Tax Authorities	113.69	Total		141.182
(Source: Skyrooms)					

Audit was of the view that the management failed to recover huge amount from various parties which showed inefficiency and poor financial management.

The matter was reported to the management on October 21, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023.

1. The management informed that the subject recovery has been made. DAC directed the management to provide relevant documents to Audit for verification.
2. DAC directed the management to take concrete efforts for refund of the amounts.
3. DAC directed the management to pursue court case accordingly.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.529, 532 & 535)

1.2.4.3 Irregular award of contracts – Rs.4.482 million

Rule 04 of PPRA Rules, 2004, states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2021, it was observed that the management awarded following contracts in violation of PPRA Rules, 2004 as detailed below:

(Rs.in million)				
S#	Name of Vendor	Description	Violation	Amount
1	M/s Tip Top Clifton	Laundry Services	Disqualified the other bidder i.e. M/s Kuick Klean & Co. without any reason	3.241
2	M/s Matloob	Naan Making Service	Award of contract without having NTN number and registration with FBR.	1.241
Total				4.482
(Source: Skyrooms)				

Audit was of the view that the management awarded the contracts in violation of rules which reflected favoritism.

The matter was reported to the management on October 21, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. The management informed that the company was duly registered with FBR and was on active tax payer list. DAC directed the management to provide relevant technical evaluation reports and documents to Audit for its examination. Further, DAC directed the management to provide relevant documents to audit for its examination. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.524 & 527)

1.2.4.4 Irregular purchase without tender - Rs.3.464 million

Rule 20 of PPRA Rules, 2004 states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

Rule 12 (1) of PPRA Rules, 2004, states that procurement over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2021, it was observed that management procured various types of goods from M/s Metro Pakistan amounting to Rs.3.464 million on direct contract / purchase basis and without calling the tender.

Audit was of the view that management procured goods in violation of rules which reflected sheer negligence on part of the management.

The matter was reported to the management on October 21, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. The management informed the DAC that the matter has been noted for future compliance. DAC directed the management to ensure PPRA compliance in future. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

1.2.4.5 Non-preparation of annual accounts

Rule 10 of Public Sector Companies (Corporate Governance) Rules, 2013, states that every Public Sector shall, within one month of the close of first, second and third quarter of its year of account, prepare a profit and loss account for, and balance sheet as at the end of that quarter, whether audited or otherwise, for the Board's approval.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2021, it was observed that the management failed to prepare annual audited accounts for the years 2017-2021.

Audit was of the view that non-preparation of annual audited accounts was violation of rules.

The matter was reported to the management on October 21, 2022. The irregularity was discussed in the DAC meeting held on January 16, 2023. DAC directed the management to finalize the audited accounts by June, 2023. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives

Chapter-2

Cabinet Division

Overview

The Cabinet Division's role is to facilitate Federal Cabinet, its meetings and official visits of delegations.

Aims & Objectives

1. All secretarial work for the Cabinet, National Economic Council and their Committees, Secretaries' Committee.
2. National Economic Council: Its constitution and appointment of members.
3. Secretaries Committee.
4. Central Pool of Cars.
5. All matters relating to President, Prime Minister, Federal Ministers, Ministers of State, Persons of Minister's status without Cabinet rank, Special Assistants to the Prime Minister.
6. Appointments, resignations, salaries, allowances and privileges of Provincial Governors.
7. Strength, terms and conditions of service of the personal staff of the Ministers, Ministers of State, Special Assistants to the Prime Minister, dignitaries who enjoy the rank and status of a Minister or Minister of State.
8. Rules of Business: Setting up of a Division, allocation of business to a Division and constitution of a Division or group of Divisions as a Ministry.
9. Implementation of the directives of the President/Prime Minister.
10. Follow up and implementation of decisions of all the bodies mentioned above.

Governing Laws and Policies

- Rule of Business 1973
- Establishment Rules 1973
- General Financial Rules

Audit Profile of Cabinet Division

(Rs. in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2021-22	Revenue /Receipts audited FY 2021-22
1	Formations	6	-	-	-
2	Assignment Accounts (excluding FAP)				-
3	Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit of Printing Corporation of Pakistan was not planned in the annual plan of the AGP for the Audit Year 2022-23. Audit observations amounting to Rs. 6,375.194* million were raised in this audit. Summary of the audit observation classified according to respective subjects' nature is as under:

Overview of the Audit Observations

S. No.	Classification	Amount (Rs.)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	278.922
3	Irregularities:	
A	HR/Employees related irregularities	1,390.855
B	Procurement related irregularities	32.388
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	3,704.133
5	Others	968.896

* Observations pertaining to previous years are included

2.1 Printing Corporation of Pakistan (Pvt.) Limited

2.1.1 Introduction

Printing Corporation of Pakistan (Pvt.) Limited was incorporated on January 01, 1969 as a private limited company under the Companies Act, 1913 (now Companies Act, 2017). The entire shares of the Company are held by the Government of Pakistan. The registered office of the Company is situated at Khayaban-e-Suhrawardy, Islamabad.

The Company is principally engaged in the business of printing of government publications. Currently, the Company has the following presses:

1. PCP Printing Press Islamabad;
2. PCP Printing Press Lahore; and
3. PCP Printing Press Karachi.

2.1.2 Comments on Audited Accounts

2.1.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts for the years 2020-21 and 2021-22 till December 31, 2022.

Audit recommends that the annual audited accounts for the year 2020-21 and 2021-22 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*Annex-2*).

2.1.2.2 The working results of the Corporation for the financial year 2019-20 as compared to previous years were as follows:

(Rs. in million)

	2019-20	% Inc/ (Dec)	2018-19	% Inc/ (Dec)	2017-18
Sales	239.74	(63.83)	662.80	117	304.45
Cost of sales	270.17	(24.14)	356.15	(4.83)	374.22
Gross profit/(loss)	(30.43)	(109.92)	306.65	339.52	(69.77)
General & Admn. Expenses	210.55	(9.30)	232.15	8.95	213.08
Selling expenses	0.98	(58.47)	2.36	(50.52)	4.77
Operating Profit/(loss)	(241.95)	(435.39)	72.14	74.91	(287.61)
Other income	152.54	41.41	107.87	185.82	37.74
Financial charges	285.19	(3.40)	295.24	30.20	226.76
Profit / (Loss) before taxation	(374.60)	225.09	(115.23)	(75.82)	(476.63)
Taxation	5.88	(28.99)	8.28	117.32	3.81
Profit/(Loss) after taxation	(380.49)	208.04	(123.52)	(74.29)	(480.43)
Prior years adjustments-income/ (expenses)	64.51	-	(1.74)	43.80	(1.21)
Net profit/(loss)	(315.98)	152.26	(125.26)	(74)	(481.64)
Accumulated loss	(3726.62)	9.26	(3,410.64)	3.81	(3,285.38)

(Source: Annual Audited Accounts)

The Sales of the Corporation decreased to Rs. 239.74 million during the financial year 2019-20 as compared to previous year i.e. 63.83% from 2018-19. The Corporation remained in loss during 2019-20 and net loss of Rs. 315.98 million led to accumulated loss of Rs. 3,726.62 million. The trend of persistence increase in accumulated losses raises doubt whether or not the entity will continue as going concern. The reason for sustaining losses needs to be justified.

2.1.2.3 The cost of sales of the corporation has decreased by 24.14% during the year 2019-20 whereas sales revenue decreased by 63.83% as compared to previous year. Audit was of the view that the cost of sales should have decrease in line with sales revenue position needs to be justified.

2.1.2.4 The sales revenue of corporation has decreased by 63%, Gross loss increased by 109.92%, Operating loss increased by 435.39% and loss (after taxation) increased by 208% The Corporation is continuously sustaining losses which tantamount to accumulated loss of Rs 3,726.617 million. The trend of continuous increase in accumulated losses cast doubt going concern of the Corporation. The reason for sustaining losses needs to be justified.

2.1.2.5 The trade receivables of the corporation stood at 104.297 million as on 30.06.2020. An amount of Rs 13.744 million receivable from Pakistan Tele

communication limited has been written off being old nature and un-recoverable. Audit was of the view that the management should have to recover from PTCL instead written off. The position needs to be clarified furthermore complete aging of receivables be provided to audit.

2.1.2.6 An amount of Rs 16.189 million is receivable from Federal Board of Revenue against sales tax efforts needs to make for recovery of adjustment under intimation to audit.

2.1.2.7 The corporation has kept an amount of Rs 1,261.781 million in daily product account @ 4.14% to 5.59%. Audit was of the view that the management did not determine the working balance of the corporation as required under Para 3(e) of Office Memorandum No.F.4(1)/2002-BR.II dated 02.07.2003 resultantly corporation sustained loss by keeping deposits in daily product account instead of investment in TDR for the period one to three years for better profit ratio. Position needs to be justified.

2.1.2.8 An amount of Rs 2,000.461 million disclosed in balance sheet under head of Long Term Loan this amount includes Rs 1,827.461 million interest bearing loan and Rs 345.380 interest free loan from Government of Pakistan for replacement of machinery and meeting working capital requirements in years 1982 to 2017-18. The loan is still to be paid to Government and corporation has continuously making losses. Audit was of the view that the management has not any revival plan if any be shared with audit.

2.1.2.9 Deferred liabilities of the Corporation included liabilities against Pension Fund Contribution - Rs. 43.17 million and Gratuity Fund Contribution - Rs. 429.993 million as on 30.06.2020. Early settlement of liabilities is stressed.

2.1.2.10 Company's current liabilities exceeded its current assets by Rs.1, 219.517 million (2020: Current Assets Rs. 1,631.068 million and Current Liabilities

Rs. 2,850.585 million) resulting in an adverse current ratio. It is stressed that efforts may be made for making Corporation a going concern.

2.1.2.11 The Current ratio ($1,631.68/2,850.585$) = 0.57 times which was less than the generally accepted standard ratio of 2:1. It showed company's inability to meet its obligations in near future. Audit was of the view that efforts are required to improve its liquidity position.

2.1.2.12 Chartered Accountant has given qualified opinion on the following basis:-

- Contributory Provident Fund amounting to Rs. 1.046 (2019: Rs. 0.957 billion) including accrued interest as on 30th June 2019 had not been paid to CP Fund trust, which is against the provision of section 218 of Companies Act 2017.
- The Company had not got actuarial valuation done for its Employees Gratuity Fund and Employees' Pension Fund as required under IAS-19: Employees Benefits.
- The Company had obtained numerous loans from the Government of Pakistan (GoP) amounting to Rs. 2.519 billion (2019: Rs 2.519 billion) as long term loans and no repayment of these loans had been made since obtaining the said loans. No amortization of these loans has been done as required under IFRS—9: Financial Instruments

2.1.3 Compliance of PAC Directives

S. #	Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1	1990-91	08	7	1	12	88
2	1991-92	08	7	1	8	88
3	1992-93	12	10	2	6, 10	83
4	1996-97	07	1	6	5, 6, 7, 9, 10, 11	14
5	1998-99	07	6	1	41	86
6	1999-00	11	8	3	14, 37, 44	73
7	2000-01	08	6	2	34, 35	75
8	2002-03	15	14	1	5.6	93
9	2003-04	08	0	8	3.1, 3.2, 3.3, 3.4., 3.5, 3.6, 3.7, 3.8	0
10	2004-05	03	2	1	3	67
11	2005-06	09	8	1	2.1	89
12	2006-07	06	4	2	2.4, 2.5	67
13	2007-08	03	3	0	0	100
14	2008-09	04	3	1	1.1	75
15	2009-10	06	0	6	1, 1.1, 1.2, 1.3, 2, 3	0
16	2010-11	08	0	8	1.1.1& 1.1.2.1, 1.1.2.3, 1.1.2.4, 1.1.4.2, 1.1.2.2, 1.1.3, 1.1.4.1, 1.1.4.3	0
17	2013-14	08	06	02	3.3.2.4, 3.3.2.5	75
18	2015-16	03	0	3	2.1.4.1, 2.1.4.2, 2.1.4.3	0
19	2017-18	12	0	12	2.1.1, 2.1.2.1, 2.1.2.2, 2.1.2.3, 2.1.2.4, 2.1.2.5, 2.1.2.6, 2.1.2.7, 2.1.2.8, 2.1.2.9, 2.1.2.10, 2.1.3	0
Total		146	85	61		58

Overall compliance of the PAC directives was not satisfactory which needs to be improved.

2.1.4 Audit Paras

2.1.4.1 Loss of interest due to unauthorized retention and non-investment of the CP fund of Rs. 1,697.794 million

According to Para 12 of the Contributory Provided Funds Rule 1992 of PCP states that “the company shall at the end of each month, contribute a sum equivalent to the contribution made by each Member and pay this sum to the Trustees for credit to the Member’s individual Account.”

During audit of CPF Trust for the year 2011-12 to 2019-20 it was observed that PCP retained the monthly contribution of the CPF Trust subscriber of the PCP and a liability of Rs. 660.154 million was shown in the financial statements of the trust for the year 2010-11. The management of the PCP failed to transfer the funds in time to the trust bank account and thus employees were deprived of the benefits of their contribution.

Audit was of the view that had the PCP transferred the due share of the PCP employees in 2010-11, the Trust would have earned Rs. 1,037.640 million with a closing balance of Rs. 1,973.722, million as on 30.06.2020 by investing the fund in different banks during the period from 2011-12 to 2019-20. Audit considered that PCP employees have sustained an interest loss of Rs. 1,037.640 million up to 2019-20 due to retention and non-investment of their due share (subscriptions).

Matter was reported to the management on June 22, 2021 but no response received. DAC meeting was held on September 09, 2021. DAC directed the management to complete the annual accounts of the CP Fund Trust for the financial year 2011-12 to 2019-20, within 15 days and get audited from chartered accountant firm after their appointment within 3 weeks. It was also directed that the observation should be placed before BoT of CP Fund Trust, forthwith, and thereafter before BoD of PCP within one month, for cognizance. Management failed in preparation of the financial statements and appointment of the Chartered firm till finalization of the report.

PAO was requested on 26.01.2023 to convene fresh DAC meeting but the same was not arranged till finalization of this report.

Audit recommends implementation of earlier recommendations of the DAC.

(Para-5.1 of PAR CP Fund PCP 2011-20)(AY-2020-21)

2.1.4.2 Non-crediting of due share of CP fund to the Trust - Rs. 968.896 million

According to Para 12 of the Contributory Provided Funds Rule 1992 of PCP states that “The company shall at the end of each month, contribute a sum equivalent to the contribution made by each Member and pay this sum to the Trustees for credit to the Member’s individual Account”.

During audit of the PCP (CP Fund) for the year 2011-12 to 2019-20 it was observed that according to Note 22 of the audited financial statements for the year ended June 30, 2019 of the PCP, there was an outstanding liability of Contributory Provident Fund Trust amounting to Rs. 956.589 million. Similarly, according to Note 29, a sum of Rs. 123.065 million on account of “interest on Contributory Provident Fund payable” was also outstanding hence PCP failed to deposit its accumulated due share to CP fund as well as employer up to June 30, 2016 alongwith interest in the CPF trust bank account and thus members were deprived of the benefit of the CP Fund amounting to Rs. 968.896 million. Audit was of the view that PCP is running in loss and the amount of CPF has already been spent by the corporation and thus is not in a position to pay the long outstanding liability of Rs. 968.896 million to the trustees account.

Matter was reported to the management on June 22, 2021 but no response received. DAC meeting was held on September 09, 2021. DAC directed the management to place the matter before BoT of CP Fund Trust, forthwith, and thereafter before BoD of PCP within one month, for cognizance. Management failed to comply with the decision of the DAC and no response made till finalization of this report.

PAO was requested on 26.01.2023 to convene fresh DAC meeting but the same was not arranged till finalization of this report.

Audit recommends implementation of earlier recommendations of the DAC.

(Para-5.2 of PAR CP Fund PCP 2011-20)(AY-2020-21)

2.1.4.3 Un-authentic figures of CP fund receipts / contribution in the annual financial statements of PCP - Rs. 278.922 million

According to Para 12 of the General Financial Rules Vol-1, A Controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the fund allotted to spending units are expended in the public interest and upon objects for which the money was provided. In order to maintain a proper control, he should arrange to be kept informed, not only of what has actually been spent from an appropriation but also what commitments and liabilities have been and will be incurred against it. He must be in a position to assume before Government and the Public Accounts Committee, if necessary, complete responsibility for departmental expenditure and to explain or justify any instance of excess or financial irregularity that may be brought to notice as a result of audit scrutiny or otherwise.

During audit of the CP Fund of the PCP for the year 2011-12 to 2019-20, it was observed that annual financial statements for the said years were prepared by the statutory auditor's M/s Horwath Hussain Chaudhury & Co. and M/s Ilyas Saeed & Co. Chartered Accountants which were examined by the audit. The year wise CP Fund contribution made by the PCP was cross checked with the actual subscription deposited in the CP Fund trust bank accounts and it was found that there was an overall difference of Rs. 385.487 million in both the accounts.

Audit was of the view that PCP failed to maintain true and fair status of accounts of the fund pertaining to the trust leading to discrepancies in the accounts maintained by the CA Firms which may result into misappropriation of funds.

Matter was reported to the management on June 22, 2021 but no response made. DAC meeting was held on September 09, 2021. In DAC the management responded that annual accounts of the trust have not yet been audited by the chartered firm hence audit observation was not correct. DAC directed the management to complete the annual accounts of the CP Fund Trust for the financial year 2011-12 to 2019-20, within 15 days and get audited from chartered accountant firm after their appointment within 3 weeks. It was also directed that the observation should be placed before BoT of CP Fund Trust, forthwith, and thereafter before BoD of PCP within one month, for cognizance. Management failed in preparation of the financial statements and appointment of the Chartered firm till finalization of the report.

PAO was requested on 26.01.2023 to convene fresh DAC meeting but the same was not arranged till finalization of this report.

Audit recommends implementation of earlier recommendations of the DAC.

(Para-5.3 of PAR CP Fund PCP 2011-20) (AY-2020-21)

2.1.4.4 Unauthentic final payments by taking cumulative opening balances - Rs. 683.966 million

According to Para 12 of the General Financial Rules Vol-1, each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

During audit of the Contributory Provident Fund Trust of the PCP for the year 2011-12 to 2019-20, it was observed that a sum of Rs. 683.966 million was paid as final payments of CPF to different employees on their retirement or death. Calculation sheet/ proforma revealed that a cumulative opening balance for each member was taken as base and then year wise subscriptions made and interest thereon calculated for final payments.

Audit was of the view that the management had no supporting evidences for validation of opening balances of the employees amounting to Rs. 636.198 million (as detail below) which was formed as the basis for final payments. In the absence of detail calculation of the previous year's subscriptions prior to the year 2011-12, audit was unable to authenticate the final payments made during the period

2011-12 to 2019-20 therefore considered as irregular. Annual account of each employee was not maintained to know the exact opening balances as on July 01, 2011.

(Rs. in million)			
S #	Name of office	Year	Opening Balance
1	HQ	2010-11	50.222
2	Islamabad Press	2010-11	275.438
3	Lahore Press	2010-11	122.986
4	Karachi Press	2010-11	187.552
	Total: -		636.198

Matter was reported to the management on June 22, 2021 but no response received. DAC meeting was held on September 09, 2021. DAC directed the management to take disciplinary action against the officer(s) who were duty bound to prepare the accounts according to the PCP's service rules 1977 and other applicable rules. However, compliance to the DAC directives was not made till finalization of this report.

PAO was requested on 26.01.2023 to convene fresh DAC meeting but the same was not arranged till finalization of this report.

Audit recommends implementation of earlier recommendations of the DAC.

(Para-5.4 of PAR CP Fund PCP 2011-20) (AY-2020-21)

2.1.4.5 Loss due to irregular final payment to the employees - Rs. 706.889 million

According to Para 14 (i) of the CP Fund Rules 1992 "The profit payable to the members shall be determined as soon as possible after the close of each financial year, the Trustees shall prepare an Income & Expenditure account of the Fund and out of the net income shall place to the credit of the Member's individual account profit in proportion to the credit balance (net of withdrawals under sub Rule iv & v of the Rule 20) on the last day of the year.

During audit of the CPF Trust of the PCP for the year 2011-12 to 2019-20 it was observed that a sum of Rs. 706.889 million was paid to the employees on account of final payment of principal sum including interest of CPF ranging from 10.00 to 16% in different financial years. Interest was paid to the employees on the rates approved by the Govt. for General Provident Fund accounts of regular/permanent employees. However Income & Expenditure statement of the CPF Trust as required under the CPF trust rules was not maintained to calculate the profit/interest and then divide the profit amongst the employees according to their proportionate share to their credit balances.

Audit was of the view that neither fund was credited to the CPF Trust bank account nor invested in any fixed deposit account by the PCP, then why interest was paid according to approved rates of GP Fund applicable to the regular Govt. employees. Further, Govt. has not allowed PCP to adopt the GPF rules therefore

payment of interest at the rates of GPF approved by Govt. for the regular employees was clear violation of the CPF 2002 rules.

DAC meeting was held on September 09, 2021. Management explained that due to weak financial position of the PCP since its inception, the contribution to the trust was not viable. Individual wise accounts were maintained by the PCP. DAC directed that being identical nature observation, may be clubbed with Para 5.1.1. for the decision however management failed to comply with directions of the DAC till finalization of this report.

PAO was requested on 26.01.2023 to convene fresh DAC meeting but the same was not arranged till finalization of this report.

Audit recommends taking disciplinary action against the individuals held responsible for payment of interest against the CP fund trust rules.

(Para-5.5 of PAR CP Fund PCP 2011-20) (AY-2020-21)

2.1.4.6 Non-preparation and submission of annual accounts to statutory auditors of CP fund

According to Para 15, 16& 17 of the CPF Rules 1992 “The accounts of the fund shall be made up yearly as at the end of each financial year and audited each year by an auditor appointed by the trustees with the approval of the company”

During audit of the CPF trust for the year 2011-12 to 2019-20 it was observed that PCP management has neither prepared the yearly accounts since 2011-12 nor appointed any Statutory Auditors for conducting CPF Trust audit which is violation of the above CPF Rules 1992. Further no separate account of the employees was maintained by the PCP to know the exact financial status of each employee.

DAC meeting was held on September 09, 2021. Management explained that accounts of the CPF for the year 2011 to 2020 were not maintained due to shortage of the officers and staff in the accounts department. DAC directed to complete annual accounts of CPF for 2011-12 to 2019-20 within 15 days and get audited from chartered accountant firm, forthwith. Audit observation should be first placed before BoT of CP Fund Trust, forthwith, and thereafter before BoD of PCP, within one month, for cognizance.

PAO was requested on 26.01.2023 to convene fresh DAC meeting but the same was not arranged till finalization of this report.

Audit recommends implementation of earlier recommendations of the DAC.

(Para-6.3 of PAR CP Fund PCP 2011-20) (AY-2020-21)

2.1.4.7 Non-reconciliation of the C.P. fund payments with subordinate units of the PCP - Rs. 704.386 million

According to Para No. 06 of the General Financial Rules Vol-1, if a Government officer receives in his official capacity moneys which are not Government dues or the deposit of which in the custody of Government has not been authorized by Government, he must open an account with a bank for their deposit. Such accounts may be opened without special sanction with a branch of the State Bank of Pakistan or the National Bank of Pakistan acting as an Agent of the State Bank of Pakistan or with a Post Office Savings Bank. The prior approval of Government is required to their deposit in any other bank. The Government officer receiving such moneys is personally responsible for seeing that they are disbursed in strict conformity with the rules, regulations or orders governing the fund to which the money appertain, that a precise record of all the transactions is kept in a form complying with the regulations of the fund concerned and that the accounts are subjected to proper audit checks.

During audit of the Contributory Provident Fund Trustees of the PCP employees for the year 2011-12 to 2019-20, it was observed that Rs. 704.386 million (Advances Rs. 46.753 million and final payments Rs. 657.633 million) were paid from the CP Fund Trust of the PCP headquarter to their subordinate presses located in Islamabad, Lahore and Karachi. Reconciliation of the amount disbursed and received was not made between headquarter and other offices till date of audit.

Audit was of the view that non-reconciliation of the disbursed amount may lead to mis-use of the public money therefore held irregular and violation of the above Govt. rules.

Matter was reported to the management on June 22, 2021. DAC meeting was held on September 09, 2021. Management explained that requisite reconciliation was in progress and will be shown to audit. DAC directed to conduct fact finding inquiry by the Section Officer (Audit & PAC) of the ministry. The Inquiry officer reported that “negligence and deficiencies have been occurred

due to non- providing of the annual CP Fund statements” to the subscribers and lack of knowledge and expertise and recommended that: -

- i. A software may be developed urgently for providing annual CP fund statement to the individual subscribers.
- ii. The officer responsible may be directed strictly by the MD PCP to rectify all reported irregularities and get it verified from audit within two weeks.

However, management failed to ensure compliance of the recommendations of inquiry report.

PAO was requested on 26.01.2023 to convene fresh DAC meeting but the same was not arranged till finalization of this report.

Audit recommends implementation of earlier recommendations of the DAC.

(Para-7.1 of PAR CP Fund PCP 2011-20) (AY-2020-21)

2.2 Pakistan Tourism Development Corporation (Head Office) Rawalpindi

2.2.1 Introduction

Pakistan Tourism Development Corporation (Pvt.) Limited (the Company) was incorporated in Pakistan on March 19, 1977 under the Companies Act, 1913 (now Companies Ordinance 1984) as a public corporation limited by shares. Federal Government holds 99.75% of the paid up share capital of the Company. The Company also has deposited for shares of Rs. 623.15 Million representing the grants received from the Federal Government for capital expenditure on specified capital project. The core objective of the Corporation is the promotion and development of tourism industry in Pakistan and to carry on business connected therewith in Pakistan and elsewhere.

The associated objectives are:-

- To develop and improve its hotels, motels and tourist information centers.
- To produce publicity and promotional material for distribution at home and abroad.
- To conduct promotional programs, activities and events for attaching tourists.
- To create awareness of tourist through private sector, missions abroad, PIA offices, tour operators, travel agents and hoteliers.

The Head Office of the Company is situated at Ground Floor of Kohsar Block, Pak Secretariat Islamabad.

The Corporation owns and controls the following subsidiaries:

- a. Pakistan Tours (Pvt.) Ltd.
- b. PTDC Motels North (Private)
- c. Associated Hotels of Pakistan
- d. PTDC Motels South (Private)

These financial statements have been prepared on going concern basis without any adjustment to assets and liabilities.

2.2.2 Comments on Audited Accounts

2.2.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts for the year 2021-22 till December 31, 2022.

Audit recommends that the annual audited accounts for the year 2021-22 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (**Annex-2**).

2.2.2.2 The working results of the Company for the year 2020-21 as compared with the preceding years are as under:

(Rs in million)

Description	2020-21	% inc / (dec)	2019-20	% inc / (dec)	2018-19
Sales	0.02	(99.96)	49.77	(66.251)	147.46
Cost of sales	11.25	(81.90)	62.17	(58.17)	148.61
Gross Profit/(loss)	(11.23)	(09.40)	(12.40)	87.59	(1.15)
Administrative expenses	7.24	(80.51)	37.16	(04.13)	38.76
Hotels HO expenses	-	-	---	---	0.0001
Selling expenses	-	-	0.03	(40.00)	0.05
Financial Charges	0.02	(99.17)	2.18	7,180	0.03
Operating profit/(loss)	(18.49)	(64.29)	(51.78)	29.49	(39.99)
Other income	6.86	(88.11)	57.71	135.18	24.54
Under/(Overspent) grant					
Head Office expenses	25.27	285.80	(6.55)	(46.22)	(12.18)
Tourist Information Center	59.87	1019.06	5.35	94.65	(13.76)
Publicity & promotion	21.44	12.27	24.44	02.32	23.89
Profit/(Loss) before taxation	44.41	52.19	29.18	66.73	(17.50)
Taxation	-	-	0.75	(80.44)	3.82
Profit/(Loss) after taxation	44.41	56.21	28.43	33.35	(21.32)
Accumulated loss	635.42	(6.53)	679.83	(04.01)	708.26

(Source: Financial Statements)

During the year the sales of the formation decreased by 99.96% to Rs 0.02 million from Rs 49.77 million 2019-20. The Corporation and its subsidiary companies are non-functional during the year and the nominal sale was of food and beverages. On the other hand the cost of sales for the year was decreased by 81.9% to Rs 11.234 million (2019-20 – Rs 62.17 million). During the year the Corporation sustained operating loss of Rs 18.49 million against operating loss of Rs 51.78 million in 2019-20. The Corporation has accumulated loss of Rs 635.424 million as on June 30, 2021. In pursuance of the direction of the Federal

Government, the Board of Directors in their meeting 95th meeting and Members, through special resolution in their extra ordinary meeting held on 15.12.2021 approved transfer of assets/assets/properties located in provinces to the respective provincial government. The employees of the Corporation approached different courts for protection of their legitimate right and service protection. These conditions indicate the existence of material uncertainty which may cast doubt about the Corporation's ability to continue as going concern.

2.2.2.3 During the year the only sale of the Corporation was sale of food & beverages of Rs 19,912. On the other hand cost of sale of food and beverages was Rs 313,382, the sale is 6% of the cost. Position need clarification.

2.2.2.4 Although the administrative expenses were decreased by 80.51% to Rs 7.24 million in 2020-21 (2019-20 – Rs 37.16 million), however, there was alarming increase by 448% and 263% during the year under the heads Legal & Professional charges and Miscellaneous expenses to Rs 2.534 million (2019-20 - Rs 0.462 million) and Rs 4.148 million (2019-20 – Rs 1.143 million) respectively. Abnormal increase under said heads needs justification.

2.2.2.5 During the year Government grant of Rs 167.689 million was received under the head of Tourist Information Center (2019-20 Rs 136.00 million). Out of said grant the Corporation expended an amount of Rs 107.823 million leaving unspent grant amount Rs 59.866 million. The figure is silent by means of note whether the said unspent grant was lapsed or timely surrendered by the corporation management. Position needs clarification. Further, expenditure of said grant included Rs 260,000 and Rs 3,117,465 on account of write off of Financial Assets and Write off of Non-Financial Assets respectively. The figures are silent by means of notes, position needs clarification.

2.2.2.6 During the year Government grant of Rs 103.440 million was received under the head of Publicity & Promotion. Out of said grant the Corporation expended an amount of Rs 107.823 million leaving unspent grant amount Rs 59.866 million. The figure is silent by means of note whether the said unspent grant was lapsed or timely surrendered by the corporation management.

2.2.2.7 The Chartered Accountants while finalizing the accounts submitted qualified opinion on following issues:-

- a. The loss on Investment in “Malam Jabba Resorts Limited” amounting to Rs 2.755 million has not been recognized by the Corporation, as the said company as ceased its operation in 2011. Accordingly, the related Equity Participation Reserve for the said Investment should also be adjusted in the financial statements.
- b. Tax deducted at source in prior year up to June 30, 2021 amounting to Rs 5.264 million has not been deposited with the Tax Authorities in accordance with the requirements of the Income Tax Ordinance, 2001, which may result in penal action by the FBR against the Corporation.
- c. The Corporation has not accounted for deferred taxation which is contrary to the requirements of the International Accounting Standard 12 “income taxes”. Moreover, deferred tax liability/asset as at June 30, 2001 cannot be qualified due to non-availability of related records.
- d. In the light decision made by Supreme Court of Pakistan, the corporation has not accounted for interest on Rs 4.511 million payable for acquisition of land at Saidu Sharif, Swat.

The management is stressed for early removal of said qualifications.

2.2.2.8 Capital work in progress was decreased by 22.37% to Rs 208.925 million as on June 30, 2021 (2019-20 – Rs 269.131 million). The decrease was due to write off of different assets by Rs 13.879 million and transferring of Rs 56.453 million to Development Projects during the year. Position needs clarification.

2.2.2.9 Receivable from subsidiary companies increased by 53.79% to Rs 103.247 million as on June 30, 2021 (2019-20 – Rs 67.133 million). Early recovery of said amount from the subsidiary companies is stressed upon the management.

2.2.2.10 Advances to suppliers increased by 292% to Rs 2.116 million as on June 30, 2021 (2019-20 – Rs 0.540 million). Early adjustment/recovery of said advances is stressed upon the management.

2.2.3 Compliance of PAC Directives

S. #	Audit Report	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
1	2005-06	02	1	1	207	50
2	2006-07	07	04	03	203.2, 203.3, 203.4	57
3	2007-08	03	01	02	174, 175	33
4	2008-09	06	05	01	224.1	83
6	2014-15	07	01	06	2.4.2.1, 2.4.3, 2.4.4.1, 2.4.4.2, 2.4.4.3, 2.4.4.4	14
7	2015-16	06	02	04	2.4.1, 2.4.2, 2.4.3, 2.4.4.1	66
8	2017-18	14	03	11	2.4.2.2, 2.4.2.3, 2.4.2.4, 2.4.2.5, 2.4.2.6, 2.4.2.7, 2.4.2.8, 2.4.2.9, 2.4.3, 2.4.4.1, 2.4.4.2	21
Total		45	17	29		38

Overall compliance of the PAC directives was not satisfactory which needs to be improved.

2.2.4 Audit Paras

2.2.4.1 Financial indiscipline in expenditure from Government grants – Rs 1,165.991 million and non-surrender of unspent balance at year end- Rs 96.601 million

According to Govt. of Pakistan Finance Division SRO. (1)2008 dated 23.09.2008 which notified the amendment in Treasury Rules of the Federal Govt. It is clearly mentioned the said Rules that “it shall not be permissible to draw the whole amount authorized or part thereof and to place it in a separate account at the treasury or in a commercial bank”. It was clearly mentioned in sanction letter that the amount remaining unutilized at the close of the financial year would lapse, the amount remaining unutilized on the 30th June each year may be intimated to this office immediately after the close of financial year.

During audit for the years 2011-12 to 2017-18 the financial discipline of making the expenditure from Assignment Account, paid by the Federal Government under Assignment Accounts titled PTDC for maintenance of Tourist Information Centers (TICs) and PTDC Publicity & Promotion (P&P) was checked. The position showed that Govt. of Pakistan Cabinet Division (prior to 2013-14 M/o IPC) conveyed the sanction of grants under above said two heads. An amount of

Rs 1,165.991 million was released in above titled Assignment Accounts maintained with NBP Civic Centre Branch, Islamabad in following manner:-

(Rs in million)

Sr. #	Years	Grant titled TICs (Rs)	Grant titled P&P (Rs)	Total Grant Amount (Rs)
01	2011-12	39.690	39.596	79.286
02	2012-13	89.690	39.596	129.286
03	2013-14	39.221	39.121	78.342
04	2014-15	73.500	56.040	129.54
05	2015-16	122.221	107.000	229.221
06	2016-17	163.215	99.144	262.359
07	2017-18	152.657	105.300	257.957
	Total	680.194	485.797	1,165.991

During detailed scrutiny of record it was observed that in-violation of above quoted Treasury Rules the management managed to transfer the said grant amount from the Assignment Account to the normal bank account of PTDC maintained with HBL. The act of the management was not covered under the rules thus, held irregular. The above quoted rule was introduced to have a check on the authentication of expenditure from public funds. The expenditure incurred from the said amount by transferring it in PTDC account maintained with a commercial bank cannot be termed as regular and creates doubt about the authenticity of expenditure from public funds.

Further, as is evident from the title of grant account the same was provided for some specific purposes i.e. to maintain the Tourist Information Centers (TICs) and PTDC Promotion & publicity but the record revealed that a nominal amount of Rs 12.891 million was expended for publicity & promotion of tourism (the expenditure was mainly on foreign visits of officers) while no amount was expended on maintenance of TICs during this period, however, 46 employees are working at 15 TICs locations and the impact of their salary was/is less than Rs 15 million.

Further, according to detail provided by the management there was unspent balance (saving) of Rs 96.601 million during the period from 2014-15 to 2017-18 according to detail given as under:-

(Rs. in million)

Sr. No.	Year & title of grant	Amount of Grant received	Amount expended	Balance unspent grant
01	2014-15 (P & P)	56.040	44.863	11.177
02	2015-16 (P & P)	107.000	81.504	25.496
03	2016-17 (P & P)	99.144	74.650	24.494
	(TICs)	163.215	150.225	12.990
04	2017-18 (P & P)	105.300	82.856	22.444
	Total	530.699	434.098	96.601

The record revealed that the unspent amount (saving) was not surrendered due to the reasons that the entire grant amount has already been transferred by the PTDC management from assignment account to the PTDC account, maintained with HBL. Non-transfer of unspent amount to the Govt. treasury was violation of standing instructions of the Federal Govt. according to which the unspent amount as on June 30 of the respective year was needs to be surrendered.

The major portion of grant was/is being utilized at PTDC Head Office level to meet the day to day expenses and for payment of pay & allowances to the officers and staff of PTDC. No prescribed schedule of payment was maintained in support of payment as directed in grant sanction letter.

The matter was reported to the management on December 05, 2019. The management in its reply dated December 24, 2020 stated that audit view point regarding transfer of whole amount into commercial bank accounts was correct to some extent but since 2014-15, AG office advised the departments to ensure that no money was drawn from these accounts unless it was required for immediate disbursement and money would not be drawn for deposit into chest or any bank account.

Reply was not acceptable as the same practice of transfer of funds to commercial bank accounts was continued till 2017-18.

PAO was requested on 26.01.2023 to convene fresh DAC meeting but the same was not arranged till finalization of this report.

Audit recommends to investigate the causes due to which the proper procedure could not be followed on expenditure from the grant amount and un-spent amount could not be surrendered; fix responsibility thereof; and the unspent grant amount may be returned by depositing it in the government treasury.

(Para-4.3.1 of PAR PTDC 2011-18)(AY-2018-19)

2.2.4.2 Irregular release of grant amount Rs 11.340 million and payment of undue financial benefit to the staff of AGPR and Controlling Ministry - Rs 0.300 million

According to clause – 8 of the SRO No. (1)/2008 dated 23.09.2008 issued by the Finance Division (Expenditure Wing) it shall not be permissible to draw the whole amount authorized or part thereof and to place it in a separate account at the treasury or in a commercial bank.

In PTDC during forensic/performance audit it was observed that the management failed to complete the codal formalities required for release of grant amount of 4th quarter of 2010-11 titled PTDC for maintenance of Tourist Information Centers amounting to Rs 11.340 million. On last day of June, 2011 the management approached the concerned officers / staff of AGPR, Finance Division, DFA Office, Ministry of IPC and paid financial benefit of Rs 300,000. The said officers released the payment of 4th quarter of grant vide AGPR letter dated 29.06.2011 to the Manager, NBP Main Branch Civic Centre, Islamabad. The management arranged to draw the whole amount and placed at in its separate account maintained with HBL.

Audit was of the view that the act of management regarding non-completion of codal formalities for release of grant amount and payment of financial benefits to the concerned officers/staff and its transfer from assignment account to a separate account in HBL is not covered under the rules, hence, the release of grant amount Rs 11.340 million and expenditure there from and payment of financial benefits in other word bribery is also held unlawful/irregular.

The matter was reported to the management on December 05, 2019. The management in its reply dated December 24, 2020 stated that PTDC was facing acute shortage of funds, hence no option was left except to take all necessary steps to get the grant released before 30th June and the amount was utilized only for disbursement of staff salaries.

Reply was not acceptable because grant was got released against the procedure in vogue.

PAO was requested on 26.01.2023 to convene fresh DAC meeting but the same was not arranged till finalization of this report.

Audit recommends to inquire the matter at appropriate level for fixing responsibility thereof. Also matter needs to be placed before Finance Division with full facts for appropriate decision.

(Para-4.3.2 of PAR PTDC 2011-18) (AY-2018-19)

2.2.4.3 Non-deposit of sale proceed of Barseen Motel and irregular utilization of sale proceed – Rs 27.721 million

The PTDC DDWP in its meeting held on 25.10.1987 approved road side facilities at Dassu (later on due to non-availability of land the project site was shifted to Barseen) at a cost of Rs 1.391 million. Later on the PC-I was revised and the cost was revised to Rs 3.719 million. The objectives of the project were to provide modest accommodation, restaurant and public facilities to cater the needs of both domestic as well as foreign tourists travelling on KKH.

In PTDC the DDWP approved a project namely Road Side Facilities at Barseen at a cost of Rs 3.719 million under PSDP. The funds for the project were released by the Federal Govt. and the project was completed in 1990. The land of Barseen project came in WAPDA Dasu Hydropower Project and the authority acquired the land. The WAPDA paid an amount of Rs 27.717 million to the PTDC being cost of project. The PTDC received the amount vide cheque dated 18.09.2017 and all the amount was expended by the PTDC.

Audit was of the view that the Barseen Project was established with public funds under PSDP with the aim to contribute significantly to the development of the economy through backward/forward linkages. However, in case of its utilization/fall in a public interest project, the amount of sale proceeds need to be deposited into Govt. treasury, however, the management deposited the said amount in its account and expended it without any lawful authority. The act of the management was against the norms of propriety canons thus, held irregular.

The matter was reported to the management on December 05, 2019. The management in its reply dated December 24, 2020 stated that Board of Directors in its 31st meeting held on July 03, 1983 confirmed that the grants released to PTDC would be treated as interest free non-returnable grants.

Reply was not acceptable because Barseen Project was established with PSDP grant; hence its sale proceeds were required to be deposited into Government treasury which was not done.

PAO was requested on 26.01.2023 to convene fresh DAC meeting but the same was not arranged till finalization of this report.

Audit recommends to investigate the reasons due to which the sale proceeds of a public financed project could not be deposited into Govt. Treasury; fix responsibility thereof; and the amount may be deposited into Govt. treasury without further loss of time.

(Para-4.3.3 of PAR PTDC 2011-18)(AY-2018-19)

2.2.4.4 Award of work in violation of PPRA Rules - Rs 10.014 million

According to Rule-42 (c) (iv) of PPRA-2004 “Repeat orders exceeding fifteen percent of the original value of contract shall not be awarded”.

During audit of PTDC for the year 2011-12 to 2017-18, it was observed that a contract agreement dated 05.05.2009 worth Rs. 24.870 million for construction of Bus Terminal at Nankana Sahib was awarded to M/s E.A. Associates. Later on, Secretary, Tourism directed PTDC management to include additional work of 8 rooms on 1st floor of the building. According to drawings and priced BOQ prepared by the Consultant, cost of additional work of 8 rooms on 1st floor came to Rs. 10.014 million. The additional work of 8 rooms on 1st floor was awarded to the same contractor by enhancing the rates by 15% of the rates of ground floor.

After award of contract, the contract value was increased to Rs. 34.884 million (Rs. 24.870 million + Rs 10.014 million). According to rules, additional work valuing Rs. 3.731 million @ 15% of the actual value of contract was admissible whereas 40.27% increase in contract value was allowed on the basis of additional works valuing Rs. 10.014 million which was allowed against the provisions of rules.

Thus award of work by increase in contract value by Rs. 10.014 million on the basis of additional work was against the provisions of PPRA rules, hence held irregular in audit.

The matter was reported to the management on December 05, 2019. The management in its reply dated December 24, 2020 stated that if we call the tenders of the additional work, the price will definitely be increased. After obtaining

market escalation trends of various construction items and labour from Statistic Division, 15% enhancement in rates was granted to the contractor.

Reply was not acceptable because additional work and increase in rates was granted in violation of rules.

PAO was requested on 26.01.2023 to convene fresh DAC meeting but the same was not arranged till finalization of this report.

Audit recommends to investigate the circumstances under which rules were violated and fix responsibility thereof.

(Para-4.4.1 of PAR PTDC 2011-18)(AY-2018-19)

2.2.4.5 Irregular award of work on single source basis - Rs. 16.473 million

According to Rule-12 (2) of PPRA-2004 “All procurement opportunities over two million rupees should be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu”.

During audit of PTDC for the year 2011-12 to 2017-18, it was observed that work for construction of Tourist Information Centre (TFC) Quetta was awarded to M/s Sahib Jan & Sons, Quetta at total cost of Rs. 16.473 million vide letter No. Engg/623/10/404 dated 10.05.2010.

Audit however, observed from record that the work was awarded to the contractor without calling the competitive rates through press which was clear cut violation of PPRA rules. The examination of tender documents revealed that the requests for issuance of tenders by the four contractors were written by the same hand writing which showed that bogus documentation was prepared with the aim to award the work to the contractor of own choice on single source basis. Moreover the quotations/ tenders submitted by the respective contractors were not available in the relevant case files.

Thus award of work valuing Rs. 16.473 million by preparing bogus documentation was held irregular in audit.

The matter was reported to the management on December 05, 2019. The management in its reply dated December 24, 2020 stated that the advertisement

for pre-qualification of contactors was published in national press on 16.06.2009 and after short listing, six contractors were invited to collect the tender documents out of which only four obtained the tenders and work was awarded to the lowest bidder.

Reply was not acceptable as documentary evidence in support of reply was not provided. Moreover management did not offer comments on bogus documentation.

PAO was requested on 26.01.2023 to convene fresh DAC meeting but the same was not arranged till finalization of this report.

Audit recommends to investigate at appropriate level the reasons of award of work by preparing bogus documents. Fix responsibility thereof.

(Para-4.4.2 of PAR PTDC 2011-18)(AY-2018-19)

2.2.4.6 Irregular expenditure on purchase and fixation of tuff tiles – Rs 5.206 million and suspected misappropriation - Rs 0.569 million

According to Rule-4 of the Public Procurement Rules 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.

In PTDC Flashman's Hotel Rawalpindi, the management released an advertisement on PPRA website for obtaining bids for providing/fixation of tuff tiles in Flashman's Hotel. In response 5 firms quoted their rates out of which the rates of M/s Talha Irshad were lowest with Rs 3.250 million. The management rejected the bid being high in rate and decided to complete the tuff tiles work departmentally by constituting a committee. Accordingly, a committee was constituted in November, 2017 who visited the market and purchased tuff tiles at a cost of Rs 2.245 million. The management also incurred Rs 0.998 million on account of carriage, labour and other material (Rs 482,300 + Rs 333,972 + Rs 181,400 respectively). Thus, total expenditure of Rs 3.243 million was incurred on the work.

Following discrepancies were noted:-

- i. The record relating to transportation of tuff tiles to hotel showed that the same were procured in September, 2017 prior to constitution of committee i.e. Nov. 2017 and approval of the MD.
- ii. During visit to the office of the supplier of tuff tiles i.e. M/s Bannu Mukhtar on 17.04.2019 the firm offered rate of tuff tiles Rs 55/sft. for grey and Rs 59/sft. for red tile excluding tax. The position showed that the work shown to have been carried out at a cost of Rs 3.243 million was actually carried out at Rs 2.673 million. Thus, an amount of Rs 569,308 was misappropriated under the umbrella of departmental work on account of purchase of tuff tiles and its fixing.
- iii. In PTDC, a full-fledged Planning & Development department existed having civil engineers, however, in above said work the said department was not involved at any stage.

Audit further observed that the services of M/s Sikandar Enterprises were hired for fixing of tuff tiles at an area of 9,020 sft. and 7,000 sft. The work was awarded to the firm at his offered rate of Rs 75.61/sft. at a total cost of Rs 1.258 million. The record revealed that the work was awarded prior to complete the formalities as the invoice for 9,020 sft. work was issued by the contractor on 12.07.2017 whereas, the work order was issued on 13.07.2017. Similarly, in case of work order for 7,000 sft. the invoice was received on 03.08.2017 whereas, the work order was issued on 10.08.2017. Similarly, in another case, work for renovation of little hut was awarded to M/s Ali Contractor at a cost of Rs 256,710 which was enhanced to Rs 704,510. The contract was awarded without entering into any formal agreement and fulfilling other codal formalities. Thus, the award of works and expenditure of Rs 1.963 million (Rs 1.258 million for tuff tiles and Rs 0.705 for renovation of little hut) was held irregular.

The irregularity was reported to the management through draft PAR dated December 05, 2019. The management in its reply dated December 24, 2020 stated that the departmental work was carried out according to the Administrative/ Financial powers given to the Managing Director by PTDC Board and work was carried out on emergency basis on MD's directives as conditions of road in front of banquet halls was dilapidated and guests felt uncomfortable.

Reply was not acceptable because the whole process adopted for purchase and installation of tuff tiles was just an eye wash and management did not offer

comments on arrival of tiles in the PTDC premises two months before the formation of Purchase Committee. Further, formalities for declaration of emergency as provided in the rules, were not fulfilled.

PAO was requested on 26.01.2023 to convene fresh DAC meeting but the same was not arranged till finalization of this report.

Audit recommends to investigate the caused due to which the work was carried out by violating the proper procedure and the amount was embezzled under the umbrella of departmental work. Fix responsibility thereof.

(Para-4.4.3 & 4.4.4 of PAR PTDC 2011-18)(AY-2018-19),

Chapter-3

Ministry of Commerce & Textile

Overview

Ministry of Commerce is contributing to the national economy through trade liberalization and facilitation, improving export competitiveness and reducing cost of doing business. It aims to achieve higher market access for Pakistani products in existing markets as well as new markets with ultimate aim of improving quality of life of the people of Pakistan.

Aims & Objectives

Commerce Division is assigned the following objectives:

- Imports and exports across customs frontiers
- Exports promotion
- Commercial intelligence and statistics
- Tariff policy and its implementation
- Anti-dumping duties, countervailing duties and safeguard laws
- Inter-Provincial trade
- Domestic Commerce
- Organization and control of Chambers and trade associations
- Law of Insurance and regulation and control of Insurance companies
- Administrative Control of Attached Departments/Organizations
- Selection of Trade Officers for posting in Pakistan's Missions abroad

Governing Laws and Policies

- Rules of Business, 1973
- Studies on Domestic Commerce
- OIC Ten Year Plan of Action for Science & Technology for the years 2016-25
- Export /Import Policy Order, 2009
- Trade Organization Ordinance, 1961

Audit Profile of Ministry of Commerce & Textile

(Rs. in million)

Description	Total	Total audited	Expenditure audited FY 2021-22	Revenue /Receipts audited FY 2021-22
Formations	6	5	275,521.632	316,645.715
Assignment Accounts (excluding FAP)				-
Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations of Rs. *328,886.021 million were raised as a result of this audit. This amount also includes recoverable of Rs. 47,393.850 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Overview of the Audit Observations

S#	Classification	Amount (Rs. in million)
1.	Non-Production of record	0
2.	Reported cases of fraud, embezzlement and misappropriation	11.788
3.	Irregularities	0
A	HR/Employees related irregularities	1,114.110
B	Procurement related irregularities	74,228.490
C	Management of accounts with Commercial Banks	1,079.652
4.	Value for money and services delivery issues	13,572.452
5	Others	238,879.529

* Observations pertaining to previous years are included

3.1 National Insurance Company Limited

3.1.1 Introduction

National Insurance Company Limited (NICL) was established under the National Insurance Act, 1976. Later on, it was registered as a Public Limited Company under Companies Ordinance, 1984 on March 31, 2000 and renamed as National Insurance Company Limited (NICL).

The Company is principally engaged in Non-Life Insurance Business of Public Property comprising of Fire, Marine, Aviation and Transportation, Engineering and Crops/Agriculture Insurance etc.

3.1.2 Comments on Audited Accounts

3.1.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 2018 to 2021 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2018 to 2021 be provided immediately and timely finalization be ensured in future, besides, fixing responsibility for non-finalization of annual audited accounts (**Annex-2**).

3.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2004-05	3	2	1	4	67%
2010-11	11	8	1	2.1.4.1	73%
2011-12	15	3	12	3.1.3, 3.1.4.1, 3.1.4.2, 3.1.4.3, 3.1.4.4, 3.1.4.6, 3.1.4.7, 3.1.4.8, 3.1.4.9, 3.1.4.10, 3.1.4.11, 3.1.4.12	20%
2012-13	4	1	3	3.1.4.2, 3.1.4.3, 3.1.4.4	25%
2013-14	5	4	1	4.1.2	80%
2014-15	7	4	3	4.2.4.1, 4.1.4.2, 4.1.4.3	57%
2015-16	9	3	6	4.1.4.1, 4.1.2.1, 4.1.3, 4.1.4.2, 4.1.4.4, 4.1.4.5	33%
2016-17	11	3	8	3.1.4.6, 3.1.2.1, 3.1.3, 3.1.4.2, 3.1.4.3, 3.1.4.5, 3.1.4.6, 3.1.4.7	27%
2017-18	7	4	3	4.1.3, 4.1.4.3, 4.1.4.4,	57%
2019-20	2		2	3.1.4.1, 3.1.4.2	
Total	74	32	40		43%

The overall compliance of PAC directives needs improvement.

3.1.4 Audit Paras

3.1.4.1 Non-utilization of properties - Rs.1,955.700 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of National Insurance Company Limited (NICL) Head Office, Karachi for the year 2021, it was observed that NICL had various properties at prime locations. However, these properties had not been utilized since long. Detail of properties is as under;

				(Amount in Rs.)
S. #	Property Description(s)	Area of Property	Status of Land	Market value as per latest valuation report
1	Plot Bearing Survey No. 29, 36 & 37, Deh Pihai Korangi Township Korangi Shah Faisal Road, Karachi.	10 Acre (48400 Sq.Yds)	Open Land	750,000,000
2	Adjacent TOTAL Petrol Pump, New Airport Road, Lahore,	20 Kanals & 2.00 Marlas	Commercial Land	1,005,000,000
3	Plot No. 128, Shahrah-e-Quaid-e-Azam, Lahore	2 Kanals & 15 Sq. Ft	Commercial Land	200,700,000
Total Value of Land				1,955,700,000
<i>(Source: National Insurance Company Limited)</i>				

Audit was of the view that the management failed to utilize the land amounting to Rs. 1,955.700 million which reflected negligence and inefficiency.

The matter was reported to the management on September 16, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022. The management informed that at present NICL did not have a Board of Directors (BoD), however, the management of NICL was in the process of considering and preparing proposals for profitable utilization of the stated properties. DAC directed the management to take efforts for utilization of property. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.1.4.2 Non-recovery of premium and decretal amount - Rs.538.636 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of National Insurance Company Limited (NICL), Head Office for the year 2021, it was observed that following amount of Rs. 538.636 million was lying outstanding as on December 31, 2021 on account of premium and others.

(Rs. in million)					
S#	Description	Amount	S#	Description	Amount
1	Refund of premium from PRCL	95.673	4	Decreed amount from M/s Karachi Port Trust	42.162
2	Premium from M/s OGDCL	220.759	5	Premium from M/s PIACL	176.51
3	Premium from M/s PIA	3.532	Total		538.636

(Source: National Insurance Company Limited)

Audit was of the view that management failed to recover the premium and decreed amount from various clients/ re-insurer which showed weak financial management.

The matter was reported to the management on September 16, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022. The management informed that:

1. The refund premium for the years 2011-12 & 2012-13 was US\$ 302,007.70, was being pursued by PRCL from London broker AAIS and sent a legal notice to them. As soon as payment was received from PRCL, NICL will make the onward payment to PPL (Annex-8). DAC directed the management to make concrete efforts for early recovery of amount.
2. Control of well premium adjustment for the year 2013-14 has been received on 13.07.2021. Further, proceedings have been made against Control of well premium adjustment for the year 2014-15. DAC directed the management to pursue legal case / effect recovery.
3. NICL was doing best efforts & chasing Clients PIACL-SBBFA in respect of 01 Cessna Aircraft 2020 & Security General Insurance Company Limited and in respect of PIACL - Fleet Renewal 2020-21 for recovery.

DAC directed the management to provide to Audit the mechanism and policy clauses for review.

4. They were pursuing this matter vigorously for recovery of Rs.42.162 million. DAC directed the management to make concrete efforts for recovery.
5. The claim recovery of US\$ 510,795.63 (Rs.176.510 million), NICL had been continuously pursuing PIACL for recovery, however due to some outstanding premium from PIACL; they had adjusted their share of premium against claim. Similarly, NICL also had to adjust their share against claim. DAC directed the management to pursue the matter accordingly.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.326, 327, 329, 334 & 336)

3.1.4.3 Revenue loss due to non-achievement of business target – Rs. 304.000 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of National Insurance Company (NICL) Head Office, Karachi for the year 2021, it was observed that the management had assigned the targets in respect of engineering business worth of Rs.370.000 million to the Business Development Unit (BDU) whereas the actual achievement was only by Rs. 65.819 million, which was short by Rs. 304.000 million.

Audit was of the view that the management failed to achieve the targets which reflected inefficiency and weak planning.

The matter was reported to the management on September 16, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022. The management informed that the BDU has been revamped and reconstituted and all Zones were implementing new business approach / targets. DAC directed the

management to provide revised reply highlighting relevant factors. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.1.4.4 Loss of rental income due to charging lesser rent - Rs. 144.587 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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.

According to Lease Agreement with Nespak, the rent shall be increased by 10% after expiry of one year.

During audit of National Insurance Company (NICL), Head Office for the year 2021, it was observed that the management rented out the premises to the following tenants at lesser rates as detailed below:

(Amount in Rs.)					
Floor No	Total area Sq ft	Current Rates (Per. Sq. Ft.)	Previous Rates (Per. Sq. Ft.)	Difference of Rate	Loss of rental income per month
M/s Sindh Education Foundation	14,383	100	195.49	95.49	1,373,432.67
M/s NESPAK	5,300	232.88	256.20	23.88	1,518,768
	15,801	241.46	264.70	24.146	9,156,742
Total					12,048,942.67
Rs.144,587,312.04 Annually					
<i>(Source: National Insurance Company Limited)</i>					

Audit was of the view that the management sustained a loss of Rs.144.587 million (annually) due to charging lesser rent which reflected inefficiency.

The matter was reported to the management on September 16, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022. The management informed that:

1. M/s Searle Company Limited was a tenant since 2011, therefore, the rent continued to increase @ 10% per annum for the whole decade to the tune of around Rs.215.03 per Sq Ft. On the other hand, the prevalent rate of rent

in the locality was around the rent at which the vacant space has been given to M/s Sindh Education Foundation, which was a Government entity and responsible tenant of NICL Building (Karachi) since 2020 and has regularly been paying the rent due course of time having rate per sq. ft at Rs.100. DAC directed the management to provide revised reply with justifying grounds to audit for renting out at lower rates.

2. Due to the affection of the business activities throughout the country and financial constraints currently faced by M/s NESPAK. NICL decided to gap/freeze the existing rental rates at its present level for subsequent three (3) years. DAC directed the management to effect recovery as per lease agreement.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.323 & 328)

3.1.4.5 Loss due to rent out of property at lower rates - Rs. 107.288 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of National Insurance Company Limited (NICL) Head Office, Karachi for the year 2021, it was observed that the management entered in an agreement with M/s City School Pvt. Ltd for a rent of Rs. 100,000 of property (Larkana Awami Markaz) for 25 years period w.e.f July 16, 2001 to July 15, 2026. As per agreement, rent would be increased by Rs. 50,000 per month in the second year, Rs. 25,000 per month in the third and fourth years and to increase the rent by 8% annually from the fifth year and onwards. Later on, the management signed a compromise deed on 27th August, 2009 and increased the monthly rent from Rs. 293,865 p.m to Rs. 323,254 p.m w.e.f. September, 2009 and onwards. This position reflected that the premises was rented out at very cheap rate i.e. Rs.1.54 per Sq. Feet (Rs. 100,000 per month / 64,628 Sq. feet) without due diligence and market trend. At present, tenant is paying a monthly rent of Rs. 753,709 i.e. @

Rs.11.66 per Sq. Feet, whereas the market rental value of that area is about Rs.150 per Sq. feet.

Audit was of view that the property was rented out at very cheap rate on 25 years lease agreement without observing real market rental value. Thus, the management suffered a loss of Rs.107.288 million on annual basis (Per Sq. Ft. $\text{Rs.150} - \text{Rs.11.66} = \text{Rs.138.34} * 64,628 \text{ (Sq. Feet)} * 12 \text{ months}$).

The matter was reported to the management on September 16, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022. The management informed that prior to renting out the Company's Larkana building to City Schools, options for the sale and renting out the property were explored / exercised and found no other option the building was, then rented out to M/s. City School at the negotiated rental rates / term and conditions. DAC directed the management for revisiting the existing arrangement on merit for optimal utilization of asset. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.1.4.6 Irregular / unjustified settlement of claim of machine – Rs. 90.202 million

According to the Institute Cargo Clause (a), in no case shall this insurance cover, loss damage or expense caused by insufficiency or unsuitability of packing or preparation of the subject matter insured.

During audit of National Insurance Company (NICL), Head Office for the year 2021, it was observed that the management issued marine cargo policy No. 2018/IB/B/MI/P/D/PO264 against the sum insured of Rs. 90.202 million. The loss was intimated on 07.05.2018. The joint surveyors stated that machinery external frame was affected and the machine functions could not be checked at terminal. Furthermore, insured also carried out technical base report, in which they stated that apparently machine had external damage and dents were visible at different locations. The functionality of internal system including mechanical, electrical and sensitive electronics components could not be checked. Therefore, an unserviceable / repaired machine was not accepted by the user. Despite that the claim was settled by the management amounting to Rs. 90.202 million.

Audit was of the view that management settled the claim without checking the functionality of the CNC machine. Thus, settlement of the claim Rs.90.202 million stood irregular / unjustified.

The matter was reported to the management on September 16, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022. The management informed that machine was only damaged and the accessories remained safe, therefore, being integral part of the machine, the claim had to be entertained in full with accessories. Further, Senior Technician of Precision Engineering Complex and Chief Engineer, PAC Kamra reported that damages clearly showed that the original accuracy of the machine had been compromised. DAC directed the management to pursue subrogation matter, provide to Audit contract agreement and third party reports. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.1.4.7 Loss due to inadequate premium determination without assessing risk factors – Rs. 79.522 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of National Insurance Company (NICL), Head Office for the year 2021, it was observed that the management failed to safeguard the interest of the company by underwriting the insurance claims without assessing adequate risk factors of following clients. The detail of clients is as under:

(Amount in Rs.)					
S#	Insured / Clients Name	Business year	Premium Received	Claim Paid	% of claims as against premium received
1	M/s. Pakistan Petroleum Limited	2020	37,383,399	66,612,974	178.19
2	Pakistan Atomic Energy Commission	2017	142,080	3,216,350	2,263.76
3	Underground Coal Gasification Project Thar	-do-	621,743	9,692,936	1,558.994
Total			38,147,222	79,522,260	
(Source: National Insurance Company Limited)					

Audit was of the view that the management failed to safeguard company interest by inadequate determination of premium for the clients with abnormally high payment of claims. Consequently, NICL had to pay the claims of Rs.79.522 million to the insured which was significantly higher than the premium received.

The matter was reported to the management on September 16, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022. The management informed that with reference to reinsurance arrangements of Marine Cargo Insurance, NICL had placed Marine Cargo XOL Treaty which had two programs. One was Main Program with 04 layers having coverage of Rs.4.000 billion of Sum Insured and above Rs.4.000 billion coverage there was Reporting Layer Programme up to Rs.10.000 billion for General Cargo and Rs.20.000 billion for PSO only. DAC directed the management to share details with Audit for comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.1.4.8 Loss of revenue income on charging lesser rates - Rs. 76.641 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the Board shall exercise its powers and carry out fiduciary duties with a sense of objective judgment and independence in the best interests of the company.

During audit of National Insurance Company Limited (NICL) North Zone, Islamabad for the year 2021, it was observed that the lease rental agreement of NICL Building with M/s Securities Exchange Commission of Pakistan (SECP) was expired on March 31, 2021 having a rent of Rs. 175.78 per sq.ft. The management executed a new rental lease agreement with M/s SECP at a revised monthly rate of Rs. 15.451 million (Rs. 219.725 per sq.ft for 70,320 sq.ft) amounting to Rs. 556.328 million from April, 01, 2021 to March, 31, 2024 against the prevailing market rate which ranges from Rs.250 to Rs.320 per sq.ft. The detail of loss of rental income is as under:

(Amount in Rs.)					
Rate per sq.ft charged (A)	Market Rate per sq.ft (B)	Area (sq.ft) C	Difference per Sq.ft D (B-A)	Loss per month E (C*D)	Loss in 3 years F (E*36)
219.725	250.00	70,320	30.275	2,128,938	76,641,768

(Source: National Insurance Company Limited)

Audit was of the view that the management extended an undue favor to the incumbent by charging lesser than the market rates and without allied Common Area Management (CAM) cost. This reflected weak financial management and imprudent decision making.

The matter was reported to the management on March 20, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022. DAC directed the management to provide cost-benefit analysis to Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.1.4.9 Irregular / unjustified discount allowed on insurance premium – Rs.68.735 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of National Insurance Company Limited (NICL) Head Office, Karachi for the year 2021, it was observed that the management allowed discount on the gross premium to the different clients / customers during the year 2021. Detail of discount is as under:

(Amount in Rs.)					
S#	Client's Name	Sum Insured	Gross Premium	Discount to Client	% of Gross premium
1	SSGC	2,592,091,454	115,738,425	62,550,442	54.04
2	PSPC	88,171,148	37,444,717	306,278	0.82
3	SSGC LPG Pvt Limited	111,331,811	5,790,174	2,895,100	50.00
4	SSGC LPG Pvt Limited	27,565,555	1,153,193	571,343	49.54
5	Bolan Mining Enterprises	142,285,231	6,144,479	2,124,783	34.58
6	Genco 2 TPS Wapda Guddu	12,752,664	822,141	287,750	35.00
Total		2,974,197,863	167,093,129	68,735,696	

(Source: National Insurance Company Limited)

Audit was of the view that necessary compliance of the circular should have been made by the management. Hence, discount allowed amounting to Rs.68.735 million stood irregular and unjustified.

The matter was reported to the management on September 16, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022. The management informed that detail of discounts, mentioned in the para clearly showed different percentage of discounts which was the evidence that these discounts were distinct from restricted “5% Special Discount” referred in mentioned circular of Operation Department. DAC directed the management to provide revised reply entailing justifying grounds. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.1.4.10 Outstanding claims due to delay in submission of survey reports – Rs. 49.045 million

Section 47(4) of Insurance Rules, 2017, states that every survey conducted by, and report given by, an insurance surveyor shall be conducted and given with due diligence and skill, and in good faith and the report shall be finalized as early as possible but within the period of ninety days.

During audit of National Insurance Company Limited (North Zone), Islamabad for the year 2021, it was observed that the management recorded number of outstanding estimated losses amounting to Rs. 49.045 million in subsequent years. Further record revealed that the date of loss belonged to the years from 2009 to 2021, but the surveyor’s reports of mentioned period were still awaited or under process, resultantly dues associated with their claims were also awaited. The detail of such cases is as under:

(Rs. in million)					
S#	Description	Outstanding Claims	S#	Description	Outstanding Claims
1	Fire Claims	1.08	4	Marine Claims	31.2
2	Engineering Claims	7.00	5	Miscellaneous Claim	8.575
3	Motor Claims	1.19	Total		49.045

(Source: National Insurance Company Limited)

Audit was of the view that delay in submission of reports by the Surveyors indicated poor monitoring and pursuance of the management.

The matter was reported to the management on March 20, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022. DAC directed the management to share details of efforts made so far with Audit and look into the matter for causes of delay and take subsequent actions accordingly. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.1.4.11 Revenue loss due to withdrawal of business – Rs. 44.552 million

According to Section 166 (3) of Insurance Ordinance, 2000, all insurance business relating to any public property, or to any risk or liability pertaining to any public property, shall be placed with National Insurance Company Limited only and shall not be placed with any other insurer.

During audit of National Insurance Company (NICL), Head Office for the year 2021, it was observed that some public sector clients who were insuring their business with NICL had refused to place the risk of their assets with NICL in the year 2021 and onwards. The detail is as under:

(Amount in Rs.)			
S#	Client's Name	Year	Premium Received
1	Institute of Business Administration	2017 to 2019	25,762,427
2	Pakistan Machine Tool Factory	2017 to 2018	2,510,052
3	Sindh Engineering Limited	2017 to 2018	557,856
4	Sindh Transmission & Dispatch Company (Pvt.) Limited	2018	10,417,000
5	Trading Corporation of Pakistan	2018 & 2020	5,282,932
6	Pakistan Post Foundation	2020	21,400
Total			44,551,667
(Source: National Insurance Company Limited)			

Audit was of view that the management failed to observe the Insurance Ordinance, 2000, which reflected negligence and slackness. Thus, company sustained a revenue loss amounting to Rs. 44.551 million.

The matter was reported to the management on September 16, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022. The management informed that 03 clients of them (IBA, SEL and STDCL) were moved to M/s. Sindh Insurance Limited as per provincial rules. The remaining clients were although bound to get insurance from NICL but some time clients' do

their property self-insured. DAC directed the management to provide efforts for enhancement of business and justification for withdrawal of business in instant cases. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.1.4.12 Excess working strength than the approved limit – Rs. 41.416 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of National Insurance Company Limited (NICL) Head Office, Karachi for the year 2021, it was observed that following officers and staff are in excess against the sanctioned strength as detailed below:

(Amount in Rs.)						
S#	Designation	Approved	Existing	Excess	Salary per month	Annual impact
1	Assistant Manager	67	81	14	78,000	1,092,000
2	Departmental officer / Executive Officer	140	160	20	164,867	39,568,080
3	Computer Officer	29	30	01	63,074	756,888
Total		236	271	35	-	41,416,968
<i>(Source: National Insurance Company Limited)</i>						

Audit was of the view that excess officers / staff working over the sanctioned strength caused an extra financial burden of Rs. 41.4187 million on the company.

The matter was reported to the management on September 16, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022. The management informed that sanctioned strength of 750 was duly approved by Board of Directors of NICL. Further, there was no Breakdown / approved sanctioned strength available in the lower cadre especially in AM/DO/EO/CO, although there was approved sanctioned strength for ED/GM/CM. DAC directed the management to provide justification for excess deployment and finalize HR plan on priority. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.1.4.13 Un-justified extensions in contracts – Rs. 35.118 million

Rule 04 of PPRA Rules, 2004, states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Rule 20 of PPRA Rules, 2004, states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During audit of National Insurance Company Limited (NICL) North Zone, Islamabad for the year 2021, it was observed that the management awarded following contracts and allowed multiple extensions with increased rates as detailed below:

(Rs. in million)						
S#	Name of Supplier	Description	Original Monthly Rate	Extension Period (A)	Increased Monthly Rate (B)	Total C (a * b)
1	M/s Orient Engineers (Pvt.) Limited	Operation & Maintenance of HVAC System,	406,000	01.09.19 to 31.08.20	446,600	5.359
				01.09.20 to 31.08.21	491,260	5.895
				01.09.21 to 31.12.21	491,260	1.965
2	M/s Bahria Security System & Services	Guarding, Security & Fire Fighting Services	497,000	01.09.19 to 31.08.20	497,600	5.964
				01.09.20 to 31.08.21	546,700	6.560
				01.09.21 to 31.12.21	546,700	2.186
3	M/s United Human Resource Services	Housekeepi ng, Cleaning & Janitorial	242,920	17.09.19 to 16.09.20	242,920	2.915
				17.09.20 to 16.09.20	267,212	3.206
				17.09.21 to 31.12.21	267,212	1.068
Total						35.118
(Source: National Insurance Company Limited)						

It clearly transpired that three (03) extensions were allowed to suppliers after the expiry of the initial contract. The management did not plan on time due to which several extensions were awarded in violation of rules.

Audit was of the view that the management remained un-successful in adequate planning for routine contracts and granted several extensions.

The matter was reported to the management on March 10, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022. DAC directed the management to share relevant justification and documents with audit. Furthermore, DAC also directed the management to provide to Audit tender documents, agreements and advertisement copies for examination. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.193, 197 & 200)

3.1.4.14 Irregular / unjustified payment of leave encashment and allowance – Rs. 30.432 million

Minutes of Meeting No.01/2017 dated May 20, 2017 of Board sub-committee (Ethics HR Recruitment & I.T Committee) of NICL states that no encashment of annual leave and no carry forwarding of leave should be allowed to any employee w.e.f 01.01.2017.

Clause 1.5.1, Chapter-II of HR Manual of NICL, states that the annual leave is normally not encashed. However, in the circumstances where neither the leave can further be accumulated nor the employee is allowed to proceed on leave and refusal in writing, the annual leave can be encashed only at the discretion of the Chairman.

Clause 09 of ESTACODE states that encashment of leave will not be admissible in the case of Government servants on deputation on the basis of the Rules/Regulations of the autonomous bodies/corporations.

During audit of National Insurance Company (NICL), Head Office for the year 2021, it was observed that the management paid leave encashment to their employees despite the above mentioned directives of the Board Sub-committee. The detail of payments is as under:

(Rs.in million)					
S#	Leave Encashment year	Amount	S#	Leave Encashment year	Amount
1	2017	0.007	4	2020	9.00
2	2018	6.32	5	2021	14.52
3	2019	0.18	Total		30.027
(Source: National Insurance Company Limited)					

Furthermore, it was observed that Ms. Roomana Gul Kakar, an officer of Provincial Government of Balochistan was posted as General Manager in NICL Islamabad on deputation basis on 16-05-2019. Her salary was fixed on the basis of Last Pay Slip (LPC) issued by State Life Insurance Corporation (SLIC) instead of Accountant General, Balochistan. Furthermore, she had been allowed House Maintenance Allowance @ 10% of basis pay on monthly basis amounting to Rs.0.307 million. However, this allowance was not allowed to the other officers posted at NICL, Islamabad.

It was also observed that management paid her leave encashment amounting to Rs. 98,860 equivalent to one month basis basic pay in violation of above rules.

Audit was of the view that the management paid leave encashment and house maintenance allowance in violation of above directives. Thus, payment of Rs. 30.432 million stood irregular / unjustified.

The matter was reported to the management in March and September, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022.

1. The management informed that the payment of leave encashment was allowed to the employees of NICL as per rules and CBA Agreements duly signed between the management of NICL and Employees Union (CBA) for the years 2017-2018, 2019-2020 & 2021-2022 respectively. DAC directed the management to share BoD minutes and proposal details of HR Committee with Audit.
2. DAC directed the management to provide justification on admissibility of amount to audit and total amount paid.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.316 & 198)

3.1.4.15 Loss due to non-renewal of non-marine reinsurance treaty – Rs.29.000 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of National Insurance Company (NICL), Head Office for the year 2021, it was observed that Non-Marine reinsurance treaty expired on May 15, 2021 which was not renewed on time. The management requested for issuance of one month's cover from M/s PRCL but one month's cover was quite expensive i.e. 3.8 times more expensive as compared to annual cover i.e. Rs. 101.000 million whereas the price of one month's cover was Rs. 29.000 million. Furthermore, the Board members also stated that those people were at fault and should be held responsible and penalized due to delay and faulty data provided.

Audit was of the view that due to negligence, the renewal of the non-marine treaty arrangement could not made on time. Thus, due to delay of renewal, the company had to suffer a loss of Rs.29.000 million on account of extension of the non-marine cover.

The matter was reported to the management on September 16, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022. The management informed that the Reinsurance arrangements of NICL treaties were arranged by PRCL on tendering basis. In the year 2021, NICL sent an email to PRCL on 5th May for extension of our programme for one month due to finalization of the tender process as the tender opening date was fixed by PRCL on 19-05-2022 after expiry of existing arrangements as the process of the finalization of the tender would normally take one month. DAC directed the management to finalize inquiry report in accordance with BoD directives.

Audit recommends implementation of the DAC directives.

3.1.4.16 Non-recording of salvage value in books of accounts - Rs. 8.391 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for 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.

During audit of National Insurance Company Limited (NICL), Head Office Karachi for the year 2021, it was observed that salvage assets recovered against claims had not been accounted for in the books of accounts. The management had neither a practice of recording salvage assets (recovered assets) nor any memorandum record of such assets was maintained. Upon disposal of salvage assets amount realized was deducted from claim expense. Due to this practice, salvage assets as at the balance sheet date remained un-recorded (not disclosed in unconsolidated financial statements) and were prone to misuse or misappropriation (Annex-9).

Audit was of the view that management should have booked the salvage value in company's accounts and reconciled at least on monthly basis and this would have helped, to control misappropriation / embezzlement of funds.

The matter was reported to the management on September 16, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022. The management informed that the serious view has been taken and instructed the concerned quarters to obtain adequate reserve value of the salvages from the respective surveyors and communicate to Administration Department (Salvage Dealing Persons) for accounting of the same. DAC directed the management to effect reflection of salvage value of assets and take further actions accordingly.

Audit recommends implementation of the DAC directives.

3.1.4.17 Irregular / unjustified settlement of marine claim - Rs. 6.836 million

According to the Institute Cargo Clauses (a), in no case shall this insurance cover, loss damage or expense caused by insufficiency or unsuitability of packing or preparation of the subject matter insured.

During audit of National Insurance Company (NICL), Head Office for the year 2021, it was observed that the management settled the claims amounting to rs.6.836 million of M/s Oil & Gas Development Company Limited under cause of consignment's loss. The surveyors notified in the report that all consignments were damaged and broken during transit and rough handling at the time of loading / unloading. The detail of claims is as under:

(Amount in Rs.)					
S#	Claim(s)#	Claims Settled	S#	Claim(s)#	Claims Settled
1	10-420-PC/17	455,938	4	10-011-PC/18	1,229,604
2	10-008-PC/18	3,713,159	5	10-012-PC/18	769,813

3	10-009-PC/18	382,362	6	10-013-PC/18	285,419
Net Premium					6,836,295
<i>(Source: National Insurance Company Limited)</i>					

Audit was of the view that the management settled the claim without merit of the policy which reflected undue leverage to the insured. Hence, settlement of the claim amounting to Rs.6.836 million stood irregular / unjustified.

The matter was reported to the management on September 16, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022. The management informed that claims had been paid / settled under the surveyor's recommendations / finding, against the cause of loss as mentioned against each claim above. DAC directed the management to pursue subrogation matter till recovery of amount.

Audit recommends implementation of the DAC directives.

3.1.4.18 Irregular / unjustified appointment on retainer-ship basis and subsequent retention after superannuation – Rs.5.835 million

According to the Government of Pakistan Establishment Division OM No. 3/16/99, CP-6 dated May 26, 1999, all the Ministries / Divisions are required to ensure that no officer is allowed to continue in office after superannuation/on expiry of the period of contract of re-employment unless prior approval of the Competent Authority obtained in advance. In case of un-authorized overstayed, the financial liability for such an irregularity shall rest upon the head of the department and the officer concerned himself.

During audit of National Insurance Company Limited (NICL) Head Office Karachi and North Zone, Islamabad for the year 2021, it was observed that the management appointed following Chief Medical Officers on retainer ship basis without competitive process and allowed time to time increases in fees and allowances & allotted vehicle with petrol equivalent to the rank of Manger as detailed below:

(Amount in Rs.)					
Name	Date of Appointment	Place of posting	Retainer-ship fee	Petrol limit (Liters)	Allowance
Dr. Mohsin Agha	31.03.2000	Karachi	100,000	200	3,000
Dr. Farhana Masud	03-03-2008	Islamabad	86,250	200	3,000
<i>(Source: National Insurance Company Limited)</i>					

Furthermore, it was also observed that Dr. Mohsin Agha attained the age of 60 years in the year 2020. At present, he is 64 years and still rendering the services at NICL after attaining the age of superannuation.

Audit was of the view that retention / appointment of incumbents, allocation of vehicle with petrol, increase of fee, medical panel facility and other benefits equivalent to the rank of Manager without any terms & conditions reflected favoritism. Thus, payment of Rs.4.800 million to Mr. Mohsin (Rs.100,000 * 48 months) and Rs.1.035 million to Dr. Farhana (Rs.86,250*12) total Rs.5.835 million stood irregular / unjustified.

The matter was reported to the management in March and September, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022. The management informed that initially the appointment of CMO was made by NICL on retainer ship basis on 31-03-2000, and subsequently the wages of CMO on retainer ship basis were increased and allowed by the competent authority from time to time. DAC advised the management to revisit the practice of retainer ship in the Corporation and justify its stance.

Audit recommends implementation of the DAC directives.

(DP Nos.333 & 192)

3.1.4.19 Irregular / unjustified settlement of claims - Rs. 5.305 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of National Insurance Company (NICL), Head Office for the year 2021, it was observed that the insured Pakistan State Oil Company Limited (PSO) lodged a fire claim due to high ambient temperature in the area at M/s Syed Filling Station, Matoora Lucky Marwat, (DIK) on 31.05.2018. The surveyors narrated that due to very high ambient temperature fumes got accumulated in the different compartments of the fuel tank of the oil tanker and suddenly fire broke out in the oil tanker which engulfed and spread in the whole filling station which caused damage to various assets at the filling station. Further, tanker fitness certificate was expired on 21.09.2017.

Furthermore, it was also observed that National Bank of Pakistan (NBP) lodged a claim regarding damage of NBP, Lift Machine Room at Top Roof Head Office Building, Karachi due to fire on 08.05.2017, under engineering policy which was intimated on 16-06-2017 after a delay of 38 days, as insured was bound to inform of the occurrence of loss within 15 working days from the date of loss.

Audit was of the view that the management failed to act proactively while paying the claims which reflected negligence.

The matter was reported to the management on September 16, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022. The management informed that:

- 1 Fitness certificate of Oil Tanker and Driving License of the driver of the Oil Tanker had nothing to do with the Insurance of Filling Stations. Accordingly the Insured did not lodge claim regarding loss of oil in Oil Tanker but claimed losses born by the Filling Station which accordingly assessed / adjusted as recommended by the surveyor which subsequently settled by NICL according to the terms and conditions of the relevant Insurance Policy. DAC directed the management to pursue subrogation matter till recovery of amount.
- 2 Zonal Head (South Zone) allowed the claim to be registered keeping in view the Condition # 11 of the Fire Normal Policy “On happening of any loss or damage the insured shall forthwith give notice thereof to the Company and shall within 15 days after the loss or damage or such further time as the Company may in writing allow in that behalf, deliver to the Company.” DAC directed the management to provide to Audit condonation by competent authority with relevant documents.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP 319 & 320)

3.1.4.20 Irregular / unjustified payment of motor claims – Rs. 3.550 million

Rule 5 (1) of the Public Companies (Corporate Governance) Rules, 2013, states that the Board shall exercise its powers and carry out fiduciary duties with a sense of objective judgment and independence in the best interests of the company.

During audit of National Insurance Company Limited (NICL) North Zone, Islamabad for the year 2021, it was observed that the insured M/s Pak Datacom Limited (Islamabad) has lodged a motor claim which met with an accident on March 12, 2020. The Surveyor, after conducting survey, mentioned that the Repairer M/s Toyota Central Motors has given an estimate of Rs. 930,000 and the vehicle is severely damaged. Later on, the Joint Surveyors in their report dated April 30, 2020 stated that an estimate of Rs. 1,250,000 (for replacement of parts and labor charges) had been calculated and it may not come in a satisfactory / road worthy condition even after repair and they consider it a case of “Constructive Total Loss.” The management on the basis of Joint Surveyors Report, paid the claim to on Constructive Total Loss (CTL) basis amounting to Rs. 1,900,000. Later on, the management carried out the repair works of the vehicle from M/s Noor Autos amounting to Rs. 387,800 and was retained by the management for their official duties.

Furthermore, it was also observed that the National Bank of Pakistan (NBP) lodged a claim of vehicle on April 22, 2019 which was settled and paid Rs.1.650 million. However, the insured lodged FIR after more than one year of accident i.e. on 13.05.2020 whereas the accident took place on 22.04.2019.

Audit was of the view that the management paid the claim despite the fact that the vehicle was repairable at a minor cost and paid the claim with delayed FIR which reflected negligence and slackness. Thus, claim amounting to Rs. 3.550 million stood irregular and unjustified.

The matter was reported to the management in March and September, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022.

1. The management informed that FIR and Final Police Report were necessary and mandatory in theft and stolen cases. In accidental cases police report or FIR were not necessary / mandatory. DAC directed the

management to provide to audit the evidence that there was no FIR on the subject matter.

2. DAC directed the management to provide joint survey report and other relevant documents to Audit.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.325 & 189)

3.1.4.21 Irregular / unjustified disposal of vehicle to ex-CFO - Rs. 1.918 million

Clause 34 (c) of Car Policy of NICL states that the car allotted to an entitled officer will be sold / transferred to him keeping in view the circumstances under which the officer is retiring or on completion of at least four years of services, whether on contract, deputation or otherwise.

During audit of National Insurance Company Limited (NICL) Head Office, Karachi for the year 2021, it was observed that the management approved the case for disposal of a vehicle in favor of Mr. Qasim Rasheed (Ex-CFO) amounting to Rs.1.918 million. The officer served just for few months as CFO, whereas, disposal policy clearly stated that employees may be entitled to purchase the vehicles on completion of at least four years of service.

Audit was of the view that the management violated the rules by giving undue favour to the ex-employee. Thus, disposal of the vehicle worth Rs.1.918 million stood irregular / unjustified.

The matter was reported to the management on September 16, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022. The management informed that as per company car policy the allocated / allotted vehicle to the officers was disposed off on written down value (WDV) as per BOD minutes of meeting number 23rd Company Car Policy Para No. 34. DAC directed the management to provide justification to Audit for the disposal of vehicle in violation of policy. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.1.4.22 Non-finalization of annual audited accounts since 2018

Rule (xxviii) (c) of Code of Corporate Governance for Insurers, 2016, states that the insurer shall insure that the annual audited financial statements are circulated, not later than four months from the close of the financial year.

During audit of National Insurance Company Limited (NICL) Head Office, Karachi for the year 2021, it was observed that the annual audited from 2018 to 2021 were not prepared as per stipulated time period, provided by the Code of Corporate Governance rules, 2016.

Audit was of the view that non-compliance of rules may affect true and fair picture of the company's financial statement for the stake holder(s).

The matter was reported to the management on September 16, 2022. The irregularity was discussed in the DAC meeting held on December 23, 2022. The management stated in its reply that accounts for the period FY 2019 to FY2021 is under process. DAC directed the management to provide timelines for finalization of updated audited accounts. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.2 Pakistan Re-insurance Company Limited

3.2.1 Introduction

Pakistan Insurance Corporation was re-organized as Pakistan Re-insurance Company Limited (PRCL) under the Insurance Corporation (Re-organization) Ordinance, 2000 and incorporated on March 30, 2000 under the Companies Ordinance, 1984. The PRCL is a public sector company under the administrative control of the Ministry of Commerce, Government of Pakistan. The prime objective of the Company is the development of insurance as well as reinsurance business in Pakistan. The Company is a national reinsurer playing its role in the economic development of Pakistan. It provides reinsurance protection to the local insurance companies by way of treaty and facultative business.

3.2.2 Comments on Audited Accounts

3.2.2.1 The working results of the company for the year ended December 31, 2021 as compared to previous years is given below:

(Rs. in million)					
Description	2021	% Inc / (Dec)	2020	% Inc / (Dec)	2019
Gross premium	20,994	24.25	16,896	(4.30)	17,655
Net premium	7,226	7.72	6,708	(2.88)	6,905
Net Insurance claim	(3,778)	-3.72	(3,924)	(7.86)	(4,259)
Management expense	(729)	9.33	(666.78)	(26.16)	(902)
Commission paid	(968)	4.63	(925.195)	(25.28)	(1,243)
Underwriting profit/(loss)	1,682.81	119.77	765.719	52.69	501
Investment income	981.71	-5.91	1043.379	03.47	1,008
Rental income	104.38	25.13	83.419	16.90	71
Profit Before Tax	3,614	83.36	1,971	(09.96)	2,189
Taxation	(1,025)	76.72	(580)	(17.73)	(705)
Profit after tax	2,590	86.20	1,391	(06.27)	1,484

(Source: Annual Audited Accounts-2021)

In 2021, the gross premium is Rs. 20,994 million as compared to Rs. 16,896 million in preceding year which indicates an increase by 24.25% but at the same time, Re-insurance premium ceded increased to Rs 13,127.92 in the year 2021 as against preceding year standing of Rs 10,816.07 million registering an increase of 21.38% which needed justification.

3.2.2.2 Net Insurance claims shows decrease of Rs.3,778 million in the year 2021 as against the preceding year standing of Rs.3,924 million which reflects drop in the pattern of Net Insurance claim by 3.72% , which needed to be justified.

3.2.2.3 Management expense increased from Rs 666.78 million in the year 2020 to Rs.729.000 million registering an increase by 9.33% which needed justification.

3.2.2.4 Investment income shows decrease of Rs.981.71 million in the year 2021 as against the preceding year standing of Rs.1,043.379 million which reflects drop in the pattern of Net Insurance claim by 5.91 %,needs justification.

3.2.2.5 Current ratio deteriorates from 4.35:1 in the FY year 2020 to 3.5:1 in the FY 2021 which needed justification.

Formula	2021 (Rs)	2020 (Rs)
Current assets	46,348,937,649	35,355,647,413
Current Liability	12,916,703,382	8,126,102,464
Ratio	3.5:1	4.35:1

3.2.2.6 Equity ratio shift in deteriorating position to 27.93 % in the FY 2021 from a preceding standing of 28.64% FY 2020 which needed justification.

Formula	2021(Rs)	2020 (Rs)
Shareholder Equity	13,072,194,616	10,241,544,195
Total assets	46,805,551,289	35,765,014,250
Percentage	27.93 %	28.64%

3.2.2.7 Debt ratio shift in deteriorating position to 72.07 % in the FY 2021 from a preceding standing of 71.36% FY 2020 reflecting heavy obligation trend to asset, which needed justification.

Formula	2021 (Rs)	2020 (Rs)
Total Liabilities	33,733,356,673	25,523,470,055
Total assets	46,805,551,289	35,765,014,250
Percentage	72.07%	71.36%

3.2.2.8 Return to asset shift in deteriorating position to 15.44 % in the FY 2021 from a preceding standing of 18.76 % in the FY 2020, which needed justification.

Formula	2021 (Rs)	2020 (Rs)
Net Insurance Premium	7,225,623,532	6,708,834,772
Total assets	46,805,551,289	35,765,014,250
Percentage	15.44	18.76

3.2.2.9 Return to Equity shift in deteriorating position to 55.27 % in the FY 2021 from a preceding standing of 65.51 % in the FY 2020 which needed justification.

Formula	2021 (Rs)	2020 (Rs)
Net Insurance Premium	7,225,623,532	6,708,834,772
Total Equity	13,072,194,616	10,241,544,195
Percentage	55.27	65.51

3.2.2.10 Net Insurance claim to Net insurance premium reflects shift in downward position to 52.28 % in the FY 2021 from a preceding standing of 58.50 % in the FY 2020 which needed justification.

Formula	2021	2020
Net Insurance claims	3,777,804,999	3,924,588,676
Net Insurance Premium	7,225,623,532	6,708,834,772
Percentage	52.28	58.50

3.2.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2003-04	7	6	1	6	86%
2010-11	13	10	3	2.2.4.1, 2.2.4.2, 2.2.4.3	77%
2011-12	9	1	8	3.2.2.1, 3.2.2.2, 3.2.2.3, 3.2.3, 3.4.4.1, 3.4.4.2, 3.4.4.3, 3.4.4.4	11%
2013-14	6	3	3	4.2.2.1, 4.2.2.2, 4.2.3	50%
2014-15	10	6	4	4.2.4.2, 4.2.2.4, 4.2.4.1, 4.2.4.4	60%
2015-16	9	3	6	4.2.4.3, 4.2.2.3, 4.2.2.4, 4.2.3, 4.2.4.1, 4.2.4.2	33%
2016-17	6	3	3	3.2.3, 3.2.4.1, 3.2.4.3,	50%
2017-18	14	5	9	4.2.2.1, 4.2.4.3, 4.2.4.11, 4.2.3, 4.2.4.1, 4.2.4.4, 4.2.4.5, 4.2.4.6, 4.2.4.10	36%
2019-20	2		2	3.2.4.1, 3.2.4.2	
Total	76	37	39		49%

The overall compliance of PAC directives needs improvement.

3.2.4 Audit Paras

3.2.4.1 Non-reconciliation of receivables and payables - Rs. 9,381.000 million

Rule 43(4) of Insurance Ordinance, 2000, states that the Company may call for or examine or cause to be examined such relevant accounts, books, documents, memorandum or other records of an insurer as it may reasonably require for the purpose of verifying the correctness of the claims, declarations, returns, statements or other information submitted to it by that insurer.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2021, it was observed that reconciliation of Takaful / Re-takaful and conventional receivables / payables amounting to Rs.415.920 million and Rs. 8,965.000 million respectively has not been carried out despite a lapse of considerable time.

Audit was of the view that the management failed to establish effective accounting controls over recording company's receivables and on reconciliation with reinsurance companies.

The matter was reported to the management on September 21, 2022. The irregularity was discussed in the DAC meeting held on January 06, 2023. The management informed that:

1. PRCL had received / recovered from their dues Rs. 151,077,763 which was 45% against receivable of Rs. 334,246,846 from 01.01.2022 to 26.09.2022. Further, we were aggressively chasing the companies for balance recoveries.
2. After completion of the year-end audit on December 31, 2021, PRCL was vigorously chased ceding companies for the reconciliation and hired Riaz Ahmed & Co (a consultant CA-firm) also for the reconciliation of balances.

DAC directed the management to get recovery rules approved and effect the recovery on priority.

Audit recommends implementation of the DAC directives.

(DP Nos.618 & 635)

3.2.4.2 Non-recovery of insurance premium from insurance companies - Rs. 5,239.400 million

Rule 5 (1) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the board shall exercise its power and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2021, it was observed that an amount of Rs. 5,239.400 million was lying outstanding against following head of accounts as detailed below:

S. #	Description	Amount (Rs)	S. #	Description	Amount (Rs)
1	Local Insurance Companies	4,556,035,954	5	Treaty Takaful	238,236,899
2	Inactive Insurance Companies.	19,949,478	6	Facultative Takaful	96,225,467
3	Foreign non-resident Companies.	178,796,269	7	Repair & Maintenance Expenses	4,729,035.78
4	Court Cases	145,426,164	Total		5,239,399,267

(Source: Pakistan Re-insurance Company Limited)

Audit was of the view that the management failed to recover the dues within time which reflected inefficiency and weak recovery mechanism.

The matter was reported to the management on September 21, 2022. The irregularity was discussed in the DAC meeting held on January 06, 2023. The management informed that:

1. Recovery was under process against head of account listed from serial number 01 to 04. DAC directed the management to re-visit existing apportionment arrangement and take necessary actions.
2. Recovery was under process against head of account listed from serial number 05 & 06. DAC directed the management to provide party wise ageing of receivables and effect recovery of the amount under intimation to Audit.
3. Recovery against head of account as serial number 07 is made to the extent of Rs.23.43 sq ft / month. DAC directed the management to provide party wise ageing of receivables and effect recovery of the amount under intimation to Audit.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.610, 615 & 629)

3.2.4.3 Operating loss on Re-Takaful and conventional business - Rs. 1,391.559 million

Rule 5 (1) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Board shall exercise its power and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2021, it was observed that performance of Re-Takaful and conventional non-proportional treaty business reflected losses in the year 2021 as detailed below:

(Rs.in million)					
S #	A/c Head	Amount	S #	A/c Head	Amount
1	Re-Takaful receipt	29.382	2	Re-Takaful Expenses	91.942
Loss					(62.559)

(Rs.in million)			
Particulars	Amount	Particulars	Amount
Net premium	256	Net insurance claims	1,584.000
Loss			(1,328.000)
(Source: Pakistan Re-insurance Company Limited)			

Audit was of the view that the losses reflected inefficiency and negligence.

The matter was reported to the management on September 21, 2022. The irregularity was discussed in the DAC meeting held on January 06, 2023. The management informed that:

1. It was impossible to determine the amount of loss or profit (surplus or deficit) by comparing Re-takaful retrocession expenses with claim recoveries / receipts. DAC directed the management to get the facts verified regarding incorrect comparison.
2. Underwriting result of only one segment should neither be looked in isolation and nor be used as a yardstick to judge company's performance. DAC directed the management to provide documentary justification in support of declining performance of non-treaty business.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.616 & 625)

3.2.4.4 Imprudent investment in a single bank - Rs.1,079.652 million

According to Section 3(c) of Finance Division's directives dated 03-07-20003, the risk associated with keeping deposits should be diversified. Therefore, in cases where total working balance of an enterprise exceeds Rs.10 million, not more than 50% of such balance shall be kept with one bank.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2021, it was observed that out of Rs.1,140.633 million, an amount of Rs.1,079.652 million (94.65%) was placed in a single bank i.e. M/s Bank Al-Habib Limited in violation of above directives.

Audit was of the view that keeping funds in one bank might expose the funds to the investment risk which reflected imprudent decision making.

The matter was reported to the management on September 21, 2022. The irregularity was discussed in the DAC meeting held on January 06, 2023. The management informed that Bank Al-Habib Limited account was a business account, which was used for retrocession payments to International Brokers, and was not used for saving purposes, they had been putting efforts to open bank accounts in other banks to partially shift bank balance to meet the requirement of directives of Finance Division. DAC directed the management to rationalize investments with applicable Policy / Rules.

Audit recommends implementation of the DAC directives.

3.2.4.5 Non-compliance with Sharia Principles Window Re-Takaful Operations – Rs. 782.360 million

Rule 27 (1) and (2) of Takaful Rules, 2012, states that an Operator shall appoint with the advice of the Shariah Advisor, a Shariah compliance officer and the Shariah compliance officer shall ensure that all the policies formulated and approved by the Shariah Advisor are implemented in the operations of the Operator.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2021, it was observed that the management engaged in business of Window Re-Takaful operation and earned revenue of Rs.782.360 million. However, the management (operator) did not obtain relevant supporting documents for ensuring compliance of operation with Sharia Principles. The External Auditor has also raised qualification on non-compliance of Sharia Principles in accepting Treaty business.

Audit was of the view that the management failed to comply the Shariah Principles in its business operations.

The matter was reported to the management on September 21, 2022. The irregularity was discussed in the DAC meeting held on January 06, 2023. The management informed that PRCL (WRTO)'s Shariah Compliance Officer reviewed all the documents and consulted with Shariah Advisor and the Shariah Advisor issued a Shariah Review Report confirming the compliance of Window Re-Takaful Operations. DAC directed the management to provide documents to Audit reflecting compliance of relevant Sharia Provisions. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.2.4.6 Loss on investment portfolios – Rs. 243.228 million

Rule 5 (4) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2021, it was observed that the management sustained a loss of Rs.243.229 million on different investment portfolios as detailed below:

(Rs.in million)							
S#	Description	#of Units	Loss	S#	Description	#of Units	Loss
1	Mutual Fund	8,292,733	223.986	3	Unlisted Shares	492,848	1.378
2	Listed Shares	1,200,000	17.864	Total			243.228

(Source: Pakistan Re-insurance Company Limited)

Audit was of the view that the management had made non-productive decisions by making investment in above portfolios and resultantly sustained losses.

The matter was reported to the management on September 21, 2022. The irregularity was discussed in the DAC meeting held on January 06, 2023. The management informed that:

1. The decline of value of listed shares and mutual fund was against book value and we receive dividend. DAC directed the management to provide cost-benefit analysis with relevant documents to audit and also provide evidence that investment was made in accordance with approved investment policy.
2. The decline of value of listed shares and mutual fund was against book value and we receive dividend. DAC directed the management to place the matter before Board of Directors for its due consideration.
3. Most of investment of unlisted share was made in 1960s. After efforts, it was found that these companies were not in existence. Therefore, no further action was possible. DAC directed the management to provide cost-benefit analysis with relevant documents to audit and also provide evidence that investment was made in accordance with approved investment policy.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.623, 624 & 627)

3.2.4.7 Delay in completion of project - Rs.33.896 million

Rule 5 (1) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Board shall exercise its power and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2021, it was observed that the management entered into a contract with M/s Sapphire Consulting services for implementation of ERP project at a contract price of

Rs. 33,896,672 on 07.12.2018. As per agreement, the contract was needed to be completed in 18 months i.e. on 30.06.2020. However, despite lapse of more than two years after expiry of completion date, the project is still incomplete and an expenditure of Rs. 28,975,916 was incurred.

Audit was of the view that the management failed to safeguard the interest of the company by not completing the project in time and the project was likely to face cost overrun with the passage of time.

The matter was reported to the management on September 21, 2022. The irregularity was discussed in the DAC meeting held on January 06, 2023. The management informed that currently, Underwriting ERP system has been developed and is in Data migration and validation stage. The 85% tasks of (Implementation of Oracle ERP) and 70% tasks (Custom Underwriting ERP System) has been done. DAC directed the management to share with audit justification and approval of extension from Board. Further, provide current stage of contract work and completion schedule. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.2.4.8 Loss due to vacant space - Rs. 13.790 million

Rule 5 (1) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Board shall exercise its power and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2021, it was observed that spaces of PRC building remained vacant during the year. The detail is as under:

(Amount in Rs)					
S#	Floor No	Area (sq.ft)	Approved rate per sq.ft	Rent per month	Rent per year
1.	9 th floor	6,760	85	574,600	6,895,200
2.	7 th floor	6,760	85	574,600	6,895,200
			Total (Rs)	1,149,200	13,790,400
(Source: Pakistan Re-insurance Company Limited)					

Audit was of the view that vacancy of floors indicated poor assets management.

The matter was reported to the management on September 21, 2022. The irregularity was discussed in the DAC meeting held on January 06, 2023. The management informed that the efforts were made to rent out the same by making contacts with various state agencies/agents, different firms visited but no fruitful result came. DAC directed the management to get the facts verified. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.2.4.9 Award of contract without technical evaluation and subsequent non-compliance of bidding documents – Rs.12.840 million

Rule 36 (iv) of PPRA Rules, 2004, states that the procuring agency shall evaluate the technical proposal in a manner prescribed in advance, without reference to the price and reject any proposal which does not conform to the specified requirements.

Clause 1.1.3 & 1.1.4 of Bidding Documents states that complete dismantling of existing 3 old lift installed at PRCL head office PRCL Tower, M.T. Khan Road, Karachi and Three years maintenance contract after expiry of free maintenance and 4.2 states that bidder shall complete the project within three months from the signing of the contract and shall provide the phase wise detailed plan.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2021, it was observed that the management awarded the contract for supply, installation of parts for modernization, testing and commissioning of existing express Lift to M/s High Tech amounting to Rs.12.840 million without technical evaluation.

Furthermore, it was also observed that the contractor could not deliver the required services as per agreed schedule and non-compliance of stated terms of bidding document was also observed in respect of dismantling old lifts and execution of maintenance contract. The completion date was 05-06-2021, but the contractor could not even start the work by 29th July 2021.

Audit was of the view that award of contract without technical evaluation and subsequent non-compliance of bidding documents stood irregular and unjustified.

The matter was reported to the management on September 21, 2022. The irregularity was discussed in the DAC meeting held on January 06, 2023. The management informed that:

1. M/s Hi-Tech Electronics & Machinery was selected on minimum/ compulsory eligibility criteria for awarding the contract as per PPRA Rules. DAC directed the management to get the facts verified regarding award of contract with due consideration of Technical Evaluation and Transparency of award of contract.
2. PRCL penalized the bidder by forfeiting earnest money as well as giving show cause notices to fulfil remaining obligation as mentioned in the performance contract/bidding documents due to the non-fulfilment of contract. DAC directed the management to get the scope of work verified along with work performance and LD charges recovered from contractor for delay in performance.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.608 & 609)

3.2.4.10 Inordinate delay in payment of claims - Rs. 6.798 million

Rule 5 (1) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the board shall exercise its power and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2021, it was observed that claims of Rs.6.798 million remained outstanding since last decade as detailed below:

S#	Date of loss	Loss No.	Amount (Rs)	S#	Date of loss	Loss No.	Amount (Rs)
1	1/6/2011	C062/10/00042771/01	50,000	10	1/6/2011	C062/10/00043620/01	50,000
2	1/6/2011	C062/10/00042772/01	5,000,000	11	1/6/2011	C062/10/00043621/01	50,000
3	1/6/2011	C062/10/00042773/01	50,000	12	4/11/2011	C062/10/00044532/01	250,000
4	1/6/2011	C062/10/00042774/01	50,000	13	4/11/2011	C062/10/00044577/01	250,000
5	1/6/2011	C062/10/00042775/01	50,000	14	4/11/2011	C062/10/00044576/01	250,000
6	1/6/2011	C062/10/00042776/01	50,000	15	7/4/2011	C062/10/00044974/01	250,000
7	1/6/2011	C062/10/00042779/01	50,000	16	5/4/2011	C062/10/00044837/01	250,000

8	1/6/2011	C062/10/00042892/01	50,000	17	4/9/2011	C062/10/00047332/01	24,000
9	1/6/2011	C062/10/00043619/01	50,000	18	4/9/2011	C062/10/00047333/01	24,000
Total							6,798,000
<i>(Source: Pakistan Re-insurance Company Limited)</i>							

Audit was of the view that delays in payment of claims depicted bad image of the company.

The matter was reported to the management on September 21, 2022. The irregularity was discussed in the DAC meeting held on January 06, 2023. The management informed that the claims are under litigation and could not be processed until Judgment has been issued by the Court. DAC directed the management to pursue legal cases. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.2.4.11 Irregular payment of claims without receiving premium – Rs. 2.770 million

Rule 5 (1) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Board shall exercise its power and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2021, it was observed that the management paid claims amounting to Rs.2.700 million without obtaining the premium as detailed below:

S#	Claim No	Outstanding Premium (Rs)	Claim Amount (Rs)
1.	CL-0819-202009-eo5-000118	731,206	1,937,444
2.	17262	2,142,669	833,417
Total (Rs)		2,873,875	2,770,861
<i>(Source: Pakistan Re-insurance Company Limited)</i>			

Audit was of the view that payment of claims without premium was irregular and unjustified.

The matter was reported to the management on September 21, 2022. The irregularity was discussed in the DAC meeting held on January 06, 2023. The management informed that PRCL received the premium in phases and even if the premium against a particular claim was not yet fully received, the PRCL was still liable to process and settle the claim as PRCL booked receivable. DAC directed

the management to provide valid reasons supported by documentary evidence for payment of such cases. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.2.4.12 Non-compliance of guidelines for maintaining segregation of duties

Clause (a) Para (xiii) of Code of Corporate Governance (Insurance Companies), 2016 states that the claim and underwriting activities at any insurance/Re-Insurance organization are required to be carried out by separate departments/sections.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2021, it was observed that claim acceptance / rejection up to Rs.500.000 million and settlement of claim up to Rs.1.000 million was under the control of Sole Assistant Manager (WRT0) which was a violation of above quoted rule.

Audit was of the view that engaging single official to accept / reject Re-Takaful Business and settlement of claim at the same time was a non-compliance of stated rule.

The matter was reported to the management on September 21, 2022. The irregularity was discussed in the DAC meeting held on January 06, 2023. The management informed that aforementioned hierarchy has been created utilizing shared resources for the time being, and the Re-Takaful Department plans to separate its activities in the near future by recruiting new distinct resources for the aforementioned jobs. The management accepted the audit contention and DAC directed the management to take corrective actions within 03 months. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.2.4.13 Loss of rental income due to non-revision of rate

Rule 5 (1) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Board shall exercise its power and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2021, it was observed that the management rented out the area of PRC tower to Inland Revenue, Large Tax payer @ Rs.70 per square ft. in addition to Rs.15 per square feet as maintenance fee as approved by the Board of Directors (BoD) in its 97th meeting dated 30-10-2014. Since then, the rate was not revised.

Audit was of the view that renting out the area on the basis of seven years old rate was not justified.

The matter was reported to the management on September 21, 2022. The irregularity was discussed in the DAC meeting held on January 06, 2023. The management informed that prevailing rate of rent charged in the vicinity of PRC Towers is Rs.90.00 per sq. ft. Letters to PNSC being the government entity as well as nearest building in the vicinity has been sent for acquire rate of rent for commercial purpose. DAC directed the management to have re-assessment of rental value through professional valuer and also ensure current rental of old tenants is valid with applicable increase of 10%. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3 State Life Insurance Corporation of Pakistan

3.3.1 Introduction

State Life Insurance Corporation of Pakistan (SLIC) was incorporated on November 1, 1972 under the Life Insurance (Nationalization) Order, 1972, which has been replaced by Insurance Ordinance, 2000,. The main objective of the Corporation is to engage in the life insurance business, to maximize the return to the policy holder economizing on expenses and increasing the yield on investment and to use the policyholders fund in the wider interest of the community.

3.3.2 Comments on Audited Accounts

3.3.2.1 The working results of the Corporation for the year 2021 as compared to those of the previous years are tabulated below:

Description	(Rs. in million)				
	2021	%inc/ (dec)	2020	%inc/ (dec)	2019
Premium revenue	162,623	36	119,519	6	112,877
Investment Income (net)	96,160	10	87,267	19	73,236
Net realized fair value gain/(loss) on financial assets	59	(72)	208	1,737	(13)
Net fair value gain on financial assets at fair value through profit or loss	(8,566)	-	603	(83)	3,607
Net rental income	415	(26)	560	(3)	574
Other income	21,560	27	17,019	(8)	18,472
Insurance benefits	98,364	51	64,938	14	57,159
Recoveries from reinsurers	(314)	43	(219)	75	(125)
Claim related expense	14	5	14	8	13
Net change in insurance liabilities (other than outstanding claims)	133,579	4	129,039	6	121,377
Acquisition expenses	20,021	20	16,617	1	16,517
Marketing and administration expenses	9,968	24	8,042	(20)	9,998
Total expenses	164,002	6	154,131	4	148,641
Finance cost	(2)	(27)	(2)	(18)	(3)
Profit before tax	9,450	60	5,921	110	2,826
Profit after tax	6,734	60	4,203	109	2,011

(Source:- Annual Audited Accounts-2021)

3.3.2.2 Net rental income has decreased by 25.84% from Rs.559.52 million in the year 2020 to Rs.414.885 million in the year 2021 which needed to be elucidated.

3.3.2.3 Recoveries from reinsurers (Receivables) has increased by 43.38% from Rs.219.07 million in the year 2020 to Rs.314.11 million in the year 2021 which required elaboration.

3.3.2.4 Marketing & Administration Expenses has increased by 23.95% from Rs. 8,042.09 million in the year 2020 to Rs. 9,968.37 million in the year 2021 which required justification.

3.3.2.5 Insurance benefits has increased by 51.47% from Rs. 64,938.33 million in the year 2020 to Rs. 98,363.86 million in the year 2021 which required justification.

3.3.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1996-97	11	9	2	56 & 59, 57(a)(b)	82%
1998-99	11	9	2	46, 49	82%
2002-03	9	8	1	13	89%
2003-04	10	8	2	8, 9	80%
2004-05	8	7	1	13	88%
2006-07	4	3	1	9	75%
2007-08	6	4	2	10, 11	67%
2008-09	7	4	3	5, 6, 7	57%
2010-11	17	15	2	2.3.4.4, 2.3.4.9	88%
2011-12	6	5	1	3.3.2.1, 3.3.2.2, 3.3.3, 3.3.4.1, 3.3.4.2	83%
2012-13	22	15	7	3.3.4.3, 3.3.4.1, 3.3.4.11, 3.3.4.7, 3.3.4.9, 3.3.4.2, 3.3.4.5	68%
2013-14	4	3	1	4.3.2	75%
2014-15	17	16	1	4.3.2.11	94%
2015-16	14	2	12	4.3.4.1, 4.3.4.6, 4.3.2.1, 4.3.2.2, 4.3.2.3, 4.3.2.4, 4.3.2.5, 4.3.3, 4.3.4.2, 4.3.4.3, 4.3.4.4, 4.3.4.7	14%
2016-17	8	2	6	3.3.2.1, 3.3.2.2, 3.3.3, 3.3.4.1, 3.3.4.2, 3.3.4.4	25%
2017-18	25	7	18	4.3.4.6, 4.3.4.19, 4.3.4.1, 4.3.4.21, 4.3.3, 4.3.4.2, 4.3.4.5, 4.3.4.8, 4.3.4.9, 4.3.4.11, 4.3.4.12, 4.3.4.13, 4.3.4.14, 4.3.4.15, 4.3.4.16, 4.3.4.17, 4.3.4.18, 4.3.4.20	28%

2019-20	6		6	3.3.4.1, 3.3.4.2, 3.3.4.3, 3.3.4.4, 3.3.4.5, 3.3.4.6	
Total	185	117	68		63%

The overall compliance of PAC directives needs improvement.

3.3.4 Audit Paras

3.3.4.1 Non-settlement of claims - Rs. 3,267.465 million

According to agreement with the Hospitals, the State Life Insurance Corporation of Pakistan (SLIC), process all submitted claims within thirty (30) days after receiving completed claims along with required documents.

Section 118 (1) of Insurance Ordinance, 2000, stipulates that it shall be an implied term of every contract of insurance that where payment on a policy issued by an insurer becomes due and the person entitled thereto has complied with all the requirements, including the filing of complete papers, for claiming the payment, the insurer shall, if he fails to make the payment within a period of ninety days from the date on which the payment becomes due or the date on which the claimant complies with the requirements.

During audit of State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2021, it was observed that various claims remained outstanding / un-settled amounting to Rs. 3,267.465 million (Annex-10) as on December 31, 2021 as detailed below:

(Rs.in million)			
Description	Amount	Description	Amount
Health Claims	3,242.76	Group Claims	24.703
Total			3,267.47

(Source: State Life Insurance Corporation of Pakistan-Health Department)

Audit was of the view that the management failed to settle the outstanding claims amounting to Rs. 3,267.465 million within due time which reflected inefficiency and weak pursuance.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that:

1. The outstanding health claims of previous years have not been submitted by the hospitals. DAC directed the management to share with Audit justification supported by relevant documents.
2. Only provided reasons for non-settlement of claims. DAC directed the management to provide to Audit the breakup of the amounts due and

settled amount thereof, and amounts not-due reflecting its maturity date for settlement.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.406 & 389)

3.3.4.2 Non-settlement of outstanding / unpaid insurance claims-Rs.2,363.557 million

Section 118 (1) of the Insurance Ordinance, 2000, stipulates that it shall be the implied terms of every contract of insurance that where payment on a policy issued by an insurer becomes due and the person entitled thereto has complied with all the requirements, the insurer shall, if he fails to make the payment within a period of ninety days from the date on which the payment becomes due or the date on which the claimant complies with the requirements, whichever is later, pay as liquidated damages.

During audit of State Life Insurance Corporation of Pakistan (SLIC), Multan Zone and Central Zone, Lahore, it was observed that a large number of insurance claims amounting to Rs. 2,363.557 million have been pending for payment to policy holders as detailed below:

				Rs. in million	
S. #	A/c Code	Description	Multan	Lahore (CZ)	
1	426	Outstanding Claims Death	183.815	296.206	
2	427	Death	0	0.874	
3	429	Outstanding Claims Accident	10.555	22.307	
4	430	Outstanding Claims Maturity	452.405	1,397.395	
Total			646.775	1,716.782	
Grand Total			2,363.557		
(Source: State Life Insurance Corporation of Pakistan-Multan & Central Zone)					

Audit was of the view that the management failed to pay the outstanding insurance claims which reflected inefficiency and slackness of the management.

The matter was reported to the management on June 10, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. DAC directed the management to provide relevant rules with ageing of outstanding cases. Furthermore, the DAC also directed the management to provide relevant

rules with ageing of outstanding cases. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP No.279 & 642)

3.3.4.3 Non-recovery of premium from policyholders - Rs.2,149.211 million

Clause (x) of Code of Corporate Governance for insurers, 2016, states that the directors of an insurer shall exercise their powers and carry out fiduciary duties with a sense of objective judgment and independence in the best interests of that Insurer (company).

During audit of State Life Insurance Corporation of Pakistan (SLIC), Central Zone, Lahore for the year 2021, it was observed that an amount of Rs.2,149.211 million was remaining outstanding on account of premium against the policy holder ranging from 1st year to 3rd year as detailed below:

(Rs.in million)		
S#	Outstanding Premium	Balances as on Dec 31,2021
1.	1 st Year	0.911
2.	2 nd year	76.130
3.	3 rd year	2,072.170
Total		2,149.211
<i>(Source: State Life Insurance Corporation of Pakistan-Central Zone)</i>		

Audit was of the view that non-recovery from various policy holders amounting to Rs. 2,149.211 million reflected weak recovery mechanism and poor pursuance.

The matter was reported to the management on November 29, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. DAC directed the management to conduct diagnostic study / analysis (on causes of non-recovery of the premiums covering financial impact / implications) in all zones and share with audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.4 Encroached / disputed lands since long – Rs. 2,108.367 million

Clause 6.1.1 and 6.1.3 of ToRs of Board Real Estate Committee states that provision of guidelines to streamline the functions / affairs of Real Estate Division

and to increase rental income and monitoring progress of Projects, renting/ recovery and other tenancy related issues.

Clause (x) of Code of Corporate Governance for insurers, 2016, states that the directors of an insurer shall exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interests of that insurer and its policyholders.

During audit of State Life Insurance Corporation of Pakistan (SLIC) Principal Office Karachi and Real Estate Lahore for the year 2021, it was observed that the management failed to protect the property from encroachment / disputes of titles at various locations (Annex-11).

Audit was of the view that encroachment / dispute over properties reflected negligence & weak monitoring mechanism to safeguard the assets of the Corporation which resulted into loss of rental income and incurrence of unnecessary legal expenditures.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that State Life was vigorously following the cases with the concerned Courts and Departments for early decision / compliance and also making its efforts for mutation of properties. DAC directed the management to pursue the court case vigorously. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.400 & 648)

3.3.4.5 Non-adjustment of deposited premium – Rs.635.530 million

According to SLIC Underwriting Guidelines, the premium received from policy holders should immediately be accounted against their respective policy numbers to pass the benefits to the policy holders.

During audit of State Life Insurance Corporation (SLIC) Zonal Office, Islamabad and Central Zone, Lahore for the years 2020 & 2021, it was observed that the management received premium from the policyholders under various accounts but it remained unadjusted as on December 31, 2021 against the policies as detailed below:

S #	A/c code	Description	Islamabad (ZO)	Lahore (CZ)
1.	424-568	Prem. Deposits - under proposal Mech.	78.869	222.150
2.	424-570	Prem. Deposits – under wrong policy No.	4.869	3.084
3.	424-571	Prem. Deposits- under polices	165.800	152.966
4.	424-572	Prem. Deposits - Alteration	-	7.722
		Total	249.538	385.922
		Grand Total	635.530	

(Source: State Life Insurance Corporation of Pakistan-Islamabad & Lahore Zone)

Audit was of the view that the management failed to adjust the deposited premium on regular basis which reflected inefficiency.

The matter was reported to the management on June 17, 2020. The irregularity was discussed in the DAC meeting held on January 10, 2023. DAC directed the management to provide ageing and efforts on old cases by the management. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.286 & 638)

3.3.4.6 Inordinate delay in adjustment / recovery of advance and penalty - Rs.558.282 million

Clause (x) of Code of Corporate Governance for insurers, 2016, states that the directors of an insurer shall exercise their powers and carry out fiduciary duties with a sense of objective judgment and independence in the best interests of that Insurer (company).

During audit of State Life Insurance Corporation of Pakistan (SLIC) Principal Office, Karachi for the year 2021, it was observed that the management purchased 500 Commercial & 500 Residential Plots (Fully developed measuring 500 square Yards each) of various sizes in the New City Project in Islamabad from National Housing Authority (NHA) amounting to Rs.209.533 million. On failure to deliver the plots / amount, the management filed an application on June 12, 2000 in the Court of Senior Civil Judge, Islamabad. The matter was then referred to the Arbitrator on March 18, 2003. The petition was accepted by the Court and the Decree was passed in favor of SLIC on January 31, 2006 with a decreed amount of Rs.375.290 million. The total amount payable by NHA till December 31, 2016 is as under:

Description	(Rs. in million)
Principal Amount	209.533
Penalty @ 8% per annum till 31.7.2003	123.240
Cost of Arbitration	0.610
Penalty @ 8% per from 01.08.2003 to 31.12.2016 31.07.2003	224.899
Total	558.282
<i>(Source: State Life Insurance Corporation of Pakistan)</i>	

Later on, the Civil Judge, Islamabad directed the management to submit the detail of Bank accounts, movable or immovable assets of NHA to get these attached and auctioned through the Court to realize the decreed money. The Execution petition was pending from January 26, 2018 as the management was constantly unable to submit the details of the moveable and immoveable assets of NHA and the matter is still pending.

Audit was of the view that the management failed to observe due diligence in making such a huge investment besides providing details of the moveable and immoveable assets of NHA for attachment to the Court which reflected weak financial controls.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that decree was passed in favor of SLIC on January 31, 2006. In order to satisfy the recovery, it is necessary that the details of bank accounts, movable and immovable assets of NHA be known. As soon as any information is available the case shall be re-opened and followed up as per legal proceedings. DAC directed the management to pursue the matter accordingly. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.7 Non-utilization of Information Technology budget and non-existence of ERP System – Rs.181.000 million

Clause (x) of Code of Corporate Governance for insurers, 2016, states that the directors of an insurer shall exercise their powers and carry out fiduciary duties with a sense of objective judgment and independence in the best interests of that Insurer (company).

During audit of State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2021, it was observed that over a period of years, the management allocated handsome budget for IT development; however the same was not utilized. The details are as under:

(Rs. in million)			
Year	Budget Allocation	Budget Utilization	% of Utilization (%)
2015	215.550	23.146	10.74
2016	177.125	0.421	0.237
2017	87.000	2.297	2.640
2018	87.000	3.092	3.554
2019	87.000	7.541	8.667
2020	0.000	0.000	-
2021	387.000	206.000	53.22

(Source: State Life Insurance Corporation of Pakistan)

It was evident from the above position that the allocated budget had not been utilized which affected the organizational operations badly. It is also worth mentioning here that the management awarded the contract to M/s. Sidat Hyder Morshed Associates (Pvt.) Limited for Enterprise Resource Planning (ERP) customization, implementation, maintenance and ongoing support services to the thirty-three (33) zones during the year 2010. However, despite lapse of considerable time, the project is still incomplete.

It had also been observed that the management has made significant investment on establishment of data center considered as state of the art technology. However, required experienced and professional skilled teams are not available in the Corporation. The organization which is a market leader in Insurance business, is working without any Chief Technology Officer (CTO). The I.T Division is working under ad hoc / officiating basis without any qualified IT personnel.

Audit was of the view that non-utilization of budget and non-completion of automation project for zones despite lapse of considerable time and non-employment of skilled IT personnel indicated poor project planning, slackness and inefficiency.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. DAC directed the management to share the action plan with audit and implement the

ERP system at earliest. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.8 Loss of rental income due to non-construction of building– Rs. 175.000 million

Para (f) of 198th meeting of Board of Directors held on 04-12-2008 resolved that as recommended by the Real Estate Committee, the construction of State Life Building, Sialkot at a budgeted cost of Rs.175 million as worked out by the Consultant is hereby approved. Real Estate Division is hereby directed to take prompt action and to ensure that there is no delay in the work. The Real Estate Division further instructed to advise the Architect to check that the building has sufficient parking space as per standards. The buildings will comprise of basement plus ground plus four floors with covered area 48,880 sq.ft and the completion period would be 24 months from the date of issue of letter of award.

State Life appointed NESPAK as Real Estate Consultant, as per Feasibility Report of the project (SLIC Building Project, Sialkot), Building comprises of Basement + Ground + 4 Floors with total covered area of 48,880 sq ft. and rentable area of 36,440 sq ft. Further, estimated cost of construction is Rs.175.000 million and the period of construction from the award of work is 24 months. The project cost will be incurred during 2 years period and taking into account mark-up of 15%, the cost payback period is 12 years assuming 50% occupancy in the first year and 100% from the second year.

During audit of State Life Insurance Corporation of Pakistan (SLIC) Principal Office Karachi for the year 2021, it was observed that the Board of Directors (BoD) on 04.12.2008 approved the construction of State Life Building at Sialkot at a budgeted cost of Rs.175.00 million with the completion period of 24 months. Furthermore, in the year 2008, the management engaged M/s NESPAK as Consultant for engineering consultancy services. The consultant stated that the project cost will be incurred during 2 years period and taking into account mark-up of 15%, the cost payback period is 12 years assuming 50% occupancy in the first year and 100% from the second year. The management started pre-construction formalities in 2008 and incurred an expenditure amounting to Rs.12.722 million as per detail shown below:

(Rs. in million)			
S. #	Description	Name of Vendor	Amount
1.	Conversion Fee for commercialization	Tehsil Municipal Authority	8.835
2.	Naqsha Fee		0.287
3.	On account of signing of agreement and on submission of draft tender documents & drawing.	M/s NESPAK	2.800
4.	For conduction of Initial Environment Examination (IEE) of the said building	Ecosphiron Environmental Services	0.800
Total			12.722
(Source: State Life Insurance Corporation of Pakistan)			

Audit was of the view that due to slackness and ill planning, the construction work of building could not be started since 2008, even could not get approval of plans / NOC despite a lapse of more than 14 years. Due to non-construction of building, Corporation was deprived of rental income amounting to Rs.175.000 million.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that SLIC was vigorously following the case through its Lahore Office with the Environmental Protection Agency (EPA) and Deputy Commissioner Sialkot for necessary approval so that next stage of activity be initiated. DAC directed that management to pursue the matter accordingly and take necessary actions for utilization. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.9 Non-recovery of parking and utility charges from tenants – Rs.163.881 million

Clause 6.1.1 and 6.1.3 of ToRs of Board Real Estate Committee states that provision of guidelines to streamline the functions / affairs of Real Estate Division and to increase rental income and monitoring progress of Projects, renting/ recovery and other tenancy related issues.

Policy Statement of Tenancy Policy 2020 of SLIC Provides:

- Maximization rental income by effective recoveries, lease renewals and active follow-up of court cases.

- Renting of vacant spaces at reasonable / approved rates to reputable entities and to retain them by avoiding disputes of excessive rent increase over and above the market rates.
- Providing all such facilities as agreed in the lease agreement as a bona fide land lord.

During audit of State Life Insurance Corporation (SLIC) Principal Office, Karachi and Real Estate Division, Lahore for the year 2021, it was observed that an amount of Rs.163.881 million was lying outstanding against various tenants and employees as summarized below:(Annex-12).

(Rs.in million)					
S#	Description	Amount	S#	Description	Amount
1	Parking & Utility Charges	69.000	4	Outstanding Rent against Litigation Cases	18.337
2	Rent from Active Tenants	37.802	5	Others	0.680
3	Non-active Tenants	35.436	6	Rent from Employees	2.626
Total					163.881
(Source: State Life Insurance Corporation of Pakistan)					

Audit was of the view that non-recovery of huge amount from active tenants and employees showed negligence and poor monitoring by the management.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that:

1. RED-Tenancy Section is continuously making efforts for recovery of outstanding against tenants for utilities i.e. Electricity, Water, Parking charges. The management stated that an amount of Rs.30.153 million has been recovered. DAC directed the management to get verify recovered amount and further directed to effect recovery of the outstanding amount on priority.
2. Due to some technical issue, the amount was not transferred on time which has now been done for officers mentioned at serial No. 1, 2, 4 & 5. For license at serial no. 03, the subject premise was taken over through court on 29-10-2010. Recovery suit was decided in favor of SLIC, execution application file but no progress due to non-availability of details of assets and address. For tenant at serial no. 08, the subject flat was vacated on 01-01-2018. The management stated that an amount of Rs.112.112 million has

been recovered. DAC directed the management to get verify recovered amount and further directed to effect recovery of the outstanding amount on priority.

3. RED is making continuous efforts through personal contact via building In-charges and officers of tenancy section for recovery of outstanding dues against active tenants as this is a regular feature. DAC directed the management to get verify recovered amount and further directed to effect recovery of the outstanding amount on priority.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.388, 390, 402 & 636)

3.3.4.10 Irregular extension of contract – Rs.90.000 million

Clause (x) of Code of Corporate Governance for Insurers, 2016, states that the directors of an insurer shall exercise their powers and carry out fiduciary duties with a sense of objective judgment and independence in the best interests of that Insurer (company).

During audit of State Life Insurance Corporation of Pakistan, (SLIC) Principal Office Karachi for the year 2021, it was observed that the management made a contract with M/s. Sidat Hyder Morshed Association (SHMA) / M/s. Global Business Assurance (GBA) Private Limited for sales and IT administration of Life Insurance (front and back office operations) for a period of 10 years w.e.f 01.07.2009 to 30.06.2019. The management extended the contract period from 01.07.2019 to 30.06.2022 on yearly basis and paid around Rs.90.000 million despite facing different violations of agreed terms and conditions. The management was required to initiate the fresh tender/ bidding process for acquiring services on competitive basis. However, management failed to initiate the tender process.

Audit was of the view that the management extended undue favor to the vendor by not initiating the tendering process on timely basis and by continuing the agreement with several shortcomings and violations.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. DAC directed the management to share with Audit cost-benefit analysis, initial tendering process, justifications for extensions and succession planning. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.11 Non-sanction of mutation of plot and subsequent loss of rental income due to non-construction of building– Rs. 90.000 million

Clause (x) of Code of Corporate Governance for Insurers, 2016, states that the directors of an insurer shall exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interests of that insurer and its policyholders.

During audit of State Life Insurance Corporation (SLIC) Real Estate, Lahore for the year 2021, it was observed that the management purchased plot for a consideration of Rs. 90.000 million measuring 7000 sq. yards (12 Kanal) situated at Davis Road, Lahore in the year 1995 from M/s Shahgufta Khalid and Badria Saud (seller) and sale deed was registered on 05-12-1995. After purchase of plot, it came to notice that property in question was attached in favour of Pakistan Industrial Cooperative Bank Limited for repayment of loan. The Bank filed a petition in the Lahore High Court which was dismissed. The Bank filed a petition in Supreme Court of Pakistan which was also dismissed on 11.01.2007. After that the management approached the Additional District Collector (Revenue) for mutation of the property, but mutation could not be materialized. Finally, the Corporation approached the High Court of Lahore vide writ petition No.23252/2016 which was still pending.

In July 2018, after a lapse of 23 years, the management proposed to construct a state of the art, multi-story multi-purpose building which was not materialized due to pending petition in the High Court of Lahore. Due to non-construction, the Corporation deprived itself of rental income and project cost may also be recovered / payback within a period of maximum 10 years.

Audit was of the view that the management purchased an un-cleared property which resulted in litigation since purchase. Furthermore, building /

project could not be constructed which also resulted in loss of rental income and incurrence of unnecessary legal expenditure.

The matter was reported to the management on November 29, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. DAC directed the management to provide complete detail and pursue court case vigorously. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.12 Non-charging of escalated rent from tenants and employees – Rs.72.780 million

According to Clause-3 (c) of the lease deed, the lessee shall be obliged to pay rent at a rate escalated by 10/30 Ten percent of the rate of rent fixed under Clause 2(a) above or the rate of rent existing at the time of expiry of the lease, whichever is a higher. The rent at the said enhanced rate shall be applicable for a period of one (1) year commencing from the date following the date of expiry of the said term. On the expiry of the said term, a fresh lease may be granted by the lesser at an enhanced rate of 10% / 30% of the rate fixed under clause 2(a) above or the rate of rent existing at the time of the expiry of the lease, whichever is higher for such period.

Clause 06 of Tenancy Policy, 2020 of State Life Insurance Corporation states that the residential allotment of any unit shall only be rented to SLIC Employees on House Rent Basis.

During audit of State Life Insurance Corporation (SLIC), Principal Office, Karachi for the year 2021, it was observed that the lease agreements of 95 tenants expired which were required to be renewed as per tenancy agreement with 10% and 30% increase in the rent (per year / after three years). However, the management failed to renew the same and tenants have been paying rent on the basis of their earlier agreements. (Annex-13-i)

Furthermore, it was also observed that the employees have been availing accommodation in residential properties at Karachi on fixed monthly rates instead of deduction of their entitled house rent allowance in violation of BoD directives

and Tenancy Policy. The summary of house rent allowance and rent charged is tabulated below and employee wise details are in (Annex-13-ii).

			(Rs. in million)
No. of Flats	House Rent Allowance	Rent Charged	Difference
29	16.038	8.817	7.221
(Source: State Life Insurance Corporation of Pakistan)			

Audit was of the view that due to negligence of the management, the agreements could not be renewed timely and undue favor to its employees by charging lesser rent amounting to Rs.72.780 million.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that:

1. Out of 95 tenants, 32 have renewed lease agreements. DAC settled the para to the extent of renewed agreements subject to verification, further directed the management to pursue the matter of renewal of agreements with the left-over tenants on priority.
2. SLIC preferred to rent out its vacant spaces against market rates for all class of tenants and the House Rent drawn by the officers was much higher than the market rates. Therefore, provisional arrangements were made to rent out small flats at 1-B on market rates. DAC directed the management to reconcile the factual position with the figures pointed out by the Audit.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.385 & 387)

3.3.4.13 Non-renting of vacant spaces – Rs. 32.580 million

According to Tenancy Policy (Real Estate Division) of State Life Insurance Corporation of Pakistan (SLIC) “the spaces available for renting shall be rented out by advertising in national and local dailies for available spaces, display of banners / notices in particular building, through real estate agents / companies and through public relation of Tenancy officers & building in-charge.”

Policy Statement of Tenancy Policy, 2020 of SLIC states that maximization rental income by effective recoveries, lease renewals and active follow-up of court cases. Renting of vacant spaces at reasonable/ approved rates to reputable entities and to retain them by avoiding disputes of excessive rent

increase over and above the market rates. Providing all such facilities as agreed in the lease agreement as a bona fide land lord.

During audit of State Life Insurance Corporation (SLIC) Principal Office, Karachi and Real Estate Division, Lahore for the year 2021, it was observed that an area of 377,461 sq.ft was lying vacant at SLIC buildings in Karachi, resultantly, Corporation was deprived of rental income of Rs. 32.580 million per annum. (Annex-14)

Audit was of the view that the management failed to take concrete efforts to rent out the vacated buildings, which deprived the Corporation from the due monetary benefits.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management stated that certain buildings at Karachi were in dilapidated condition. However, efforts are made for renting out the vacant spaces. DAC directed the management to share strategy / timelines for renting out the vacant spaces. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.386 & 640)

3.3.4.14 Non-imposition of liquidated damages - Rs. 30.966 million

Clause (6A) of Special Stipulation / Conditions of Contract states that amount of liquidated damages 0.1% (one tenth of one percent) of contract price for each day of delay in completion of the works subject to a maximum of 10% of contract price stated in the letter of acceptance. Under this clause, contract price will be considered the price inclusive of the cost impact of variation orders issued under clause 51 and increased / decreased in quantities.

During audit of State Life Insurance Corporation (SLIC) Principal Office for the year 2021, it was observed that the contract for construction of State Life Building Rahim Yar Khan was awarded to M/s Nawab Brothers (Pvt.) Ltd. vide letter dated July 10, 2017. The Site was handed over to the contractor on September 12, 2017. Tender cost of the project was Rs.299.980 million and variation cost was Rs. 9.684 million, totaling to Rs. 309.660 million. As per

agreed schedule, the work was to be completed within two (02) years i.e. by September 11, 2019. However, the contractor failed to complete the work within stipulated time. The contractor, M/s Nawab Brothers requested the engineer M/s NESPAK for extension. The Real Estate Finance Committee (REFC) extended the contract up to December 31, 2019 which was also approved by the Board of Directors (BoD). However, on the expiry of the 1st extension, the REFC further granted extension to the contractor up to May 20, 2020 which was not approved by the BoD.

Audit was of the view that the management extended undue favor to the contractor by not imposing liquidated damages (LD) amounting to Rs.30.966 million (Rs.309.66 million x 10% x 100 days approx.) which reflected slackness and inefficiency. The liquidated damages were required to be collected besides timely completion of work.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that that imposition of liquidated damages can only be applied / implemented at the closure of the project. An amount of Rs.30.966 million has been withheld from the running bills of the contractor for probable imposition of liquidated damages. DAC directed the management to ensure compliance of LD clause accordingly. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.15 Excess existing strength over and above approved strength - Rs. 27.640 million

According to Para (xii) of Establishment Division O.M.No.F.53/1/2008-SP dated 22nd October, 2014, vacancies in posts should be filled only against the approved sanctioned strength of the said category.

According to general establishment rule available strength / holding should not exceed the sanctioned strength.

During audit of State Life Insurance Corporation of Pakistan (SLIC), Multan Zone and Central Zone, Lahore for the years 2021, it was observed that the

working strength of various cadres is in excess than the approved strength in violation of above rule. Details are at (Annex-15)

Audit was of the view that excess working strength than the approved strength was a serious violation on the part of management.

The matter was reported to management on June 10, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. DAC directed the management that the matter may be placed before BoD for rationalization. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP No.277 & 641)

3.3.4.16 Non-exercising option of representation before the President – Rs. 26.645 million

Article 32 of the Establishment of the Office of Wafaqi Mohtasib (Ombudsman) Order 1983 read with Section 14 of the Federal Ombudsmen Institutional Reforms Act 2013 states that any person aggrieved by an order of the Mohtasib may file a representation within 30 days before the Honorable President.

Section 14 (1), (2) and (3) of the Federal Ombudsman Institutional Reforms Act 2013 states that the Ombudsmen shall have the power to review any findings, recommendations, order or decision on a review petition made by an aggrieved party within 30 days of the findings, recommendations, orders, or decisions. The Ombudsman shall decide the review petition within 45 days. In review, the Ombudsman may alter, modify, amend or recall the recommendation, order or decision.

During audit of State Life Insurance Corporation of Pakistan (SLIC) for the year 2021, it was observed that the aggrieved parties whose claims were rejected by the management approached the Federal Ombudsmen for the payment / settlement of claims amounting to Rs. 22.757 million. After detailed deliberations, the Federal Ombudsmen gave the judgments against the management. However, despite filing the representations before the Honorable President within the 30 days of judgment, the management paid / settled the claims to the aggrieved parties. The details of claims are at (Annex-16).

Furthermore, it was observed that Mr. Muhammad Akram (Late), policyholder purchased a medical insurance policy for sum assured Rs. 3.600 million. After the issuance of policy for 01 year and 05 months, policyholder expired on 10.06.2020. Being an early death claim, an investigation was conducted and the Regional Claim Committee recommended to repudiate the case. Later on, son of policyholder approached to Wafaqi Mohtasib, Faisalabad on 27-07-2021 for the payment of death claim. On receipt of complaint from Honorable Wafaqi Office, report was submitted before Advisor, Wafaqi Mohtasib Office which was rejected. Being aggrieved, with the findings, the management submitted a review petition before Wafaqi Mohtasib. The Wafaqi Mohtasib dismissed the review petition on 23.12.2021 being time barred. Resultantly, paid Rs.3.888 million to the representatives of policyholder.

Audit was of the view that the management forgo the option of representations before the Honorable President and submitted the review petition before Wafaqi Mohtasib after due date which reflected slackness and negligence. Resultantly, payment of Rs.26.645 million was made against the claims.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that:

1. Review / representation had a limited scope. Upon receipt of findings and recommendations, the relevant grounds taken by the office are evaluated, the merits of the cases are re-assessed and the cases wherein grounds for assailing the case further are not available, the matters are settled after seeking approval from the competent authority. DAC directed the management to provide justification with relevant documents to audit for verification.
2. Findings and recommendations of Hon'ble Mohtasib Secretariat were not communicated to P.O but to the Zonal office concerned. The review petition seeking condonation in delay and with prayers that the matter shall be reviewed on merits but was rejected by Hon'ble Wafaqi Mohtasib office. DAC directed the management to share inquiry report with Audit within 45 days.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.381 & 404)

3.3.4.17 Unjustified payment of project allowance to employees - Rs.24.636 million

Clause (x) of Code of Corporate Governance for Insurers, 2016, states that the directors of an insurer shall exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interests of that insurer and its policyholders.

During audit of State Life Insurance Corporation of Pakistan (SLIC) Principal Office Karachi for the year 2021, it was observed that the management entered into an agreement with Federal Government and Government of Khyber Paktunkhwa through bidding process (service provider), to provide social health protection coverage across Pakistan. SLIC has been running this Program through its Division naming Health & Accidental Insurance Division (H&AID). The Corporation (SLIC) was selected through public procurement process undertaken by the Clients (Government) for providing the Services on specified terms and conditions. However, it was observed that management allowed monthly Project Allowance for H&AI Division on the basis of Sehat Sahulat Program w.e.f. 01-10-2016 as detailed below:

(Amount in Rs.)		
Post / Designation	Existing Project Allowance per month	Revised Project Allowance w.e.f. 01.1.2022
Chairman	150,000	250,000
Executive Director	130,000	200,000
Divisional Head	110,000	150,000
Regional Head	70,000	120,000
Zonal Head	50,000	75,000
Deputy General Manager	30,000	50,000
Assistant General Manager	21,000	30,000
Manager	24,000	35,000
Deputy Manager	21,000	30,000
Assistant Manager	18,000	25,000
Superintendent	13,000	18,000
Assistant Superintendent	11,000	15,000
Senior Office Assistant	9,000	14,000
Office Assistant	7,000	12,000
Record Sorter, Senior Driver &	5,000	10,000

Senior Qasid, Qasid & Naib Qasid		
(Source: State Life Insurance Corporation of Pakistan)		

Audit was of the view that the management was working as service provider and Sehat Sahulat and other Programs also did not fall under the category of Project for SLIC. Thus, the payment of Rs.24.636 million per annum on account of Project Allowance was un-justified in Audit.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that the approval was accorded by the BoD. DAC directed the management to verify BoD minutes. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.18 Unjustified payment of Compensatory Allowance - Rs.22.080 million

Clause (x) of Code of Corporate Governance for Insurers, 2016, states that the directors of an insurer shall exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interests of that insurer and its policyholders.

During audit of State Life Insurance Corporation of Pakistan (SLIC) Principal Office, Karachi for the year 2021, it was observed that the Board of Directors (BoD) in its 252nd meeting held on 17.07.2017 approved the Compensatory Allowance for Executive Directors / CFO at Rs. 120,000 per month and for General Manager / Divisional Heads (irrespective of designation) at Rs. 100,000 per month w.e.f. 01.07.2017 in addition to all other allowances. At first place, Compensatory allowance was allowed to Government Servants posted in SLIC on deputation basis to balance their salary with regular employees of SLIC working on same designation / post. However, the management also allowed the Compensatory Allowance to its regular employees i.e. General Manager / Divisional Heads (irrespective of designation). The GMs/CFO/ DHs are already drawing a handsome monthly salary. A review of salary drawn by Divisional Heads and others with and without Compensatory Allowance is given below:

	(Amount in Rs.)				
Description	Nisar Shah	Faisal Mumtaz	Mushtaq Ahmed	Amjad	Rashid
Basic	131,848	126,644	147,778	147,778	171,040
Special Pay	-	100,000	9,558	12,744	-
House Rent	79,109	135,986	94,402	96,313	102,624
Utility	59,332	101,990	70,801	72,235	76,968
Driver Subsidy	11,500	11,500	11,500	11,500	11,500
Qualification Allowance	800	-	50,000	50,000	50,000
Technical Allowance	-	195,000	-	-	-
Total without CA	282,589	671,120	384,039	390,570	412,132
CA Allowance	100,000	100,000	100,000	100,000	120,000
Grand Total with CA	382,589	771,120	484,039	490,570	532,132

(Source: State Life Insurance Corporation of Pakistan)

The yearly financial impact due to Compensatory Allowance is as under:

Designation	No. of Officers	Monthly Comp. Allowance	Total (Rs.)
Executive Directors/CFO	02	120,000	240,000
Divisional Heads	16	100,000	1,600,000
		Total	1,840,000*12=22.080 million

Audit was of the view that the management extended undue favor to the specific class of officers by allowing Compensatory Allowance despite granting handsome monthly salary which resulted in an additional expenditure of Rs.22.080 million.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that the officers are working extensively beyond normal working hours without any extra monetary benefit. Moreover, present salary of officers working on subject positions is not compatible with market packages. The Board of Directors (BoD) in its meeting 252nd dated 17-07-2017 had been approved the compensatory allowance to regular officers working as Divisional Heads (irrespective of designation) and Executive Directors/ CFO of Corporation. DAC directed the management to provide justification of matter with the relevant documents. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.19 Recurring loss of rental income due to dispute on properties - Rs. 16.146 million

Clause 6.1.1 and 6.1.3 of ToRs of Board Real Estate Committee states that provision of guidelines to streamline the functions / affairs of Real Estate Division and to increase rental income and monitoring progress of Projects, renting/ recovery and other tenancy related issues.

Policy Statement of draft Tenancy Policy 2020 of SLIC states that maximization rental income by effective recoveries, lease renewals and active follow-up of court cases. Renting of vacant spaces at reasonable / approved rates to reputable entities and to retain them by avoiding disputes of excessive rent increase over and above the market rates. Providing all such facilities as agreed in the lease agreement as a bona fide land lord.

During audit of State Life Insurance Corporation (SLIC) Real Estate, Lahore for the year 2021, it was observed that following Buildings were transferred to SLIC under Nationalization Order 1972. On scrutiny of record it was observed that the subject buildings are under litigation since inception and most of tenants are paying rent to the opponent parties and only few tenants are paying rent to SLIC. An amount of Rs.16.146 million was lying outstanding against tenants on account of rent charges as summarized below. Details are at (Annex-17).

							(Rs.in million)
S. #	Name of Building	City	Outstanding	S. #	Name of Building	City	Outstanding
1	SLB-01 , The Mall,	Lahore	9.606	3	SLB-09, Bank Square	Lahore	2.191
2	SLB-05, Regal Street	Lahore	3.218	4	SLB-01 , Munshi Mohallah	Faisalabad	1.131
Total							16.146
(Source: State Life Insurance Corporation of Pakistan)							

Audit was of the view that due to slackness and non-pursuance of court cases vigorously, buildings were under litigation and Corporation was also sustaining a recurring loss in shape of rental income. This showed poor monitoring and weak controls, besides, Corporation was also sustaining loss in shape of legal expenditures.

The matter was reported to the management on November 29, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. DAC directed the management to pursue the court cases vigorously. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.20 Un-justified posting of junior officers as Divisional Heads - Rs. 13.627 million

State Life Employee (Service) Regulations, 1973 states that the grading of officers will be as Executive Directors, General Manager, Deputy General Manager, Assistant General Manager, Manager, Deputy Manager & Assistant Manager.

During audit of State Life Insurance Corporation of Pakistan (SLIC) Principal Office Karachi for the year 2021, it was observed that following Assistant / Deputy General Managers have been posted as Divisional Heads (D.Hs) equivalent to General Manager on choose and pick basis, despite being in the bottom of seniority list / junior. The details are as under:

S. #	Name Of Division	Name of Divisional Head	Designation	S. # in seniority list
1	Investment Division	Mr. Mushtaque Ahmed	D.G.M.	6
2	I.T. Division	Mr. Muhammad Ali	D.G.M.	7
3	F&A Division	Mr. Muhammad Amjad	D.G.M.	10
4	Human Resource Div.	Mr. S. Faisal Tehzeeb	D.G.M.	15
5	PHS Division	Dr. Arshad Hameed Iraqi	D.G.M.	17
6	P&GS Division	Dr. Nisar A. Shah	D.G.M.	18
7	Corporate Affairs Div	Mr. Mushtaq Ahmed	D.G.M.	22
8	Bancassurance Division	Ch. Anjum Rashid	D.G.M.	27
9	G&P Division	Dr. Mushtaq Ahmed	A.G.M.	

The monthly difference in allowances due to posting as DH is as under:

(Amount in Rs.)				
S#	Name of allowance	Before D.H	After D.H	Difference
1	Compensatory allowance	-	100,000	100,000
2	Re-imbursement car petrol	28,425	40,107	11,682
3	Driver subsidy	7,000	11,500	4,500
4	Qualification allowance	40,000	50,000	10,000
Total		75,425	201,607	126,182*9*12=Rs.13,627,656

(Source: State Life Insurance Corporation of Pakistan)

Audit was of the view that the management extended undue favor to the incumbents and posted them as Divisional Heads for monetary benefits despite

being at the bottom of seniority list ignoring the seniors, which showed favoritism and injustice with other officers.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that the postings of Divisional Heads are being approved by the Chairman, SLIC under the recommendations of concerned Executive Director / Executive Director (P&GS) with the consent of Chairman. All officers of Assistant / Deputy General Manager grade are assigned the charge of Divisional Head in view of their competency and suitability. DAC directed the management to provide revised reply in light of standing orders / HR policy reflecting justification on subject matter. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.21 Delay in completion of work and subsequent escalation of cost – Rs.12.997 million

The Contractor (M/s Musheer & Sons) undertakes that will perform the work as per specification of BOQ and terms and consideration of subject tender too strictly as outlined in detailed by the consultant. No escalation of cost will be claimed at any state of contract.

As per Letter of Award (LOA) dated 02.11.2021, the completion period of entire work will be four (04) months. As per agreement b/w SLIC and M/s Musheer & Sons, date of start shall be considered as date of letter of work order 02.11.2021.

As per tender documents, Liquidated Damages 0.1% per day of delay in completion the works subject to maximum of 10% of contract price sated in the Letter of Acceptance and no escalation wool be allowed for this contract.

During audit of State Life Insurance Corporation of Pakistan (SLIC) Principal Office Karachi for the year 2021, it was observed that as per directives of Honorable Supreme Court of Pakistan, the management floated a tender for hiring of services of consultant for restoration of heritage portion of State Life Building No.5, Karachi on 10.01.2018. The contract was awarded to M/s Caleco (Consultant) at a sum of R. 1.800 million. The Consultant provided the estimated

cost of Rs. 14.312 million of Façade and Rs. 101.730 million for restoration of complete building. The management awarded the contract to M/s Musher & Sons amounting to Rs. 12.997 million being the lowest financial bidder. The work was awarded vide LOA dated 02.11.2021 and being the date of start of work. As per LOA/Agreement, the work was required to be completed in 04 months i.e. 02.02.2022. However, the contractor failed to complete the work till October 2022 and requested for further extension in completion time period and also for escalation of cost.

Audit was of the view that the management extended undue favor to the contractor by allowing back to back extensions and also did not impose LD Charges amounting to Rs.1.299 million on him.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that the delay was due to the stoppage of work by the Heritage Department for want of approval and prolonged monsoon season and shopkeepers. L.D could only be imposed after the project was completed and at the time of processing the final bill duly recommended by the consultant. DAC directed the management to ensure compliance of LD clause. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.22 Defalcation / embezzlement / fraud by field staff - Rs. 11.788 million

State Life Insurance Corporation (SLIC) Circular No. PHS/PO/CIR/35/1999 dated July 29, 1999 read with the circular dated August 04, 2017 states that (a) as and when a compliant of policyholder concerning with defalcation of premium is received, the outcome of the compliant should be finalized within 25 days of acknowledgement of the compliant and (h) maximum time span for recovery of defalcated premium will be twelve (12) months, by all means.

During audit of State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2021, it was observed that field staff defalcated in premium received from policyholders amounting to Rs. 13.157 million, out of which only

Rs. 1.369 million has been recovered leaving a balance of Rs. 11.788 million as detailed below:

(Rs.in million)			
S. #	Zone / Name & Designation	Defalcated Amount	Outstanding
1	Karachi-South	1.979	1.470
2	Karachi-Central	0.921	0.921
3	Karachi-East	1.684	1.684
4	Quetta	0.300	0.300
5	Mr. Nazar Mohyuddin (Area Manager)	0.893	0.893
6	Mr. Asif Tanveer (Area Manager) & Ms. Sidra Yasmin (Sales Manager)	2.800	2.800
7	Mr. Manzoor ul Haq, Area Manager	1.700	0.840
		1.959	1.959
		0.921	0.921
Total		13.157	11.788
(Source: State Life Insurance Corporation of Pakistan)			

Audit was of the view that the management failed to monitor the field staff and to recover the defalcation amount within the stipulated time period. (Annex-18).

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that:

- 1 An amount of Rs. 0.0921 million, Rs. 1.684 million, Rs. 0.156 million out of total Rs. 0.300 million and Rs. 1.069 out of Rs. 1.979 million had been recovered. DAC directed the management to get verify recovered amount and further directed to effect recovery of the outstanding amount on priority.
- 2 The Inquiry Committee fixed the responsibility on Mr. Nazar Mohyuddin (Area Manager) and other field workers. The Competent Authority awarded major punishment dismissal from service along with recovery. Furthermore, Mr. Asif Tanveer (Area Manager) dismissed from service on 22.02.2022 and embezzled amount stood recovered. DAC directed the management to get verify the recovered amount and share with Audit fact-finding inquiry reports reflecting short-comings in the system and subsequent actions taken for strengthening the controls.
- 3 Zonal Head-Sargodha Zone forwarded inquiry report and requested to initiate disciplinary proceeding against him. The matter was forwarded to

Marketing Division-PO for their comments and recommendation. The matter is being taking-up for initiating disciplinary proceeding. DAC directed the management to share inquiry report and verify status of recovery.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.384, 394 & 416)

3.3.4.23 Blockade of fund in procurement of lifts and subsequent non-recovery of penalty - Rs. 11.514 million

Clause (x) of Code of Corporate Governance for Insurers, 2016, states that the directors of an insurer shall exercise their powers and carry out fiduciary duties with a sense of objective judgment and independence in the best interests of that Insurer (company).

During audit of State Life Insurance Corporation of Pakistan (SLIC) for the year 2021, it was observed that the management awarded a contract of Supply, Installation, Testing & Commissioning of 04 lifts to M/s Ziafco Engineers & Contractors (Pvt.) Ltd at a cost of Rs. 271.23 million in the year 2013. The Contractor delivered geared lifts instead of gearless which was accepted by the management with cost reduction of Rs. 2.300 million. However, during inspection, specifications of lifts did not match. BREC (Board Real Estate Committee) in its 12th meeting dated February 26, 2018 scrapped the tender. Resultantly, the contract was terminated and the Contractor was asked to pay back paid amount received along with 10% penalty i.e. (Rs. 8,802,000 + Rs. 2,712,300 = Rs. 11,514,300). The Contractor failed to pay the amount within given time. Later on, the Contractor agreed to return the paid amount along with 3% penalty. However, recovery was still pending despite the lapse of considerable time.

Audit was of the view that the management failed to act proactively and accepted the equipment against tender specifications. No effective action had been taken till date which resulted in non-recovery of principal amount and penalty showing inefficiency and weak controls.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that M/s. Ziafco Engineers and Contractors has agreed to return paid payment with penalty (Rs. 8,802,000 + Rs. 2,712,300 = Rs. 11,514,300) in 18 equal monthly installments but failed to pay the same. DAC directed the management to pursue blacklisting matter and recovery of amount. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.24 Unjustified settlement of death claims - Rs. 9.071 million

Rule 30 of State Life Insurance Employee (Service) Regulation, 1973 states that any employees commits breach of rules, displays negligence or inefficiency and recovery from the employee of the whole or part of the amount of loss, is any sustained by the corporation as a result of his misconduct or any other act.

During audit of State Life Insurance Corporation (SLIC), Zonal Office Islamabad for the years 2020 & 2021, it was observed that underwriting department accepted insurance proposal without due diligence. Details as under:

1. Policy Holder Mr. Abdul Ghafoor (Late) procured an insurance policy bearing No. 504892353-7 having sum assured of Rs.2.00 million. The policyholder was died on 05.05.2020 at home. However, neither any medical record was obtained nor investigation was conducted to ascertain the actual cause of death of policy holder. Thus, management admitted death claim of Rs.4.612 million which was suspicious.
2. The management settled death claims Rs.4.459 million against two policies bearing No. 603378922-6 & 60338324-4 which were issued in favour of Mr. Rana Imran Afzal. The claim examiner stated that cause of the death was not available and policyholder found dead on bed. Whereas, claimant mentioned in Form "A" that death was normal and never brought to the Hospital. Moreover, employer certification statement in Form "D" states that Mr. Rana Imran Afzal had been died due to Heart Attack.

Audit was of the view that settlement of death claim without investigating the actual cause of death and non-availability of any medical record raised doubt.

The Medical Attendance Certificate was not obtained nor filled, it also remained blank and only mentioned that the policyholder died at home.

The matter was reported to the management on June 17, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. DAC directed the management to share relevant documents with Audit substantiating management assertions that the policies were in order.

Audit recommends implementation of the DAC directives.

(DP Nos.282 & 289)

3.3.4.25 Irregular acceptance of policy without medical examination – Rs. 8.300 million

Clause 24 of Underwriting Guidelines of SLIC states that Underwriter has discretion to call for such or other additional special medical reports if the circumstances of any particular case warrants the need of such reports.

During audit of Sate Life Insurance Corporation (SLIC), Islamabad Zone for the years 2020 & 2021, it was observed that management issued a policy to Mr. Raja Touqeer Ahmed bearing Policy No. 6132302565-2 having sum assured of Rs. 8.300 million. The underwriter department referred the case to Chief Medical Advisor (CMA) on 21.12.2021 for further examination. However, on the endorsement of Sales Manager (S.M), the policy was issued without the medical examination in violation of rules.

Audit was of view that issuance of policy without medical examination reflected weak internal controls and poor management.

The matter was reported to the management on June 17, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. DAC directed the management to share relevant documents with Audit substantiating management assertions that the policy was in order. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.26 Non-recovery of defalcation and excess cost from Area Managers - Rs. 6.979 million

Rule 30 of State Life Insurance Employee (Service) Regulation, 1973 states that any employees commits breach of rules, displays negligence or inefficiency and recovery from the employee of the whole or part of the amount of loss, is any sustained by the corporation as a result of his misconduct or any other act.

During audit of State Life Insurance Corporation of Pakistan (SLIC), Central Zone Lahore and Zonal Office, Islamabad for the years 2020 & 2021, it was observed that amount of Rs.6.979 million was outstanding against staff and Area Managers as detailed below:

(Rs.in million)			
S#	Name	Description	Amount
1	Mr. Munawar Hussain	Defalcation & Un-authorized Absence	0.298
2	Mr. Muhammad Iqbal Sulehri	Excess Cost	0.974
3	Mr. Muhammad Islam	Excess Cost, P.F Loan	0.617
4	Mrs. Nusrat Javed	Excess Cost, P.F Loan & Accessories	0.402
5	Mr. Muhammad Akhtar	Excess Cost, P.F Loan & Accessories	1.522
6	Mr. Rehmat Ali Zafar	Excess Cost	0.333
7	Mr. Muhammad Naaem Ashraf	Excess Cost, P.F Loan & Accessories	0.301
8	Islamabad Zone	A/C Recievable Defalcation - By Staff	0.393
9	Islamabad Zone	Excess Cost by Area Manager	2.139
Total			6.979
(Source: State Life Insurance Corporation of Pakistan)			

Audit was of the view that the management failed to recover / adjust the various outstanding dues from Area Managers who did not achieve set business targets during the years which reflected inefficiency and poor recovery / adjustment mechanism.

The matter was reported to the management on June 17, 2020. The irregularity was discussed in the DAC meeting held on January 10, 2023. DAC directed the management to get verify recovered amount and further directed to effect recovery of the outstanding amount on priority. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.281, 285 & 647)

3.3.4.27 Procurement of services without competitive bidding – Rs.6.212 million

Rule 20 of Public Procurement Rules, 2004 states that procuring agency shall use open competitive bidding as the principle method for the procurement of goods, services and works.

During audit of State Life Insurance Corporation of Pakistan (SLIC), Islamabad Zone for the years 2020 & 2021, it was observed that the management has been utilizing the service of M/s Askari Guards and M/s Phoenix Armour for cash & carry without calling the open competitive bidding process. The details of payments are as under:

S#	Name of Service providers	Payments details year wise (Rs.)		Total
		2020	2021	
1	M/s Phonix Armour	607,209	632,613	1,239,822
2	M/s. Askari Guards	224,875	310,826	535,161
3	Payments made since 2015 to 2019 on average basis (2020 & 2021 : Rs. 1,774,983/2= Rs. 887,491 * 5 years = Rs 4,437,455)			4,437,455
Total (Rs)				6,212,438
<i>(Source: State Life Insurance Corporation of Pakistan)</i>				

Audit was of the view that hiring of services of cash & carry van without open competitive bidding process was a serious violation of PPRA Rules, 2004.

The matter was reported to the management on June 17, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. DAC directed the management to conduct a fact-finding inquiry report within 45 days. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.28 Irregular acceptance of policy resulting into payment of death claim and subsequent liquidated damages – Rs. 5.240 million

Section 118 (1) of Insurance Ordinance, 2000, states that it shall be an implied term of every contract of insurance that where payment on a policy issued by an insurer becomes due and the person entitled thereto has complied with all the requirements, including the filing of complete papers, for claiming the payment, the insurer shall, if he fails to make the payment within a period of ninety days from the date on which the payment becomes due or the date on which the claimant complies with the requirements, whichever is later, pay as liquidated damages a sum calculated.

Underwriting guidelines states that Marketing Personnel are bound to place business with complete disclosure of facts i.e. medical & financial aspects. Any proved falsification, misstatement, concealment in procuring and reporting the business by them will result in strict action that may include their termination / demotion and or forfeiture of benefits.

During audit of State Life Insurance Corporation of Pakistan (SLIC) Central Zone, Lahore for the year 2021, it was observed that Mr. Muhammad Ilyas Raja (late) purchased an insurance policy bearing # 604102460-0 on 01.07.2005 for a sum assured of Rs.5.00 million. After issuance of policy, he died on 02.02.2006. Her widow Mst. Zakia Ilyas Raja (applicant) approached the Corporation and filed the claim which was rejected due to misstatement regarding financial worth. The applicant approached the Ombudsman who decided the case in her favour. The management filed an appeal before President of Pakistan which was dismissed on 01.07.2015 and payment of Rs. 5.240 million was made to applicant. However, she again approached to Ombudsman with a view that SLIC deposited the insured amount and not the liquidated damages. The appellant filed an application before Insurance Tribunal, Sialkot which dismissed the petition of the respondents regarding recovery of LD on 19.01.2019.

Later on, the deceased family filed an appeal against judgment dated 19.01.2019 before Lahore High Court. The Bench vide judgment dated 07.06.2021 accepted the appeal and set aside the judgment of Insurance Tribunal on the ground that SLIC / respondent did not inform the applicant that her claim application was incomplete or defective in any way. Thus, the appellant is held entitled for the liquidated damages along with profit as per present bank rate. After that decision, the management approached the Advocate Supreme Court of Pakistan / Syed & Syed Law Associates which opined that appellant is held entitled for the liquidated damages along with profit. However, the management filed a Civil Appeal before the Honorable Supreme Court of Pakistan against the decision of High Court of Lahore through same Law Firm.

Audit was of the view that the management accepted the policy of huge amount without due diligence and concealment of facts. Neither any notice / intimation was given to the policy holder in his life time regarding disclosure neither of wrong information nor after his death or immediately after filling of the claim. Resultantly, the Corporation sustained a loss of Rs.5.240 million in shape of

death claim and will also be liable to pay the LD charges in future besides incurring legal & professional expenditure.

The matter was reported to the management on November 29, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. DAC directed the management to conduct fact-finding inquiry within 45 days and verify the quantum of LD paid. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.29 Irregular allotment of vehicles and payment of conveyance & protocol allowance – Rs. 4.488 million

Clause (x) of Code of Corporate Governance for Insurers, 2016, states that the directors of an insurer shall exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interests of that insurer and its policyholders.

During audit of State Life Insurance Corporation of Pakistan (SLIC) Principal Office Karachi for the year 2021, it was observed that following three (03) officers have been drawing Protocol Allowance, Conveyance Allowance and also allotted office maintained vehicles (with POL & maintenance) for protocol duties w.e.f. August, 2017 as detailed below:

Name	Designation	Working as	Vehicle Description	Protocol Allowance (Rs)	Conveyance Allowance (Rs)
Mr. Faqeer Muhammad Baloch	Manager	Manager Protocol	GPA-091 Corolla-2015	25,000	4,000
Mr. Hassan Zaheer	Deputy Manager	DM Protocol	GP-7045 Corolla-2010	25,000	4,500
Mr. Kasim Jehan	Deputy Manager	Chairman Secretariat	GP-9010 Corolla-2003	25,000	4,500
Total				75,000	13,000
A=Protocol Allowance Rs.75,000@51months =Rs.3,825,000 B= Conveyance Allowance Rs.13,000 @ 51 months = Rs.663,000 A+B=Rs.4,488,000					
(Source: State Life Insurance Corporation of Pakistan)					

Audit was of the view that allotment of vehicles, conveyance & protocol allowance to the incumbents showed favoritism and misuse of resources for

private advantage which showed weak internal controls and poor financial management in the Corporation.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management stated that the PRO works around the clock and that there is no any dual benefit. DAC directed the management to provide relevant documents to audit including log books, allotment orders, reflecting that there was no any dual benefit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.30 Misuse and theft of vehicles - Rs. 4.440 million

Clause (x) of Code of Corporate Governance for Insurers, 2016, states that the directors of an insurer shall exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interests of that insurer and its policyholders.

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

During audit of State Life Insurance Corporation of Pakistan (SLIC) Principal Office Karachi and Islamabad Zone for the year 2021, it was observed that Corporation has 137 vehicles which are allotted to various officers/officials. However, it was observed that some vehicles are being misused by the management on account of protocol, staff car, Chairman Secretariat and camp office etc. (Annex-19). Audit called for complete detail of expenditure on POL & repair & maintenance of the above vehicles which were not provided. Furthermore, Audit observed following discrepancies in the maintenance of record regarding vehicles / fuel;

- i. Log Book of 23 vehicles has not been maintained.
- ii. In most of the cases, POL has been drawn up to 250 liters in one go and the issuance of POL for vehicles has been made via simple chit.

Furthermore, it was observed that a vehicle (Toyota Corolla, Model 2009) Registration No. GP-7912 amounting to Rs. 1.354 million was theft. Audit requisitioned the record regarding theft of vehicle and status of insurance claim through requisition. However, the management did not provide the record till finalization of Audit despite subsequent reminders and repeated verbal requests. Another vehicle of Islamabad Zone, Toyota Corolla, Registration No. IDM – 1530, having original cost of Rs. 0.849 million was theft on 03.07.2016. The insurance claim of management with M/s NICL was rejected due to non-payment of premium / discontinuation of policy.

Audit was of the view that the management had been enjoying vehicles & POL freely on the cost of Corporation without due diligence and also failed to safeguard assets of the Corporation and to provide relevant record despite reminders.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that:

1. The observation was based on the current (2022) strength of Executive Directors. In the year 2021, SLIC had 04 Executive Directors on strength. Further if any of post of Executive Director was vacant still the arrangement of the drivers are stand by and his services were utilized as and when essentially required on *ad hoc* basis. Apart of above, the Executives also visited Islamabad and Lahore to attend meetings with different Government / Non-Government organization, therefore, protocols were required Chairman Secretariat Protocol Car is fully used for Official duties at Islamabad and Lahore, North Region Official visits and Business activities. DAC directed the management to provide relevant record (allotment, POL, repair & maintenance) to Audit reflecting that the vehicles were duly utilized.
2. The vehicle GP-7912 Toyota Corolla GLi 2009 was theft therefore necessary action was taken, FIR has been lodged and Insurance Claim has

also been lodged with NICL and the matter is under process. DAC directed the management to provide detailed record to Audit for scrutiny.

3. DAC directed the management to conduct fact-finding inquiry within 45 days.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.391, 412 & 293)

3.3.4.31 Un-authorized allotment of flats to private tenants and subsequent loss due to lesser rent - Rs. 3.892 million

Policy Statement of Tenancy Policy, 2020 of SLIC states that maximization rental income by effective recoveries, lease renewals and active follow-up of court cases. Renting of vacant spaces at reasonable / approved rates to reputable entities and to retain them by avoiding disputes of excessive rent increase over and above the market rates. Providing all such facilities as agreed in the lease agreement as a bona fide land lord. Further, the residential allotment of any unit shall only be rented to SLIC employees as licensee.

During audit of State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2021, it was observed that the management allotted residential flats to private tenants at very nominal rates which are lower than the market rates since long in violation of policy. The details are as under:

(Amount in Rs.)							
S#	Flat#	Tenant	Status	Date. of Tenancy	Rent per month	Market Rates	Difference per month
1	3	K. R. Khan	Litigation	25.09.76	3,897	30,000	26103
2	10	Miss Naseem Akhtar	Litigation	01.01.2007	1,933	30,000	28067
3	12	Mr. Israr Mahmood		01.12.1982	20,706	30,000	10706
TOTAL					26,536	90,000	64,876
Rs.64,876*60 months=Rs.3.892 million							
(Source: State Life Insurance Corporation of Pakistan)							

Audit was of the view that the management failed to vacate the flat in due course of time which resulted in un-authorized tenancy at lower rates leading to loss of rental income amounting to Rs.3.892 million.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that residential flats owned by SLIC were inherited at the time of nationalization in 1972 along with sitting tenants. It was only in 1999 when the policy was reviewed and the management decided to file vacancy cases against all sitting tenants on bona fide need basis. SLIC has managed to get all the flats vacated except for the 03 mentioned in the para out of which Flat # 03 has recently been vacated and SLIC taken over its possession. As for the remaining 02

flats are concerned, legal action has already been initiated. DAC directed the management to get verified the relevant record from Audit and pursue the court cases vigorously. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.32 Non-recovery of late fee and irregular issuance of policies – Rs. 3.888 million

Section 30 (1) (g) (v) of State Life Employees (Service) Regulations, 1973 states that an employee who is guilty of any other mis-conduct shall be liable to one or more of the following punishment; recovery from the employee of the whole or part of the amount of loss, if any sustained by the Corporation as a result of his misconduct or any other act.

During audit of State Life Insurance Corporation of Pakistan (SLIC) Principal Office, Karachi for the year 2021, it was observed that Mr. Farhanuddin, the then Functional Head, of Policy Holders Services Divisions (PHS) Gujrat Zone approved waiver of late fee under excess late fee waiver of policies as the total late fee due on 198 cases was Rs.4.289 million (actual late fee) whereas total amount of Rs. 1.401 million was collected leaving a balance of Rs. 2.888 million. Furthermore, the incumbent also approved renewal of insurance policies amounting to Rs. 1.000 million (P.No. 604343936-7 & 507889370-9), without completing the requirements / codal formalities like personal statement, declaration of good health and due medical requirement, etc.

Audit was of the view that the management failed to act proactively which resulted in excess late fee waiver and issuance of policies without completing the requirements / codal provisions amounting to Rs. 3.888 million (Rs.2.888 million + Rs.1.00 million).

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that disciplinary proceeding was under progress and action would be taken on the conclusion of the proceedings. DAC directed the management to share inquiry report reflecting short-comings in the system and subsequent actions taken for strengthening the controls. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.33 Irregular extension of contract and subsequent regularization of services of legal officers - Rs. 3.500 million

Clause 03 of offer for contract employment dated 17.04.2018 states that the maximum contract period shall be of two years from the date of joining. Further, Clause 4 (ii) states that you will be contractual employee of the Corporation, (iii) your appointment in the Corporation is on contractual basis and therefore such appointment shall not be entitle you for further extension or confirmation in terms of State Life Employees (Service) Regulations, 1973.

According to advertisement dated 19.02.2017 for the position of Legal Officers, “SLIC is looking for capable, proactive and dynamic legal professionals of contractual appointment as Legal Officer purely on contract basis initially for a period of two years to ensure smooth functioning of its Legal Affair Division by providing dynamic and progress legal support.

Para 17 of State Life Employees (Service) Regulations, 1973 states that Extension of temporary appointments: “appointment on temporary basis or any subsequent extension of such appointment shall not entitle an employee to an extension or further extension of the same or to confirmation.

During audit of State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2021, it was observed that the management appointed following Legal Officers on contract basis for a period of 02 years against contract employment dated 17th April, 2018 as detailed below:

S. #	Name of officers	Quota	Emoluments (Rs.)	Tenure of Contract
1.	Mr. Hasan Attique	Merit	135,000	02 Years
2.	Raja Lowe Kush Permandani	Sindh (R)	125,000	02 Years

(Source: State Life Insurance Corporation of Pakistan)

Contrary to that the management extended their employment contracts for further one (01) year with a condition that “extension allowed for another one year or till the time a permanent employee is appointed, whichever is earlier”. Later on, the management regularized the services of above officers as Manager with pay protection vide letter dated 02.04.2021 on the basis of their qualifications, expertise and experience as well.

Audit was of the view that the management extended undue favor to the incumbents by extending their contract tenure and subsequent regularization of services in violation of above rules. Thus, regularization of services of incumbents was held unjustified and total payment of Rs.3.500 million (28 months x Rs. 125,000 per month) paid was also held irregular.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that the extension of employment contract and subsequent regularization was made with the approval of BoD. DAC directed the management to share relevant documents with Audit substantiating management assertions that the contract and regularization were in order. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.34 Irregular issuance of policies – Rs. 2.590 million

Underwriting guidelines of SLIC states that Marketing Personnel are bound to place business with complete disclosure of facts i.e. medical & financial aspects. Any proved falsification, misstatement, concealment in procuring and reporting the business by them will result in strict action that may include their termination / demotion and or forfeiture of benefits.

During audit of State Life Insurance Corporation (SLIC), Central Zone, Lahore and Zonal Office Islamabad for the years 2020 & 2021, it was observed that underwriting department accepted insurance proposal without due diligence in following cases:

1. Mr. Simon Eric (Late) purchased an insurance policy for a sum assured Rs. 0.600 million. After issuance of policy, he died due to crash of aircraft. Subsequently, his nominee Ms. Risfa Edwin (Fiancé) applied for death claim. The management accepted her as his wife without due diligence. Meanwhile, mother of Mr. Simon Eric (late) also applied for claim, but the management informed that the deceased appointed Ms. Risfa Edwin as his nominee and she is the only legal heir of the deceased. However, Fiancé of deceased declared in writing that she was only Fiancé and never got married to him. Therefore, she has no right to inherit the insurance amount of deceased. However, the management did not accede to the request of

deceased mother and advised to obtain a declaratory decree from Court of Law. Resultantly, the mother of deceased filed a suit in the court of Senior Civil Judge, Lahore for relief, which is under trial.

2. The management issued Policy No.603377556-2 having sum assured Rs.1.000 million. As per proposal, the policyholder was residing in Parachinar and her tailoring business was also in Parachinar instead of Islamabad. Her financial worth was not enough to afford life insurance of Rs. 1.00 million and thumb impression on the proposal form was also not clear. Furthermore, the management issued Policy bearing No.603368450-6 having sum assured of Rs. 99,000 under the Non-Declinature (ND) Scheme to admit the age of 57 years which was incorrect whereas the actual age of the policyholder was more than 58 years at the time of issuance of policy. As per rule regarding the ND schemes the maximum age at entry is strictly 58 years.

Audit was of the view that the management failed to act proactively while issuing the policies which reflected inefficiency and negligence.

The matter was reported to the management on June 17, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023.

1. DAC directed the management to pursue the court case.
2. DAC directed the management to share fact-finding inquiry report with Audit & take actions accordingly.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.283 & 643)

3.3.4.35 Undue extension of service granted to existing Statutory Auditors – AED 60,900 equivalent to Rs. 2.532 million

Rule 20 of PPRA Rules, 2004, states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During audit of State Life Insurance Corporation of Pakistan (SLIC) for the year 2021, it was observed that a tender was floated by the management for

acquiring auditing Services (Audit of Annual Accounts of Gulf Zone, 2021 and Audit / Verification of Quarterly Returns of Gulf Zone, 2021) for the Gulf Zone. In response, following two Chartered Accountant (CA) Firms submitted their proposals. The results are as under:

S#	Name of Firm	Marks in Technical Evaluation	Total Financial Bid (AED)
1.	M/s Crowe Mak	82	141,750
2.	M/s Nabeel Al Saie	66	175,900

(Source: State Life Insurance Corporation of Pakistan)

It was evident from the above that M/s Crowe Mak obtained the highest marks in the technical evaluation and also stood as the lowest bidder in financial terms. Based on the above, Board Audit Committee (BAC) recommended M/s Crowe Mak to the Board of Directors (BoD) being the most advantageous bidder. The Chief Financial Officer (CFO) informed the Board that the selected firm was disapproved due to certain technical reasons. Under the circumstances, it was proposed to allow the engagement of M/s Nabeel Al Saie for another two (02) quarters of the 8th year till June 2021 on the same terms and conditions amounting to Rs. 2.532 million (AED 60,900).

Audit was of the view that despite conducting the technical and financial evaluation and availability of an appropriate Statutory Auditor, the management extended an undue favor to the existing Auditor by allowing the extension which reflected favoritism.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that State Life floated second tender for acquiring auditing services in which M/s. Nabeel Al-Sai and M/s. Crowe Mak participated. M/s. Crowe Mak was found the lowest, but the same firm belonged to India (enemy country) so as per the management understanding the contract of audit should not be assigned to that audit firm. DAC directed the management to share justification / deliberations provided to BoD in the working papers. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.36 Loss due to delay in settlement of death claims – Rs. 2.165 million

Section 118 (1) of the Insurance Ordinance, 2000, stipulates that it shall be an implied term of every contract of insurance that where payment on a policy issued by an insurer becomes due and the person entitled thereto has complied with all the requirements, the Insurer shall, if he fails to make the payment within a period of ninety days from the date on which the payment becomes due or the date on which the claimant complies with the requirements, whichever is later, pay as liquidated damages.

During audit of State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2021, it was observed that the management paid an amount of Rs.2.165 million on account of liquidated damages due to delay in settlement of death claims as detailed below:

(Amount in Rs.)						
S#	Policy#	Name of Policy holder	Claim Paid (Excluding L.D)	Liquidated Damages	Zone	Delayed Period
1	602144321-7	Amjad Ali	262,750	552,198	Lahore Western Zone	8 Years, 01 month & 21 days
2	604004994-9	M. Shafi	315,000	216,826	Gujranwala	04 Years, 03 months & 10 days
3	506121519-4	Talib Ali	437,000	195,000	Peshawar	06 Years, 02 months & 19 days
4	507651096-3	Riaz Ahmed	100,000	412,928	Lahore Central Zone	24 Years, 09 months & 1 day
5	608512970-9	Mumtaz Mehdi	600,000	781,925	Bahawalpur	12 Years, 09 months & 10 days
6	608061899-0	Manzoor Ahmed	162,000	6,199	Multan	05 months & 05 days
Total amount in Rupees				2,165,076		
(Source: State Life Insurance Corporation of Pakistan)						

Audit was of the view that delay in settlement of claims not only caused a bad image to the Corporation but also sustained a loss of Rs. 2.165 million, in the form of liquidated damages.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that the claims were settled by repudiation on valid grounds and evidences. The claimants contested the repudiations before the Court of law, where the matters were decided in favor of claimants. The liquidated damages were paid on the directives of Courts order. DAC directed the management to

verify that payments were made in compliance of courts orders. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.37 Irregular appointment of Assistant Manager - Rs.1.850 million

According to advertisement dated 28th February, 2019, total 49 posts of Assistant Manager were advertised for various Division of SLIC except Internal Audit Division and Health & Accidental Insurance Division.

According to SLIC approved qualifications for recruitment to different posts dated 30.09.1990 states that experience required for the post of Assistant Manager (IA&E) is minimum three years post qualification experience in Auditing.

During audit of State Life Insurance Corporation of Pakistan (SLIC) Principal Office Karachi for the year 2021, it was observed that the management appointed Mr. Asadullah as Assistant Manager (Internal Audit Division, Karachi Central Zone) vide offer letter dated 10-12-2019 on regular basis without advertisement and required experience i.e. minimum three years post qualification in Auditing. Furthermore, in March 2020 he was transferred and posted at Finance & Accounts Department, Health & Accidental Insurance Division (H&AID) for getting Project Allowance @ Rs. 21,000 per month. In February 2021, he was re-designated as Divisional Accountant and also allowed officiating charge as Deputy Manager (H&AI).

Audit was of the view that the management extended undue favor to the incumbent by appointing him without advertisement and required experience and subsequent posting in H&AID for extending undue financial benefits. Hence, pay & allowances paid to the incumbent stood irregular Rs.1.850 million (Average salary Rs. 74,000 * 25 months).

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that Mr. Asadullah was appointed against the advertisement dated 28.02.2019. Prior to his regular appointment, he was working as Accountant in H&AI Division Furthermore, the BoD in its 286th meeting held on 20-04-2022 allowed / revised Project allowance of H&AI employees who were working since

01-01-2022, therefore, he was also entitled for the same allowance. It is management prerogative to assign additional/officiating charge to any suitable employee keeping in view the nature of work for a specific period with prior approval of Competent Authority. DAC directed the management to share relevant documents with Audit substantiating management assertions that the appointment and subsequent actions were in order. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.38 Irregular appointment of Area Managers on fake certificate / degree

The Secretary, Government of Pakistan, Establishment Division vide his DO letter dated March 08, 2011 communicated the instructions of the Prime Minister states that measures should be taken to authenticate degrees/certificates of all federal Govt. employees of respective Ministries/Divisions, their subordinate offices and autonomous bodies under their administrative control.

During audit of State Life Insurance Corporation of Pakistan (SLIC) Principal Office, Karachi for the year 2021, it was observed that the management appointed two (02) Area Managers namely Mr. Asif Raza and Mr. Muhammad Muzammil Ghafir Qureshi (Lahore West Zone) having fake degree / certificate as detailed below:

S#	Name	Designation	Description
1.	Asif Raza	Area Manager	He submitted Intermediate (F.A) Certificate at the time of his appointment which had also been written on his Bio Data form dated July 12, 1999. The management wrote a letter to Board of Intermediate Secondary Education (BISE), Lahore for the verification of his Intermediate Certificate. The Board in response vide letter dated May 19, 2020 declared the subject Certificate bogus as per their record.
2.	Muhammad Muzammil Ghafir Qureshi	Area Manager	His F.A Certificate was sent for verification to Board of Intermediate and Secondary Education (BISE), Sargodha. The Board in response declared the subject Certificate bogus / fake. This reflected that he managed his appointment on bogus Intermediate (F.A) certificate; hence his appointment was made on misleading information / documents.

(Source: State Life Insurance Corporation of Pakistan)

Audit was of the view that the degree / certificate of the incumbents were found fake after the date of appointment which reflected inefficiency, slackness and favoritism by the management.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that the inquiries had been completed and dismissal orders were issued. DAC directed the management to share inquiry reports / details of recovery effected in the instant cases. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.39 Irregular deputation, absorption, promotion & officiating charges

Clause 4 of State Life Employee (Service) Regulations, 1973 states that Grades and pay scales of the posts in the Corporation w.e.f. 1.1.1991 shall be as follows:			BoD in its 183rd meeting dated 15th November 2005 regarding promotion from grades 01 to 09:		
Grade/ Scale	Posts	Remarks	S#	Description	Marks
4	3[Junior Office Assistant], Typist, Adrema Operator, 6 [Urdu Typist]	3. Subs: Desg “ Junior Clerk ” in Grade 4 7. Tele Operator in Grade 5	A	ACRs	50
			B	Seniority	35
			C	Qualifications	05
			D	Interview / suitability	10
			Total		100
8	Superintendent, Private Secretary, Stenographer (Selection Grade)		Part-III (2) of State Life Employees (Service) Regulations, 1973, states that all appointments shall be made on the recommendations of the appropriate Selection Committee to be constituted by the appointing authority concerned, in accordance with such general and specific directions as the Chairman may give from time to time.		

During audit of State Life Insurance Corporation of Pakistan (SLIC) Principal Office Karachi for the year 2021, it was observed that Mr. Fakeer Muhammad Balouch was appointed as Junior Clerk at Trading Corporation of Pakistan vide letter dated 06-08-1986 and later on he was absorbed in SLIC. Audit found following irregularities in his deputation, absorption, promotion & officiating charge case:

- He was Junior Clerk equivalent to Grade 4 at TCP and posted at SLIC as Superintendent Grade 8 and subsequently absorbed as Superintendent/ Assistant/ Protocol Officer (Grade-8).
- He was allowed unjustified officiating charge of Deputy Manager / Protocol Officer.

- His status was also changed from Officiating Deputy Manager to Deputy Manager.
- He was allowed out of turn promotion from Assistant Manager to Deputy Manager in violation of rules.
- He was allowed irregular officiating charge Deputy Manager to Manager for about 04 years till date.

Audit was of the view that the management extended undue favor to the incumbent by allowing irregular deputation, absorption, promotion and officiating charges during whole service which reflected favoritism and injustice to other employees.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that the deputation and subsequent absorption and promotions were in order. DAC directed the management to share relevant documents with Audit substantiating management assertions that the deputation and subsequent actions were in order. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.40 Disparity in Qualification Allowance

Clause (x) of Code of Corporate Governance for insurers, 2016, states that the directors of an insurer shall exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interests of that insurer and its policyholders.

During audit of State Life Insurance Corporation of Pakistan (SLIC) Principal Office Karachi for the year 2021, it was observed that the employees of SLIC are being paid monthly qualification allowance proportionate to the designation instead of qualification basis as detailed below:

Designation	Qualification	
	ACMA/ACCA (Rs.)	ACA/FCMA (Rs.)
Up to Manager	20,000	25,000
Assistant General Manager	25,000	30,000
Deputy General Manager	35,000	40,000
General Manager	40,000	50,000
(Source: State Life Insurance Corporation of Pakistan)		

It is evident from the above position that rate of qualification allowance showed an increasing trend proportionate to the designation which is un-justified.

Audit was of the view that the qualification allowance was a fixed allowance which is paid to the employees subject to completion of required qualification irrespective of designation or rank.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that every employee of SLIC shall be entitled to technical allowance on completion of certain professional examination at the rates approved by the Board. In terms of 242th meeting of BoD held on 08-12-2015, timeline of at least five years has been fixed for revision of qualification allowance. DAC directed the management that the matter may be placed before BoD for its due consideration. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.41 Irregular appointment of Chief Finance Officer without competitive process

Cabinet Secretariat (Establishment Division) letter dated 6th May, 2000, (iii) (b) stipulates that vacancies should be advertised in the leading national and regional newspapers (c) selection should be made through regularly constituted Selection Committees / Board.

Part-III (2) of State Life Employees (Service) Regulations, 1973, states that all appointments shall be made on the recommendations of the appropriate Selection Committee to be constituted by the appointing authority concerned, in accordance with such general and specific directions as the Chairman may give from time to time.

During audit of State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2021, it was observed that Mr. Muhammad Rashid, General Manager was working as Divisional Head (Finance & Accounts). Later on, he was appointed as Chief Financial Officer (CFO) on 05-12-2014 without any advertisement / Selection Committee / codal formalities / competitive process in violation of above rules.

Audit was of the view that the management extended undue favor to the incumbent and appointment was made without advertisement and fulfilling codal formalities. Hence, his appointment as CFO stood irregular & unjustified.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that due to the non-compliance of the SECP Code of Corporate Governance for Insurer 2016, the Board of Directors in its 235th meeting held on 01-12-2014 directed to designate the then Division Head (F&A) as CFO of the Corporation till appointment of CFO. DAC directed the management to adopt due process of appointment of CFO. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.3.4.42 Non-appointment of son of deceased employee / non-payment of financial benefits in accordance with P.M Assistance Package for families

According to Government of Pakistan Cabinet Secretariat Establishment Division's letter No. 7/40/2005-E.2 dated 13-06-2006 regarding employment a family member of those employees who died in service Lump Sum Grant upto Rs.1.00 million, employment for posts in BS-01 to BS-15 on two years contract appointment without advertisement.

During audit of State Life Insurance Corporation (PO), Karachi for the year 2021, it was observed that Mr. Muhammad Islam S/o Suleman Khan (C.S. # 132376) was an employee of SLIC (PO), Karachi and he died in service on 25.12.2006. After his death his son Mr. Muhammad Furqan requested for his appointment in SLIC on the basis of Prime Minister's Assistance Package for families of Government Employees who die in service. However, the management did not consider his request for appointment on the plea that his brother Mr. Muhammad Yamin was already working in SLIC (PO) and according to deceased employee's son/daughter/widow appointment Guide lines issued by SLIC, only one son/daughter/widow can be offered job. Therefore, Mr. Muhammad Furqan's claim could not be acceded. Furthermore, the management also did not pay lump sum Grant upto Rs. 1.000 million to the family of deceased employees who die in service.

Later on, Mr. Muhammad Furqan with 16 other children's of Ex-employees of SLIC filed a C.P. No. D-6481 of 2015 before the Hon'ble High Court Sindh, Karachi, wherein Hon'ble High Court Vide Order dated 09-11-2020 directed that:

“Both the parties agree for disposal of the petition on the ground the respondent No. 2 & 4 will consider the candidature of the petitioners in accordance with the policy of the State Life Insurance Corporation in terms of deceased quota. Accordingly, the petition and listed application stand disposed of in the above terms; however the respondents are directed to complete the process within a period of two months”.

The management informed all petitioners to submit necessary documents for consideration of appointment under deceased employee's quota vide letter P&GS Division dated 03-12-2020. In compliance, Mr. Muhammad Furqan submitted his documents on 14-12-2020 for further action.

In the meantime, the other petitioners/children's of Ex-employees of SLIC realize that this decision is in favour of only children of deceased employees. They requested to the Hon'ble High Court for replacement of deceased quota as son quota. The Hon'ble High Court Sindh, Karachi vide order dated 14-12-2020 revised the earlier order dated 09-11-2020 and directed that: “The application is allowed as prayed and resultantly the words “deceased quota” appearing in order dated 09.11.2020 shall be read and treated as “son quota”. On the basis of change word as son quota, management did not consider his appointment case.

Audit was of the view that management failed to comply with the directives of Establishment Division which showed in-efficiency and injustice on part of management.

The matter was reported to the management on October 27, 2022. The irregularity was discussed in the DAC meeting held on January 10, 2023. The management informed that BoD in its 219th meeting held on 25.04.2011 approved the contractual appointment for children of deceased employees in line with PM Assistance Package. According to decision, only one / daughter/widow of deceased employee (who died during service) is eligible to apply for employment. In case, any other son/daughter already working in the Corporation, no further employment opportunity will be provided. DAC directed the management to

revise the existing policy, in accordance with directives of Establishment Division. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.4 Trading Corporation of Pakistan (Pvt.) Limited

3.4.1 Introduction

Trading Corporation of Pakistan Limited (TCP) was set up as a private limited company in July, 1967, registered under the Companies Act 1913 (now Companies Act 2017). The shares of the Corporation are owned by the Ministry of Commerce, Government of Pakistan. The main objectives of the Corporation are as under:

- i. Acting on the directives of the Federal Government, TCP undertakes import of essential commodities to help ensure their availability to the common man at affordable prices. It intervenes in the market in the larger public interest to ensure fair price to public, as well as to preempt hoarding and profiteering.
- ii. Import of essential commodities in the emergent conditions.
- iii. Export of selected items of Public Sector Corporation, agencies, etc.
- iv. To perform innovative role of undertaking export of non-traditional items to non-traditional markets on experimental basis.

3.4.2 Comments on Audited Accounts

3.4.2.1 The working results of the Corporation for the year ended 2021-22 as compared to previous years are given below:

(Rs. in million)					
Head of accounts	2021-22	% Inc / (Dec)	2020-21	% Inc / (Dec)	2019-20
Long term investment	10,201.41	2.10	9,991.495	1.885	9,806.574
Due from Govt. of Pakistan	81,116.98	11.48	72,766.063	12.94	64,429.367
Trade debts	66,285.74	49.82	44,244.461	(0.64)	44,529.944
Prepayments & other receivables	15,902.89	6.01	15,001.459	4.70	14,327.623
Taxation – net	1,384.30	9.08	1,269.084	2.431	1,238.958
Commission Income	1,489.76	137.20	628.049	546.500	97.146
Administrative exp.	(1,046.92)	8.52	(964.699)	(13.954)	(846.566)
Other income	2,979.63	23.36	2,415.294	(11.66)	2,734.102
Profit before taxation	3,422.47	64.65	2,078.644	4.734	1,984.682
Taxation	(1,072.45)	84.65	(580.788)	(5.829)	(548.798)
Profit after taxation	2,365.99	57.96	1,497.856	4.316	1,435.884

(Source Annual Audited Accounts 2021-22)

3.4.2.2 Due from GoP increased by 11.48% from Rs. 72,766.063 million in 2020-21 to Rs. 81,116.98 million in 2021-22 which needed to be elucidated.

3.4.2.3 Prepayments and other receivables increased 6.01% during 2021-22 from Rs. 15,001.459 million in 2020-21 to Rs. 15,902.89million in 2020-21 which needed justification.

3.4.2.4 Commodity finance under markup arrangements increased from Rs. 141,263.048 million during the year 2020-21 to Rs. 172,374.248 in 2021-22 registering increase of 22 % which needed to be justified.

3.4.2.5 In annual audited accounts 2021-22, provision of Rs. 3,258.840 million has been disclosed which needed justification.

3.4.2.6 Provision against stock in trade on behalf of Government of Pakistan with huge amount is an indication of potential loss which needed to be justified.

3.4.2.7 Travelling expenses increased by 73% from Rs. 6.632 million in 2020-21 to Rs. 11.519 million in 2021-22 which required elaboration.

3.4.2.8 Vehicle running expenses increase by 65% in 2021-22 from Rs. 4.861 million in 2020-21 to Rs. 8.014 million during 2021-22 which needed elucidation.

3.4.2.9 Advertising and publicity expenses increased from Rs. 1.715 million during 2020-21 to Rs. 7.002 million in 2021-22 a registering increase of 308% which needed to be elucidated.

3.4.2.10 The Chartered Accountants issued qualified opinion in their audit report for the year 2021-22 on the following basis:

- Trade debts include receivable of Rs. 10,638.054 million from various Government institutions. The Company has compiled the accounting records pertaining to receivables, however, the completeness of the underlying records could not be ensured. Further, Chartered Accountant highlighted that they did not receive any response regarding recoveries from debtors for more than six years.
- Other receivables include Rs. 11,305.360 million (including accrued mark-up and other charges of Rs. 8,925.75 million till June30, 2022) from sugar mills on account of sugar not supplied by them under contractual terms. The Company had initiated legal action and also referred the matter to NAB. In the absence of management objective evaluation of probable outcome of the said legal action, they are unable to satisfy ourselves as to the recoverability from sugar mills under the head prepayment and other

receivables.

- The Company has pending litigations and open tax assessment against the company aggregating to Rs. 10,848.64 million. The ultimate outcome of these litigations could not be determined, and no provision had been made in the financial statements.

Ratio Analysis

- The current ratio for the Trading Corporation of Pakistan is 1.03 (103%) for the year 2021-22 that is very low because a current ratio of 2:1 is considered safe. Current ratio evaluates liquidity ratio that measures a company's ability to pay short term obligations or those due within one year.
- The Debt assets ratio of the Corporation's is 92% which was very alarming and raises serious concern about future continuity as going concern. The debt to total asset ratio is a ratio that measures the amount of total assets that are financed by creditors. Generally, a ratio of 40 percent or lower is considered a good debt ratio. A ratio above 60% is generally considered to be a poor ratio.

3.4.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1992-93	23	18	5	49, 50, 51, 52, 53	78%
1994-95	29	27	2	56, 60	93%
1996-97	24	14	10	44,49, 63-64, 66, SAR b-2, b-3, b-6, b-7, b8, b-9	58%
1997-98	14	9	5	32, 33, 34, 35, 37	64%
1999-00	14	13	1	49	93%
2000-01	11	10	1	10	91%
2003-04	11	10	1	15	91%
2004-05	3	1	2	15, 17	33%
2005-06	13	12	1	21	92%
2007-08	6	5	1	13.2	83%
2008-09	10	6	4	8.3, 9, 10, 11, 12	60%
2010-11	14	11	3	2.4.2.3, 2.4.4.3, 2.4.4.6	79%
2011-12	16	1	15	3.4.2.1, 3.4.2.2, 3.4.2.3, 3.4.2.4, 3.4.2.5, 3.4.2.6, 3.4.2.7, 3.4.3,3.4.4.1, 3.4.4.2, 3.4.4.3, 3.4.4.4, 3.4.4.5, 3.4.4.6, 3.4.4.7	6%

2012-13	16		1	3.4.4.1	0%
2013-14	16	6	9	4.4.2.1(A), 4.4.2.1(B), 4.4.2.1, 4.4.2.1 (C), 4.4.2.1 (D), 4.4.2.1 (E), 4.4.2.2, 4.4.2.7, 4.4.3	38%
2014-15	16	2	19	4.4.2.1, 4.4.4.1, 4.4.2.2, 4.4.2.3, 4.4.2.4, 4.4.2.5, 4.4.2.6, 4.4.2.7, 4.4.3, 4.4.4.2, 4.4.4.4, 4.4.4.5, 4.4.4.6, 4.4.4.7, 4.4.4.8, 4.4.4.9, 4.4.4.10, 4.4.4.11, 4.4.4.12	13%
2015-16	16	3	8	4.4.4.1, 4.4.4.2, 4.4.4.6, 4.4.2.1, 4.4.3, 4.4.4.3, 4.4.4.4, 4.4.4.7	19%
2016-17	16	3	9	3.4.2.1(a), 3.4.2.3, 3.4.4.1, 3.4.4.2, 3.4.2.1(b), 3.4.2.4, 3.4.3, 3.4.4.4, 3.4.4.5	19%
2017-18	16	4	7	4.4.4.8, 4.4.4.2, 4.4.4.3, 4.4.3, 4.4.4.5, 4.4.4.6, 4.4.4.7	25%
2019-20	1		1	3.4.4.1	0%
Total	285	136	36		48%

The overall compliance of PAC directives needs improvement.

3.4.4 Audit Paras

3.4.4.1 Non-compliance of directives of Economic Co-ordination Committee – Rs. 126,242.000 million

Section 77 of Pakistan Merchant Shipping Ordinance, 2001, states that the carriage of government cargo between a Foreign & Pakistani port and vice versa may be reserved for Pakistani shipping operators provided Pakistani ships operate from such ports” also requires government cargo reserved.

TCP received Cabinet decision in case No.705/37/2020 dated 22.10.2020, ratifying the decision taken by ECC of the Cabinet in its meeting held on 16.9.2020, wherein following decision related to TCP has been taken: “Trading Corporation of Pakistan (TCP) shall solicit prices for future import of wheat on FOB basis instead of C&F basis & shall give PNSC the first right of refusal”.

During audit of Trading Corporation of Pakistan (TCP) for the year 2021-22, it was observed that the management awarded various contracts for procurement of wheat amounting to Rs. 126,242.000 million on Cost and Freight basis (C&F) instead of Free on Board (FOB) basis through private carriers in

violation of the directives of Economic Co-ordination Committee (ECC). Furthermore, the management did not give PNSC the first right of refusal” as per directives and decision taken by ECC of the cabinet on September 16, 2020 (Annex-20).

Audit was of the view that the management neither followed the decision of ECC nor approached PNSC for future import of wheat on FOB basis instead of C&F basis resulting in non-compliance of cabinet decision.

The matter was reported to the management in October 26, 2022. The irregularity was discussed in the DAC meeting held on January 09, 2023. The management informed the DAC that there were financial implications for import on FoB basis / limitations of PNSC which hampered compliance of ECC directives. DAC directed the management to take necessary action and share details with audit for verification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.4.4.2 Irregular award of contract - Rs. 40,000.000 million

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

Rule 20 of PPRA Rules, 2004, states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During audit of Trading Corporation of Pakistan (TCP) for the year 2021-22, it was observed that the management awarded the contract for credit facility (non-funded) to M/s Habib Bank Limited (HBL) amounting to Rs. 40,000.000 million without calling the competitive rates through inviting the tender. Further, the agreement between TCP and HBL for credit facility offer was signed on October 05, 2021 with availability period/validity of six (6) months from the date of first utilization. Moreover, all the essential commodities i.e. wheat, sugar and urea were imported from the borrowed amount obtained from bank on the

guarantee of Government of Pakistan. Thus, PPRA rules were required to be followed while making purchases for economic/transparent use of funds.

Audit was of the view that the management was required to award the contract by adopting proper procedure in a transparent competitive manner as envisaged in PPRA Rules. Hence, award of contract of financing without competitive process reflected favour to the Bank, violation of public procurement rules and deprived the Corporation of benefits of competition.

The matter was reported to the management on October 26, 2022. The management replied that the award of services was as per the standing orders / practice. The irregularity was discussed in the DAC meeting held on January 09, 2023. The Audit expressed its concern on deviation from PPRA rules as the opportunity was not advertised. DAC directed the management to provide relevant record to Audit reflecting that the award of contract was in order. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.4.4.3 Non-recovery from various parties - Rs. 38,667.690 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for 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.

During audit of Trading Corporation of Pakistan (TCP), Karachi for the years 2021-22, it was observed that following amount of Rs. 38,667.69 million lying outstanding against various parties. (Annex-21)

(Rs. in million)					
S#	Description	Amount	S#	Description	Amount
1	Government Agencies	18,564.82	5	Rent recovery from TCP employees	6.384
2	Decreed amount	108.405	6	Godown tenants	17.270
3	Shipowners & Others	188.193	7	Rental Income from M/s NFML	138.844
4	NICL	5.079	8	Urea sale proceeds from M/s NFML	19,638.70
Total					38,667.69
(Source: Trading Corporation of Pakistan)					

Audit was of the view that due to slackness, the management failed to recover the huge outstanding amount of Rs. 38,667.690 million.

The matter was reported to the management in October 26th, 2022. The irregularity was discussed in the DAC meeting held on January 09, 2023. The management stated that:

1. No recovery was made by TCP despite all out efforts. DAC directed the management to reconcile the figures with audit, get the already recovered amount verified, and provide ageing with the relevant record.
2. TCP did not recover the decretal amount from the Judgment Debtors. Since, the matters are pending for adjudication before the Honorable Courts, Legal Division is taking all the possible efforts by instructing the dealing advocates to file urgent hearing application. DAC directed the management to pursue the court cases vigorously.
3. The management informed the DAC that the outstanding claims as shown in the Para 2 of the Audit para are related to different vessels arrived during 2021-2022. All these short landing claims have been fully recovered by the D&POD from the respective agents. DAC settled the para to the extent of stated amount of recovery of Rs. 179,394,564 subject to verification and directed the management to get amount against M/s Oriental Trading reconciled with Audit.
4. TCP has written to NICL to obtain the relevant case file / claim details which are still awaited. DAC directed the management to take efforts for recovery of insurance claim.
5. Despite all possible efforts an amount of Rs. 655,577 has been recovered, leaving a balance of Rs. 5.719 million, which is still recoverable from the occupants of TCP colonies. DAC directed the management to take efforts for recovery / vacation of the accommodation from unauthorized use of TCP colonies and get the amounts already recovered verified from Audit.
6. The management stated that an amount of Rs. 15,813,640 has been recovered. The DAC settled the para to the extent of recovery subject to verification, further directed the management to effect recovery of the outstanding amount on priority.
7. Issue of recovery regarding storage charges, demurrage charges, cost of cargo and godown rent from NFML Rs. 138.440 million is still un-resolved despite of all out efforts made by the TCP. DAC directed the management to reconcile the figures with audit, get the already recovered amount

verified, and provide ageing with the relevant record including letter of comfort from Ministry of Finance.

8. TCP has sent reminders letters and conducted various meetings with NFML /MoIP / MoC / MoF for release of funds Rs. 19,638.70 million TCP has sent reminders letters and conducted various meetings but still un-resolved. DAC directed the management to reconcile the figures with audit, get the already recovered amount verified, and provide ageing with the relevant record including letter of comfort from Ministry of Finance.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.556, 561,567, 568, 649, 653, 656 & 658)

3.4.4.4 Non-procurement of wheat through G2G arrangement - Rs. 29,700.000 million

ECC Cabinet in its meeting held on March 31, 2021, allowed import arrangements of 3.0 MMT wheat in staggering manner when prices were low. Out of total quantity 1.00 MMT import of wheat was allowed through G2G arrangements.

During audit of Trading Corporation of Pakistan (TCP), Karachi for the year 2021-22, it was noted that Federal Cabinet vide its decision dated 22-06-2021 allowed import of 4.00 MMT of wheat in order to build the strategic reserves in the country. Subsequently, MNSFR vide its O.M dated 25-06-2021 advised TCP to proceed for import of 2.00 MMT wheat in line with established rules and procedures and direction of ECC / Cabinet and provided following break up of the import of wheat vide letter dated 28-06-2021.

Item	Quantity (MMT)
TCP through open tender	2.00
G2G	1.00
Private Sector	1.00
Total	4.00

However, it was observed that the management failed to import 1.00 MMT through G2G arrangement and procured 1.00 MMT wheat through Private Sector instead of G2G arrangement amounting to Rs. 29,700.000 million (1.00 million MT * 132 US \$ PMT = US \$132 million * Rs. 225).

Audit was of the view that the management failed to comply with the directives of ECC. Thus, non-procurement of wheat through G2G arrangement by TCP was non-compliance of ECC decision.

The matter was reported to the management on October 26, 2022. The irregularity was discussed in the DAC meeting held on January 09, 2023. The management informed the DAC that TCP complied with ECC directives to the extent pertaining to their mandate. DAC directed the management that relevant record may be provided to Audit in support of its contention. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.4.4.5 Huge financial burden of mark-up on corporation – Rs. 14,916.00 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for the implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and used economically, efficiently, effectively and in accordance with all statutory obligations.

During audit of Trading Corporation of Pakistan (TCP) for the year 2021-22, it was observed that the management is operating the Commodity Operating Financing (COF) account wherein the financing is obtained from banks with the approval of Finance Division in order to carry out the commodity operations. The account of COF was Rs. 200.145 billion (Rs. 185,228 billion is principal and Rs. 14.916 billion is markup / interest) during the year. The management had not taken timely action for settlement of outstanding subsidy claims due to which an amount of Rs. 200.145 billion are receivable from Finance Division and heavy markup is being paid on this outstanding amount.

Audit was of the view that the management should take up the matter with Ministry of Finance to settle the issue regarding huge financial burden due to payment of mark-up.

The matter was reported to the management on October 26, 2022. The irregularity was discussed in the DAC meeting held on January 09, 2023. The management informed that total outstanding on commodity finance towards banks

is Rs. 172.374 billion. Out of this amount, the receivable from Government of Pakistan is Rs. 81.117 billion. This amount consists of markup on outstanding receivables pending from various federal entities and provincial governments. DAC directed the management to reconcile the figures with audit, get the already recovered amount verified, and provide ageing with the relevant record including letter of comfort from Ministry of Finance. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.4.4.6 Loss to national exchequer on sale of goods - Rs. 12,113.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for 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.

During audit of Trading Corporation of Pakistan (TCP) for the year 2021-22, it was observed that the management sold goods on behalf of Government of Pakistan and sustained a loss of Rs. 12,113.000 million as detailed below:

(Amount in Rs.)				
S#	Description	Cost	Sales	Loss on Sale
01	Sugar	38,263,485,319	32,015,591,444	6,247,893,875
02	Urea	16,470,815,578	11,427,866,661	5,042,948,917
03	Wheat	145,210,813,173	144,540,910,425	669,902,748
04	Jute Begg	-	1,810,000	(1,810,000)
05	Cotton	14,3259,845	-	143,259,845
06	Rice	11,428,809	-	11,428,809
07	Others	6,628	-	6,631
Total		200,099,809,355	187,986,178,530	12,113,630,825

Audit was of the view that the management had not applied an efficient and economical process which resulted in higher than the cost of sales of these commodities.

The matter was reported to the management in October 26, 2022. The irregularity was discussed in the DAC meeting held on January 09, 2023. The management informed the DAC that the transactions pertaining to commodity operations are on behalf of and on the directives of Federal Government and do not constitute a loss or profit for TCP. In these government transactions, supply value of commodities is subsidized, and the excess of cost over sales value is

reimbursed by Federal Government in the form of subsidy. Therefore, it is not a loss to the TCP. DAC directed the management to provide relevant documents in support of its contention. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.4.4.7 Poor performance of Legal Division – Rs. 9,610.000 million

Rule 05 of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Trading Corporation of Pakistan (TCP), Karachi for the year 2021-22, it was observed that Legal Division did not take serious efforts to settle the disputed cases by recovering the huge outstanding amount against various parties/clients as detailed below:

(Amount in Rs.)							
S#	Time period	No. of cases	Amount	S#	Time period	No. of cases	Amount
1	Less than 1 year	23	1,333,319,637	3	More than 5 Less than 12 years	12	2,295,199,010
2	Between 1 to 5	19	1,266,806,540	4	More than 12 years	19	4,715,336,370
Total Receivable of Disputed cases							9,610,661,558
(Source: Trading Corporation of Pakistan)							

In view of above, the status of pending cases filed by TCP for the recovery of outstanding amount showing that the substantial portion is due since more than 05 years aggregating to 70% of the total amount. It depicted poor performance by the Legal Division of the corporation. Further, in the absence of a formal follow up mechanism, receivables may not be recovered on timely basis resulting in increasing of already long overdue receivables.

Furthermore, out of total 345 registered legal cases, 09 were disposed-off, and remaining 336 were still pending. These legal cases had remained pending for periods of more than 10 years. This shows poor performance and pursuance of the cases by the management concerned. It was also noticed that TCP made huge expenditure of Rs. 8.396 million to lawyers on account legal expenses and misc. expenses of these cases during the year of audit.

Audit was of the view that that the non-pursuance of pending cases in

various courts by the Authority showed negligence and weak performance of the legal department.

The matter was reported to the management in October 26, 2022. The irregularity was discussed in the DAC meeting held on January 09, 2023. The management in its reply stated that TCP is vigorously pursuing all the cases before various courts of law through dealing advocates for early disposal of all the cases as per law. DAC directed the management to pursue the court cases vigorously and reassess the performance of Legal Division. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.4.4.8 Loss due to delay in import of commodities - Rs. 4,946.798 million

The laid down objective of Trading Corporation of Pakistan (TCP) is that the Organization will strive to stabilize market conditions and neutralize effect of high market prices resulting from unwarranted escalation by private importers and post-facto act as a check on disparity between import prices and scarcity prices. The objective manifests TCP's responsibility to ensure stability in prices of the commodities it deals with.

During audit of Trading Corporation of Pakistan (TCP) for the year 2021-22, it was observed that the management was directed by the Federal Cabinet to import wheat and sugar. Accordingly, the management procured quantity of 300,000 MT sugar, 410,000 MT and 515,000 MT wheat from below mentioned suppliers at different rates in a span of two (02) and four (04) months resulted in a loss of Rs. 3,684.020 million, Rs. 349.030 million and Rs. 913.748 million respectively as detailed below:

Sugar					
S #	Name of Supplier	Date of Tender opening	Bid price US\$ (PMT)	Quantity (MT)	Remarks
1.	M/s Al-Khaleej Dubai	25.06.2021	526.80	100,000	The management scrapped four (04) tenders during the period from March to June, 2021 where the rates were in the range of US \$ 447 to US \$ 544.10 (Per MT).
2.		24.08.2021	637.10	200,000	
Difference (637.10 - 526.80=110.300 * 200,000 MT) = \$ 22.060 million (\$22.060 million * US\$ 167 = Rs. 3,684.020 million)					
Wheat					

S #	Name of Supplier	Date of Tender opening	Bid price US\$ (PMT)	Quantity (MT)	Remarks
1.	M/s Louis	19.03.2021	285	300,000	The management earlier booked quantity 300,000 MT for August 2021 and 200,000 MT for September, 2021 shipment @ 285 US (PMT) with same supplier.
2.	Dreyfus	27.07.2021	304	110,000	
Difference (304 - 285=19 * 110,000 MT) = \$ 2.090 million (\$ 2.090 million * US\$ 167 = Rs. 349.030 million)					

Wheat					
S #	Name of Supplier	Date of Tender opening	Bid price US\$ (PMT)	Quantity (MT)	Remarks
1.	M/s Falcon	26.08.2021	355.99	110,000	The management imported the wheat twice from the same suppliers at higher rates within a spell of eleven (11) days.
2.	Bridge	07-09-2021	369.50	405,000	
Difference (369.50 – 355.99=13.51 * 405,000 MT) = \$ 5.471 million (\$5.471 million * US\$ 167 = Rs. 913.748 million)					
(Source: Trading Corporation of Pakistan)					

Audit was of the view that the management failed to act proactively during the procurement which resulted in the loss of Rs. 4,946.798 million.

The matter was reported to the management on October 26, 2022. The irregularity was discussed in the DAC meeting held on January 09, 2023. The management stated that:

1. TCP only acts as procuring agency and it did not have any role in ascertaining the demand on its forecasting. As the decision to scrap or award the tenders was taken by the Ministry of Industries & Production. TCP is not responsible for any of the losses incurred. TCP provides full assessment of the bid to the Ministries concerned for deciding the tender which was given in the tender. DAC directed the management to provide relevant documents to Audit substantiating its reply that delay in award of contract was due to scrapping of the tenders on the directives of ECC & MOIP.
2. Audit is mixing up two separate projects. DAC directed the management to provide relevant documents to Audit in support of its contention.
3. Procurement against the tendered quantity was regretted by the responsive bidder due to matching of lowest bid price. DAC directed the management to provide relevant record to Audit reflecting that efforts were made for

maximum quantity through initial tender but supplier refused to supply the required quantity, therefore, the management went for second tender.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP 559, 652 & 654)

3.4.4.9 Loss on procurement of wheat by splitting the contract - Rs. 1,392.650 million

The laid down objective of Trading Corporation of Pakistan (TCP) is that the Organization will strive to stabilize market conditions and neutralize effect of high market prices resulting from unwarranted escalation by private importers and post-facto act as a check on disparity between import prices and scarcity prices. The objective manifests TCP's responsibility to ensure stability in prices of the commodities it deals with.

During audit of Trading Corporation of Pakistan (TCP) for the year 2021-22, it was observed that the management procured wheat from the suppliers at higher rate within thirteen (13) days by splitting the quantity as detailed below:

S#	Tender No and date	Award Quantity (MT)	Tender opening Date	Price in US\$ (MT)
1	TCP/MA&TD/Wheat/21-3/2021 Dated 28-08-2021	405,000	7/9/2021	369.5
2	TCP/MA&TD/Wheat/21-4/2021 Dated 11-09-2021	575,000	20-09-2021	383.5
Total quantity awarded		980,000		

(Source: Trading Corporation of Pakistan)

Audit was of the view that the management procured the wheat quantity at higher rates due to splitting up the contract and sustained a loss of Rs. 1,392.650 million (US\$ 383.50 - US\$ 369.50 = US\$14 * 575,000 * Rs. 173).

The matter was reported to the management on October 26, 2022. The irregularity was discussed in the DAC meeting held on January 09, 2023. The management informed the DAC that there had no more offers/quantities available for award against the said tender. Thus, TCP had to go for further tendering. DAC directed the management to provide relevant record to Audit reflecting that efforts were made for maximum quantity through initial tender but supplier refused to supply the required quantity, therefore, the management went for second tender.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.4.4.10 Irregular award of contract to stevedore – Rs. 1,154.288 million

Rule 20 of PPRA Rules, 2004 states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

Rule 12 (1) of PPRA Rules, 2004 provides that all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During audit of Trading Corporation of Pakistan (TCP) for the year 2021-22, it was observed that the management awarded the contract to M/s Fauji Akbar Portia Marine Terminals Limited (FAP) for discharging/handling of cargo (wheat) from vessels on June 7th 2022 to stevedore without tender. The detail of contract payments is at (Annex-22).

Audit was of the view that award of contract without tender amounting to Rs. 1,154.288 million stood irregular and unjustified.

The matter was reported to the management in October 26th, 2022. The irregularity was discussed in the DAC meeting held on January 09, 2023. The management replied that the award of contract was in accordance with rule 42 (c) of Public Procurement Rules. DAC directed the management to provide revised reply with justification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.4.4.11 Loss due to charging higher rates of stevedoring - Rs. 952.760 million

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

During audit of Trading Corporation of Pakistan (TCP) for the year 2021-22, it was observed that the management paid higher rates of stevedore (loading and unloading) services to M/s Fauji Akbar Portia (FAP) Marine at Port Qasim Authority (PQA) as compared to other stevedore service providers at Karachi port

Trust (KPT) for the same services as detailed below:

(Amount in Rs.)							
Fauji Akbar Portia (FAP)			Karachi Port Trust (KPT)			Difference PMT	Loss
Total Qty dispatched	Avg. rate PMT	Amount paid	Total Qty dispatched	Avg. rate PMT	Amount paid		
A	B	C=(A*B)	D	E	F=(D*E)	G=(B-E)	H=(A*G)
946,138	1,220	1,154,288,693	571,400 M.M services	738	422,021,730	482	456,038,516
946,138	1,220	1,154,288,693	683,294.31 AR Khan	695	474,889,545	525	496,722,450
						Total loss	952,760,966
(Source: Trading Corporation of Pakistan)							

Audit was of the view that charging higher rates of stevedoring by M/s FAP as compared to other service providers resulted in loss of Rs. 952.760 million.

The matter was reported to the management on October 26, 2022. The irregularity was discussed in the DAC meeting held on January 09, 2023. The management replied that the award of contract was in accordance with rule 42 (c) of Public Procurement Rules. DAC directed the management to provide revised reply with justification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.4.4.12 Unjustified provisioning of doubtful debts - Rs. 784.280 million

Rule 05 of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Trading Corporation of Pakistan, (TCP) for the year 2021-22, it was observed that a huge provision was made in the accounts against the following heads as detailed below:

(Amount in Rs.)		
S. #	Description	Provision as on June, 30, 2022
1	Provision for obsolete stores	21,836,000
2	Provision for doubtful debts	25,252,000
3	Provision against doubtful advances	11,963,000
4	Provision against doubtful receivable	725,229,000

Total	784,280,000
<i>(Source: Trading Corporation of Pakistan)</i>	

Audit was of the view that huge provisioning showed slackness and negligence on the part of the management.

The matter was reported to the management in October 26, 2022. The irregularity was discussed in the DAC meeting held on January 09, 2023. The management in its reply stated that the matter of provisions was placed before the BOD in its 344th meeting dated 22-01-2021. The BOD had directed that items against which litigation is going on should be kept intact till final decision. Other items be resolved in consultation with statutory auditors. DAC directed the management to place the matter before Board of Directors for its due consideration. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.4.4.13 Loss due to non-imposition of penalty - Rs. 414.063 million

According to clause (17) of bidding documents regarding late shipment penalty, if the goods are not shipped within the contracted period, the buyers will accept the late shipment for a maximum period of seven (7) days subject to payment by the sellers of penalty @ US\$ 0.25 per MT per day. Any further extension will be at the sole discretion of buyer at sellers risk and cost to be determined by the TCP. Late shipment penalty should be counted from the date of shipment as mentioned in the sailing advice.

According to clause (26) of bidding documents: a) if the goods are not shipped within the contracted period of shipment, the seller shall be liable to pay to buyer on demand without any question whatsoever, damages on account of extra expenditure, loss of revenue or loss of industrial/agri production in the buyers country and loss of other benefits to the buyer. (b) the buyer reserve the right to reject the consignment/vessel or claim damages, if any contravention of the tender terms and conditions found on the sellers part.

During audit of Trading Corporation of Pakistan (TCP) for the year 2021-22, it was observed that the management procured various commodities which were received in short quantity and with delay, however it failed to impose penalty on delay / short shipment as detailed below: (Annex-23)

(Rs. in million)					
Item	Description	Ordered Qty (MT)	Delivered Quantity (MT)	Short / Delay Quantity (MT)	Penalty Amount
Wheat	Delay Shipment	640,000.000	550,000.000	90,000.000	397.943
Various Commodities	Short Shipment	949,199.100	946,712.140	2,486.980	16.120
Total					414.063
<i>(Source: Trading Corporation of Pakistan)</i>					

Audit was of the view that the management did not impose penalty on late / short shipment. Thus, due to non-recovery of late / delay shipment penalty from the vessel owner, the corporation sustained loss of Rs. 414.063 million.

The matter was reported to the management on October 26, 2022. The irregularity was discussed in the DAC meeting held on January 09, 2023. The management stated that:

1. The shipment schedule allocated in the tender are not for arrivals of shipments in Pakistan. The shipment schedules mentioned / allocated against any of the tender was for shipment or sailing of shipments from the load port during that period shipment instead of arrival from shipment. DAC directed the management to provide relevant details in support of its reply that there was no any delay in arrival of commodity at discharge port.
2. The short-landing of cargoes at the discharge ports is accounted for and the claim was lodged on the carrier/vessel/ ship through its owner. TCP had fully recovered all these short landing claims from the relevant ship-owners. DAC directed the management to provide the copy of contract agreements, joint survey reports to Audit, and get the amounts recovered verified from Audit.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.551 & 560)

3.4.4.14 Loss due to scrapping of white sugar tender - Rs. 112.200 million

Rule 5 (1) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Board shall exercise its power and carry out its fiduciary

duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Trading Corporation of Pakistan (TCP), Karachi for the year 2021-22, it was observed that the management awarded the contract for import of 100,000 MT sugar to M/s Al Khaleej Dubai @ US\$ 526.80 per MT. However, it was observed that management scrapped the previous tender having rate of US\$ 520.20 per MT as detailed below:

S#	Tender#	Date of Opening	Bid price US\$ per MT	Status
1	No.TCP/MA&ID/Sugar/20-9/2021	14-04-2021	520.20	Scrapped
2	No.TCP/MA&ID/Sugar/20-12/2021	25-06-2021	526.80	Awarded
Difference			6.600	

(Source: Trading Corporation of Pakistan)

Audit was of the view that the management scrapped the tender having lesser rates which resulted in loss of Rs. 112.200 million (US\$ 6.6*100,000 MT= Rs. 660,000 * Rs. 175 per dollar)

The matter was reported to the management in October 26, 2022. The irregularity was discussed in the DAC meeting held on January 09, 2023. The management in its reply stated that TCP only acts as procuring agency / arm and it did not have any role in ascertaining the demand on its forecasting. As the decision to scrap or award the tenders was taken by the Ministry of Industries & Production. DAC directed the management to provide relevant documents to Audit substantiating its reply that delay in award of contract was due to scrapping of the tenders on the directives of ECC & MoIP. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.4.4.15 Non-blacklisting of supplier - Rs. 57.000 million

Rule 19 of PPRA Rules, 2004 provides that the procuring agencies shall specify a mechanism and manner to permanently or temporarily bar, from participating in their respective procurement proceedings, suppliers and contractors who either consistently fails to provide satisfactory performances or are found to be indulging in corrupt or fraudulent practices. Such barring action shall be duly publicized and communicated to the Authority.

During audit of Trading Corporation of Pakistan (TCP) for the year

2021-22, it was observed that the management issued a tender for the procurement of sugar commodity. The contract was awarded to M/s Gemini Group on 30.04.2021 which was cancelled due to provision of fake performance guarantee. The case was submitted before Executive Committee Management (ECM) in its meeting dated 25.05.2021 which decided to take action against supplier as follows:

- i) Cancel the award of contract to the supplier;
- ii) Forfeit the bid security amount along with their bid;
- iii) Initiate blacklisting procedure against the principal supplier and local agents and;
- iv) Issue a fresh international tender for import sugar of 50,000 MT.

Audit was of the view that the management extended undue favor to the supplier by not forfeiting the bid security besides initiating blacklisting process against the supplier and local agents.

The matter was reported to the management on October 26, 2022. The irregularity was discussed in the DAC meeting held on January 09, 2023. The management informed that the bid security amount of the supplier already stood forfeited / deposited into TCP's account as the supplier has deposited cash in to TCP's account. Moreover, blacklisting procedure had been started by TCP management after the decision of ECM dated 25-05-2022. DAC directed the management to pursue the Court case vigorously and provide all relevant record including departmental inquiry for verification to Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.4.4.16 Loss due to short landing of urea - Rs. 26.132 million

Clause 20 (c) and (4) of terms and conditions between PNSC and TCP states that in case of any damage to the cargo or any shortages found at discharge port/ station during joint survey, the claim shall be lodged by the buyer on the ship owner/PNSC and Owner shall be responsible for any loss/ damage to the cargo during the voyage time after issuance of clean bill of lading at load port.

During audit of Trading Corporation of Pakistan (TCP) for the year 2021-22, it was observed that after completion of discharging of Urea in bulk from the

vessel, a quantity of 220.984 MT was declared as short landed at Karachi Port Trust (KPT). As per Joint Draught Survey report, the detail of the short landing of commodity is as under:

(Amount in Rs.)					
Name of vessel	Bill of lading Quantity (MT) (A)	Discharging Quantity (MT) (B)	Short landing as per draught survey (MT) C= (A-B)	Total landed cost (PMT) Rs. (D)	Total loss (Rs.) E= (C*D)
MV Kalley	50,560.00	50,339.016	220.984	118,254	26,132,242
(Source: Trading Corporation of Pakistan)					

Audit was of the view that the management failed to recover the amount of Rs. 26.132 million from the ship owner as per terms and conditions of the contract.

The matter was reported to the management in October 26th, 2022. The irregularity was discussed in the DAC meeting held on January 09, 2023. The management informed that that the entire amount of Rs. 26,132,242 had been fully recovered from the ship owner. It was also a fact that Short landing of cargoes at the discharge ports is an international phenomenon and as per shipping norms the claim was lodged on the carrier / vessel / ship through its Owner. TCP has fully recovered short landing claim from the relevant ship-owners. DAC directed the management to provide the copy of contract agreements, joint survey reports to Audit, and get the amounts recovered verified from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.4.4.17 Loss due to non-adjustment / recovery of transportation charges - Rs. 8.034 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of a public sector company and for its procedures in financial and other matters, subject to the oversight and directions of the Board. Responsibilities of CEO include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Trading Corporation of Pakistan (TCP) for the year 2021-22, it was observed that the management paid Rs. 8.034 million to M/s Maher Allah Ditta regarding transportation charges of Urea and Sugar. However, the management did not recover the same from recipient agencies M/s Punjab Food Authority (Government of Punjab) & Utility Stores Corporation.

Audit was of the view that the management was required to recover the transportation charges amounting to Rs. 8.034 million from recipient agencies.

The matter was reported to the management in October 26th, 2022. The irregularity was discussed in the DAC meeting held on January 09, 2023. The management informed that they billed an amount of Rs. 5.666 billion to M/s Punjab Food Authority against which an amount of Rs. 5.708 billion was collected by TCP. The payment made to M/s Maher Allah Ditta on account of transportation charges amounting to Rs. 8.034 million for transport of sugar from KPT to Pipri Godown was incorporated in the bill invoice. DAC directed the management for segregation of the amount of transportation charges Rs. 8.034 million and submit the revised reply accordingly. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.4.4.18 Non-imposition of additional storage charges - Rs. 6.830 million

According to Clause 5(vii) of agreements signed with suppliers, Free time allowed for lifting of items will be thirty days from the date of issuance of delivery order, excluding the day of issuance of delivery order; a. the sold stocks to be lifted, within free time / workings hours of Godowns; b. in case the entire quantity is not lifted within the stipulated time / free period, additional storage charges will be recovered / charged as per details below:

1. Rs. 10,000 per day for next ten days (first extension)
2. Rs. 20,000 per day for next ten days (second extension)
3. Rs. 50,000 per day for next ten days (third extension)

During audit of Trading Corporation of Pakistan (TCP), Karachi for the year 2021-22, it was observed that the management awarded contracts to various vendors regarding sale of Junk and unserviceable items lying at Korangi, Landhi & Pipri godowns. The vendors failed to lift the items within the stipulated time,

however, the management failed to impose the additional storage charges due to late execution of work as per contract terms as detailed below:

S. #	Name of Supplier	Date of agreement & Place	Total value of lifted items	Stipulated date for lifting of items	Actual date for lifting of items	Excess days	Additional Charges to be imposed (Per day @10,000) (Rs)
1	Oriental Trading	13.01.2021 (Pipri)	12,494,451	13.02.2021	05.07.2021	143	(143x10,000) 1,430,000
2	Malik Shafi & Company	13.01.2021 (Korangi)	664,414	13.02.2021	12.11.2021	270	(270x10,000) 2,700,000
3	Malik Shafi & Company	13.01.2021 (Landhi)	1,092,342	13.02.2021	12.11.2021	270	(270x10,000) 2,700,000
Total							6,830,000
(Source: Trading Corporation of Pakistan)							

Audit was of the view that the management failed to impose additional storage charges on vendors which reflected favoritism.

The matter was reported to the management on October 26, 2022. The irregularity was discussed in the DAC meeting held on January 09, 2023. The management informed the DAC that the delay was countable from issuance of Delivery Order and not from the signing of agreement. DAC directed the management to provide relevant documents to Audit for verification reflecting no-delays / number of days delayed in accordance with agreements. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.4.4.19 Irregular payment of Eid Assistance / Bonus - Rs. 3.822 million

According to the directives by the Chairman, TCP, vide notice No.TCP(HR)/7-43/2021 dated 10.6.2022, the employees who did have not get their degrees verified/attested from Higher Education Commission (HEC) are not eligible for Eid assistance.

During audit of Trading Corporation of Pakistan (TCP), Karachi for the year 2021-22, it was observed that the management paid Eid Bonus / Eid Assistance to their employees / officers amounting to Rs. 3,822,327 in violation of Chairman's directives as mentioned above. The details are at Annex-24.

Audit was of the view that the management extended undue favor to the employees which was held un-authorized and irregular.

The matter was reported to the management in October 26, 2022. The irregularity was discussed in the DAC meeting held on January 09, 2023. The management informed that from the mentioned list of 19 officials, the degrees of 15 officials are verified from HEC. Degrees of 02 employees are pending for HEC verification due to ongoing issues/litigation between the relevant Institute and HEC. While, the remaining two employees, were not allowed bonus in year 2021-22 Eid-ul-Azha whose degrees were not verified from HEC. DAC directed the management to provide to Audit the admissibility of the Eid Assistance. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.4.4.20 Payment to officers / officials appointed on fake degrees – Rs. 3.275 million

According to Cabinet Secretariat (Establishment Division) vide D.O. No. 6(28)2011-DG-II dated March 08, 2011, all the Autonomous bodies/Companies, Corporations were required to take the measures to authenticate degrees / certificates of all the employees of their organization. It would be of concerned Head of Organization to have the degrees / certificates verified.

During audit of Trading Corporation of Pakistan (TCP) Karachi for the year 2021-22, it was observed that the management paid salaries to four (04) employees whom certificates/degrees were found forged / fake as detailed below:

(Amount in Rs.)					
S#	Name & Designation	Forged Certificate/Degree	Remarks	Amount	
1	Mr. Mir Muhammad Raza, Manager	Masters	Inquiry under process	412,115	
2	Mr. Muhammad Imran Khan, Deputy Manager	Graduation	Inquiry under process	1,272,732	
3	Mr. Muhammad Unais Khan, Assistant	Matric	Inquiry under process	913,080	
4	Mr. Alamsher, Qasid	Matric	Inquiry under process	677,232	
Total (Rs.)				3,275,159	
<i>(Source: Trading Corporation of Pakistan)</i>					

Audit was of the view that as the degrees / certificates of the employees

were proved to be fake / bogus, thus there was no need for detailed enquiry and services of the employees could be terminated immediately. Due to unnecessary and deliberate delay, TCP suffered a loss of Rs. 3,275,159 which needed to be recovered from the officers concerned.

The matter was reported to the management on October 26, 2022. The irregularity was discussed in the DAC meeting held on January 09, 2023. The management informed that Inquiry from Nazir, Sindh High Court, Karachi in a case of Mir Muhammad Raza, Manager, has been finalized. Matter of Mr. Muhammad Imran Khan, Deputy Manager, is sub judice, whereas, inquiry is under process in case of Mr. Muhammad Unais Khan, Assistant and inquiry has been completed in case of Mr. Alam Sher, Qasid. DAC directed the management to share the inquiry reports with Audit for verification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.5 Pakistan Expo Centers (Pvt.) Limited

3.5.1 Introduction

Expo Lahore (Pvt.) Limited was incorporated in Pakistan on July 19, 2004 as a private limited company under the Companies Ordinance, 1984 (Now companies Act, 2017). It is a corporate body jointly owned by the Government of Pakistan and Government of the Punjab with a mandate to design, develop, operate and promote a state-of-the-art Lahore International Expo Centre. It is providing a platform of international standard to the manufacturers, exporters, traders and service providers for effectively introducing and marketing their products and services through trade exhibitions, fairs and conferences.

3.5.2 Comments on Audited Accounts

3.5.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2020-21 and 2021-22 till December 31, 2022.

Audit recommends that the annual audited accounts of 2020-21 and 2021-22 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts.

3.5.2.2 The working results of the Company as on Jun 30, 2020 as compared to previous years are tabulated below:

	(Rs in million)				
	2019-20	% Inc / (Dec)	2018-19	% Inc / (Dec)	2017-18
Revenue from contracts with customer	171.382	(43.47)	303.189	14.67	264.4
Direct Cost	269.239	(9.70)	298.156	26.11	236.43
Gross Profit/ (Loss)	(97.857)		5.033	(82.01)	27.97
Other income	14.038	(38.46)	22.812	(34.11)	34.62
Selling & Marketing Expenses	17.19	(25.48)	23.067	4.75	22.02
Administrative & general expenses	73.148	(38.06)	115.751	3.04	114.62
Operating profit/(loss) before taxation	(174.157)	53.68	(113.322)	48.54	-76.29
Finance costs	42.259	2,103.28	1.918	(14.18)	2.235
Taxation	15.761	(31.82)	23.118	19.91	19.28
Loss after taxation	(232.177)	67.81	(136.009)		95.58

(Source: Annual Audited Accounts)

The loss of the company was increased from Rs. 136.009 million in 2018-19 to Rs. 232.177 million in 2019-20 registering an increase of 67.81%. This was mainly because of decrease in revenue from contract with customer which decreased to Rs. 171.382 million in 2019-20 from Rs. 303.189 million in 2018-19 registering a decrease of 43.47%. Company need to secure more revenue from customer to make its operations viable.

3.5.2.3 Capital work in process of the company increased to Rs. 1,302.935 million as on June 30, 2020. This amount relates to the building of Expo Centre, Khyber Pakhtunkhwa. Completion status of the work in progress with respect to target completion and estimated time for the completion of the building needs to be explained and shared with Audit.

3.5.2.4 Tax refund from the Govt. increased to Rs. 18.047 million in 2019-20 from Rs. 15.806 million in 2018-19 registering an increase of 14.18%. Further, Rs. 15.762 was paid during the current year. As the company was operating on loss. Efforts need to be made to adjust the refund with the current year taxation to reduce loss of the company.

3.5.2.5 Receivable of the company increased to Rs. 54.612 million in 2019-20 from Rs. 6.082 million in 2018-19 registering an increase of 798%. This mainly include receivables from the Govt. of Punjab and the Govt. of Baluchistan. Recovery status of these receivable need to be elaborated.

3.5.2.6 Company sustained a loss of Rs. 41.697 million ($362.587 * 11.50/100$) by placing Rs. 362.587 million in current account in 2019-20. Similarly, a loss of Rs. 73.717 million ($702.062 * 10.50/100$) was sustained by placing Rs. 702.062 million in 2018-19. Placement of these funds in current account need to be explained in addition of fixing responsibility.

3.5.2.7 Cash and bank balances of the company stood at Rs. 480.577 million as on June 30, 2020. No short term investment was made by the company despite the presence of huge funds in the bank account. Company need to calculate its working capital requirement and invest surplus fund in TDRs to earn good mark up on these funds.

3.5.2.8 Loan to employees increased to Rs. 15.914 million in 2019-20 from Rs. 11.186 million in 2018-19 registering an increase of 42.27% while the

employees of the company decreased from 167 in 2018-19 to 159 in 2019-20. The loan was to be recovered within one year. Increasing trend in loan despite reduction in No. of employees need to be explained in addition to the updated status of recovery of loan.

3.5.2.9 Finance cost of the company increased from Rs. 1.918 million in 2018-19 to Rs. 42.259 million in 2019-20 registering an increase of 2103%. Huge increase in finance cost need to be explained.

3.5.2.10 Other income of the company decreased from Rs. 22.812 million in 2018-19 to Rs. 14.038 million in 2019-20 registering a decrease of 38.46%. Company needs to put utmost efforts to enhance its income in order to reduce its accumulated losses.

3.5.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2014-15	14	07	07	4.5.2.2, 4.5.2.4, 4.5.4.2, 4.5.4.3, 4.5.4.4, 4.5.4.6, 4.5.4.7	50
2016-17	09	04	05	3.5.2.1, 3.5.2.2, 3.5.2.4, 3.5.4.1, 3.5.4.2	44
Total	23	11	12		48

The compliance of the PAC directives was very poor which needs immediate attention of the PAO.

3.5.4 Audit Paras

3.5.4.1 Constitution of Company's Board

According to Rule-3(1)&(2) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall consists of executive and non-executive directors, including independent directors and those representing minority interests with the requisite range of skills, competence, knowledge, experience and approach so that the Board as a group includes core competencies and diversity considered relevant in the context of the Public Sector Company's operations. After two years of the notifying of above said rules, the Board shall have a majority of independent directors and the majority shall be maintained subsequently.

During audit of the Pakistan Expo Centre, Lahore for the years 2012-17, it was observed that the Board of the company was consisted on ten members as per its annual report for the year 2015-16. Out of which four members were belonged to Government of Pakistan, four to Government of the Punjab and only two independent members were from private sector.

Accordingly the ratio of independent and executive directors was remained 2 and 8 respectively in violation of the above criteria. Thus the constitution of the board as well as expenditure incurred there against was in line. Similarly, all the decisions already made by such BOD were also open to question. This was indicative of imprudent management policy.

Audit was of the view that non-observance of the rules resulted in irregular composition of company's Board of Directors.

The matter was reported to the management and PAO in July, 2018. The management in its reply dated September 22, 2018 stated that the matter was already under consideration of Shareholders of the Company i.e. Government of Pakistan and Provincial Governments.

Reply of the management was not convincing as according to rule 3(1)&(2) of PSC-CG rules, it is mandatory for every public sector company to constitute the board as per given composition.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate the reason(s) for non-adherence to the Corporate Governance Rules caused irregular composition of BOD. Review the constitution of the board member under orders of the competent authority and intimated to audit accordingly.

(PAR Para 4.1.1.1, Audit Year 2017-18)

3.5.4.2 Constitution of Board committees

According to rule 12(1) and 12(2) of the Corporate Governance Rules 2013“the Board shall set up following committees to support it in performing its functions efficiently, and for seeking assistance in the decision making process, namely;

- a. Audit committee
- b. Risk management committee
- c. Human resource committee
- d. Procurement committee
- e. Nomination committee

Further the Board Committees shall be chaired by non-executive directors and the majority of their members shall be independent. However, the independent directors in the committees shall not be less than their proportionate strength during the first four years of this notification. The existence of such committees shall not absolve the board from its collective responsibility for all matters. Such committees shall have written terms of reference that define their duties, authority and composition, and shall report to the full Board. The minutes of their meetings shall be circulated to all Board members.

During audit of Pakistan Expo Center (PEC) for the years 2012-17 it was observed that Company had not complied with the above referred Public Sector Companies (Corporate Governance) Rules, 2013. It is pertinent to mention here that these rules are aimed to improving the governance framework of public sector companies (PSCs) in order to bring about greater transparency and plugging the huge losses of public sector enterprises. Thus non-compliance to the above criteria was a sign of imprudent management.

The matter was reported to the management and PAO in July, 2018. The management in its reply dated September 22, 2018 stated that that Board Committees would be formed once the Board of Directors was re-composed. It was expected that Board committees would be formed in the first meeting of the new Board of Directors.

Reply of the management was not convincing as the management failed to constitute board committees as mandatory requirement of the PSC-CG rules.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate the reason(s) for non-Compliance of Corporate Governance Rules 2013.

(PAR Para 4.1.1.2 & 4.3.1, Audit Year 2017-18)

3.5.4.3 Holding of BOD meetings on regular basis

According to Rule 6(1) of the Corporate Governance Rules 2013, the Board shall meet at least once, each quarter of a year, to ensure that it discharges its duties and obligations to shareholders and other stakeholders efficiently and effectively. In case of non-compliance, the same shall be reported to the Commission with reasons of non-compliance, within fourteen days of the end of the quarter in which the meeting should have been held.

During audit of Pakistan Expo Center (PEC) for the years 2012-17 it was observed that meetings of the BOD were being held either annually or after a long period instead of on quarterly basis. Resultantly, the performance of the company was neither monitored regularly at appropriate level nor was BOD formerly informed about the same. Thus the management was at liberty due to which most of the expenses were incurred over & above the approved budget. Moreover, the projects were also delayed causing time overrun and cost overrun as mentioned in succeeding paragraphs. This was a sign of weak management of the company.

The matter was reported to the management and PAO in July, 2018. The management in its reply dated September 22, 2018 stated that the budget approvals by the Board of Directors were available despite the number of meetings, may be, were short or excess in number in any specific year.

Reply of the management was not convincing as the management failed to convene the BOD meetings on regular basis comply in violation of mandatory requirement of PSC-Corporate Governance Rules.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate the reasons of non-Compliance of Corporate Governance Rules 2013.

(PAR Para 4.1.1.3, Audit Year 2017-18)

3.5.4.4 Non-conducting Performance evaluation of members of the Board

According to Rule 8(1) of the Corporate Governance Rules 2013, the performance evaluation of the members of the Board including the chairman and the chief executive shall be undertaken for which the Board shall establish a

process, based on specified criteria, and the chairman of the Board shall take ownership of such an evaluation. The committees shall also carry out their evaluation on an annual basis.

During audit of Pakistan Expo Center (PEC) for the years 2012-17 it was observed that any such criteria was neither specified nor was such evaluation was available on record. The chairman of the Board had also resigned for the last two years and his post was still lying vacant. Thus the performance of the Board was open to question.

Audit was of the view that management failed to comply with requirement of Public Sector Companies (Corporate Governance) Rules, which needs to justify.

The matter was reported to the management in July, 2018. The management in its reply dated September 22, 2018 stated that in case of Pakistan Expo Centers Private Limited, out of 11 members board 10 members were ex-officio from various organizations and their performance evaluation is a continuous process in their respective organizations. There was only One Member on Board of Directors in his personal capacity and that position has been vacant since 2010 to May 2018. Further, the Board was in re-composition process therefore it was decided that in case of nomination of independent directors, the criteria for performance evaluation can be defined for such directors, as required.

The reply of the management was not convincing as according to clause 8(1) of Public Sector Companies (Corporate Governance) Rules, it is mandatory for every public sector companies to carry out the performance evaluation of the directors.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to comply the requirement of Public Sector Companies (Corporate Governance) Rules regarding performance Evaluation of members of board.

(Para-4.1.1.4 of PAR Expo Lahore 2012-17)

3.5.4.5 Preparation of Generic form of Service Regulations of the Company

According to rule 5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders.

During audit of the Pakistan Expo Centre, Lahore, it was observed that the management prepared service regulations in generic form instead of comprehensive HR Manual required for the smooth functioning of HR activities. In Service regulations, the functions of the departments, numbers and name of Posts for each department, Job Description of each post, required qualification, experience, age limit for appointment of category wise posts, criteria for contract and regular appointment, promotion eligibility criteria for different posts, Pay scales and procedure for increase in pay, regular allowances, TA/DA rates, accommodation charges on tour, etc. was not mentioned in Service Regulations. The appointment was made by publishing advertisement by keeping in view the targeted candidate's qualification and experience. The management also failed to establish a proper HR Department for smooth functioning of the organizations and all administrative and HR functions were being performed by CFO. The HR committee of the Board was also not established by the company. Thus, in the absence of said requirements, the appointments of employees and other HR functions were not performed in order as mentioned in the succeeding paragraphs and held irregular in audit. This was a sign of weak HR management.

Audit was of the view that the management should establish independent HR department along with HR committee of the Board to ensure the transparency in administrative functions of the company.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that all advertisements of recruitments were through Incharge of HR and that officer was responsible for managing HR affairs. CFO was not heading HR department of the company.

Reply of the management was not convincing as the management did not prepare comprehensive regulation.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate the reasons for non-establishment of HR Committee, HR department as well as non-preparation of detailed HR Manual to ensure transparency in administrative matters of the company.

(PAR Para 4.1.2.1, Audit Year 2017-18)

3.5.4.6 Non-vetting of pay structure/ service rules and subsequent increase in the salaries of the employees - Rs 365.422 million

According to the Finance Division OM dated June 26, 1999, the revision of and pay structure of salaries, allowances and perquisites of the supervisory executive staff of Public Sector Corporations, Autonomous / Semi-Autonomous Bodies may be carried out by the respective BoDs/ BOGs. Such revision should invariably be tagged with the financial position of the respective organization. Clearance from the Finance Division would, however, be necessary to ensure a rational basis and a degree of uniformity in such revisions. No corporation will announce the revision of salary/allowances, structure without prior approval of the competent authority.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that pay/ packages allowed to the employees of different cadres were ranging from Rs. 20,000 to Rs. 800,000 per month and were approved by the Board of Directors of the company from time to time. The management paid an amount of Rs. 365.422 million on account of pay and allowances to the officers and staff up to June, 2017 without getting concurrence from Finance Division which was held irregular by audit. Year wise detail of payment on account of salaries and allocated to different cost centers, is as under:

(Amount in Rs.)

S. #	Year	Direct Cost	Selling and Marketing Expenses	Admin & General expenses	Total
1	2016-17	29,409,279	14,704,640	29,409,279	73,523,198
2	2015-16	24,052,045	12,026,023	24,052,045	60,130,113
3	2014-15	19,783,868	10,644,837	19,783,868	50,212,573
4	2013-14	21,289,674	10,054,383	21,289,674	52,633,731
5	2012-13	23,393,646	8,987,272	17,974,543	50,355,461
6	2011-12	19,576,119	6,802,264	13,604,530	39,982,913
7	2010-11	15,763,165	5,745,295	11,490,589	32,999,049
8	2009-10	-	-	5,585,869	5,585,869
Total		153,267,796	68,964,714	143,190,397	365,422,907

Furthermore, the company was Govt. owned and above referred notification of the Govt. was specifically for Public Sector Enterprises, according to which clearance from Finance Division was mandatory. This was a sign of weak HR management.

Audit was of the view that the pay and allowances were required to be allowed to the officers and staff with due concurrence of the Finance Division in the light of approvals from the BoDs as well as the Administrative Ministry. Concurrence/ Approval of Finance Division was however, not obtained. The pay/ package allowed by the management was thus irregular.

The matter was reported to the management and PAO in July, 2018. The management in its reply dated September 22, 2018 stated that contention of Audit that salaries and fringe benefits of the employees of Pakistan Expo Centers (Pvt.) Limited were to be approved by the Finance Division like Government/civil servants had no justification. Board of Directors of the Company was the only Competent Authority in the case of Pakistan Expo Centers (Pvt.) Limited.

Reply of the management was not convincing as the management failed to vet the pay structure from Finance Division.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate reasons for non-obtaining approval from Finance Division, besides, fixing responsibility. Regularize the expenditure in addition to get vetting of pay structure and service regulation under orders of the competent authority.

(PAR Para 4.1.2.2, Audit Year 2017-18)

3.5.4.7 Irregular appointments on contract and non-verification of degrees – Rs. 365.422 million

According to establishment division OM dated April 17, 2003 (referring to a decision of Supreme Court of Pakistan) (i) all initial appointments should be made through open advertisement (ii) all selections for appointment should be through duly constituted selection/ promotion committee/ board (iii) there should be pre-determined criteria for each post (iv) no provision for relaxation of rules should be given in favor of any individual.

Government of Pakistan Cabinet Secretariat Establishment Division, (Management Services Wing) letter dated March 08 2011 describes that the Prime Minister has been pleased to direct that measures should be taken to authenticate degrees/ certificates of all Federal Government employees of the respective Ministries/ Divisions, their attached department's subordinate offices and autonomous bodies under their administrative control.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that PEC made contract appointments of its employees and paid Rs. 365.422 million up till June 2017 without adopting transparent competitive procedure. It was also noted that personal files of these employees were not maintained separately. No documentation was made at the time of their joining. The management also did not obtain medical fitness certificate. The degrees/ experience certificates of its employees from respective Universities/Boards and institutions were also not got verified despite a lapse of considerable time. This was a sign of weak HR management.

Audit was of the view that, contract appointments were made by violating the criteria defined by the Supreme Court of Pakistan which resulted into irregular / unjustified appointment of employees and payment of salary amounting to Rs. 365.422 million therein. Audit was further of the view that genuineness of the educational certificates of the concerned employees should have been verified at the time of appointment. Thus, non-verification of degrees/certificates was a violation of Government's instruction and considered irregular.

The matter was reported to the management in July, 2018. The management in its reply dated September 22, 2018 stated that appointment of every individual in the company is against an open advertisement and through a

selection committee of the company defined for that purposes. No relaxations of the rules were provided to any person. According to the procedure, verification of degrees is an established practice for all the executive staff and the company is strictly following that practice. In cases of employees where response from institutions is delayed, HR department is doing the needful by sending reminders.

The reply of the management was not convincing as the management could not provide documentary evidence regarding appointment process and verification of degrees of the employees as required under Govt. Instruction.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to explain the reasons for irregular appointments against the instructions of the Establishment Division, besides fixing responsibility and to get verified degrees/credentials of all the employees from HEC at the earliest.

(Based on Para 4.1.2.3 of Expo Lahore 2012-17)

3.5.4.8 Weak supervision of project physical activities due to non-appointment of independent project director and resident supervisory consultant - Rs. 4,370 million

ECNEC in its meeting held on 18.02.2004 directed all the executing agencies to appoint independent Project Directors for all the on-going projects costing Rs. 100 million and above. The appointment of Project Director was to be made through advertisement in the press in a transparent manner. The recruitment committee for the appointment of independent Project Director will consist of (1) Secretary of Executing Division, (2) Member of Planning Commission, (3) Additional Secretary, Ministry of Finance, (4) Additional Secretary, Establishment Division.

Further, according to the Government of Punjab, Planning & Development Department instructions issued vide letter No. 24 (RO) (Cons) P&D/97-Vol-III, dated: September 15, 2004, the engagement of the consultant for Resident Supervision of Development Works of Rs. 100 million and above is mandatory.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that the management of PEC started civil works in 2005 for construction of Expo Center, Lahore. For this purpose, the management hired the services of M/s NESPAK and M/s Nayyar Ali Dada as design, feasibility, master planning and procurement consultants for the project. But the appointment of independent Project Director was not made in order to supervise the construction work at site which is held irregular and un-justified in audit. It was further added that the total cost of the project was Rs. 4,370 million and such a huge expenditure was incurred without the resident supervision through independent Project Director/resident supervision consultant as directed by ECNEC/P&D. On the other hand, a Chief Operating Officer (COO) was appointed by the BOD of PEC in its 4th meeting. But appointment of COO is not the right decision taken by BOD because the resident supervision by the independent consultant firm and Project Director was mandatory as per above referred guidelines. It is further added that the matter was also discussed in 11th BOD meeting held on September 22, 2005 for hiring of consultant for resident supervision in which BOD directed the COO to develop TORs and advertise the construction supervision services in the leading newspapers of Pakistan which was not done. This was a sign of weak HR management.

Audit was of the view that resident supervision by the independent consultant firm and Project Director was required as per Govt. instructions but management did not follow the same and which resulted in weak supervision of civil works which was held irregular in audit.

The matter was reported to the management and PAO in July, 2018. The management in its reply dated September 22, 2018 stated that in order to meet the requirement of Planning Commission of Project Director; Board of Directors authorized COO of the Expo Project/Company to act as Project Director on the basis that COO of the Expo Project/Company has the same job descriptions which are defined for Project Director. The company engaged experienced staff and site supervision team for the site of the project who efficiently delivered the project. Hence, there was no need of duplicate positions.

Reply of the management was not convincing as the management failed to comply with the ECNEC and P&D Instructions.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate the reasons for non-hiring of Project Director and consultant firm regarding resident supervision of the development work.

(PAR Para 4.1.2.6, Audit Year 2017-18)

3.5.4.9 Irregular appointments on contract basis - Rs. 138.057 million

According to order of the Supreme Court of Pakistan, passed in Human Rights Case No.104 dated December 26, 1992 (circulated by the Cabinet Division), the Court observed that the Federal Government, Provincial Government, Statutory bodies and the Public Authorities are making initial appointments, both adhoc and regular to posts without publicity and properly advertising the vacancies and at times by converting adhoc appointments into regular appointments. This practice is prima facie violation of Fundamental Rights (Article-18 of the Constitution) guaranteeing to every citizen's freedom of profession. It was ordered that the violation of this Fundamental /Human Right shall be discontinued forthwith. Steps shall immediately be taken to rectify, so as to bring the practice in accordance with the Constitutional requirements.

During audit of PEC for the year 2012 to 2017, the management has regularized 10 contract employees without advertisement in newspapers in violation of above rule of honorable Supreme Court of Pakistan. In the terms and condition at the time of service contract with all said 10 employees, no clause was considered for conversion of contract into regular cadre. The detail of Contract employees converted into regular cadre with date of joining is given at Annex-25.

Audit was of the view that conversion of contract staff into regular without any advertisement in newspaper getting relevant experience and qualification for better candidate in violation of above rule was held irregular in audit. This was a sign of weak HR management.

The matter was reported to the management in July, 2018. The management in its reply dated September 22, 2018 stated that in case of periodic contract; the interest of employees are for shorter period whereas the company has long term goals and objectives. Therefore at that time audit suggested that in order

to retain employees on key positions, perpetual employment contracts be provided instead of short term periodic contracts.

The reply of the management was not convincing as the management did not follow the Govt. (Cabinet division) instructions while appointment of contract Staff/ employees on regular basis.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to terminate the services of above officers/ officials and recover the paid amount after regularization and deposit into Government Treasury and reason for violation of Supreme Court of Pakistan and standing Government orders may be investigated under intimation to Audit.

(Para 4.1.2.7 of Expo Lahore 2012-17)

3.5.4.10 Irregular appointment of Security Supervisor and payment of salary - Rs 3.112 million

According to advertisement dated November 03, 2009, the educational qualification age and experience for appointment of security supervisor was “Metric and age between 35 to 45 with at least 5 years’ experience in the field of security supervisor in a reputable organization”.

According to Contract agreements none of the contract employees was entitled to any other facility or benefit at office or residence except the agreed consolidated emoluments.

During audit of Pakistan Expo Centre (PEC) Lahore, it was observed that appointment of Security supervisor was made by violating basic selection criteria i.e. relevant qualification, particular experience and other basic requirements as advertised. Detail is given below:

Name & Designation of Employee	Required Qualification	Actual Qualification	Required Age	Age at time of appointment	Required experience	Actual Experience	Date of Appointment
Ali Khan S/o Mehar Khan, Security Supervisor	Matric	Middle	30-45	47	5 years	No experience as security supervisor	April 28, 2010

The detail of pay and allowances and other benefits are as under:

Pay & Allowances				
S#	Period	Pay per Month (Rs)	Total Months	Amount (Rs)
1	May 10 to Dec,12	19,500	32	624,000
2	Jan,13 to Oct,15	31,200	34	1,060,800
3	Nov,15 to Mar17	40,560	17	689,520
4	Apr,17 to May,18	52,728	14	738,192
Total Pay				3,112,512

From the above it was cleared that selection of the officer was made in non-transparent manner as the basic criteria of selection were not observed, which held the appointment irregular. Thus the pay and allowances drawn by the officer amounting to Rs 3.112 million since April 2010 to May, 2018 were also held irregular. This was a sign of weak HR management.

Audit was of the view that undue favor to the individual resulted in irregular appointment and payment of Rs 3,112,512 on account of their pay and allowances.

The matter was reported to the management in July, 2018. The management in its reply dated September 22, 2018 stated that the person hired as Security Supervisor was selected through proper transparent procedure and in accordance with the Service Rules of the Company. The selected person secured highest marks with respect to the defined criteria among all the candidates. The competence of the selected person can also be judged by evaluating its performance as Security Supervisor that to date there is no major security lapse reported at Expo Centre Lahore. This clearly shows that he is still meeting the competence criteria which were set at the time of the selection.

The reply of the management was not convincing as the management did not follow the HR Policy/ selection criteria According to Advertisement instructions.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to review the HR Policy and strengthening the internal controls, besides, taking disciplinary action against the individuals concerned for appointment of security supervisor.

(Based on Para 4.1.2.8 of Expo Lahore 2012-17)

3.5.4.11 Introduction of gratuity loan to officers / officials resulted in additional burden without approval of the Government - Rs. 25.028 million

According to rule 5(5)(a) of the Public Sector Companies (Corporate Governance Rules 2013), the principle of probity and propriety entails 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 handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

In accordance with PEC Service Regulations & Policies, the incumbent shall be entitled forty five days basic pay per service year as gratuity. As per contract agreements none of the contract Employees was entitled to any other facility or benefit at office or residence except the agreed consolidated emoluments

During audit of the Pakistan Expo Centers (PEC), it was observed that the facility of Gratuity loan was introduced to its employees 2012 to 2017 up to forty-five days per service year which was to be recovered in 36 monthly installments. Once the advance taken earlier was cleared, the official was eligible for another advance. As PEC was borrowing heavily from Governments loans etc. it was not a prudent decision to introduced gratuity loan out of the borrowed funds, that too for an unlimited number of times. PEC should desist from introducing gratuity loan, as the corporation itself was dependent on borrowed funds. It was also informed that there was no provision of gratuity for contract employee. The gratuity was only admissible to permanent employees. The details of huge amount outstanding on June, 2017 against the employee are as under:

Name & Designation	Opening Balance on 01.07.2016	Loan drawn during the year	Amount deducted during year	Outstanding Amount on 30.06.2017
Arif mansur khosa, COO	332,567	2,527,507	1,192,905	1,833,452
Zia- ul- mustafa, CFO	613,154	1,143,800	404,295	1,445,162
Imran mohsin, Audit Officer	143,616	306,000	152,793	595,401
Syed Afzal hussain, Accounts Officer	196,693	186,500	113,020	467,322
Farhat Nazir, BDO	19,040	433,000	135,542	345,220
Amir Javeed Choudhry, Facility Inspector	56,534	223,500	92,641	329,386
Ali Khan, Security Supervisor	114,600	155,000	24,990	294,611
Ahmad Din (Asst. Manager Inventory)	63,348	282,844	73,467	277,725
Muhammad Arshad Warsi Mechanical Technician	76,800	274,000	87,339	263,461
Attique ur Rehman, Admin Officer	6,889	250,000	18,915	250,000
Muhammad Shahbaz, Hr & Admin Officer	105,306	113,500	58,724	229,950
Zaka awan, Resident Engineer	229,175		109,753	156,966
Rafi ullah, Technical Support Officer	10,698	176,500	53,187	134,011
Syed Shahid Masood Gillani Inspector Civil	52,511	60,000	37,439	75,072
Total				6,697,739

Modalities of the loan together with the financial impact were never brought to the notice of Government, and hence, approval of Gratuity loan by the Government does not arise. Thus, implementation of Gratuity loan without approval of the Government was irregular and any financial benefit introduced under the company would be tantamount to unauthorized payment. This was a sign of weak HR management.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that the company is extending loan against the accrued gratuity benefit of the employee. In this manner, all such loans are secured and are not a burden on the company.

Reply of the management was not convincing as the management failed to observe the principle of probity and propriety.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to review the HR policies and strengthening the internal controls by dis-continuing such imprudent practices, besides, making good the loan by whole effecting recovery with immediate effect.

(PAR Para 4.1.2.9, Audit Year 2017-18)

3.5.4.12 Irregular appointment of Assistant Procurement Officer - Rs 2.510 million

As per Establishment Division OM dated April 17, 2003 (referring to a decision of Supreme Court of Pakistan) (i) all initial appointments should be made through open advertisement (ii) all selections for appointment should be through duly constituted Selection/ Promotion Committee/Board (iii) there should be pre-determined criteria for each post (iv) no provision for relaxation of rules should be given in favor of any individual.

As per advertisement made in the daily Nawa-e-Waqt Lahore, dated February 29, 2012 for appointment of Assistant Procurement Officer, only B.Com qualification required for the post was mentioned and following discrepancies were noted:

- No Age limit was mentioned
- No experience was mentioned in the advertisement details provided on web site.
- No Professional and job related expertise were mentioned in the advertisement details provided on web site.
- Only Job description was mentioned in the Advertisement details provided on web site.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was found that the management appointed Mr. Mutahir Bilal as Assistant Procurement Officer on July 01, 2012 for one year contract period (from July 01, 2012 to June 30, 2013) on monthly salary of Rs. 20,000. As per his CV submitted to management, he passed his B.Com degree from University of the Punjab in 2011. The copy of degree was neither available in file nor was provided to audit. The management granted undue favor by issuing appointment letter just on the basis of CV as verification / availability of the antecedents / degrees and medical fitness certificate was not available with management. The documentary evidence for experience mentioned in the CV was also not available with management nor the

same was got verified from concerned organization (if any). The appointment process was demanded from management but the same was also not provided to audit. The discrepancies noted in advertisement were also not addressed by management.

After the expiry of the one year contract period i.e. upto June 30, 2013, the contract was not renewed and the officer continued the services without any legal umbrella. Moreover, after two and half years from his initial appointment, the officer was also promoted as Procurement officer w.e.f. January 01, 2015 and increased the salary from Rs. 20,000 P.M. to Rs. 63,000 P.M. No promotion criteria of promotion to said post was available in HR manual of the company. It was worth mentioning here that the Manager Sales & Business Development of the company is the real sister of the said employee. As the management had granted extreme favor to her by promoting her from Receptionist to said key post, the appointment and promotion of Mr. Mutahir Bilal being her brother was also seemed to be a continuity of said irregularities.

Audit was of the view that the appointment as Assistant Procurement Officer in contravention of above said govt. instructions regarding pre-determined criteria for each post including job related experience and further promotion as Procurement Officer w.e.f. January 01, 2015 along with increase in salary without renewing the employment contract and payment of Rs. 2.510 million on account of pay and allowances was held irregular & unjustified. This was a sign of weak HR management.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that all academic degrees and medical certificate of the Assistant Officer are placed in his file. The Assistant Officer possessed the relevant qualification and experience.

DAC in its meeting March 04, 2019 directed to conduct inquiry at Ministry level. The Inquiry Committee shall share its report with Audit in 60 days. The finding of the Inquiry Committee endorsed by the Ministry of Commerce was shared on March 18, 2021 and the committee concluded that the appointment and promotion was not carried out in contravention of the recruitment and promotion policy of the company. Therefore, no irregularity was observed.

DAC in its meeting held on 24.01.2023 showed dissatisfaction on the findings of the inquiry report as the irregularities pointed out by Audit were not attended. Furthermore, DAC directed to conduct a de-novo inquiry besides fixing responsibility under the Chairmanship of Additional Secretary of Ministry and inquiry report be shared with Audit within 30 days.

Audit recommends to initiate de-novo inquiry in the matter.

(PAR Para 4.1.2.15, Audit Year 2017-18)

3.5.4.13 Non-Appointment of Chief Internal Auditor

According to rule – 13 of the PSC (CG) Rules, 2013 the Board shall appoint a chief internal auditor. The appointment, remuneration and terms and conditions of employment of the chief internal auditor of Public Sector Company shall also be determined with the approval of the Board and shall not be removed except with the approval of the Board.

According to Clause-22(2) of the Public Sector Companies (Corporate Governance) Rules, 2013, no person shall be appointed as the Chief Internal Auditor of a Public Sector Company unless he has five years of relevant audit experience and is a member of a recognized body of professional accountants or certified internal auditor or certified fraud examiner or certified internal control auditor or person holding a master degree in finance from a university recognized by the Higher Education Commission.

During audit of Pakistan Expo Centre, Lahore, it was observed that the post of Chief Internal Auditor (CIA) was lying vacant since inception due to which internal audit functions were not being performed. As such the management did not comply with the Corporate Governance Rules on one side and despite making appointment of other internal audit officer; the internal audit was not being carried out. The internal audit reports were demanded from the management but the same was not available with management. Thus due to non-performing the internal audit functions, numerous irregularities were observed. This showed imprudent management of the company.

Audit was of the view that non-observance of rules resulted in non-appointment of the Chief Internal Auditor in pursuance of Corporate Governance Rules 2013 and avoided internal audit of 100% business transaction.

The matter was reported to the management and PAO in July, 2018. The management in its reply dated September 22, 2018 stated that the person holds Master's Degree and has relevant experience as per the requirement of Code of Corporate Governance.

DAC in its meeting held on March 04, 2019, realized that appointment / promotion policies have not been followed in letter and spirit and directed to conduct the inquiry at Ministry level. The Inquiry Committee shall share its report with audit in 60 days. The finding of the Inquiry Committee endorsed by the Ministry of Commerce was shared on March 18, 2021 in which the committee concluded that no irregularity has been observed.

DAC in its meeting held on 24.01.2023 showed dissatisfaction on the findings of the inquiry report as the irregularities pointed out by Audit were not attended. Furthermore, DAC directed to conduct a de-novo inquiry besides fixing responsibility under the Chairmanship of Additional Secretary of Ministry and inquiry report be shared with Audit within 30 days.

Audit recommends implementation of recommendations of the DAC.

(PAR Para 4.1.3.1, Audit Year 2017-18)

3.5.4.14 Un-justified expenditures incurred on other activities rather than construction of parking plaza and foreign consultancy/ alliance - Rs 215.00 million

As per revised PC-I, funds of Rs. 180.00 million were allocated for construction of parking plaza and Rs 35.00 million for foreign consultancy/ alliance.

According to rule 4(3) of the Public Sector Companies (Corporate Governance Rules 2013), the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance. His 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.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that funds of Rs. 180.00 million and Rs. 35.00 million were allocated

and released for construction of parking plaza and for foreign consultancy/ alliance respectively. The parking plaza costing Rs. 180.00 million was neither constructed nor made foreign consultancy/ alliance of Rs. 35.00 million. Funds were received and utilized for other purposes. As per “Efficiency” element of performance, the management utilized funds inefficiently other than the required head which is serious lapse and held unjustified in audit. This showed a weak financial management.

The matter was reported to the management and PAO in July, 2018. The management in its reply dated September 22, 2018 stated that the Planning Commission, Government of Pakistan divided the project into phases due to scarcity of fund faced by the Government at that time. In this situation, parking building and service block facilities have been deferred for next phase whereas back up power house is completed in first phase.

Reply of the management was not convincing as the management failed to construct parking plaza for which the funds were allocated.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to justify the reason(s) for utilization of funds other than the required/ approved head besides fixing responsibility on the person(s) at fault.

(PAR Para 4.2.4, Audit Year 2017-18)

3.5.4.15 Irregular re-imbursement of event food expenses to Expo employees - Rs. 40.950 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance Rules 2013), the principle of probity and propriety entails 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 handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

In the terms of condition of every employees of Expo contract agreement at the time of appointment there is no provision for payment of events food expenses to the company employees.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC) it was observed that management made re-imbursement of events food charges of the officers/ officials during 2010-11 to 2016-17 valuing Rs. 40.95 million without obtaining original receipt of food charges hence re-imbursement of events food charges of Expo officials was held irregular in audit. Year wise details of events food charges are as under:

(Rs. in million)		
S. No.	Year	Events Food Expenses
1	2010-11	0.833
2	2011-12	3.998
3	2012-13	6.210
4	2013-14	7.210
5	2014-15	7.135
6	2015-16	7.880
7	2016-17	7.684
	Total	40.950

It was pertinent to mention here that management of Expo did not got vetted / approved its pay and allowances from the Ministry of Finance through Ministry of Commerce, Islamabad whereas the facility of re-imbursement of events food expenses was also not got approved from the concerned ministry.

The re-imbursement should only be made after obtaining paid food expenses vouchers/receipts to verify the actual expenses incurred on this head by the respective officials. But management was making re-imbursement of event food expenses without any documentary evidence in violation of re-imbursement policy which clearly states that payment should be on the basis of actual payment vouchers instead of monetary limits presently in vogue. As management was making payment without verifying the actual amount of event food expenses and on the basis of monetary limits hence, payment of Rs. 40.95 million was held irregular in audit. This was sign of weak financial management.

Audit was of the view that Governing Body should have taken action against all the officers/ officials of Expo responsible and recovery of Rs 40.95 million should be made from employees and stop such practice in future due to huge financial burden on company.

The matter was reported to the management and PAO in July, 2018. The management in its reply dated September 22, 2018 stated that events employees would have to stay till late hours during build-up, event activity days and dismantling days and they would have to visit offices on Holidays as well as most of the events will be on Saturdays and Sundays which are off-days.

DAC in meeting dated March 04, 2019, recommended the para for settlement subject to verification of record by audit. The management provided photo copy of the note sheet for approval of event food expenses by the Chief Operating Officer and photocopy of Minutes of the 30th BOD meeting dated December 05, 2014.

DAC in its meeting dated 24.01.2023 directed the management to verify the record from Audit.

Audit recommends implementation of recommendations of the DAC.

(PAR Para 4.2.6, Audit Year 2017-18)

3.5.4.16 Less deduction of Advance Tax from clients - Rs. 4.693 million

According to section 236-D of Income tax ordinance 2001, every prescribed person shall collect advance tax at the rate of five percent on the total amount of the bill inclusive of Sales Tax and required to be shown separately from a person arranging or holding a function in a marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used for such purpose.

During audit of Pakistan Expo Centers, it was observed that 163 events were held in Halls 1 and 2 and an amount of Rs 680.501 million was invoiced to event organizers including the 16% PRA tax. Further probe in to the matter revealed that 5% advance tax was to be deducted u/s 236-D of income tax ordinance on the gross amount including the sales tax but PEC deducted the advance tax on invoices excluding the sales tax which resulted in less deduction of sales tax of Rs.4.693 million as detailed below:

	(Amount in Rs.)
Grand Total income-Hall#1 and Hall#2	586,638,977
Plus 16% PRA sales tax	93,862,236
Total Invoice Value	680,501,213
Less: Advance Tax to be deducted @ 5% u/s 236-D	34,025,060
Net Receipt	646,476,152

Actual tax deducted u/s 236-D	29,331,948
Less Deduction of Tax	4,693,111

It is clear from the above analysis that advance tax was less deducted from the invoices generated/booked for events held during 2012-17 resulting in loss to Govt. ex-chequer of Rs. 4.693 million.

Audit was of the view that 5% advance tax was to be deducted u/s 236-D of income tax ordinance on the gross amount including the sales tax but PEC deducted the advance tax on invoices excluding the sales tax which resulted in less deduction of sales tax of Rs. 4.693 million which is held irregular and unjustified in audit.

The matter was reported to the management in July, 2018. The management in its reply dated September 22, 2018 stated that audit is calculating 5% Advance Tax on Invoice Value inclusive of PRA Tax despite knowing the fact that company is not charging sales tax on the invoices and matter is in the Court of Law to decide the applicability of Sales Tax on Expo Rental Income. The amount of Rs. 4.6 million is just the difference of calculation on the basis of Invoice value inclusive of Sales Tax and Invoice Value exclusive of Sales Tax. As the Sales Tax applicability is under question in Honorable Court in this situation the audit observation seems to be the contempt of court.

The reply of the management was not convincing as the management deducted less advance tax on the gross amount u/s 236-D of income tax ordinance.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to state reasons of less deduction of advance tax @ 5% on gross value of invoice, effect recovery from the concerned, investigate the matter at higher level and fix responsibility on persons at fault.

(Based on Para 4.2.8 Expo Lahore 2012-17)

3.5.4.17 Less deduction of income tax from the advertising agency - Rs 4.335 million

According to section 153 of Income Tax Ordinance 2001, every prescribed person making a payment in full or part including a payment by way of advance to

a resident person or permanent establishment in Pakistan of non-residential person for the sale of good, and the rendering of or providing of services shall at the time of making the payment, deduct tax from the gross amount payable at the rate specified in the schedule.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was found that management paid an amount of Rs 30.810 million to M/s Message communication for advertisement in electronic media during 2011-12 to 2016-17. The management deducted tax on 15% agency commission instead of gross amount, causes less deduction of tax Rs 4.335 million (Rs 4.621 million - Rs 0.285 million).

Detail of year wise amount paid and less deduction of tax to message communication is as under:

(Amount in Rs.)				
Year	Amount paid	Tax deducted on Agency Commission	Tax to be deducted on Gross Amount	Less Tax Deducted
2016-17	4,822,419	69,063	723,363	654,300
2015-16	2,252,630	46,140	337,894	291,755
2114-15	1,460,612	10,954	219,092	208,138
2013-14	14,611,093	109,582	2,191,664	2,082,082
2012-13	2,684,867	12,780	402,730	389,250
2011-12	4,979,321	37,345	746,898	709,553
Total	30,810,942	285,864	4,621,646	4,335,078

Audit was of the view that the tax was to be deducted on gross amount of invoice instead of 15% agency commission thus less deduction/recovery of tax of Rs 4.335 million is held irregular in Audit.

The matter was reported to the management in July, 2018. The management in its reply dated September 22, 2018 stated that the company is deducting withholding tax on advertisement services According to the rules defined in Income Tax Law. The amount of commission is clearly mentioned on all the invoices of the vendor. According to the rules, the agency can get commission maximum up to 15%. However, the agency has the right to give discount on its commission to the client.

Reply of the management was not convincing as the management deducted tax on 15% agency commission instead of gross amount resulting into less deduction of tax Rs 4.335 million.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to state reasons of less deduction of tax and expedite recovery and investigate the matter for fixing responsibility on person(s) at fault.

(Based on Para 4.2.9 of Expo Lahore 2012-17)

3.5.4.18 Excess payment of work beyond the approved scope of BOQ - Rs 187.839 million

As per para 2.7, 2.12 and 2.86 of The West Pakistan Building and Road Department Code, during execution of work neither the specification nor quantity of different items approved in the TSE (Engineers' estimates) be changed nor any additional item be approved/ executed without prior written approval of such change/new addition by the competent authority that accorded Administrative Approval and issued technical sanction of estimate and such authority will also record reasons.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that PEC management awarded contract for Rs. 939.433 million to M/s Qavi Engineers (Pvt.) Limited w.e.f. December 23rd 2005. During execution of work the management measured and made excess payment for the work "Expo Halls and Ancillary Buildings". Audit noted that PEC made extra/overpayment of Rs. 187.839 million to the contractor on account of work done up to 65th and final bill. Audit further noted that extra/new items/quantities were paid against the BOQ quantities. No variation order duly approved under orders of the competent authority was available in record. Payment of excess items/quantities resulted in excess payment of Rs. 187.839 million which needed to be recovered from the contractors/persons at fault.

Audit was of the view that the management of PEC got executed and made payment for different items of work in excess than provided in the approved BOQ/PC-I, without prior approval of the competent authority i.e. BOD of PEC. Weak supervisory and technical controls resulted in loss to the Government to that extent.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that the project of

Expo Centre Lahore involves various natures of engineering works like Civil, Electrical, Mechanical, HVAC, ICT, Security equipment, Interior Designing, Furniture & Furnishing and on such basis various contracts were awarded through a tendering process. Contracts were awarded through PPRA bidding process and the cost incurred is duly approved from BOD.

Reply of the management was not convincing as the management paid excess amount of quantity of work over and above the BOQs.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate the reason(s) for non-preparation and approval of items not included in approved BOQ from BOD. Conduct a departmental inquiry regarding excess payment and fix responsibility on persons at fault.

(PAR Para 4.3.4, Audit Year 2017-18)

3.5.4.19 Excess payment of work beyond the approved scope of BOQ - Rs 77.793 million

As per para 2.7, 2.12 and 2.86 of The West Pakistan Building and Road Department Code, during execution of work neither the specification nor quantity of different items approved in the TSE (Engineers' estimates) be changed nor any additional item be approved/ executed without prior written approval of such change/ new addition by the competent authority that accorded Administrative Approval and issued technical sanction of estimate and such authority will also record reasons.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that PEC management awarded contract for Rs. 281.386 million to M/s Guarantee Engineers (Pvt.) Limited w.e.f. November 8, 2005. During execution of work the PEC management measured and made excess payment for the work "Convention Centre" executed by M/s Guarantee Engineers (Pvt.) Limited. Audit noted that PEC made extra/ overpayment of Rs 77.793 million to the contractor on account of work done up to 42nd and final bill. Audit further noted that extra/ new items/quantities were paid against the BOQ quantities. Payment of excess items/

quantities resulted in excess payment of Rs 77.793 million which may be recovered from the contractors/persons at fault.

Audit was of the view that the management of PEC got executed and made payment for different items of work in excess than provided in the approved BOQ/PC-I, without prior approval of the competent authority i.e. BOD of PEC. Weak supervisory and technical controls resulted in loss to Government due to excess measurement costing Rs 77.793 million.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that the project of Expo Centre Lahore involves various natures of engineering works like Civil, Electrical, Mechanical, HVAC, ICT, Security equipment, Interior Designing, Furniture & Furnishing and on such basis various contracts were awarded through a tendering process. Contracts were awarded through PPRA bidding process and the cost incurred is duly approved from BOD.

Reply of the management was not convincing as the management paid excess amount of quantity of work over and above the BOQs.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate the reason(s) for non-preparation and approval of items not included in approved BOQ from BOD. Conduct a departmental inquiry regarding excess payment and fix responsibility on persons at fault.

(PAR Para 4.3.7, Audit Year 2017-18)

3.5.4.20 Excess payment of work beyond the approved scope of BOQ - Rs 43.729 million

As per para 2.7, 2.12 and 2.86 of The West Pakistan Building and Road Department Code, during execution of work neither the specification nor quantity of different items approved in the TSE (Engineers' estimates) be changed nor any additional item be approved/executed without prior written approval of such change/new addition by the competent authority that accorded Administrative Approval and issued technical sanction of estimate and such authority will also record reasons.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that PEC management measured and made excess payment for the work “site infrastructure development of Expo Center, Lahore” executed by M/s Shalimar Construction. Audit noted that PEC made extra/overpayment of Rs. 43.729 million to the contractor on account of work done up to 39th and final bill. Audit further noted that extra/new items/quantities were paid against the BOQ quantities. Payment of excess items/quantities resulted in excess payment of Rs 43.729 million (as per annexure) which may be recovered from the contractors/persons at fault.

The management of PEC got executed and made payment for different items of work in excess than provided in the approved BOQ/ PC-I, without prior approval of the competent authority i.e. BOD of PEC. Weak supervisory and technical controls resulted in loss to Government due to excess measurement costing Rs 43.729 million.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that the project of Expo Centre Lahore involves various natures of engineering works like Civil, Electrical, Mechanical, HVAC, ICT, Security equipment, Interior Designing, Furniture & Furnishing and on such basis various contracts were awarded through a tendering process. Contracts were awarded through PPRA bidding process and the cost incurred is duly approved from BOD.

Reply of the management was not convincing as the management paid excess amount of quantity of work over and above the BOQs.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate the reason(s) for non-preparation and approval of items not included in approved BOQ from BOD. Conduct a departmental inquiry regarding excess payment and fix responsibility on persons at fault.

(PAR Para 4.3.8, Audit Year 2017-18)

3.5.4.21 Non-recovery of liquidated damages from the defaulter contractor - Rs 23.11 million

As per clause 43.1 of the contract agreement signed between PEC and M/s Shalimar Construction, the contractor, was required to complete the work within stipulated period i.e. 365 days. As per clause 47.1, the contractor was bound to pay 0.1% for each day of delay in completion of work subject to maximum of 10% of the contract price stated in the letter of acceptance.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that PEC entered into the contract with M/s Shalimar Construction, the contractor, for site infrastructure development of Expo Center, Lahore for Rs 109.651 million. The work was started w.e.f. August 26, 2005 and was to be completed in one year time i.e. August 25, 2006. But construction work was delayed badly for further four years' time. Chief Executive Officer (CEO) of the PEC allowed unjustified time extensions without any reason to the contractor up to May 24, 2010 without imposing liquidated damages up to 10% of contract value just to extend favoritism to the contractor.

Audit was of the view that most of the contract of the development work has been badly delayed and CEO has granted undue extensions without imposing liquidated damages worth Rs 23.11 million under the rules which is held irregular in audit.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that according to the additional scope of work, the timelines of the contract had been enhanced as per the Contract Agreement clauses.

Reply of the management was not convincing as the management accorded undue favour to the contractors and failed to impose liquid damages.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to recover the liquidated damages of Rs 23.11 million from the contractor. Conduct an inquiry at administrative level regarding non-imposition of liquidated damages due to delay in completion of project.

(PAR Para 4.3.9, Audit Year 2017-18)

3.5.4.22 Loss due to payment of demurrage charges - Rs 15.379 million

According to shipping documents submitted by the shipping agent, if the consignment is not got cleared in due time due to any reason the detention / demurrage charges are required to be paid.

During audit of Pakistan Expo Centers (PEC), it was observed that the management of PEC authorized M/s Alam Corporation to act as clearing agents of clearing and forwarding of supply of imported pre-engineered steel building structure from Karachi Port to Expo Centre Peshawar. Management was unable to get the imported material clearance from sea port in time and had to pay container detention, demurrage, storage, and wharfage charges of Rs. 15.379 million which resulted in loss to Govt. exchequer.

Audit was of the view that the management of PEC appointed clearing agents in order to avoid delay in clearing of imported goods and imposition of any penalty. But due to mis-management resulted in undue delay of clearing of goods and an amount of Rs. 15.379 million was paid as container detention, demurrage, storage, and wharfage charges which is held irregular and un-justified in audit.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that the company has paid this amount on account of Delivery Order Charges, Transport Handling Charges & PICT Charges.

DAC in its meeting March 04, 2019 recommended the para for settlement subject to verification of record by audit. The management only provided one pager sheet of delivery Charges, Transport Handling Charges and PICT Charges just mentioning the expenditures. No documentary evidence/ record (Terms & Conditions for Payment, Contract Obligations and beneficiaries of payment beside routine payment to custom clearing agent) was provided to audit for verification.

Audit recommends to comply the directions of DAC and provide complete record for verification.

(PAR Para 4.3.10, Audit Year 2017-18)

3.5.4.23 Irregular purchases of iron and steel products in violation of PPRA - Rs 6.494 million

According to Rule 9 of PPRs 2004 “within one year of commencement of these rules, all procuring agencies shall devise mechanism, for planning in detail

for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date and benefits that are likely to accrue to the procuring agency in future”. Further, Rule 9 prohibits splitting of procurement and Rule-12 requires advertisement on PPRA website in case of procurement value upto rupees two million and advertisement in newspapers, if the value exceeds two million rupees.

During audit of Pakistan Expo Centre (PEC), it was observed that management purchased the iron and steel products directly from open market in piecemeal without adopting tendering process and only quotations basis. Consequently procurement of Rs 6.494 million without observing the PPRA rules was held irregular. It is also observed that the subject firm is not registered with sales tax. Thus, the procurement from an unregistered sales tax firm was also a loss to government exchequer. Year wise detail of payment is as under:

Sr. No.	Year	Name of Party	Amount in Rs.
01	2012-13	Muhammad Ashraf Steel Advisor	963,674
02	2013-14	Muhammad Ashraf Steel Advisor	1,878,000
03	2014-15	Muhammad Ashraf Steel Advisor	1,609,930
04	2015-16	Muhammad Ashraf Steel Advisor	828,000
05	2016-17	Muhammad Ashraf Steel Advisor	1,214,485
Total			6,494,089

Audit was of the view that by avoiding the tender process, undue favor was extended to private party and PEC was deprived of the benefit of competitive rates. The management should have tendered the procurement on the basis of periodical requirement and rate/running contract(s) should have been made. It is also the duty of the concerned department to plan the procurement in compliance with PPRA Rules for planning in detail for all proposed procurements with the object of realistically determining the requirements of the procuring agency.

The matter was reported to the management in July, 2018. The management in its reply dated September 22, 2018 stated that Pakistan Expo Centers procured the services of contractors through competitive bidding process. The work orders were issued in accordance with the requirement of work requirement in different years and there is no splitting. The company awarded contracts on the basis of work requirement and availability of funds for such works. The mentioned contractor is steel fabricator which is one of the pre-

qualified contractors for fabrication works. The contract where awarded to him on the basis of his technical competence and lowest cost in financial bids.

Reply of the management was not convincing as the management did not comply with the requirement of PPRs.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021 and 08.11.2022.

Audit recommends to state the reasons for non-advertisement of tender in newspapers / PPRA website. Matter may be investigated and responsibility be fixed on the person(s) at fault besides regularizing the expenditure from the competent authority.

(Based on Para 4.3.12 of Expo Lahore 2012-17)

3.5.4.24 Loss due to acceptance of tender contract (C-05) at higher rates - Rs 23.978 million

As per Punjab delegation of financial powers rules 2006, the quoted rates and amount tendered shall not exceed more than 4.5% of the technical sanction estimate of the project/work.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that PEC management made a contract valuing Rs 330.029 million with M/s Freezol (Pvt.) Limited, the contractor, for “HVAC Works of Expo Halls & Ancillary Building” on 31.10.2006. The work was started w.e.f. 31.10.2006 and was to be completed in 180 days’ time i.e. 30.04.2007. During detail scrutiny of bidding documents, revealed that the management of PEC awarded the work at 6.50% (Rs 20.133 million) above the engineers estimated cost of Rs 309.897 million which is held irregular in audit. Furthermore, PEC management made payment of Rs 333.875 million which was 7.74% above the revised engineer’s estimates.

Thus Audit was of the view that due to weak supervisory and financial controls resulted in loss of Rs 23.978 million. Furthermore, the management did not bother to get clarification from the legal consultants about the enhanced bid submitted by the lowest bidder i.e. M/s Guarantee Engineers over and above the

prescribed limit of 4.5% which resulted in loss of Rs 23.978 million is held irregular in audit.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that the contract was awarded through competitive bidding to the bidder lowest in cost and technically compliant.

Reply of the management was not convincing as the management awarded contract over and above the technical sanction limits.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate reasons for awarding of contract over and above the prescribed limit of 4.5% and making loss of Rs 23.978 million to Govt. exchequer, fix responsibility on persons held responsible.

(PAR Para 4.3.13, Audit Year 2017-18)

3.5.4.25 Non-recovery of liquidated damages from the contractor (C-05) - Rs 33.003 million

As per clause 43.1 of the contract agreement signed between PEC and M/s Freezol (Pvt.) Limited, the contractor, was required to complete the work within stipulated period i.e. 180 days. As per clause - 47.1, the contractor was bound to pay 0.1% for each day of delay in completion of work subject to maximum of 10% of the contract price stated in the letter of acceptance.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that PEC management entered into the contract with M/s Freezol (Pvt.) Limited, the contractor, for “HVAC Works of Expo Halls & Ancillary Building” for Rs. 330.029 million on 31.10.2006. The work was started w.e.f. 31.10.2006 and was to be completed in 180 days’ time i.e. 30.04.2007. But construction work was delayed badly for further three years’ time. Chief Executive Officer (CEO) of the PEC allowed unjustified time extensions without any reason to the contractor upto 04.10.2012 without imposing liquidated damages upto 10% of revised contract value just to extend favoritism to the contractor. It is further elaborated that total payment made to the contractor was rose to Rs. 333.875 million upto 31st IPC.

Audit was of the view that most of the contract of the development work has been badly delayed and CEO has granted undue extensions without imposing liquidated damages worth Rs 33.003 million under the rules which is held irregular in audit.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that due to additional scope of work, the timelines of the contract had to be enhanced as per the Contract Agreement clauses.

Reply of the management was not convincing as the management accorded undue favour to the contractors and failed to impose liquid damages.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to recover the liquidated damages of Rs 33.003 million from the contractor. Conduct an inquiry at administrative level regarding non-imposition of liquidated damages due to delay in completion of project.

(PAR Para 4.3.14, Audit Year 2017-18)

3.5.4.26 Loss due to acceptance of tender contract (C-04) at higher rates - Rs 100.282 million

As per Punjab delegation of financial powers rules 2006, the quoted rates and amount tendered shall not exceed more than 4.5% of the technical sanction estimate of the project/work.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that PEC management made a contract valuing Rs 97.668 million with M/s Elektra Systems, the contractor, for “HVAC Works for the convention center” on 23.07.2006. The work was started w.e.f. 26.08.2006 and was to be completed in 240 days’ time i.e. 25.04.2007. During detail scrutiny of bidding documents, revealed that the management of PEC awarded the work at 25.67% (Rs. 19.95 million) above the engineers estimated cost of Rs 77.718 million which is held irregular in audit. Furthermore, PEC management made payment of Rs 178.00 million which was 129.033% above the revised engineer’s estimates.

Thus Audit was of the view that due to weak supervisory and financial controls resulted in loss of Rs 100.282 million. Furthermore, the management did not bother to get clarification from the legal consultants about the enhanced bid submitted by the lowest bidder i.e. M/s Guarantee Engineers over and above the prescribed limit of 4.5% which resulted in loss of Rs 100.282 million is held irregular in audit.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that company awarded the contract through competitive bidding to the contractor lowest in cost with technical competence.

Reply of the management was not convincing as the management awarded contract over and above the technical sanction limits.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate reasons for awarding of contract over and above the prescribed limit of 4.5% and making loss of Rs 100.282 million to Govt. exchequer, fix responsibility on persons held responsible.

(PAR Para 4.3.16, Audit Year 2017-18)

3.5.4.27 Non-recovery of liquidated damages from the contractor (C-04) - Rs 9.77 million

As per clause 43.1 of the contract agreement signed between PEC and M/s Elektra Systems, the contractor, was required to complete the work within stipulated period i.e. 180 days. As per clause 47.1, the contractor was bound to pay 0.1% for each day of delay in completion of work subject to maximum of 10% of the contract price stated in the letter of acceptance.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that PEC management entered into the contract with M/s Elektra Systems, the contractor, for “HVAC Works for the convention center” on 23.07.2006. The work was started w.e.f 26.08.2006 and was to be completed in 240 days’ time i.e. 25.04.2007. But construction work was delayed badly for further three years’ time. Chief Executive Officer (CEO) of the PEC allowed unjustified time extensions without any reason to the contractor upto 02.06.2012

without imposing liquidated damages upto 10% of revised contract value just to extend favoritism to the contractor. It is further elaborated that total payment made to the contractor was rose to Rs 178.00 million upto 37th IPC.

Audit was of the view that most of the contract of the development work has been badly delayed and CEO has granted undue extensions without imposing liquidated damages worth Rs 9.77 million under the rules which is held irregular in audit.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that according to the additional scope of work, the timelines of the contract had been enhanced as per the Contract Agreement clauses.

Reply of the management was not convincing as the management accorded undue favour to the contractors and failed to impose liquid damages.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to recover the liquidated damages of Rs 9.77 million from the contractor. Conduct an inquiry at administrative level regarding non-imposition of liquidated damages due to delay in completion of project.

(PAR Para 4.3.17, Audit Year 2017-18)

3.5.4.28 Loss due to non-imposition of liquidated damages - Rs. 25.43 million

As per Clause-17 of terms and conditions of work order dated 16.10.2014 issued by management to M/s Khan Brother Engineers, liquidated damages shall be charged @ 1% of the contract price for each day of delay up to a maximum of 10% of the contract price.

During audit of the Pakistan Expo Centre, Lahore, it was observed that management awarded a contract valuing Rs. 254.284 million to M/s Khan Brother Engineers on October 16, 2014 for construction of works of Hall No. 3 & 4. The whole work was required to be completed within one and half years i.e. April 15, 2016 respectively but the same was still in progress as on June 30, 2018.

Despite of too much delay in execution of contract, the management did not impose liquidated damages on contractor's invoices. As such the contractor

was performing activities at their own. Total amount of liquidated damages @ 0.1% per day for three years was become more than the 10% value of contract. Hence, the recovery of liquidated damages @ 10% of contract price i.e. Rs. 25.43 million (Rs. 254.248 x 10%) was not made from the contractor's payments. This showed weak financial management.

Audit was of the view that non-adherence of rules resulted in non-imposition/recovery of LD from the defaulting contractor and a loss to that extent was borne by PEC.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that according to the additional scope of work, the timelines of the contract had been enhanced as per the Contract Agreement clauses.

Reply of the management was not convincing as the management accorded undue favour to the contractors and failed to impose liquid damages.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to recover the liquidated damages from the contractor. Conduct an inquiry at administrative level regarding non-imposition of liquidated damages due to delay in completion of project.

(PAR Para 4.3.19, Audit Year 2017-18)

3.5.4.29 Non-Receipt of performance guarantee due to defective contract - Rs. 30.335 million

According to clause - IB 21.1 of Instructions to Bidders contained in Standard Form of Bidding Documents for procurements of works issued by Pakistan Engineering Council on June 11, 2007, the successful bidder shall furnish to the Employer a Performance Security in the form and the amount stipulated in the Conditions of Contract within a period of fourteen (14) days after the receipt of Letter of Acceptance. Further, as per clause-39 of PP Rules 2004, where needed and clearly expressed in the bidding documents, the procuring agency shall require the successful bidder to furnish a performance guarantee which shall not exceed ten per cent of the contract amount.

During audit of the Pakistan Expo Centre, Lahore, it was observed that management made two contracts valuing Rs. 49.066 million and Rs. 254.284 million (total Rs. 303.350) with M/s Khan Brother Engineers on December 01, 2012 and October 16, 2014 for construction of works of Hall No. 3 & 4, Interlink works and Erection works of Expo Centre. The management failed to include the clause of performance guarantee in work order due to which contractor did not submit the same @ 10% of contractor price i.e. 30.335 million remains valid till completion of contract and extended financial favour to contractor.

Thus, the contractor was at liberty to complete the work at their own. The whole work was required to be completed within one and half years i.e. upto May 29, 2015 and April 15, 2016 respectively but the same was still in progress as on June 30, 2018. This was indicative of weak financial management.

Audit was of the view that non-observance of rules resulted in extension of financial favour at the cost of public fund.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that the requirement of performance guarantee was not in the bidding document. In accordance with the Contract, the payments were made after the delivery of work by keeping a certain percentage of payment as retention and there was no advance payment involved for which company should seek any guarantee.

Reply of the management was not convincing as the management violated the PPRs and PEC instructions.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate the reasons for non-inclusion of clause of performance guarantee in contract to fix responsibility thereof.

(PAR Para 4.3.20, Audit Year 2017-18)

3.5.4.30 Non-deduction of retention money from contractor's IPCs due to defective contract - Rs. 15.168 Million

According to clause – 60.2 of Conditions of Contract and Special Stipulations (Appendix-A to Bid) contained in Standard Form of Bidding

Documents for procurements of works issued by Pakistan Engineering Council on June 11, 2007, the retention money @10% of each IPC will be deducted from Contractor's Payments and maximum deduction on account of retention money will be 5% of contract price.

During audit of the Pakistan Expo Centre, Lahore, it was observed that management made two contracts valuing Rs. 49.066 million and Rs. 254.284million (total Rs. 303.350) with M/s Khan Brother Engineers on December 01, 2013 and October 16, 2014 for construction of works of Hall No. 3 & 4, Interlink works, Erection works of Expo Centre. The management failed to include the clause of retention money in work order/conditions of contract due to which deduction of retention money was not being made from contractor's IPCs. If any defects in works executed by the contractor identified during defects liability period i.e. one year, the management will bear additional cost on this account. The work was required to be completed within one and half years i.e. upto May 29, 2015 and April 15, 2016 respectively but the same was still in progress as on June, 2018.

Audit was of the view that the management should deduct the amount of retention money up to 5% of contractor price i.e. 15.168 million from the remaining payments of contract to avoid said irregularity.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that in both the contracts, the company holds the amount of 5% on account of retention money and release after the defect liability period as defined in the contract.

Reply of the management was not convincing as the no record was provided to audit for verification.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to state the reasons for non-inclusion of clause of retention money in contract.

(PAR Para 4.3.21, Audit Year 2017-18)

3.5.4.31 Ill-planned procurement of pre-engineered steel structure resulted in blockage of funds - Rs. 691.257 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails 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 handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During audit of the Pakistan Expo Centre, Lahore, it was observed that management initiated process for establishment of Expo Centre at Peshawar and acquired 25 acres land on lease for forty years from Government of KP on January 25, 2017. After acquiring of land, initially the management was required to develop site infrastructures i.e. Roads, Boundary Wall, Electrical Works, Gates and Fences and Land escaping of Rs. 150 million as well as main civil works for exhibition hall No.1 & 2 i.e. PCC Cement Concrete foundations and RCC Ramps along with other allied works costing Rs. 500.000 million (approx.) for fixation of Pre-Engineered Steel Structure. Contrary to that management purchased Pre-Engineered Steel Structure from M/s Mammut Building Systems, Dubai on June 20, 2017 for Rs. 691.257 million which was lying idle on the ground as no initial work was develop to fix the said structure up till June, 2018. The above said works required for fixation of structure will be completed in next two to three years due to which purchasing of said structure before completion of required works for fixation is seemed to be blockage of funds of Rs. 691.257 million. This showed weak financial management.

Audit was of the view that ill-planning on the part of management resulted in blockage of public funds.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that As the project is executed in the 3rd quarter of the financial year after the possession of land therefore the company got all the funding allocated for a year in one go rather than the established formula of Ministry of Finance for the release of funds in four quarters of the year in the manner 20:20:30:30.

Reply of the management was not convincing as the management committed blockage of funds.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate the reasons for blockage of public funds.

(PAR Para 4.3.22, Audit Year 2017-18)

3.5.4.32 Non-completion of BOT Projects (Hotel, Technology Tower and Shopping Mall) - Rs. 370.00 million and non-refund of Bid security to the Bidders - Rs. 39.80 Million

As per original PC-I of the project of Expo Center, Lahore approved by Executive Committee of National Economic Council (ECNEC) on November 30, 2006, three Build Operate and Transfer (BOT) Projects (Hotel, Technology Tower and Shopping Mall) were to be developed through private parties and funds of Rs 370.00 million were to be received through sub lease of land.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that the management started bidding of three BOT projects with the approval of BOD of the Company. BOD approved the lay out plan on May 02, 2005. The advertisement for Expression of Interest (EOI) and Request for Qualification (RFQ) was made in major newspapers of Pakistan on May 08 & 15, 2005. Five bidders for Hotel, four bidders for Shopping Mall and four bidders for Technology Tower submitted EOI and RFQ documents alongwith the 2% reserve price for each project. The detail of bid price is as under:

(Rs in million)

S. No.	Particulars	Hotel	Shopping Mall	Technology Tower
1	Reserve Price	450.00	200.00	250.00
	Name of Bidder			
1	SKB Engineering & Construction	-	368.550	461.500
2	BNP Developers	90.00	200.00	275.00
3	Echo West International	-	235.00	250.00

It is clear from above data that bid price for Hotel was below the reserve price thus cancelled by management of PEC and re-bid was initiated. In the meantime, M/s SKB were asked to submit concept of design and methodology of construction for Shopping Mall and Technology Tower. In the re-bid of hotel two parties submitted compliant bids i.e. BNP and Echo West. In the meanwhile, Eco West went to the court regarding allegations in affairs of BOT Projects. It is further added that Supreme Court of Pakistan decided the case and review petition in favour of the Company.

In the 36th meeting of BOD dated 20.05.2017, the BOD directed the CEO of the company to explore the opportunity of self-development of infrastructures

within Expo center premises. It was further directed that the space for these projects should be developed accordingly.

Audit was of the view that as the BOT projects were to be initiated and developed as per provision available in PC-I and approval of BOD but these were not started yet due to which funds of Rs 370 million were not received from private parties and Bid security of Rs. 39.80 million were not adjusted or refunded which is held irregular in audit.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that Board of Directors of the company has submitted the proposal of development of supportive infrastructure at such places instead of projects proposed under BOT basis. Due to the reason of occupancy of Expo, the proposed infrastructure like Hotel and Shopping Malls are developed on adjacent land of Expo Centre Lahore by private investors. So as per the current requirement due to increase in exhibition activities, it is proposed that company should develop high rise parking building and service block to meet the direct need of exhibitions.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Reply of the management was not convincing as the management failed to execute the BOT projects.

Audit recommends to state the reasons for non-development of BOT projects since long.

(PAR Para 4.3.23, Audit Year 2017-18)

3.5.4.33 Undue financial benefit to the contractor due to non-obtaining of performance guarantee during defects liability period - Rs 93.94 million

As per clause 10.1 of particular conditions Part II B of contract agreement, the contractor is required to provide performance security @ 10% of the accepted tender price within 14 days after the receipt of the Acceptance Letter from the scheduled bank of Pakistan.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that PEC management awarded the contract to M/s Qavi Engineers for Construction of Expo Hall and Ancillary Buildings of Expo Center Lahore for Rs. 939.433 million on 28.11.2005.

The contractor submitted performance security @ 10% of contract price as per above clause w.e.f. 13.12.2005. It is further added that the work was completed on 24.05.2010 and performance security stood expired on 24.05.2010. Audit observed that the expired bank guarantee was not got revalidated whereas the defects liability period was still for 365 days. Non-adherence to clause of the agreement resulted in undue financial benefit provided to the contractor due to non-obtaining of performance guarantee of Rs 93.94 million from the scheduled Banks.

Audit was of the view that the expired performance security @ 10% for Rs 93.94 million w.e.f 24.05.2010 was required to be re-validated in the shape of bank guarantee which was not done. This resulted in undue financial benefit of Rs. 93.94 million to the contractor by putting the public interest at stake due to weak financial and supervisory controls.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that there was no requirement of performance guarantee in the bidding document and the contract has been accomplished successfully in timely manner.

Reply of the management was not convincing as the management failed to obtain valid performance guarantee from contractor.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate the matter for non-revalidating of expired performance security as per conditions of the contract during defects liability period.

(PAR Para 4.3.24, Audit Year 2017-18)

3.5.4.34 Undue financial benefit to contractor by not obtaining of performance guarantee from scheduled bank - Rs 26.147 million

According to clause 60.12 of particular conditions Part II B of contract agreement, the contractor is required to provide mobilization advance guarantee only from a scheduled bank of Pakistan.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that PEC management awarded the contract to M/s Qavi Engineers for Construction of Expo Hall and Ancillary Buildings of Expo Center Lahore for Rs. 939.433 million on 28.11.2005.

The contractor initially submitted mobilization advance guarantee in the shape of performance security from the scheduled bank of Pakistan. It is further added that the contractor requested the management of PEC for replacement of Performance guarantee from scheduled bank to AA rating insurance company vide their letter dated: 04.03.2008. The PEC management got clarification from NESPAK regarding replacement of Performance guarantee from scheduled bank to AA rating insurance company vide letter dated: 02.07.2009 in which the consultant NESPAK advised the PEC not to go for this post-award contractual change of Performance Guarantee to Performance Bond. Contrary to the above, PEC management accepted the replacement request of contractor and new performance bonds of Rs. 20.005 million and Rs 26.148 million were received from Adam Jee Insurance Company w.e.f. 23.11.2009 and 19.01.2010 respectively as mobilization advance guarantee. Non-adherence to clause of the agreement and advice by the consultants resulted in undue financial benefit provided to the contractor due to non-obtaining of performance guarantee from the scheduled Banks.

Audit was of the view that the mobilization advance guarantee was required to be kept intact in the shape of bank guarantee instead of replacing it with insurance company guarantee which was not done. This resulted in undue financial benefit of Rs 26.147 million to the contractor by putting the public interest at stake due to weak financial and supervisory controls.

The matter was reported to the management in July, 2018. The management in its reply dated September 22, 2018 stated that under the SRO No. 8(6)WR/PC/2008 dated 12.02.2008 issued by Planning and Development Division

of Planning Commission, Government of Pakistan, a relief has been provide to the contractors in the matter of Bid Security and Performance Security by allowing them to provide the same from insurance company having at least AA rating from PACR/JCR. This SRO was in pursuance of Executive Committee of National Economic Council (ECNEC) decision in its meeting held on November 12, 2007. Consultant recommended that it's better not to go for the change. However, he also stated that client based on his judgment can make a decision of replacement through agreement between both the parties. On the legal side, under the new SRO as stated above, Company can accept the performance guarantee from the Contractor. On the practical side, Company found that at this stage where contractor asked for the implementation of guarantee under new SRO, the contractor has executed 75% of its contractual work so the there was no risk involved on the change of policy.

The reply of the management was not convincing as the management did not comply with the requirement of clause of the contract agreement.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends that the matter may be investigated and responsibility fixed against the officer(s) concerned. Further, state reasons of replacement of performance bond from scheduled bank to AA rating insurance company according to conditions of the contract.

(Based on Para 4.3.25 of Expo Lahore 2012-17)

3.5.4.35 Non-recovery of Liquidated Damages from the Contractor - Rs 163.37 million

As per clause 43.1 of the contract agreement signed between PEC and M/s Qavi Engineers, the contractor, was required to complete the work within stipulated period i.e. 14 calendar months. As per clause - 47.1, the contractor was bound to pay 0.1% for each day of delay in completion of work subject to maximum of 10% of the contract price stated in the letter of acceptance.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that PEC management entered into the contract with M/s Qavi Engineers, the contractor, for Construction of Expo Hall and Ancillary Buildings

of Expo Center, Lahore for Rs 939.433 million on 28.11.2005. The work was started w.e.f. 26.12.2005 and was to be completed in 14 calendar months' time i.e. 25.02.2007. But construction work was delayed badly for further three years' time. Chief Executive Officer (CEO) of the PEC allowed unjustified time extensions without any reason to the contractor upto 24.05.2010 without imposing liquidated damages upto 10% of revised contract value just to extend favoritism to the contractor. It is further elaborated that total payment made to the contractor was rose to Rs 1,633.715 million upto 65th IPC.

Audit was of the view that most of the contract of the development work has been badly delayed and CEO has granted undue extensions without imposing liquidated damages worth Rs 163.37 million under the rules which is held irregular in audit.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that due to additional scope of work, the timelines of the contract had to be enhanced as per the Contract Agreement clauses.

Reply of the management was not convincing as the management accorded undue favour to the contractors and failed to impose liquid damages.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to recover the liquidated damages of Rs 163.37 million from the contractor. Conduct an inquiry at administrative level regarding non-imposition of liquidated damages due to delay in completion of project.

(PAR Para 4.3.26, Audit Year 2017-18)

3.5.4.36 Irregular expenditure incurred over and above the authorized limit of Contract Price - Rs. 798.663 million

According to clause 51.1 of the General Condition of Contract read with Clause-52.3 ibid any change or alteration in the scope of the works can be made up to limit of 15% of the total contract value without any change in the contract price. The contractor is also bound to complete the work within the stipulated period.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that PEC management awarded contract for civil work to M/s Qavi Engineers, the contractor, for “Construction of Expo Hall and Ancillary Buildings of Expo Center, Lahore” at a tender cost of Rs 939.433 million on 28.11.2005. The engineer’s estimates were prepared for Rs. 917.034 million. The work was started w.e.f. 26.12.2005 and was to be completed in 14 calendar months’ time i.e. 25.02.2007. It was further observed that the management of PEC made payment of Rs 1,738.096 million upto 65th IPC including the sub-contractors payments. Due to delay in completion of work the escalation cost of Rs 134.393 million was also paid.

Project cost was rose to Rs 1,738.096 million from Rs 939.433 million which was 85% of the original cost i.e. much above the permissible limit of 15%. Furthermore, Non-BOQ quantities were added excessively which amounted to Rs. 1,222.846 million for which no variation orders were approved from the BOD.

Keeping in view the above observations, the enhancement of BoQ over and above the permissible limit by an amount of Rs. 798.663 million was held irregular by audit. Moreover, neither the project cost overrun was got approved from the concerned authority i.e. ECNEC nor any variations in quantities and monetary terms were presented/highlighted in the PC-IV of the project.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that management awarded all up-gradation and additional works as per approved PC-1 through tendering process in accordance with PPRA rules.

Reply of the management was not convincing as the management changed/ altered the scope of works over and above the permissible limits.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

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

(PAR Para 4.3.27, Audit Year 2017-18)

3.5.4.37 Loss due to delay in execution of the projects - Rs 49.265 million

As per clause 43.1 of the contract agreement signed between PEC and M/s Guarantee Engineers, the contractor, was required to complete the work within stipulated period i.e. 14 calendar months. As per clause- 47.1, the contractor was bound to pay 0.1% for each day of delay in completion of work subject to maximum of 10% of the contract price stated in the letter of acceptance.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that PEC management entered into the contract with M/s Guarantee Engineers, the contractor, for “Construction of Convention Center of Expo Center, Lahore” for Rs. 281.386 million on 08.11.2005. The work was started w.e.f. 10.11.2005 and was to be completed in 14 calendar months’ time i.e. 09.01.2007. But construction work was delayed badly for further three years’ time. Chief Executive Officer (CEO) of the PEC allowed unjustified time extensions without any reason to the contractor upto 24.05.2010 without imposing liquidated damages upto 10% of revised contract value just to extend undue favor to the contractor. It is further elaborated that total payment made to the contractor was rose to Rs. 399.013 million upto 43th IPC. Non-imposition of LD charges resulted in loss of Rs 39.90 million. Furthermore, in addition, the management allowed escalation to the contractor amounting to Rs 9.365 million. Payment of escalation was also considered loss to the organization. It is worth mentioning here that the extensions were not approved by the competent authority i.e. BOD of the organization. Neither the escalation was approved by the BOD.

Audit was of the view that most of the contract of the development work has been badly delayed and CEO has granted undue extensions without imposing liquidated damages worth Rs 39.90 million under the rules which is held irregular in audit. Furthermore, the delay in execution of the projects by the contractors resulted in overall loss of Rs. 49.265 million.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that the additional scope of work, the timelines of the contract had been enhanced as per the Contract Agreement clauses.

Reply of the management was not convincing as the management failed to recover the liquidated damages from contractor and also had to bear escalation cost for delay in completion of project.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to recover the liquidated damages from the contractor. An Inquiry may be initiated at administrative level regarding non-imposition of liquidated damages due to delay in completion of project.

(PAR Para 4.3.28, Audit Year 2017-18)

3.5.4.38 Excess expenditure incurred over and above approved revised PC-I estimates of Phase-I - Rs 1,135.02 million

As per Planning & Development Division's letter dated 26th May, 2007 read with previous letter No.20(1)DA/PC/79-Vol,XIV, dated: 22 June, 1980, "If the total estimated cost, as sanctioned increases by a margin of 15 per cent or more or if any significant variation in the nature of scope of the project has been made, irrespective of whether or not it involves an increased outlay, the approval of the ECNEC/Competent authority shall be obtained in the same manner as in the case of the original scheme without delay. It is further added that the 15% permissible limit is allowed only in respect of original approved cost and not revised cost of the scheme and no expenditure be allowed to be incurred over the revised approved cost unless further approved by the ECNEC/Competent authority".

During audit of Pakistan Expo Centers, it was observed that PEC management incurred extra expenditure of Rs. 1,135.02 million over and above the revised approved PC-I cost estimates of phase-I of construction of Expo Center, Lahore as detailed below:

Detail of Actual payments to contractors over and above revised approved PC-I Cost Estimates as on 30.06.2017

S. No.	Contract Name & No.	Name of Contractor	Amount of Contract	Actual Payment to Contractor	Revised PC-I Cost	Excess Payment
1	C-02-Expo Halls and Ancillary Buildings	Qavi Engineers (Pvt.) Ltd	939.433	1,738.10	1,000.00	738.10
2	C-04-HVAC Works for Convention Centre	Elektra Systems	97.668	178.00	100.00	78.00
3	C-06-IP based Technology Infrastructure & Services	Arwen Tech (Pvt.) Ltd	241.572	558.40	330.00	228.40
4	C-07-Interior Furnishing & Furniture	Bestow Interiors	84.563	231.60	150.00	81.60

Total	1,363.24	2,706.09	1,580.00	1,126.09

**Detail of Actual expenditure incurred over and above revised approved PC-I Cost Estimates
as on 30.06.2017**

S. No.	On A/c of	Cost as per Original Design	Cost as per revised design	Actual expenditure incurred	Excess Payment
1	Vehicles	10.00	10.00	12.92	2.92
2	Overheads	50.00	70.00	76.00	6.00
Total		60.00	80.00	88.92	8.92

It is also added that original PC-I was got approved by ECNEC for Rs. 1,970 million in 30.11.2006 which was further revised in 19.09.2007 for Rs. 2,970 million conditionally and ECNEC gave ex-post facto approval in 17.03.2011 by including 15% escalation cost of Rs. 445 million resultantly total revised cost rose to Rs. 3,415 million as on June 30th 2017. It is further revealed that the management of PEC submitted the PC-IV i.e. the completion report in 12.10.2011 in which all costs were booked as per their record i.e. Rs. 3,415 million. But it is worth mentioning here that the revised cost was further increased by Rs. 1,135.02 million over and above the revised PC-I without the approval of competent authority i.e. ECNEC.

Audit was of the view that due to weak financial management and internal controls extra expenditure of Rs. 1,135.02 million was incurred over and above the revised approved PC-I cost estimates of phase-I of construction of Expo Center, Lahore which is held irregular and un-justified in audit.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that the project cost of phase 1 of Expo Centre Lahore was Rs. 3,415 million which was duly approved by Ministry of Commerce, Planning Commission of Pakistan and ECNEC. Likewise, the project cost of Phase II of Expo Centre Lahore was Rs. 1,098 million and it is also approved from the competent forums of Government of Pakistan.

Reply of the management was not convincing as the management did not follow the said govt. Instructions.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to state reasons of not following the instructions of P&D Division regarding incurring of extra cost over and above the revised PC-I without the approval of competent authority i.e. ECNEC. Investigate the matter at administrative level and fix responsibility thereof.

(PAR Para 4.3.29, Audit Year 2017-18)

3.5.4.39 Loss due to acceptance of tender at higher rates - Rs 157.749 million

According to Punjab delegation of financial powers rules 2006, the quoted rates and amount tendered shall not exceed more than 4.5% of the technical sanction estimate of the project/work.

During audit of Pakistan Expo Centers, it was observed that PEC management made a contract valuing Rs. 281.386 million with M/s Guarantee Engineers, the contractor, for “Construction of Convention Center of Expo Center, Lahore” on 08.11.2005. The work was started w.e.f. 10.11.2005 and was to be completed in 14 calendar months’ time i.e. 09.01.2007. During detail scrutiny of bidding documents, revealed that the management of PEC awarded the work at 16.62% above the engineers estimated cost of Rs 241.282 million which is held irregular in audit. Furthermore, PEC management made payment of Rs. 399.03 million which was 65.38% above the revised engineer’s estimates.

Thus audit was of the view that due to weak supervisory and financial controls resulted in loss of Rs 157.749 million. Furthermore, the management did not bother to get clarification from the legal consultants about the enhanced bid submitted by the lowest bidder i.e. M/s Guarantee Engineers over and above the prescribed limit of 4.5% which resulted in loss of Rs 157.649 million is held irregular in audit.

The matter was reported to the management in July, 2018. The management in its reply dated September 22, 2018 stated that Pakistan Expo Centers is getting development funds from Federal Government of Pakistan and awarding contract According to the PPRA rules issued by the Government of Pakistan. The contract was awarded through competitive bidding to the bidder lowest in cost and technically compliant.

Reply of the management was not convincing as the management did not comply with the govt. Instructions.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021 and 08.11.2022.

Audit recommends to state reasons for awarding of contract over and above the prescribed limit of 4.5% resulting in loss of Rs 157.749 million to Govt. exchequer. Matter may be inquired and fix responsibility on persons held responsible and the matter may be got regularized from the competent authority.

(Based on Para 4.3.30 of Expo Lahore 2012-17)

3.5.4.40 Revenue loss due to less occupancy achieved in exhibition halls 1 & 2 as a result of defective business planning – Rs. 915.566 million

As per clause 5 of PC-V of Expo Centre Lahore (Phase-I), the optimal capacity to organize 04 exhibitions in one month was planned. To achieve the planned targets, PEC management had to devise, implement and monitor the business strategies and policies in efficient manners.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was, observed that the management of PEC started its operations in first two exhibition halls in May, 2010 with a monopolistic position for conducting such business events. Only 87 events were held in hall-1 and 162 events in hall-2 up till June 30, 2017. The management did not devise any business plan to capture the business instead renting out the expo facilities to private event organizers at nominal rent. Further probe into the matter revealed that sales tariff was not revised since start of operations i.e. 2010. Thus, due to non-devising/ implementation of business strategies and business planning, less occupancy for these exhibition halls was achieved by the management which resulted into revenue loss of Rs. 915.566 million as detailed below:

Hall – 1							
S. No.	Year	Expected No. of Events to be held per year	No. of Events held	%age of Occupancy achieved	Expected Receipt (Rs. in million)	Actual Receipt (Rs. in million)	Expected Loss (Rs. in million)
1	2010-11	48	10	21	124.80	20.695	104.105
2	2011-12	48	09	19	124.80	19.450	105.350
3	2012-13	48	7	15	124.80	31.200	93.600
4	2013-14	48	8	17	124.80	27.100	97.700
5	2014-15	48	14	29	124.80	42.100	82.700
6	2015-16	48	18	38	124.80	60.330	64.470
7	2016-17	48	21	44	124.80	69.450	55.350
Total		336	87	26	873.600	270.325	603.275
Hall – 2							
S. No.	Year	Expected No. of Events to be held per year	No. of Events held	%age of Occupancy achieved	Expected Receipt (Rs. in million)	Actual Receipt (Rs. in million)	Expected Loss (Rs. in million)
1	2010-11	48	15	31	124.80	43.945	80.855
2	2011-12	48	19	40	124.80	65.000	59.800
3	2012-13	48	26	54	124.80	93.200	31.600
4	2013-14	48	29	60	124.80	101.834	22.966
5	2014-15	48	23	48	124.80	78.560	46.240
6	2015-16	48	24	50	124.80	91.880	32.920
7	2016-17	48	26	54	124.80	86.890	37.910
Total		336	162	48	873.600	561.309	312.291
Grand Total						915.566	

It is clear from the above tables that the management of PEC did not bother to devise any business plan as a result of which the average occupancy of 48 events per year for each hall was not achieved. Thus, the Company sustained revenue loss of Rs. 915.566 million up till June 30, 2017.

Audit was of the view that lack of proper devising/implementation of business plan and marketing strategy resulted in revenue loss of Rs 915.566 million.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that at the optimal capacity level, Expo Centre will generate annual revenue of Rs. 250 million from the existing facility. In the last financial year Expo Centre has generated Rs. 210 million on account of revenue which is more than 80 % of the planned revenue.

Reply of the management was not convincing as the management failed to achieve optimal capacity as per PC-V.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to take necessary to capture the business share by increasing the occupancy.

(PAR Para 4.4.1, Audit Year 2017-18)

3.5.4.41 Un-productive expenditure on construction of exhibition halls 3 & 4 - Rs. 1,333.00 million

As per clause 5 of PC-V of Expo Centre Lahore (Phase-I), the optimal capacity to organize 04 exhibitions in one month was planned.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that as per original PC-I of the project, the construction work was planned to be started w.e.f August 24, 2005 and to be completed on December 31, 2006 at a total cost of Rs 1,970.00 million. The PC-I was revised by ECNEC on September 19, 2007 in which planned completion date was November 30, 2009 at a revised cost of Rs 2,970.00 million. However, the project was actually completed on April 30, 2010 for which ex-post facto approval was obtained from ECNEC on March 17, 2011. At initial, the construction work of four (4) exhibition halls was started but due to financial constraints the construction work of halls 3 & 4 was postponed till completion of first two halls. The construction work of first two halls (1 & 2) was completed on April 30, 2010 and PEC started its operations in May, 2010. Further probe into the matter it was revealed that erection work of halls 3 & 4 was again started in 2012-13 which was not completed till June 30, 2018. On the other hand due to defective business planning, the management did not achieve its optimal occupancy by conducting four exhibitions per month in each hall which resulted in less occupancy for halls 1 & 2, i.e. 26% and 48% respectively. Year wise detail of occupancy of hall 1 & 2 is as under:

Year wise detail of occupancy achieved (Exhibition Hall-1)

Sr. No	Year	Planned Occupancy (No. of events)	Occupancy Achieved (No. of events)	%age of occupancy achieved
1	2010-11	48	10	21
2	2011-12	48	09	19
3	2012-13	48	07	15
4	2013-14	48	08	17
5	2014-15	48	14	29
6	2015-16	48	18	38
7	2016-17	48	21	44
Total		336	87	26

Year wise detail of occupancy achieved (Exhibition Hall-2)

Sr. No	Year	Planned Occupancy (No. of events)	Occupancy Achieved (No. of events)	%age of occupancy achieved
1	2010-11	48	15	31
2	2011-12	48	19	40
3	2012-13	48	26	54
4	2013-14	48	29	60
5	2014-15	48	23	48
6	2015-16	48	24	50
7	2016-17	48	26	54
Total		336	162	48

The total construction cost incurred for four halls was Rs. 2,666.00 million up till June 30, 2017 including expenditures of Rs. 1,333.00 million incurred on erection of halls 3 & 4. Keeping in view the less capacity utilization of halls 1 & 2, the requirement of halls 3 & 4 was not justified. Thus, the expenditure incurred on construction of halls 3 & 4 was not at all justified and termed as un-productive. This was a sign of weak financial management.

Audit was of the view that lack of proper planning resulted in incurrence of un-productive expenditure.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that Expo Centre Lahore is managing about 3 exhibitions per month which is about 80% of the normal capacity utilization.

Reply of the management was not convincing as the management failed to utilize the existing facility at optimal level.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate the reason(s) for such un-productive expenditure for construction of halls 3 & 4 despite fixing responsibility thereof. Necessary steps needs to be initiated to capture the business share by increasing the occupancy.

(PAR Para 4.4.2, Audit Year 2017-18)

3.5.4.42 Mis-utilization of amount received on account of escalation from GOP - Rs 366.64 million

As per clause 207 (1) of General Financial Rules, unless in any case Government directs otherwise, every order sanctioning a grant should specify clearly the object for which it is given and the conditions, if any, attached to the grant and the same must be utilized for the said purpose.

Further, as per revised PC-I, total revised cost of Rs. 2,970.00 million was approved by ECNEC on March 17, 2011 which included 15% escalation of Rs. 445.00 million to be utilized for price hikes.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was, observed that the management of PEC paid/ adjusted an amount of Rs. 78.36 million only for three contracts (C-01, C-02 & C-03) and remaining amount of Rs. 366.64 million (445.00-78.36) was mis-utilized on other works detail of which was not provided by the management. Detail of amount utilized to pay escalation amount is as under:

(Rs. in million)

S. No.	Name of Contract	Name of Contractor	Escalation Paid to contractor
1	C-01-Site Infrastructure Development	Shalimar Construction Company	15.05
2	C-02-Expo Halls and Ancillary Buildings	Qavi Engineers (Pvt.) Ltd	53.95
3	C-03-Convention Center	Guarantee Engineers (Pvt.) Ltd	9.37
Total			78.36

It is clear from the above table that only Rs. 78.36 million was utilized on account of escalation out of Rs 445.00 million received for the purposes. The remaining un-adjusted amount of Rs 366.64 million was not utilized for the

purpose which was held mis-utilized/irregular in audit. This was a sign of weak financial management.

Audit was of the view that non-observance of rules resulted in non-utilization of escalation amount for the purposes.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that Ministry of Commerce and Planning Commission approved 15% escalation i.e. Rs.445 million on the total cost of the existing approved project. Due to scarcity of funds, it would be advisable to complete the two exhibition halls, a convention center along with other allied facilities (Phase 1) and in order to meet the shortfall of funds for such purposes.

Reply of the management was not convincing as the management mis-utilized the escalation funds for other works.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate the matter for mis-utilization/ un-adjusted balance of escalation amount and fix responsibility on person(s) at fault.

(PAR Para 4.4.3, Audit Year 2017-18)

3.5.4.43 Irregular payment of advertisement charges without approval of Press Information Department - Rs 14.262 million

In terms of Government of Pakistan, Ministry of Information and Public Sector advertisement are to be released by the Ministry of Information and Broadcasting through Press Information Department (PID). No Department may place a direct order with an agency for release of an advertisement. Advertisement bills will be scrutinized by PID.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that PEC management issued advertisement in different newspapers placing direct orders to M/s MIDAS (Pvt.) Ltd, ADGROUP (Pvt.) Limited and Message Communications and an amount of Rs. 14.262 million was incurred without approval/ verification of bills from PID during the years 2005-17 which was held irregular in audit. This was a sign of weak financial management.

Audit was of the view that advertisement as well as payment of Rs 14.262 million made in violation of laid down procedure were therefore, held irregular.

The matter was reported to the management and PAO in July, 2018. The management in its reply dated September 22, 2018 stated that PID is not applicable on private limited company and the rate of advertisements are the same which clearly shows that neither there is any violation of any law nor affecting the cost.

Reply of the management was not convincing as the management violated the govt. instructions being public sector organization.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate the reason(s) for such irregular expenditure and fix responsibility on person(s) at fault.

(PAR Para 4.4.5, Audit Year 2017-18)

3.5.4.44 Under-utilization of auditoriums resulting in revenue loss - Rs. 116.345 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails 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 handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During audit of Pakistan Expo Centers, Lahore for the years 2012-17, it was observed that management constructed two Auditoriums during 2009-10 for holding of events/functions. During review of record on account of revenue generated from booking of events in these Auditoriums, revealed that these Auditoriums were booked only three to eight times per year for holding of events and management received Rs. 18.655 million only during five years on account of events held in these Auditoriums According to detail given below:

Years	Nos. of Events per Year	Amount Received (Rs.)
2012-13	03	1,530,000
2013-14	04	3,140,000
2014-15	08	5,450,000
2015-16	08	4,855,000
2017-18	04	3,680,000
Total		18,655,000

It is pertinent to mention here that these Auditoriums were constructed by incurring millions of rupees and management failed to deploy result oriented marketing strategies to attract the clients. Had the management been succeeded to hold just four events per month only as mentioned in PC-I (Phase-I), the company could earn Rs. 135.00 million but the same was not done due to which loss of Rs. 116.345 million was sustained. This was indicative of weak operational management.

The detail of loss is as under:-

Period	Rate per Hour of Auditorium No. 01 & 02 Including Setup and Dismantling Charges (Rs.)	Minimum Hours to be booked per Event	Minimum Nos. of Events to be held per year @ 4 Events per Month	No. of Years	Amount to be Received during five years (Rs.)	Amount Received during five years (Rs.)	Loss (Rs.)
1	2	3	4	5	6 (2x3x4x5)	7	8 (6-7)
2012-13 To 2016-17	112,500	5	48	5	135,000,000	18,655,000	116,345,000

Audit was of the view that non-achievement of set operational targets resulted in occurrence of revenue loss and accumulated losses of the company were increasing every year.

The matter was reported to the management in July, 2018. The management in its reply dated September 22, 2018 stated that the audit is showing an opportunity loss of Rs.116 million in five years on the wrong assumptions that company has to organize 48 events in a year as in the case of exhibition halls. Here we have to understand one thing that different products of a company have different sale revenues but some time such low revenue products are essential to give all solutions from one window in order to retain the customers. Likewise; the requirement of auditoriums in three days exhibition is only three to six hours for opening or closing sessions whereas exhibition halls are booked for 8 hours per

day i.e. 24 hours in three days events. In this scenario, the revenue of auditorium cannot match with halls but to attract the sale of exhibition halls such facility is essential.

The reply of the management was not convincing as the management did not market the auditorium facility properly which causes revenue loss to the Govt. exchequer.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate the reasons for non-achievement of set targets by holding events in auditoriums resulting in revenue losses, despite existence of marketing department. Fix responsibility thereof and make good the losses by effecting recovery and efforts need to be made to enhance the revenue by utilizing the Auditoriums at maximum capacity.

(Para-4.4.8 of Expo Lahore 2012-17)

3.5.4.45 Non-achievement of revenue budgeted targets since inception of operation- Rs 116.190 million

According to rule 4(3) of the Public Sector Companies (Corporate Governance Rules 2013), the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance. His 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.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was found that the management set revenue targets annually and presented to BOD for approval. The BOD granted approval with the direction to fully utilize the resources in order to generate revenue. BOD set revenue targets amounting to Rs. 715.00 million since start of operations of PEC under different heads. Out of these targets, the management could achieve Rs. 598.81 million resulting into less achievement of target to the extent of Rs. 116.190 million. Detail of less achievement of revenue targets is as follows:

(Rs. in million)

S. No.	Particulars	Targets	Actual	Difference
	2016-17			
1	Operational Income from Space Rent	180.00	169.37	10.63
2	Operational income from additional event services	5.00	4.18	0.89
3	Income from training	15.00	0	15.00
	Total (A)	200.00	173.55	26.52
	2015-16			
1	Operational income from additional event services	20.00	8.01	11.99
	Total (B)	20.00	8.01	11.99
	2014-15			
1	Operational Income from Space Rent	170.00	140.94	29.06
2	Operational income from additional event services	20.00	12.04	7.96
3	Other Income	10.00	3.22	6.78
	Total (C)	200.00	156.20	43.80
	2013-14			
1	Operational Income from Space Rent	160.00	159.57	0.43
2	Other Income	5.00	3.24	1.76
	Total (D)	165.00	162.81	2.19
	2011-12			
1	Operational income from additional event services	15.00	11.14	3.86
2	Other Income	15.00	7.23	7.77
	Total (E)	30.00	18.37	11.63
	2010-11			
1	Operational Income from Space Rent	80.00	71.91	8.09
2	Operational income from additional event services	10.00	2.14	7.86
3	Other Income	10.00	5.83	4.17
	Total (F)	100.00	79.88	20.12
	Grand Total (A+B+C+D+E+F)	715.00	598.81	116.19

It is clear from the above table that there was less achievement of revenue targets since inception i.e. from 2010 because of less occupancy of exhibition halls and other facilities due to inefficient operational management. The main reason was that Business Development/ marketing department established by PEC management was not working efficiently to capture the business. Further, neither business plan nor marketing strategy had yet been prepared/ devised to enhance the revenue so that targets could be achieved and loss could be minimal. This was a sign of weak financial and marketing management.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that the correct figures of planned revenues for the period 2010-2017 was Rs. 1,160 million and

actual revenue was Rs. 1,142 million. This clearly shows that the gap is only Rs.17.5 million.

Reply of the management was not convincing as the no documentary evidence was provided to audit for verification.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to state reasons for non-achievement of revenue targets. Devise a business plan and marketing strategy to improve the achievement of revenue targets.

(Expo PAR Para 4.5.1, Audit Year 2017-18)

3.5.4.46 Heavy accumulated losses due to weak operational management - Rs 988.620 million

According to rule 4(3) of the Public Sector Companies (Corporate Governance Rules 2013), the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance. His 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.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that accumulated losses rose to Rs. 988.620 million since inception of its operations in May, 2010. The profitability position of the company from 2009-10 to 2016-17 was as under:

(Rs in million)					
S. No.	Financial Year	Income	Expenditure	Loss	%age of Loss to Income
1	2	3	4	5=4-3	6=5/3
1	2009-10	23.203	67.563	44.360	191.18
2	2010-11	79.885	231.502	151.617	189.79
3	2011-12	123.479	260.610	137.131	111.06
4	2012-13	177.561	296.907	119.346	67.21
5	2013-14	194.438	335.999	141.561	72.81
6	2014-15	158.924	308.859	149.935	94.34
7	2015-16	203.570	318.483	114.913	56.45
8	2016-17	207.613	337.370	129.757	62.50
Total		1,168.673	2,157.293	988.620	

It is clear from the above table that Company sustained huge losses since start of its operations in 2010. Main reasons for such increases in the accumulated losses were to increase in HR related expenditure from Rs. 35.00 million per annum in 2010-11 to Rs. 60.00 million in 2016-17 whereas during the above period depreciation rose from Rs. 39.00 million as on June 30, 2010 to Rs. 143.00 million as on June 30, 2017. Therefore, it is clear that due to non-existence of business plan/marketing strategy to increase sales and control the expenditure, the accumulated losses showing an increasing trend. Thus no steps were taken to ensure commercial viability of the company. This showed a weak financial management.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that in external purpose accounting, tax laws allowed business organizations to take the benefit of depreciation expense in order to calculate the tax liability so the loss in the statutory books of account is only due to charge of depreciation of building structures and this behavior is in line with global industry norms. As depreciation is non-cash expenditure, if we exclude this element from Income statement and present accounts on cash basis expenditures than the company accounts are showing surplus.

Reply of the management was not convincing as the management sustained losses since inception.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate the reasons of heavy accumulation of losses since starting operations to fix responsibility on persons at fault. Efforts to increase sales revenue are required to be made.

(Expo PAR Para 4.6.1, Audit Year 2017-18)

3.5.4.47 Revenue loss due to non-revision of sales tariff since 2010 – Rs. 76.70 million

As per S. No. 3 of minutes of 26th meeting of BOD dated October 15, 2010, BOD approved operational activities and authorized Chief Operating Officer (COO) to implement the proposed tariff packages and to make any adjustment if and when needed.

According to rule 7(2) (a) of the Public Sector Companies (Corporate Governance Rules 2013), significant issues shall be placed before the Board for its information and consideration, in order to formalize and strengthen the corporate decision making process including the annual business plans, cash flow projections, forecasts and long term plans, budgets including capital, manpower and expenditure budgets, along with variance analysis.

According to rule 4(3) of the Public Sector Companies (Corporate Governance Rules 2013), the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance. His 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.

As per clause 8.2.1 of sales policy updated December 21, 2016, the management of the company will determine the tariff of various facilities of Expo Centre.

During audit of Pakistan Expo Centers (Pvt.) Limited (PEC), it was observed that the management got approved tariff package from BOD in 26th BOD meeting dated October 15, 2010 as detailed below:

Sr. No	Particulars	Amount in Rs.
1	Halls Event Rent (Rate Per day)	1,200,000
2	Set up before event (Rate per Hour)	10,000
3	Dismantling after event (Rate per Hour)	10,000

The Chief Executive Officer (the then Chief Operating Officer) who was authorized/ empowered by the Board to make adjustment in sales tariff package as and when needed, which was not done. Furthermore, proposal regarding revision of tariff package was neither placed before the BOD since 2010. This resulted into expected loss of Rs. 76.70 million since start of operations. Further the management of the company did not focus on its sustainability aspect and avoid revision of rent rates. The detail of expected revenue loss per year due to non-revision of sales tariff is as under:

(Rs. in million)

Sr. No	Year	Actual Revenue Earned	Expected Annual Revenue	Loss
1	2010-11	64.64	64.64	0
2	2011-12	84.45	92.90	8.45
3	2012-13	124.40	136.84	12.44
4	2013-14	128.93	141.83	12.89
5	2014-15	120.66	132.73	12.07
6	2015-16	152.21	167.43	15.22
7	2016-17	156.34	171.97	15.63
Total		831.63	908.33	76.70

This state of affairs shows weak performance due to non-implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources were properly safeguarded and were used economically, efficiently and effectively and in accordance with all statutory obligations.

Audit was of the view that weak financial management resulted into occurrence of losses of the company.

The matter was reported to the management and PAO in July, 2018. The management in its reply dated September 22, 2018 stated that Since 2014 , the exhibition activities are heavily taxed therefore in order to make events viable at Expo Centre Lahore it is essential to maintain tariff at the level where neither Expo Centre will make a loss nor event organizer will unable to do an event.

Reply of the management was not convincing as the management failed to formulate the strategy/ policy regarding efficient utilization of resources.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate the reason(s) for non-revision of sales tariff since 2010 to fix responsibility on the person(s) at fault. Necessary steps be initiated to revise tariff package to overcome the accumulated losses.

(Expo PAR Para 4.6.2, Audit Year 2017-18)

3.5.4.48 Loss due to less charging of rental rates - Rs. 17.909 million

According to rule - 4(3) of the Public Sector Companies (Corporate Governance Rules 2013), the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance.

During audit of the Pakistan Expo Centre, Lahore (PEC) it was observed that the management fixed certain rates for each service provided to the clients for holding exhibitions or any other functions. But different clients were charged less rates as compared to the prescribed rates. Thus due to less charging of rental rates, a loss of Rs. 17.909 million was sustained by the company from 2010-11 to 2012-13 as detailed in Annex-26.

Audit was of the view that non-observance of prescribed rates to make the invoices resulted in loss to that extent. This was indicative of weak operational management.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that the existing rate of Auditorium # 1 was Rs. 50,000 per hour instead of Rs. 70,000 per hour. Secondly, rate of Rs. 70,000 per hour on Foyer Area when it was booked with Auditorium # 1 was Rs. 30,000 per hour.

Reply of the management was not convincing as the management failed to provide documentary evidence.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate the reasons for such losses at appropriate level. Fix responsibility thereof and make good the losses by effecting recovery from the concerned.

(Expo PAR Para 4.7.3, Audit Year 2017-18)

3.5.4.49 Loss due to decrease in rental rates of setup and dismantling - Rs. 130.175 million

According to rule - 4(3) of the Public Sector Companies (Corporate Governance Rules 2013), the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance.

During audit of the Pakistan Expo Centre, Lahore (PEC) it was observed that the management was charging a rate of Rs. 25,000 per hour for setup and dismantling of events in the exhibition halls up to June, 2013. The said rate was charged as Rs. 10,000 from July, 2013 onwards. The justification for the reduction of rate as well as approval of the competent authority was not made available on record. In the absence of the same the reduction in rates was not justified and held irregular. Thus, a loss of Rs. 130.175 million was sustained by the company from July, 2013 to June, 2017. This showed weak internal control and financial management.

Audit was of the view that non-observance of prescribed rates to make the invoices resulted in loss to that extent.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that there was no reduction in rates for set-up and dismantling activities of any event held at Exhibition halls.

Reply of the management was not convincing as the management failed to provide documentary evidence.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate the reasons for such losses at appropriate level.

(Expo PAR Para 4.7.4, Audit Year 2017-18)

3.5.4.50 Unverified expenditure incurred on consumption of diesel due to improper maintenance of record - Rs. 79.897 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance Rules 2013), the principle of probity and propriety entails 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 handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During audit of the Pakistan Expo Centre, Lahore, it was observed that management installed three heavy capacity Generators of 1.6 MW i.e. 1,600 KVA (Mini Power Houses) to fulfill the electricity requirements during execution of Events and incurred an amount of Rs. 79.897 million from May, 2010 to June, 2017 (average Rs.11.414 million per year). The record for consumption of diesel i.e. month wise detail of diesel purchased, stock taking & consumption reports, per hour consumption, and actual consumption in hours during events/exhibitions days, etc. was demanded from management but the same was not available with management. The management just provides copies of statements showing meter readings of generators without mentioning any detail therein due to which heavy expenditure incurred on generators remained unverified.

Audit was of the view that the management should prepared the said record and submit to audit for scrutiny but the same was not done due to the reasons best known with management.

The matter was reported to the management and the PAO in July, 2018. The management in its reply dated September 22, 2018 stated that the Company has provided the complete record of purchase and consumption of diesel to the Audit team.

Reply of the management was not convincing as the management failed to provide record.

No DAC meeting was arranged till finalization of this report despite request dated 28.12.2018 followed by repeated reminders dated 31.01.2019, 03.05.2021, 15.07.2021, 08.11.2022 and 26.01.2023.

Audit recommends to investigate the reasons for non-preparation and provision of record. Fix responsibility on the person(s) held responsible.

(Expo PAR Para 4.7.5, Audit Year 2017-18)

Chapter-4

Ministry of Defence

Overview:

The Ministry of Defence is an executive ministry of the Government of Pakistan, tasked in defending Pakistan's national interests and values at home and abroad.

Functions of MOD under Rules of Business 1973

The following main business have been assigned to the Defence Division amongst the other functions:

Defense of the Federation or any part thereof in peace or war including Army, Naval and Air Force of the Federation and any other armed forces raised or maintained by the Federation; and armed forces which are not the forces of the Federation but are attached to or operating with any of the armed forces of the Federation;

- 1- Civilian employees paid from defense services.
- 2- International Red Cross and Geneva Conventions in so far as they effect belligerents.
- 3- Pardons, reprieves and respites, etc. of all personnel belonging to the Armed Forces.
- 4- Administration of Military Lands and Cantonments Group.
- 5- National Maritime Policy.
- 6- Marine surveys and elimination of dangers to navigation.

Audit Profile of Defence Production

(Rs. in million)				
Description	Total	Audited	Expenditure audited FY 2021-22	Revenue /Receipts audited FY 2021-22
Formations	2	-	-	-
Assignment Accounts (excluding FAP)	-			
Authorities /Autonomous Bodies etc. under the PAO	2	-		
Foreign Aided Projects (FAP)	-			

Classified Summary of Audit Observations

Audit observations amounting to Rs. Nil were raised in this audit. This amount also includes recoverable of Rs. Nil as pointed out by the audit. Summary of the audit observation classified according to respective subject's nature is as under:

Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities:	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	-
5	Others	-

4.1 Institute of Space Technology

4.1.1 Introduction

Institute of Space Technology (The Institute) is a statutory organization established under the Institute of Space and Technology Act, 2010 (Act No. XI of 2010), formerly Institute of Space Technology Ordinance, 2007 (Ordinance No. XLII, 2001 and the approval granted shall remain in force until it has been withdrawn under Rules 217 of Income Tax, 2002. The main objectives of the Institute is to promote and finance educational, research and development activities by facilitating the development of world-class degree awarding institute having a bearing on the socio-cultural economic needs of the country. The Institute is engaged in promoting space oriented activities with the help of both national and international experts.

4.1.2 Comments on Audited Accounts

4.1.2.1 Working results of the Institute for the year 2019-20 as compared with those of the previous years are as under:

(Rs in million)					
Particulars	2019-20	%age Inc/(Dec)	2018-19	%age Inc/(Dec)	2017-18
INCOME					
Grants	720.35	10.95	649.24	3.18	629.22
Income from educational activities	307.48	17.96	260.65	7.07	243.45
Income from other activities	30.46	0.01	30.47	55.74	19.56
Revenue on investments and deposits.	53.14	(24.06)	69.98	(49.61)	46.77
Total income	1,111.43	10.00	1,010.34	7.60	939.01
EXPENDITURE					
Educational expenses	793.61	9.58	724.25	7.12	676.13
Administrative expenses	264.01	1.61	259.83	23.26	210.79
Financial charges	0.65	(41.77)	1.12	34.86	0.83
Total expenditure	1,058.27	7.41	985.29	10.99	887.76
Surplus for the year	53.16	112.20	25.05	(51.12)	51.26

(Source: Annual Audited Accounts)

During the year under review income from grants increased by 10.95% to Rs 720.35 million (2018-19 - Rs 649.24 million), income from educational activities

by 17.96% to Rs 307.48 million (2018-19 – Rs 360.65 million), income from other activities remain the same i.e. Rs 30.46 million) 2018-19 – Rs 30.47 million), whereas, revenue from investment & deposits decreased by 24% to Rs 53.14 million (2018-19 – Rs 69.98 million). Total income increased by 10% to Rs 1,111.43 million (2018-19 – Rs 1,010.34 million), whereas, during the year 2018-19 the increase was of 7.6% over preceding year. The increase in grants during the year was due to increase in grant amount from SUPARCO by 17.83% and from HEC by 5.27%. Detail of targets and other terms & conditions attached with grants of SUPARCO and HEC needs to be elaborated.

4.1.2.2 Although there was no abnormal increase in Administrative expenses over previous year and during the year the administrative expenses were Rs 264 million during 2019-20 (2018-19 – Rs 260 million) with a minor increase of 1.6% over previous year. However, there was abnormal increase under the heads of entertainment & gifts, housing subsidy and legal & professional expenses by 49%, 12.75% and 87.5% to Rs 3.390 million, 36.422 million and Rs 2.123 million respectively. Management needs to justify the increase in expenditure under said heads.

4.1.2.3 Although the Work in progress was decreased by 36% to Rs 556.165 million as on June 30, 2020 (2018-19 – Rs 871.101 million). The reduction was due to completion and capitalization of SPD development project of 90% during the year. On the other hand the work in progress on PSDP projects was increased by 18% to Rs 436.715 million as on June 30, 2020 (2018-19 – Rs 368.796 million). Position with regard to non-completion of PSDP projects needs clarification.

4.1.2.4 During the year under review on maturity in November 2019 the short term investment of Rs 200.00 million was not considered for re-investment. Due to very reasons the cash at bank was increased by 54% to Rs 1,131.211 million as on June 30, 2020 (2018-19 – Rs 733.798 million). Keeping the excess fund in bank and not considering the surplus fund for investment needs justification.

4.1.2.5 Receivable from Students increased by 79% to Rs 8.787 million as on June 30, 2020 (2018-19 – Rs 4.909 million). Provision for doubtful debts Rs 0.976 million was also made against said receivables. Reasons due to which provision for doubtful debts against receivable from students was made needs justification. Efforts needs to be made for early recovery from the students.

4.1.2.6 Short term loans, deposits, advances and prepayments increased by 172.60% to Rs 37.834 million as on June 30, 2020 (2018-19 – Rs 13.879 million). The increase was mainly due to abnormal increase in prepayment by 3,970% to Rs 23.282 million as on June 30, 2020 (2018-19 – Rs 0.572 million). Abnormal increase under the head needs justification.

4.1.2.7 Current liabilities included payable to IST trusts Rs 61.794 million as on June 30, 2020 (2018-19 – Rs Nil). Early clearance of said liability is stressed upon the management.

4.1.3 Compliance of PAC Directives

There were no pending PAC directives for compliance.

Chapter-5

Ministry of Defence Production

Overview:

This organization was established to meet the requirements of the Armed Forces through a cautious combination of procurement (local and import) and indigenous production of arms & ammunition with a continued effort to enhance the component of indigenous production and in the process, export surplus capacity of defence products to regional and friendly countries.

Functions of MODP under Rules of Business 1973

The functions of the MoDP under Rules of Business 1973 authority have been reviewed and revised in the light of its expanded activities in 2003 and are shown below:

- Laying down policies or guidelines on all matters relating to defence production.
- Procurement of arms, firearms, weapons, ammunition, equipment, stores and explosives for the defence forces.
- Declaration of industries necessary for the purpose of defence or for the prosecution of war.
- Research and development of defence equipment and stores.
- Co-ordination of defence science research with civil scientific research organizations.
- Indigenous production and manufacture of defence equipment and stores,
- Negotiations of agreements or MOUs for foreign assistance or collaboration and loans for purchase of military stores and technical know-how or transfer of technology.
- Export of defence products.
- Marketing and promotion of activities relating to export of defence products.
- Coordinate production activities of all defence production organizations or establishments.

This mandate is actualized through Defence Production Establishments (DPEs) that include Pakistan Ordnance Factories at Wah, Heavy Industries Taxila, Pakistan Aeronautical Complex at Kamra, Directorate General Defence Purchase, Directorate General Munitions Production. Two Corporations were placed under the Ministry in recent years, namely Karachi Shipyard & Engineering Works and National Radio Telecommunication Corporation. Defence Export Promotion Organization is a special institution for defence production exports. Much of the initial growth and development of DPEs were obtained through PSDP allocations.

Pakistan Ordnance Factories is country's premier defence production organization. POF welcomes international clients from friendly countries and offer a broad range of defence products manufactured on highest level of quality standards at most competitive prices. Established in 1951, POF is the largest state-owned defence manufacturer in Pakistan. Besides being the main supplier of Pakistan Armed Forces and the law enforcement agencies, POF exports to a number of countries across the globe.

Having a work force of over 27,000 skilled employees in 14 defence industrial units and a number of commercial subsidiary companies, POF employs more than 20,000 plants scattered in the gigantic industrial complex located at Wah Cantonment in Pakistan. Products range is exquisitely portrayed in this catalogue. POF showcase display in most of the international defence exhibitions. POFs Exports Division employs experts who take care of customer requirements in professional manner with utmost promptness.

Audit Profile of Defence Production

(Rs. in million)				
Description	Total	Audited	Expenditure audited FY 2021-22	Revenue /Receipts audited FY 2021-22
Formations	6	4	12,886.495	15,616.075
Assignment Accounts (excluding FAP)	-			
Authorities /Autonomous Bodies etc. under the PAO	-	-		
Foreign Aided Projects (FAP)	-			

Classified Summary of Audit Observations

Audit observations amounting to Rs. 11,190.559 million were raised in this audit. This amount also includes recoverable of Rs. 773.570 million as pointed out by the audit. Summary of the audit observation classified according to respective subject's nature is as under:

Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Non-Production of record	0
2	Reported cases of fraud, embezzlement and misappropriation	51.372
3	Irregularities:	0
A	HR/Employees related irregularities	157.209
B	Procurement related irregularities	992.257
C	Management of accounts with Commercial Banks	5,173.799
4	Value for money and services delivery issues	3,072.702
5	Others	1,743.220

5.1 Karachi Shipyard and Engineering Works Limited

5.1.1 Introduction

Karachi Shipyard and Engineering Works Limited (the Company) was incorporated on 18 May, 1957 as an unquoted Public Company Limited by shares under the Companies Act, 1913 (now the Companies Act, 2017), wholly-owned and controlled by the Federal Government. The Company is mainly engaged in ship-building, ship-repairing and general engineering activities. The registered office and its engineering workshops are situated at West Wharf, Dockyard Road, Karachi.

5.1.2 Comments on Audited Accounts

5.1.2.1 The working results of the Company for the financial year 2020-2021 as compared with the preceding years are given below:

	2020-21	% Inc / (Dec)	2019-20	% Inc / (Dec)	2018-19
Net contract revenue	6,176.83	31.48	4,697.86	17.41	4,001.20
Contract Costs	(4,825.82)	29.64	(3,722.57)	17.93	(3,156.54)
Gross profit/(loss)	1,361.01	39.55	975.29	15.46	844.67
Administrative expenses	(860.04)	19.15	(721.82)	(8.39)	(787.96)
Other charges	72.51	60.74	45.11	(237.85)	(32.72)
Profit from operations	418.46	100.84	208.36	768.52	23.99
Other income	576.12	(4.92)	605.95	1.55	596.73
Finance costs	(2.52)	17.76	(2.14)	31.85	(1.62)
Profit before taxation	992.07	22.15	812.18	31.19	619.10
Taxation	(328.63)	56.48	(210.02)	40.85	(149.11)
Profit/(loss) after taxation as audit	663.44	10.18	602.16	28.12	439.56
(Accumulated losses) closing/Un-appropriated profit	2,546.40	31.53	1,936.03	52.42	1,270.16
Long term deposits paid	-		(1.49)	(88.08)	(12.47)
Income tax paid	(590.86)	69.50	(348.60)	10.78	(314.67)
Capital expenditure incurred	(3,962.57)	50.98	(2,624.63)	(32.93)	(3,913.01)
Govt. Grant received as per cash flow	1,601.34	(6.00)	1,703.48	(21.45)	2,168.75
Cash & cash at beginning of the year	4,296.93	7.48	3,997.89	(10.68)	4,475.91
Amount due from customers	1,257.40	4.14	1,207.40	(57.19)	2,820.27
Contract receivables	276.54	(83.58)	1,684.03	108.96	805.91
Trade deposits & short term prepayments	95.58	42.23	67.20	27.29	52.79
Sales tax receivable	414.01	24.45	332.68	(24.63)	441.42
Taxation-net	747.19	81.66	411.31	55.15	265.11
Cash generated from operations	4,950.32	289.11	1,272.21	(29.77)	1,811.42

Contract cost increased by 29.64% to Rs. 4,825.82 million in the year 2020-21 as compared to Rs. 3,722.57 million in the year 2019-20 which needed elucidation.

5.1.2.2 Sales Tax receivables increased by 24.45% to Rs. 414.01 million in the year 2020-21 as compared to Rs. 332.680 million in the year 2019-20 which required justification.

5.1.2.3 Trade and other payable increased by 51.46% Rs. 1,081.98 million in the year 2020-21 as compared to Rs. 714.38 million in the year 2019-20 which needed justification.

5.1.2.4 Repair and maintenance expenses increased by 18.57% to Rs. 32.88 million in 2020-21 as compared to Rs. 27.73 million during 2019-20 which needed elaboration.

5.1.2.5 Travelling and entertainment expenses increased by 53% to Rs. 11.96 million in 2020-21 as compared to Rs. 7.820 million during 2019-20 which needed elucidation.

5.1.2.6 Legal and professional expenses increased by 193.27 % to Rs. 12.200 million in 2020-21 as compared to Rs. 2.160 million during 2019-20 which required justification.

5.1.2.7 The Corporation's current assets as at December 31, 2021 stood at Rs. 11,809.35 million, and its current liabilities Rs. 2,894.80 million, which showed that the Corporation's ability to meet its short-term debt obligations and therefore, continue as a going concern. The financial structure of the Corporation is highly leveraged and its current ratio was 4.08% which showed that the Corporation's current assets are enough to cover its current liabilities.

5.1.2.8 Debt-equity ratio was 3.39 showed a high D/E ratio means business operations rely on borrowing which leads higher risk of bankruptcy. The total liabilities of the Corporation stood at Rs. 4,612.204 million and total shareholder's equity of Rs. (6,512.079) million as at December 31, 2021 which depicted Corporation's total reliance on borrowing. Audit was of the view that the Corporation is extremely vulnerable to the risk of default on its debt obligations.

5.1.3 Compliance of PAC Directives

Audit	Total No.	Compliance	Compliance	Breakup of compliance	%age of

Year	of Directives	reported	awaited	awaited	compliance
2010-11	6	3	3	4.1.4.1, 4.1.3, 4.1.2.1	50%
2011-12	8	2	6	5.1.2.5, 5.1.3	25%
2012-13	5	2	3	5.1.2.2, 5.1.3	40%
2013-14 (Paras More Than 50 M)	1	1			100%
2016-17 (Paras More Than 50 M)	2		2	5.1.4.4, 5.1.4.5	0%
2017-18	7	5	2	7.1.4.2, 7.1.4.4	71%
Total	29	13	16		45%

The overall compliance of PAC directives needs improvement.

5.1.4 Audit Paras

5.1.4.1 Irregular investment of funds – Rs. 2,170.000 million

Serial No. 3 (b) of Memorandum issued by Finance Division, Government of Pakistan dated July 02, 2003 stipulate that the process of selection of bank(s) should be transparent. Therefore, prior to placing deposits with a bank under this new policy, and in case the total working balances exceed Rs. 10 million, the selection of the bank(s) as well as the terms of deposits will be approved by the concerned Board of Directors/Governing Body on the basis of competitive bids from at least three independent banks. Furthermore, Serial No.6 states that before making any investment under this policy, it would be necessary for public sector entities to set up in-house professional treasury management functions.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2020-21, it was observed that the management invested an amount of Rs. 2,170.000 million in various banks as short-term investment (03 & 06 months) without observing the transparency for selection of banks, constituting the Investment Committee of the BoD and obtaining approval of the administrative ministry in violation of above rules. The details are as under:

(Rs. in million)					
S#	Name of Bank (s)	Amount	S#	Name of Bank (s)	Amount
1	Bank Al-Habib	420	5	The Bank of Punjab	250

2	NRSP Micro Finance Bank	450	6	Bank Islami Pakistan Ltd	400
3	JS Bank Ltd	150	7	National Bank of Pakistan	300
4	Sindh Bank Ltd	200	Total		2,170
(Source: Karachi Shipyard & Engineering Works)					

Audit was of the view that the management failed to comply the directives of Finance Division which reflected negligence and slackness.

The matter was reported to the management on May 31, 2022. The irregularity was discussed in the DAC meeting held on January 23, 2023. The management informed that investment was made after careful analysis of rates obtained from various banks by following PPRA rules. DAC directed the management to provide relevant record showing that the investment was made with due diligence after approval of BoD. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.2 Non-recovery of outstanding dues from various clients - Rs. 557.936 million

Rule 7(2)(L) of Public Sector Companies (Corporate Governance) Rules, 2013, stipulates that the Board shall establish appropriate arrangements to ensure to enable it to carry out its role effectively. (2) For the purpose of sub-rule (1), significant issues shall, inter-cilia, include the following, namely: - (L) failure to recover material amounts of loans, advances, and deposits made by the Public Sector Company, including trade debts and inter corporate finances.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2020-21, it was observed that an amount of Rs. 557.936 million was outstanding against various customers since June 30, 2021 (Annex-27).

Audit was of the view that the management failed to recover the huge amount of Rs. 557.936 million from various customers / departments which showed negligence and weak recovery mechanism.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that total outstanding amount from KPT as on 30th June, 2021 was Rs. 184.000 million but was mistakenly highlighted as Rs. 373.458 million. As today after increases in sales value, the outstanding amount from BD

AFTAB & FC HATHI is Rs. 243.563 million. Since additional work order received on BD AFTAB, FC HATHI & MT KADIRO, therefore, additional time for the additional work is required, therefore, project can't be assumed as 100% completed. DAC directed the management to get the recovered amount verified by Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.3 Excess expenditure against approved limit - Rs. 406.610 million

According to PC-I of Infrastructure Upgradation of Karachi Shipyard & Engineering Works, the budget / fund of amounting to Rs. 698.000 million was allocated in revised PC-I for Replacement of Steel Roof Trusses and the project for Refurbishment of South Quay Wall, the project amount allocated in revised PC-I was Rs. 97.000 million.

According to PC-I 2nd revised Authorized letter No.12(33) PIA-III/PC/2015 dated 25th October, 2016, The Executive Committee of The National Economic Council Considered the summary dated 09th August, 2016 submitted by Ministry of Planning Development and Reform on "Installation of Ship Lift and Transfer System and Associated Machinery & Equipment to Provide Docking and Repair Facilities to Surface Ships, Submarines and Commercial Vessels (2nd Revised)" and approved the project cost of Rs. 9,563.00 million including FEC of Rs. 3,644.00 million in the light of Para-15 of the Summary".

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2020-21, it was observed that the management awarded the following contracts in excess of approved budget / revised PC-I. (Annex-28).

(Rs in million)					
S. #	Name of contractor (s)	Contract Title	Amount allocated	Actual expenditure	Variance
01	M/s Shamsi builders Limited	Repair /Replacement of workshops steel roof Trusses	698.00	785.910	128.26
	M/s Nordtec International			40.355	
02	-	Stores and Spares, Other expenses and repair & maintenance etc.	94.07	177.31	83.24
03	M/s Shamsi	Refurbishment of South Quay Wall	97.00	122.681	25.11
04	-	Installation of Ship Lift and Transfer System and Associated Machinery & Equipment to Provide Docking and Repair Facilities to Surface Ships, Submarines and Commercial Vessels	9,563.00	9,733.00	170.00
Total			10,452.070	10,859.256	406.610
(Source: Karachi Shipyard & Engineering Works)					

Audit was of the view that the management did not adhere to the limits mentioned in revised PC-I which resulted in irregular excess expenditure beyond the approved limit.

The matter was reported to the management on May 31, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022 and January 23, 2023. The management informed that:

1. The contract for amount of Rs. 40.355 million was part of the approved PC-I. DAC directed the management to provide revised reply to audit entailing breakup of excess amount, variation orders and approval.
2. An amount of escalation /contingency segments mentioned in PC-1 are used for cost variation between estimation and actual market at the time of contract. DAC recommended the management to verify the stated facts from Audit.
3. DAC directed the management to share BOD decision/approval with relevant supporting documents reflecting regularization of the excess expenditure.

4. The contract was a part of the approved PC-I. DAC directed the management to provide revised reply to audit entailing breakup of excess amount, variation orders and approvals.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.240, 254, 270 & 274)

5.1.4.4 Abnormal increase in cost of contract and excess payments - Rs. 148.046 million

Rule 04 of PPRA Rules, 2004, states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Rule 20 of PPRA Rules, 2004, states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

According to Clause-12 of Terms & Conditions of agreement, finalization of rates for sheet piling and related works as additional works:

- 1 The rationalized cost of Rs. 200,154,959 will be considered as a Lump Sum amount for safe and sound execution of sheet pile works including steel tabular piles, complete in all respect.
- 2 Contractor will bear all the responsibility for completion of works. No any further claim on time or cost or if necessitated due any type of risk, what so ever will be borne by the Employer.

During audit of Karachi Shipyard and Engineering Works (KS&EW) for the year 2020-21, it was observed that the management awarded the work for rehabilitation of Sukkur Barrage and Civil works for Ship Lift and Transfer System in excess of actual / approved cost as detailed below:

(Rs. in million)						
S. #	Name of Contractor / Supplier	Description	Original Value	Enhanced Value	Variance	Violation
1.	Various Contractors	For rehabilitation cession gate , tug and civil works of Sukkur Barrage	16.078	96.200	79.500	Cost was increased by more than 15% to the original value in violation of PPRA Rules.
2.	M/s Posco Engineering and M/s. Twariqui Steel Mills	Civil works for Ship Lift & Transfer System	200.154	268.701	68.546	Excess payment against the approved cost.
Total			216.232	364.901	148.046	
(Source: Karachi Shipyard & Engineering Works)						

Audit was of the view that abnormal increase in the cost of projects and excess payment against the approved cost showed ill planning and weak internal controls on the part of the management.

The matter was reported to the management on May 31, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that:

1. Project of Sukkur barrage was divided in two schedule - No. 04 and 05. Value of schedule No.04 was US\$ 3.5 million and Rs. 16.700 million was value of schedule No.05. Cost of 06 projects was Rs. 96.200 million mentioned in observation memo, whereas total project cost is Rs. 565 million. DAC directed the management to provide revised reply to audit entailing breakup of excess amount, variation orders and approvals.
2. Civil work contract was signed on 10th January, 2014 and additional work for supply and installation of sheet piles was awarded at the cost of Rs. 200,154,959. Separate additional work was awarded for secant pile at the cost of Rs. 69.800 million. DAC directed the management to provide relevant record to audit in support of its assertion that excess payment was on account of another / separate job order. In case the assertion was not substantiated by the management, fact-finding inquiry may be conducted.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.245 & 260)

5.1.4.5 Irregular award of additional consultancy contract – Rs. 136.700 million

Rule 20 of PPRA Rules, 2004 provides that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During audit of Karachi Shipyard & Engineering Works (KS&EW) Ltd for the year 2020-21, it was observed that the management awarded an initial contract of Consultancy services in SLTS PSDP funded Project to M/s. NESPAK in February, 2014 for a period of 24 months which after extension ended till 30th of June, 2022. Later on, additional contract beyond the limit of 15% valuing Rs. 136.700 million was also awarded in violation of the PPRA rules (Annex-29).

Audit was of the view that the management extended undue favor to the contractor by awarding additional contract of Rs. 136.700 million in violation of PPRA rules, which was held irregular and unjustified.

The matter was reported to the management on May 30, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that project included on-shore and off-shore (marine) civil works approved in PC-I had identified M/s. NESPAK as the suitable consultant for such scope of work and contracted it. DAC directed the management to provide relevant reply with record to audit in support of its assertion that due process was followed. In case the assertion is not substantiated by the management, fact-finding inquiry may be conducted. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.6 Irregular award of contracts – Rs. 124.970 million

Rules 20 of PPRA Rules, 2004 provides that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

(i) The procurement concerns the acquisition of spare parts or supplementary services from original manufacturer or supplier; Provided that the same are not available from alternative sources;

(ii) Only one manufacturer or supplier exists for the required procurement: Provided that the procuring agencies shall specify the appropriate fora, which may authorize procurement of proprietary object after due diligence.

Clause 36 (h) of Procurement Procedure of KS&EW states that single offer or technically single offer should not be processed for award of purchase order. However, in case of urgent requirements of item, the case may be processed for award of purchase order, after urgency certification of concerned GM and approval of MD.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2020-21, it was observed that the management awarded the following contracts in violation of PPRA Rules, 2004 as detailed below:

(Rs. in million)				
S. #	Name of Contractor / Supplier	Description	Amount	Violation
1.	Various Contractors	For rehabilitation cession gate , tug and civil works of Sukkur Barrage	96.200	Work was awarded through quotations to sub-contractors
2.	M/s OHAUS Instruments, Karachi	Optical Emission Spectrometer	11.835	Work was awarded without tender and constitution of Fora
3.	M/s Ease Pro Solutions (Pvt.) Ltd	Supply of Steel Plates, Flat Bars and Round Bars & Pipes for Sukkur Barrage Project.	9.070	Work was awarded without tender
4.	M/s Trade Sea Company	Procurement of the Copper Slag Abrasive from	4.823	Work was awarded without tender
5.	M/s Fareed Engineering	Procurement of 01 Machine, Forged Steel Shaft	3.042	Work was awarded without tender
Total			124.970	
(Source: Karachi Shipyard & Engineering Works)				

Audit was of the view that the award of contracts in violation of PPRA Rules, 2004 stood irregular and unjustified.

The matter was reported to management on May 30, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022 and January 23, 2023. The management stated that:

1. DAC directed the management to provide revised reply reflecting justification / reasons for procurement through negotiated tendering instead of open tendering and other relevant record to audit for comments.
2. The procurement was made after declaration of the relevant forum in time to the effect that the item was of propriety nature. DAC directed the management to provide relevant record to the audit for verification.
3. Only single offer was received, which was accepted due to urgency. DAC directed the management to provide relevant justification for enhancement in the rates and market survey reflecting rate analysis to audit for comments.
4. Spectrometer was procured as per PPRA rule 42 c (ii) and M/s OHAUS instrument was the authorized dealer of OEM (Original Equipment Manufacturer) in Pakistan. DAC directed the management to provide justification to audit for examination.
5. DAC directed the management to conduct study on such procurements (Comparison on benefits of limited tendering vs open / competitive tendering) for last three years keeping in view the cost-benefit analysis, process efficiency and that whether such procurement was in the best interest of the Shipyard.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.244, 246, 247, 248 & 258)

5.1.4.7 Irregular additional expenditure against contingency head - Rs. 100.00 million

According to PC-I 2nd revised Authorized letter No.12 (33) PIA-III/PC/2015 dated 25th October, 2016, the Executive Committee of the National Economic Council (ECNEC) in its meeting held on 22nd August, 2016 and approved total cost of Rs. 9,563.00 million. Furthermore, Rs. 4,687.000 million were allocated for Civil, Engineering & Mechanical Works.

During audit of Karachi Shipyard & Engineering Works (KS&EW) Limited for the year 2020-21, it was observed that Rs. 4,687.000 million were allocated for Civil, Engineering & Mechanical Works for Ship Lift Transfer

System (SLTS) Project. However, the management charged additional expenditures of Rs. 100.00 million against the head of Contingency in violation of revised PC-I.

Audit was of the view that the management should have utilized expenditure in line with revised PC-I, but the same was not adhered to resulting in irregular expenditure of Rs. 100.00 million.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that that PC-I allocation for setting up of electrical and mechanical services was not sufficient; therefore, funds for contingency were diverted to complete the project in time. DAC directed the management to provide relevant record to audit entailing justifying grounds for utilization of the amount, competent Authority approval on regularization. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.8 Revenue loss due to sub-contracting of work - Rs. 64.559 million

Clause (2) of Memorandum & Articles of Association of KS&EW states that the object of the company is to carry out business of Shipbuilders, builders of constructors or general contractors, ship rights, ship repairs, refitters of ships, Engineers, manufacturers and repairers of engine.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2020-21, it was observed that the management awarded ship repair contract of FD-II ship of Pakistan Navy (PN) to different parties valuing Rs. 64.559 million instead of utilizing its own workforce. Board of Directors (BoD) in its 140th meeting stated that huge sub-contracting is leading towards overall decrease of income of KS&EW and recommended to utilize Shipyard workforce instead of sub-contracting at huge level (Annex-30).

Audit was of the view that the management extended undue favor to the suppliers and awarded sub-contract work which should have been carried out by shipyard, resulting into a revenue loss of Rs. 64.559 million.

The matter was reported to the management on May 30, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The

management informed that revenue generated from the project CSR-10156 PN FD II is Rs. 390.58 million, whereas the sub-contracting done on the same is Rs. 64.559 million which is 16.5% of the total contract value. Moreover, due to another ship repair work of 07 vessels at the same time, the work force of the department is not sufficient to meet the EDC of all vessels. DAC directed the management to share cost-benefit analysis to audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.9 Non-payment of Sales Tax on Services – Rs. 42.439 million

Section 3 (1) of Sindh Sales Tax on Services Act, 2011 states that service provided by person engaged in contractual execution of work or furnishing supplies is taxable @ 13%.

Sub-clause No. 53.2 & 53.3 of Contract agreement between KS&EW and M/s TTC Syncrolift, Norway states that the contractor or his personnel shall pay all personal income tax or other taxes due in Pakistan and provisions to the like sub-contract effect as those contained in this clause shall be incorporated in subcontracts.

During audit of Karachi Shipyard & Engineering Works (KS&EW) Limited for the year 2020-21, it was observed that the management made agreement with M/s. TTS Syncrolift AS, Norway on 22-06-2017 to provide services as a subcontractor in the project of Installation of Ship Lift Transfer System (SLTS) and associated Parking Bays of Ships and Submarines at KS&EW. However, the management did not pay Sindh Sales Tax on Services at 13% of the invoice amount as detailed below:

(Amount in Rs.)			
S#	Description	Amount of invoice	SST @ 13%
1.	1 st part payment Contract 10% of 6 Fab+Assy	61,027,184	7,933,533.92
2.	3 rd final payment 10% (15% for Sec#3,4,5+Assy	65,374,816	8,498,726.08
3.	KS&EW/GED 10% Acceptance of Platform	80,156,888	10,420,395.44
4.	Part Payment to 10% (15% for Sec#3,4,5+Assy	10,000,000	1,300,000.00
5.	2 nd Partial Payment 10% (15% for Sec#3,4,5+Assy	7,800,000	1,014,000
6.	Final Payment Invoice 10% of 6 Fab+Assy	22,147,632	2,879,192.16
7.	Payment Invoice 10% Completion of Platform	79,951,792	10,393,732.96
Total (Rs)		326,458,312	42,439,580.56
(Source: Karachi Shipyard & Engineering Works)			

Audit was of the view that the management was liable to pay the Sindh Sales Tax against the services provided to M/s. TTS Syncrolift, which was not done in violation of rules.

The matter was reported to the management on May 30, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that based on this assignment, KS&EW billed without sales tax and Project Director paid directly to KS&EW instead of TTS without Sindh Sales Tax. Federal Government is excluded from any tax on its property or income under any act of Provincial Assemblies. DAC directed the management that the matter may be referred to competent Authority for clarification on the subject matter. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.10 Unjustified purchase of security vehicle beyond PC-I - Rs. 42.422 million

As per M/o Planning, Development and Special Initiatives (Public Investment Authorization-III) letter No.12(38) PIA-III/PC/2019 dated the 3rd November, 2020; that the Central Development Working Party (CDWP) in its meeting held on 6th August, 2020 the Project Infrastructure Upgradation of KS&EW approved cost of the project was Rs. 69.000 million.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2020-21, it was observed that as per PC-I, total budget of Rs. 69.000 million was allocated for purchase of four (04) vehicles (Muhafiz-IV) were approved. However, only one (01) security vehicle was purchased amounting to Rs. 42.422 million leaving a balance of Rs. 26.578 million which was beyond the amount of PC-I.

Audit was of the view that the management made the procurement of vehicle at a higher price of Rs. 42.422 million which was not justified as the total allocation for 04 vehicles was of Rs. 69.000 million in PC-I.

The matter was reported to the management on May 31, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that three vehicles have already been procured. During the

audit in 2019, Auditor suggested to obtain latest security vehicle. Therefore, newer version of Muhafiz was purchased. Same reason was mentioned in minute sheet para 1. Furthermore, these vehicles were higher in cost but the cost has not exceeded from overall. DAC directed the management to initiate the case of regularization of the excess expenditure and provide relevant trail of the 04 procured vehicles to audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.11 Irregular procurement of Air Compressor - Rs. 32.292 million

According to PC-I of Infrastructure upgradation of Karachi Shipyard & Engineering Works approved by Central Development Working Party (CDWP) on date 14th September, 2017, there was no provision of procurement of Air Compressor.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2020-21, it was observed that the management procured three (03) Air Compressors M/s Allied Engineering & Services Ltd amounting to Rs. 32.292 million without any provision in revised PC-I and approval of concerned Ministry.

Audit was of the view that the procurement of Air Compressors without approval of concerned Ministry and without any provision in PC-I stood irregular and unjustified.

The matter was reported to the management on May 31, 2022. The irregularity was discussed in the DAC meeting held on January 23, 2023. DAC directed the management to provide cost-benefit analysis (Hiring vs acquisition) with detailed estimates prepared by the Engineer / Consultant. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.12 Irregular expenditure on foreign tours - Rs. 30.523 million

According to instructions vide Cabinet Secretariat U.O letter No: 9-148/2002-Min.II dated 26th October, 2018, Obligatory Visits (III) visits abroad of officers in BPS-20 and above and their equivalent working in Autonomous/Semi-Autonomous Bodies and Corporations, where size of the delegation is up to three members, Federal Ministers/ Minister in charge of Ministry/Division concerned

shall be competent to accord approval. (IV) Visits abroad by officers/officials up to and including BPS-19 and their equivalent working in Autonomous/Semi-Autonomous Bodies and Corporations, where size of the delegation is up to three members, Secretary/Additional Secretary in charge of a Ministry/Division concerned shall be competent to accord approval. (V) Where size of the delegation exceeds three members, b. where GoP funding is not involved, matter would be submitted for approval of the Prime Minister through Foreign Affairs Division. Furthermore, Para 04 states that visits abroad for trainings/workshops of government officer's upto BS-19, where no GoP funding is involved, Establishment Division, in consultation with all Ministries/Divisions, shall formulate detailed policy guidelines. The report should be submitted to the Committee on visits abroad within a month.

During audit of Karachi Shipyard & Engineering Works (KS&EW) Limited for the year 2020-21, it was observed that the management allowed foreign tours / trainings to officers for sales promotion and incurred an expenditure Rs. 30.523 million (Annex-31) without approval of the Prime Minister.

Audit was of the view that the expenditure on foreign tours was incurred without approval in violation of Cabinet Division's directives.

The matter was reported to the management on May 31, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that employees sent on foreign tours to Istanbul and China for construction training of Shipbuilding and Sub-Marine Construction jobs which was a part of contracts. DAC directed the management to provide due approvals to audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.13 Irregular appointment / continuation of services of contract employees after superannuation and secondment - Rs. 30.434 million

According to the Cabinet Secretariat O.M. No. 182/20-Corrd/C/2005 dated 04-12-2007, the re-employment on contract after retirement was restricted in exceptional cases where the expertise of the Civil Servant was still required by the Government. However, approval of the Prime Minister of Pakistan was required to be obtained for appointment beyond the age of superannuation.

Establishment Division's letter No.4/34/2006-E-4 dated 04-05-2016 regarding Secondment of Pakistan Navy Officers and Technical Staff to Karachi Shipyard & Engineering Works (KS&EW):- Secondment of Armed Forces Officers would be allowed only against the earmarked posts, and all cases of Secondment shall be routed through Establishment Division. Any new proposal/request for Secondment against posts other than earmarked ones would be dealt with in accordance with the revised policy, and will require prior approval of the Prime Minister. The Organizations requesting for Secondment shall give complete justification for their proposal and shall certify that requisite expertise is not available on the civil side. The name of Karachi Shipyard & Engineering Works (KS&EW) does not exist in the list of earmarked posts.

During audit of Karachi Shipyard & Engineering Works (KS&EW) Ltd for the year 2020-21, it was observed that the management re-appointed employees after retirement without prior approval of the Prime Minister of Pakistan. Furthermore, it was also observed that the management allowed secondment and its extension beyond three (03) years to the employees of Naval Officers without prior approval from the Prime Minister of Pakistan (Annex-32).

Audit was of the view that the appointment of employees after superannuation and secondment of Naval Officers without approval of Board of Directors (BoD) and Prime Minister was irregular and unjustified.

The matter was reported to the management on May 30, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022 and January 23, 2023. The management stated that:

1. Due to its peculiar nature, the specialized work force was not available in the market therefore; the specialized expertise was being hired. Most of the manpower of KS&EW are technical and/or project based and hired on contract. The duration of contract work force was generally limited to the execution of various projects under completion. Its employees do not fall in the category of Civil Servants as described in SEC 2(b) of Esta Code. Hence, due to non-availability of suitable qualified experienced relief in the commercial market as replacement, re-appointment of technical employees on completion of superannuation age was approved by the BoD for the age limit upto 65 years for re-hiring at KS&EW. DAC decided to place the matter before PAC for its consideration.

2. Armed Forces Officers seconded are governed as per JSI-4/85 and Estacode SI No.214 respectively. Cases for extension in Secondment period of seven (07) officers have been taken up with MoDP, but cases for extension in secondment period of four (04) officers were taken up with MoDP meantime officers were transferred back to Pakistan Navy. DAC directed the management to provide revised reply with documentary evidence to audit for its examination.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.249 & 250)

5.1.4.14 Irregular award of contract to 2nd lowest bidder – Rs. 20.079 million

Rule 38 of PPRA Rules, 2004, states that the bidder with the most advantageous bid shall be awarded the procurement contract, within the original or extended period of bid validity.

Rule 31 of PPRA Rules, 2004, states that no bidder shall be allowed to alter or modify his bid after the bids have been opened. However, the procuring agency may seek and accept clarifications to the bid that do not change the substance of the bid.

During audit of Karachi Shipyard & Engineering Works (KS&EW) Ltd for the year 2020-21, it was observed that the management awarded contract for supply of channel plates for jigs construction to 2nd lowest bidder i.e. M/s Sulson International amounting to Rs. 20.079 million. The contract was awarded by changing offered weight which made M/s Sulson the lowest bidder. The details of comparative statements are as under:

Description of item # 7	Quantity (Kg)	Ms/ Sulson International				M/s Shujauddin & Brothers			
		Offered weight (Kg)	Unit price (Rs.)	Total price (Rs.)	Grand Total (Rs.)	Offered weight (Kg)	Unit price (Rs.)	Total price (Rs.)	Grand Total (Rs.)
Channel Plate size 200*73*7*6 m	510	69,269	124.68	8,636,458.92	20,520,374	69,269	126.46	8,759,864.31	20,387,112
Channel Plate size 200*73*7*6 m	510	66,245	124.68	8,259,426.60	20,079,246	69,269	126.46	8,759,864.31	-
Difference		3,024	-	377,032	441,128	-	-	-	

Audit was of the view that management extended undue favor by changing the tender specification.

The matter was reported to the management on May 30, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that 03 participating firms offered rates on per kg basis with slight difference in plates` dimension as compared to tender requirements. Accordingly, comparative statement was prepared and forwarded to end-user (concerned department) by mentioning details including qty, per kg rates, weight and offered dimensions. User requested further clarification of the quote of M/s Sulson International on adjustment of the total weight. DAC directed the management to conduct fact-finding inquiry on the subject matter. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.15 Loss of interest income due to late payment - Rs. 16.475 million

According to Invoices No. PND21450, No. PND20344 dated 20-04-2021 and dated 02-12-2020, interest @ 4% of billed amount will be charged, if bill not settled within 21 days.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2020-21, it was observed that the management repaired two ships of Pakistan Navy namely PN FD-II and MOAWIN at a cost of Rs. 376,988,067 and Rs. 34,888,228 respectively with a condition to pay within 21 days. However, the payment was received on 27-06-2021 which was 03 months and 10 days late. The Pakistan Navy was liable to pay late payment charges at 4% of billed amount i.e.

Rs. 15.079 million and Rs. 1.396 million (Rs. 16.475 million), respectively. However, the late payment was not charged by the management.

Audit was of the view that the management failed to charge late payment charges amounting to Rs. 16.475 million against Pakistan Navy which reflected favoritism.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that Pakistan Navy is our major client with yearly turn-over of above Rs. 1.00 billion. An average 11-12 vessels/floating docks are repaired during the year. Being Government organization, PN depends on the budget approved and availability of funds. Since payments are delayed due to some unavoidable situations and interest amount was not charged separately but was included in the estimate forwarded to the client. DAC directed the management to place the matter before Board of Directors for consideration. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.16 Loss due to non-recovery of L.D charges from supplier - Rs. 15.308 million

According to Clause 66 (d) of Procurement Procedure of KS&EW: Failure to supply material according to the specifications or within the prescribed delivery period and subject to all other conditions prescribed in the contract will constitute default/failure on the part of the supplier. In that case (3) the purchaser at his sole discretion may instead of resorting to the action, recover from the supplier liquidated damages at the rate of 2% per month or part thereof subject to maximum 10% of the purchase order value of the material.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2020-21, it was observed that the management entered into an agreement on 23rd December, 2019 with M/s National Radio and Telecommunication Corporation (NRTC) for security monitoring and control system worth Rs. 153.870 million. According to letter of award dated December 16, 2019 the work was required to be completed within 10 months i.e. up to October, 2020. However, the same was not completed till June, 2022.

Audit was of the view that the management failed to impose liquidated damages amounting to Rs. 15.308 million (10% of the total cost of Rs. 153.87 million) on NRTC which reflected undue favor.

The matter was reported to the management on May 30, 2022. The management informed the DAC that request of the contractor on extension was approved by the competent authority. Hence, Liquidated Damages were waived accordingly. DAC directed the management to provide relevant documents to audit reflecting approvals on the basis of due process. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.17 Irregular award of contract after expiry of bid validity period - Rs. 11.631 million

Rule 26 of PPRA Rules, 2004, states that (1) a procuring agency, keeping in view the nature of the procurement, shall subject the bid to a bid validity period (2) bids shall be valid for the period of time specified in the bidding document (3) the procuring agency shall ordinarily be under an obligation to process and evaluate the bid within the stipulated bid validity period. However, under exceptional circumstances and for reasons to be recorded in writing, if an extension is considered necessary, all those who have submitted their bids shall be asked to extend their respective bid validity period. Such extension shall be for not more than the period equal to the period of the original bid validity.

As per commercial (financial) bid of M/s A.F. Ferguson & Co. dated 04-01-2019, offer is firmed and final and valid for 60 days.

During audit of Karachi Shipyard & Engineering Works (KS&EW) Ltd for the year 2020-21, it was observed that the management awarded co-sourcing of internal audit function to M/s A.F. Ferguson & Co. for one year amounting to Rs. 11.631 million on 03-06-2020 after expiry of bid validity period i.e. 04 months including extension period. The engagement letter was signed by the management on June 03, 2020.

Audit was of the view that management extended undue favor to the firm by awarding the contract in violation of rules.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that as per recommendation of Audit Committee, tender was floated for co-sourcing of internal audit functions. Financial bid of one technically-qualified supplier was opened. Audit firm quoted Rs. 9,350,280 which were considered on higher side and it was decided by the management to hold & get further directions from Audit Committee which in its 67th meeting held on April 7, 2020 directed to save time and further cost of re-tendering, request to be made to qualified firm to extend their validity of the quote and if they refuse to do so re-tendering process be initiated on urgent basis. Based on Audit Committee directions, contract was awarded on original quoted price. DAC directed the management to ensure compliance with PPRA rules in future and provide BoD decision on subject matter to audit for further review. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.18 Irregular appointment on contract basis - Rs. 10.754 million

According to Para 2.1.4 of KS&EW Officers Services Rules, 1978 & Revised Service Rules, 2019 (un-approved from the Board) envisages in its Recruitment Rules that: appointment in the officer cadre whether by direct recruitment or by promotion shall be made by the Managing Director on the recommendation of a Selection Board. All appointments of General Managers shall, however, be made with the prior approval of the Board of Directors (BoD).

According to advertisement dated 01-07-2018 for the post of Deputy Manager (Admin):

- i) Bachelor's degree from HEC recognized university.
- ii) At least 10 years' experience in HR management.
- iii) Applicants retired from Armed forces will be preferred.

According to HR Service Rules of KS&EW Chapter-II Recruitment, General Policy (2.1):- 2.1. Recruitment for different posts of officers, supervisors & workers will be made on the basis of suitability, qualification and experience for posts prescribed by the concerned department and in accordance with the policy and procedure hereafter laid down.

2.7. Following age limits are to be followed at the time of recruitment, however, age limit may be relaxed up to 55 years at the discretion of the Managing Director.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2020-21, it was observed that management appointed following officers in violation of criteria / service rules as mentioned below;

(Rs. in million)					
S#	Name of Officers	Designation	Date of appointment	Amount	Violation
1.	Dr. Tariq Salman Chohan	DGM (Medical)	03.03.2021	4.405	Without advertisement & competitive process.
2.	Mr. Amjad Noor Bhatti	GM (Corporate Affiars/ Company Secretary)	18.03.2021	3.230	Without advertisement & competitive process.
3.	Mr. Muhammad Ramzan	Deputy Manager (Admin)	17.08.2018	3.119	Without relevant experience i.e. 10 years' experience in HR. Maximum age was 55 years with relaxation however at the time of appointment he was 56 years old.
Total				10.754	
<i>(Source: Karachi Shipyard & Engineering Works)</i>					

Audit was of the view that the management extended undue favor in appointment of incumbents in violation of the above stated rules.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022 and January 23, 2023. The management stated that:

1. The officer was appointed through third party contract. DAC directed the management to provide the relevant documents to audit reflecting that due procedure were followed in the instant case.
2. Due to non-receipt of CVs from suitable candidates selection was delayed further incumbent has various qualifications including LLB. DAC directed the management to provide record to audit reflecting that due process was followed.

3. Mr. Muhammad Ramzan, H/LT was inducted as DM (Admin) Grade-II state-07 in administration department in August, 2018. However, upon proceeding on leave of Mr. Waqas Khaliq Bhatti, Manager (HR) and subsequent his resignation, he was assigned duties of Manager (HR) without giving dual charge allowance and officiating allowances admissible as per KS&EW rules. Furthermore, after revamping of personnel department into newly establishment Human Resource Department, computerization of all employees data, complete transparency & fairness in inductions, promotions and selection of personnel for various assignments including training abroad, he was re-designated as Manager (HR) Grade-IV stage-9. DAC directed the management to provide relevant record reflecting that the appointment was in accordance with HR policy.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.255, 256 & 268)

5.1.4.19 Irregular excess payment of deputation allowance - Rs. 9.500 million

As per Establishment Divisions OM No.1/1387/R-I dated 03-12-1990 as amended from time to time, the Deputation Allowance at the rate of 20% of the basic pay, in addition to their own pay/allowances of their regular post subject to maximum of Rs. 12,000/- per month will be allowed to the government servants.

During audit of Karachi Shipyard & Engineering Works (KS&EW) Ltd for the year 2020-21, it was observed that the management has been paying excess deputation allowance to the deputationist @ 20% of running basic pay in violation of above rules (Annex-33).

Audit was of the view that management extended undue favor to the officers by allowing deputation allowance on running basic pay instead of maximum of Rs. 12,000 per month.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that that Armed Forces Officers seconded to the Civil

bodies are governed by JSI-4/85. Accordingly, deputation allowances are paid to all deputationist @ 20% of basic pay of the rank as Special Compensatory Allowance. DAC directed the management to provide BoD decision to Audit on the subject matter. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.20 Irregular award of contract of welding rectifier - Rs. 8.572 million

As per clause (10) of POS (Point of Sale) of Manual Arc Welder / Welding Rectifier / tender documents states that once the equipment is accepted, the guarantee period is to be 02 years after 1st usage or 30 months after Commissioning / delivery (whichever comes later).”

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2020-21, it was observed that the management awarded contract to M/s. New Light House (Pvt.) Ltd at a total cost of Rs. 8.572 million for supply of welding rectifier with spare / consumable required objects. M/s New Light House (Pvt.) Ltd offered one year warranty against the stipulated two years warranty period.

Audit was of the view that the management extended undue favor to the supplier by awarding the contract amounting to Rs. 8.572 million despite offering less warranty period as required in tender documents.

The matter was reported to the management on May 30, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that warranty period of 2 years was relaxed only to ensure better participation of the firms, as the case was already re-tendered for 3rd time. DAC directed the management to conduct fact-finding inquiry on the subject matter. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.21 Delay in supply of GI pipes - Rs. 3.011 million

According to terms & conditions of local purchase order by KS&EW and technical offers by M/s Bashir Pipe Industries (Pvt.) Ltd. delivery period was 15 days.

Clause (a) (1) of standard conditions of local purchase contract of KS&EW stated that (1) the supplier on receiving the purchase order shall acknowledge immediately its acceptance by signing at the bottom left-hand corner of purchase order copy and returning it to the purchaser not later than one week of receipt of purchase order.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2020-21, it was observed that the management awarded contract for supply of GI pipes for scaffolding for ship building project to M/s Bashir Pipe Industries (Pvt.) Ltd at a total cost of Rs. 3.011 million. The supplier was required to provide the pipes within 15 days which was provided after two and a half months.

Audit was of the view that the management extended undue favor to the supplier by accepting the late delivery in violation of above-mentioned standard terms & conditions.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on January 23, 2023. The management informed that the company requested for waiving of penalty on account of Covid situation which was duly approved by the competent authority. DAC directed the management to provide the relevant documents to audit reflecting justification / approvals through due process. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.22 Irregular award of contract to the 4th lowest bidder – Rs. 2.063 million

Rule 38 of PPRA Rules, 2004, states that the bidder with the most advantageous bid shall be awarded the procurement contract, within the original or extended period of bid validity.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2020-21, it was observed that management appointed M/s BDO Ebrahim & Co. as external auditor for the year 2020-21 being the 4th lowest bidder amounting to Rs. 2.063 million (exclusive of tax & out of pocket expenses) in violation of PPRA rules.

Audit was of the view that the management extended undue favor to the firm by awarding the contract in violation of PPRA Rules.

The matter was reported to the management on May 31, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that the process for selecting/appointing of External Auditor was carried out in compliance with relevant provision of PPRA rules and Companies Ordinance/Companies Act 2017. An advertisement was published in newspaper dated 28th October, 2020 in response various quotations were received and same were evaluated in light of relevant aspects i.e. quality, rating by Audit Committee. It is the fact that audit cost had a direct linkage with audit quality, therefore, to determine optimal audit fee, the factors necessary to be considered are: past trend of audit fee charged, analysis of estimated audit time spent, and cost of resources including involvement of professional personnel in carrying out audit of financial statements. Moreover, ICAP has also promulgated code of ethics which not allow any new auditor to charge fee less than the fee charged by leaving auditor of the company. Based on the quality rating of audit firm and ICAP code of Ethics M/s. BDO has been selected by the Board on recommendation of the Audit Committee. DAC directed the management to provide revised reply along with relevant documents to audit for examination. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.23 Irregular appointments on ad hoc basis

Sl. No. 01 (4) & (5) of Establishment Division O.M No S.R.O.No. 1498 (I)/73 dated 20-10-1973], states that:

(4) Acting charge appointment shall be made against posts which are likely to fall vacant for a period of six months or more. Against vacancies occurring for less than six months, current charge appointment may be made according to the orders issued from time to time.

(5) Appointment on acting charge basis shall be made on the recommendations of the Departmental Promotion Committee or the Central Selection Board, as the case may be, same in the case of [post in basic pay scale 22 and equivalent].

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2020-21, it was observed that all the posts of General Managers (BPS-20) have been filled through Acting Charge basis by the Deputy General Managers (DGMs) without the recommendations of Departmental Promotion Committee / Board. Furthermore, all these are reappointed after retirement of services either from the Pakistan Navy or any other. The details are as under:

S#	Name of Officer	Post filled through Acting Charge	Initial appointment	Date of acting charge	Period of duration as on 31-05-2022
1.	Capt® Aqib Rifat Shaikh	GM (S&CW) & PD (Infrastructure)	DGM (S&CW)	24-07-2015	06 years & 05 months
2.	Capt® Nadeem Shan	GM (Stores & Procurement)	DGM (Procurement)	16-10-2019	02 years 07 months
3.	Capt® Muhammad Anwar	GM (QMS)	DGM (QMS)	18-08-2021	09 months
4.	Capt® Abdur Rehman Kharal	GM (Admin)	DGM (Admin)	16-03-2021	01 year & 02 months
5.	Capt® Nadir A Rehman	GM (IT)	DGM (IT)	05-04-2021	01 year & 01 month
6.	Capt® Amjad Noor Bhatti	GM (CA)	DGM (CA)	18-3-2021	01 year 02 months
7.	Cdr ® Mehmood Ali	GM (GE)	DGM (GE)	16-04-2021	01 year & 01 month
8.	Mr. S. Nadir M. Farooq	GM (BD)	DGM (BDM)	22-06-2020	01 year & 11
9.	Cdr. ® A. Rehman Qureshi	GM (Internal Audit)	DGM (Internal Audit)	21-02-2022	03 months
10.	Syed Nadir Raza Bilgrami	GM (Y.E)	DGM (Y.E)	13-01-2020	2 years & 05 months

(Source: Karachi Shipyard & Engineering Works)

Audit was of the view that running the affairs of the entity on ad hoc basis had been undermining and deteriorating its performance. Appointments on acting charge basis had enabled entry of the unsound professionals and incapable officers on the senior posts who did not have sufficient professional acumen.

The matter was reported to the management on May 30, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that relevant expertise, especially in senior management was not available in the open market. Whereas Ex-Naval officers having long experience in relevant field could handle the above scope of work. Accordingly, Deputy General Managers had been hired from Ex-PN officers after due process of induction who had long experience in their relevant field. However, they were not being paid officiating allowance or dual charge allowance as per provision of the service rule of KS&EW article 1.1.7 & 1.1.8. DAC decided that amount from

para may be deleted by the audit and the issue may be highlighted accordingly and to provide justification in light of HR policy to audit. Furthermore, the management informed the DAC that the concerned person is still DGM and had been appointed through due process. DAC recommended the para for verification of management assertion. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.257 & 267)

5.2 Pakistan Ordnance Factories (POFs)

5.2.1 Introduction

POFs Board, Wah Cantt was established under the provisions of POFs Board Ordinance, 1961. POFs are governed by the Board of Directors, chaired by serving Army personnel.

POF's Board consists of six members including the Chairman. Other members are Financial Advisor Ordnance Factories (FAOF), Director Industrial & Commercial Relations (DICR) and Member Production Co-ordination (MPC), Joint.

The objective of POFs is to meet the Arms and Ammunition requirements of Pakistan Armed Forces during peace and war. For this purpose, it has 14 manufacturing units along with certain services departments i.e. POFs Board with its secretariat, Directorate of Services, PMTL, Directorate of MIS, Directorate of Export, Hospital, IDA, DSG, FIU, Controller Military Accounts (CMA), FA, and POFIT.

POFs main source of funds is regular budget from Ministry of Defence Production under grant. In addition to this, POFs also earn a small portion of revenue from export and local sales of Arms and Ammunitions and related products. For receipts from local and export's sales, POF is operating two public accounts funds as under:

- 1 Revenue, Debt and Remittance Fund (RD&R) for Civil Sales through WIL
- 2 Special Deposit Fund (SDF), for Export Sales.

Receipts and expenditure (variance analysis) for 2021-22

(Rs. in million)				
S. No.	Head of Account	Budget Allocation	Prog. Expenditure	Excess/Less
1	Pay & Allowances	17,964.525	18,845.488	(880.963)
2	Tpt. & Misc. (Normal)	1,544.753	1,538.681	6.072
3	Revenue Works			
	(Maintenance) Civil	675.285	672.861	2.424
	Utilities	4,463.840	4,462.973	0.867
	Total Revenue Works	5,139.125	5,135.834	3.291
	Capital Works			
4	Capital Works	1,002.136	995.217	6.919
5	Common User Items			
	Ration	116.652	116.643	(0.009)
	POL	156.400	156.399	0.001
	Medical Store	625.753	624.124	1.629
	Total Common User Items	898.805	897.166	1.639
6	Assistance Package	355.850	355.849	0.001
7	Indigenous Purchases	5,750.514	5,742.797	7.717
8	Fresh Import	3,772.067	3,761.367	10.700
9	Carry Over	4,650.000	4,650.000	-
10	Custom Surcharge	949.039	949.039	-
11	Sales Tax	1,236.914	1,236.914	-
	Total	43,263.728	44,108.352	(844.624)

5.2.2 Comments on Audited Accounts

5.2.2.1 Comments on audited accounts are included in the Commercial Appendix to Appropriation Accounts of the Defence Services for the year 2021-22.

5.2.3 Compliance of PAC Directives

AuditYear	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1991-92	22	20	02	7, 8	91
1992-93	12	11	01	49	92
1994-95	38	36	02	14, 78	95
1995-96	12	08	04	66, 67, 68, 107	67
1997-98	18	16	02	42, 44	89
1999-00	18	16	02	15, 16	89
2003-04	04	01	03	1.3.14, 1.3.18, 1.3.19	25
2009-10	16	08	08	50 & 51, 52, 53, 54, 55, 56, 58, 1.2	50
2012-13	17	13	04	5.2.3, 5.2.4.12, 5.2.4.14, 5.2.4.15,	76
2012-13 (CADS)	8	8	0	-	100
2017-18	16	09	07	7.2.3, 7.2.4.5, 7.2.4.8, 7.2.4.10, 7.2.4.11, 7.2.4.12, 7.2.4.13	56
2017-18 (CADS)	15	03	12	1.4, 1.4.3, 1.4.4, 1.4.5, 1.4.6, 1.4.7, 1.4.9, 1.4.10, 1.4.11, 1.4.12, 1.4.13, 1.4.14	20
Total	196	149	47		76

The compliance of the PAC directives is poor which needs immediate attention of the PAO.

5.2.4 Audit Paras

5.2.4.1 Loss due to misuse of official position by signing defective agreement - Rs. 38.02 million

According to Ministry of Defense Production Division letter dated 2nd April, 2008 regarding use of A-1 land ; i) The rent shall be charged in the light of 1980 Policy Guidelines i.e. @ 6% per annum of the existing revenue rate of the said land, notwithstanding the tenancy/rent agreements of the military authorities with users; ii) 25% of the calculated rent will be deposited into Government treasury and 75% balance will be utilized by the respective Formation/establishment and iii) All use of A-1 land for any purpose shall be auditable. Further as per MODP letter dated 20th November, 2009, “The rent so calculated shall be deposited into Govt. Treasury by the concerned Army Formation, PN/PAF/ Admn Authorities and TRs forwarded to the respective Controller of Accounts for disposal. Necessary documentation including formal approval of the Services Chief is mandatory.

During audit of POF Director Admn for the years 2017-20, it was observed that POF management handed over 10 kanal of A-I land to Quality School

Foundation (QSF) during 2004 under an agreement for establishment of Quality School for a period of 25 years extendable for another term of 25 years. Copy of agreement was not provided to audit despite repeated requests, however, according to information provided by the management, the agreement was favorable for QSF and unfavorable for POF. The provisions of agreement are given hereunder:

1. According to provisions of agreement, the cost incurred on the construction of building i.e. Rs. 21.828 million will be considered as loan @ 3% interest rate to POF w.e.f 2004 to 2029 i.e. for a period of 25 years. The interest at agreed rate worked out to Rs. 654,867 per annum. The rent of the building was fixed at Rs. 327,750 per annum from the date of completion of building i.e. 2004 which will be adjusted from the interest of loan of Rs. 654,867. After adjustment of rent from the interest amount of Rs. 654,867 per annum, the interest amount will come to Rs. 327, 117 per annum. This means that the loan amount of Rs. 21.828 million will be increased annually by Rs. 327,750. Thus the total liability of POFs (Principal + interest) comes to Rs. 38.02 million after completion of 25 years period.
2. After completion of 25 years, POFB will have to pay Rs. 30.006 million (if the interest of 3% is calculated on principal amount) to QSF without physically getting a single penny from the private party. If the loan is considered on compound interest, then the liability of POFB after 25 years will be much more than Rs. 30.006 million.
3. The administration and financial control of school rests with QSF. This shows that the private party has obtained financial benefit of billions of rupees from school during last 17 years. On the other hand, financial liability of POF is increasing day by day without getting single penny from the whole activity.

Audit was of the view that the whole activity of signing of agreement with the private party was undue favor for giving financial benefits to QSF at the cost of government exchequer. Thus due to misuse of official position by the concerned POFs officers by signing a defective agreement, public exchequer was put to loss of Rs. 38.02 million.

The matter was reported to the management on July 02, 2021. The management in its reply dated September 13, 2021 stated that use of A-1 land for commercial purpose was domain of DG-Defence Audit. A piece of land measuring

10 kanal was allocated for establishment of Quality School, which was purely a welfare oriented project.

The reply was quite irrelevant as management did not respond to the observation relating to loan of Rs. 21.828 million @ 3% for a period of 25 years along with interest and cost of monthly rent for the whole period of 25 years.

No DAC meeting was arranged till finalization of this report.

Audit recommends to probe the reasons of defective agreement which was totally unfavorable to POF, at appropriate level and Fix responsibility thereof.

Para-01 (POF Dir-Admin-2017-20)

5.2.4.2 Loss due to non-recovery of rent - Rs. 24.387 million

According to Ministry of Defense Production Division letter dated 2nd April, 2008 regarding use of A-1 land ; i) The rent shall be charged in the light of 1980 Policy Guidelines i.e. @ 6% per annum of the existing revenue rate of the said land, notwithstanding the tenancy/rent agreements of the military authorities with users; ii) 25% of the calculated rent will be deposited into Government treasury and 75% balance will be utilized by the respective Formation/establishment and iii) All use of A-1 land for any purpose shall be auditable. Further as per MODP letter dated 20th November, 2009, “The rent so calculated shall be deposited into Govt. Treasury by the concerned Army Formation, PN/PAF/ Admn Authorities and TRs forwarded to the respective Controller of Accounts for disposal. Necessary documentation including formal approval of the Services Chief is mandatory.

During audit of POF Director Admn for the years 2017-20, it was observed that POF management handed over 10 kanal of A-I land to Quality School Foundation (QSF) during 2004 under an agreement for establishment of Quality School. According to agreement the land was handed over for a period of 25 years extendable for another term of 25 years. However the management did not recover a single penny on account of rent for commercial utilization of A-I land from QSF, while, school management has obtained financial benefit of billions of rupees on account of school fee from students as the management is running the school on commercial basis. This was the violation of Policy guidelines, 1980 on use of A-I land.

Due to extending undue favour to the private party by non-recovery of rent on account of commercial use of A-I land in violation of government standing policy on the issue, Public exchequer was put to loss of Rs. 24.387 million (Rs. 18.291 million as 75% POF share and Rs. 6.097 million as 25% government share) on account of rent of A-I land for the period from July 2015 to June 2021.

The matter was reported to the management on July 02, 2021 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of non-recovery of rent on account of commercial utilization of A-I land in violation of the policy guidelines on the issue which resulted into undue favour to the private party. Moreover, management should calculate/ workout the rent of A-I land since the land was handed over to the private party and recover the same from quarter concerned.

Para-02 (POF Dir-Admin-2017-20)

5.2.4.3 Loss due to non-deposit of revenue by declaring it non-public fund - Rs 222.00 million

Article-78 (1) of the Constitution of Pakistan states that all revenues received by the Federal Government, all loans raised by that Government, and all moneys received by it in repayment of any loan, shall form part of a consolidated fund, to be known as the Federal Consolidated Fund. Article-78(2) states that all moneys (a) received by or on behalf of the Federal Government; or (b) received by or deposited with the Supreme Court or any other Court established under the authority of the Federation shall be credited to the Public Account of the Federation.

During audit of POF Director Admn for the years 2017-20, it was observed that construction and repair & maintenance of POF roads is being carried out from the public funds, whereas, income generated from utilization of these roads on account E-Tag charges is deposited in two bank accounts of NBP Aslam Market Wah Cantt by declaring these accounts as Non-Public Account. At present more than eight thousand commercial vehicles and more than ten thousand cars belonging to the residents of Estate Area are regularly depositing E-Tag charges annually @ Rs. 7,000 per commercial vehicle and Rs 600 per private vehicle. An amount of

Rs.186.00 million approximately during the period from 2017-18 to 2019-20 i.e. (Rs.168.00 million from commercial vehicles and Rs.18.00 million from residential vehicles) collected as E-Tag charges. Said amount was required to be deposited into government treasury as per provisions of Constitution of Pakistan.

Similarly, POF management is generating income from renting out stalls to the stallholders of Itwar Bazar, @ Rs 500/- per stall per month. An amount of Rs 36.00 million was generated during the year 2017-18 to 2019-20. However, the revenue of Rs. 36.000 million was not deposited into government treasury by declaring it as non-public fund in violation of provision against the provisions of the Constitution of Pakistan. The detail of bank accounts being maintained by main finance of POF Director Admn Department was requested during audit but the management did not provide the same in the absence of which audit could not ascertain the exact amount of income generated from above mentioned activities.

Due to non-deposit of income generated on account of E-Tag charges and stall charges of Itwar Bazar by declaring it non-public fund contrary to the provisions of the Constitution of Pakistan, government exchequer was put to loss of Rs. 222.000 million during the period from 2017-18 to 2019-20.

The matter was reported to the management on July 28, 2021. The management in its reply dated September 13, 2021 stated that being non-public fund, this does not come under the purview of Commercial audit.

The reply was not convincing as utilization of funds by declaring it non-public fund was found in contradiction with the above said rules.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons for non-depositing of revenue and non-production of record/information and deposit all such funds in the govt. treasury.

Para-03 (POF Dir-Admin-2017-20)

5.2.4.4 Loss due to provision of free accommodation - Rs. 1.856 million

According to Ministry of Housing & Works letter dated 17th May, 2013 “the proposal of M/o Defence and Ministry of Finance (Military) for payment of House Rent Allowance to their officers/ officials who are provided govt. owned accommodation below their entitlement with nominal deduction of rent would

create a disparity between the civilian and the military officers. Therefore this Ministry does not support any proposal made by M/o Defence as it will lead to disparity between the Civil and Military establishments. Therefore allottees belonging to armed forces may not be paid 45% of House Rent Allowance and 5% rent of their running basic pay should be charged to bring them at par with the civilian set up”.

During audit of POF Director Admn for the years 2017-20, it was observed that Estate Office provided certain accommodation to Armed forces officials on rent free basis in violation of policy guidelines of government of Pakistan. Thus due to providing rent free accommodation to the armed force officials in violation of government policy shows that, undue favour was extended to the concerned officials and which creates disparity between civilian and armed force officials. By doing so the government exchequer was put to loss of Rs. 1.856 million on this account.

The matter was reported to the Management on July 28, 2021. The management in its reply dated September 13, 2021 stated that letter referred in para cannot be implemented until and unless amendments in Quarter and Rent Regulation (Q&R) rules are made.

Reply was not convincing as the amendment in Q&R rules are required to be made or relaxation from the M/o Housing & Works may be obtained.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of extending undue favour to the concerned armed forces officials in violation of government policy which created disparity between civilians and armed force officials besides working out exact amount of rental charges and its recovery.

Para-11 (POF Dir-Admin-2017-20)

5.2.4.5 Loss due to non-recovery of rent from retired officers/employees of private concerns - Rs. 2.167 million

According to Para-6 of POF Allotment Rules, all allotment to private concerns will be made under the order of Director Administration on the following conditions:-

- i. Market rent and allied charges will be paid in advance by the allottee.

- ii. Market rent will always remain subject to revision at any time without any notice and the allottee will be responsible to pay it with retrospective effect if necessary.
- iii. The two months' rent will be deposited in advance with AM/Finance as security money. This will be refunded to the allottee on clearance of outstanding dues.
- iv. In case of non-payment of rental dues, Estate Officer will be empowered to cancel the allotment and eject the allottee from the allotted house.

During audit of POF Director Admn for the year 2017-18 to 2019-20, it was observed that POF management provided accommodation to the retired POF employees beyond six months period after retirement. The management was required to recover market rent from the respective retired employees. The respective office of POF was required to issue "No Demand Certificate" to the respective officers after clearing all dues. Further the POF management provided government accommodation to the officers of subsidiary company of POF i.e. "Wah Industries Limited" and "Wah Brass Mills Limited" on market rent. Record showed that huge rent amount was still outstanding against these officers. Thus undue favour was extended to the officers of subsidiary companies at the cost of public exchequer.

Audit was of the view that by extending favour to the retired officers of POF and officers of subsidiary companies by issuing NDC at the time of vacation of accommodations/ bungalows, public exchequer was put to loss of Rs.2.167 million. The chances of recovery of this amount are quite remote as these officers are no more in POF's service or in the service of WIL or WBM.

The matter was reported to the management on July 28, 2021. The management in its reply dated September 13, 2021 stated that certain amount against few officers is outstanding to whom notices have been issued for early clearance.

The reply was not acceptable as the amount in question was still outstanding.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of issuing of no demand certificate without prior clearing of outstanding dues and steps be taken for early recovery of the same either from the beneficiaries or persons at fault.

Para-17 (POF Dir-Admin-2017-20)

5.2.4.6 Irregular handing over of A-I land and non-deposit of Government share - Rs. 1.986 million

According to Rule-12 of PPRA, “All procurement opportunities over three million rupees should be advertised on Authority’s website or in other print media or newspapers having wide circulation. The advertisement in newspapers shall appear principally in at least two national dailies, one in English and the other in Urdu. Further, as per Ministry of Defense Production Division letter dated 2nd April, 2008 regarding use of A-1 land ; i) The rent shall be charged in the light of 1980 Policy Guidelines i.e. @ 6% per annum of the existing revenue rate of the said land, notwithstanding the tenancy/rent agreements of the military authorities with users; ii) 25% of the calculated rent will be deposited into Government treasury and 75% balance will be utilized by the respective Formation/establishment and iii) All use of A-1 land for any purpose shall be auditable.

During audit of POF Director Admn for the years 2017-20, it was observed that the one kanal A-I land under main water tank 22 Area was provided to Angara Restaurant (previously named as Aatish) and Samba Bank equally since 2014-15 without advertising the opportunity of renting out for business in violation of PPRA Rules. It was further noticed that 25% Govt. share i.e. Rs.1.986 million (Rs 7.944 million x 25%) on rental income generated from these commercial units was also not deposited into Govt. treasury.

The matter was reported to the management on July 28, 2021. The management in its reply dated September 13, 2021 admitted that rent is being received/collected from these business units and spent for welfare of workers.

Reply of the management was not convincing because Govt. share of Rs. 1.986 million was not deposited in Govt. treasury as required under MoDP Policy.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reasons of allotment of A-1 land to commercial units without observing PPRA rules besides depositing Govt. share on rental income into Govt. treasury.

Para-18 (POF Dir-Admin-2017-20)

5.2.4.7 Wasteful expenditure on pay & allowances of Nucleus Cell Employees - Rs 2.346 million

According to Finance Division Para No.F.15 (13)-R 14/82 dated September 05, 1982, funds provided, acquired or granted by the autonomous bodies' 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 or specific orders of the Government.

During audit of POF Director Admn for the years 2017-2020, it was observed that the POF management proposed a Housing Project for POF employees. Accordingly a Nucleus Cell was established and Chairman POF Board vide note dated 05.12.2019, approved the appointments of Lt. Col. (R) Tanveer Sarwar as GM Operation / Dy. Director at a monthly consolidated pay of Rs 100,000 per month plus Rs 20,000 per month as transportation charges along with Mr. Muhammad Naveed Naib Qasid at a monthly consolidated pay of Rs 18,000. The POF management further posted a clerk in the cell. However, the management incurred expenditure of Rs. 2.346 million on Pay & Allowances of the employees of "Nucleus Cell" since inception of the cell i.e. 12/2019 to 31.05.2021, whereas the said "Nucleus Cell" remained non-functional since its establishment. Thus, the expenditure incurred on pay and allowances of the officer/official was held irregular and unjustified in audit.

The matter was reported to the management on July 28, 2021. The management in its reply dated September 13, 2021 stated that HRM Department appointed the officer/staff as well as determined their pay package. The services of Lt. Col ® Tanveer Sarvar was acquired for launching of Housing Project for regular POF employees on the patron of Army Housing scheme. The services of officers have been terminated from September, 2021.

The reply was not acceptable as the cell remained non-functional since its establishment. During verification, Audit demanded the details of jobs performed along with correspondence of acquiring of land and jobs but the same was not provided.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the payments made on account of pay & allowances against nil performance of employees.

Para-19 (POF Dir-Admin-2017-20)

5.2.4.8 Blockage of public funds due to un-necessary purchase of land - Rs 583.500 million

POFs Guidelines issued vide letter No. POF/59/C11, dated 04.01.1971 provides that the competent officer while raising demand shall keep in view that the demand rose is based on approved factors and is reasonable and justified and due economy and care has been exercised in formulating requirements and all available useable assets are taken into accounts before placing new demands.

During audit of POF Director Admn for the years 2017-19, it was observed that a piece of land measuring 29,175 kanal valuing Rs 583.500 million was purchased by the POF at Burhan for a specific defence purpose/project. However, later on the proposed project for which the land was purchased was dropped due to reasons best known to the management.

The blockage of funds was due to ill planned purchase of land without assessing actual requirement.

Audit was of the view that purchase of land without assessing the actual requirement resulted into blockage of huge public funds Rs. 583.500 million. Furthermore, the facts regarding whether the title of land was transferred in the name of POFs or otherwise was also not known.

The matter was reported to the management on July 28, 2021. The management in its reply dated September 13, 2021 stated that land was being used according to acquisition purpose.

Reply was not convincing as the management provides nothing in support of above said statement and during verification audit demanded the title of land and feasibility report of the project but the same was not provided.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reasons due to which the land was purchased without assessing the actual requirement. Moreover, audit may be informed about the title of land.

Para-24 (POF Dir-Admin-2017-20)

5.2.4.9 Wasteful expenditure on up-gradation of DD-IV Gadwal – Rs 13.352 million

According to GFR – 10 “every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money”.

During audit of POF Hospital for the years 2018-20 it was observed that the Chairman POF Board allocated an amount of Rs 20 million for up-gradation of Double Dispensary-IV Gadwal into Medical Center. Accordingly, equipment valuing Rs 13.352 million were purchased. The Medical Center remained operational for sometimes, thereafter; the routine of medical center was again reduced to the services of DD-IV. During visit to the Center, only operation theater table was lying in DD-IV while, the whereabouts of other equipment, purchased for Gadwal Medical Centre, was not available.

Audit was of the view that the decision of the Chairman POF Board was not implemented, thus, the expenditure of Rs 13.352 million has gone waste.

The matter was reported to the management on September 03, 2021. Management in its reply dated September 21, 2021 stated that an amount of Rs 11.176 million was expended on purchase of equipment.

Plea of the management was not convincing as the equipment was purchased for Rs 13.352 million. Further, the reply was irrelevant to the observation as reasons of whereabouts of the purchased equipment and non-functioning of the Medical Center were not stated by the management in its reply.

DAC meeting was held on February 13, 2023 wherein the Committee directed the management to ensure that the medical center is fully operational and get the equipment verified from audit.

Audit recommends implementation of DAC directives.

Para-18 (POF Hospital-2018-20)

5.2.4.10 Loss due to purchase of medicines at higher rate – Rs 51.746 million

According to PPRA Rules 2004, the procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner. Rules – 10 further provides that Specifications shall allow the widest possible competition and shall not favour any single contractor or supplier

nor put others at a disadvantage. Specifications shall be generic and shall not include references to brand names, model numbers, catalogue numbers or similar classifications. However if the procuring agency is convinced that the use of or a reference to a brand name or a catalogue number is essential to complete an otherwise incomplete specification, such use or reference shall be qualified with the words “or equivalent”.

During audit of POF Hospital for the years 2018-19 & 2019-20, it was observed that tender enquiries were issued for the purchase of certain medicines during 2018-19. However, record revealed that in some cases the medicines were purchased at higher rates and the firms, offered lowest rates, were ignored. Due to ignoring the lowest rate and purchased of medicines at higher rates, the formation sustained loss of Rs 51.746 million. Further, for purchase of medicines same tender enquiry was used which was used for purchase of machinery or equipment and the bid evaluation criteria was not mentioned in the tender enquiry. Moreover minutes of bid opening (Technical & Financial) were not available in the file.

The procedure adopted for the procurement of medicines indicative of poor procurement mechanism of the management.

Audit was of the view that in tender enquiry the name of medicines, likely suppliers and word equivalent mentioned. The interested parties submitted their rates for required medicines or equivalent but the firms who offered lowest rates were rejected due to which the Hospital suffered loss of Rs 51.746 million.

The matter was reported to the management on August 03, 2021. However no reply was received till January 2023.

DAC meeting was held on February 13, 2023 wherein the Committee directed that the POF Hospital Technical Committee should revisit its earlier recommendations to make them meaningful and place them before POF Board for submission to MODP. The Committee further directed that a proper mechanism may be devised for procurement of medicines to avoid participation of suppliers of sub-standard medicines.

Audit recommends implementation of DAC directives.

Para-01 (POF Hospital-2018-20)

5.3 Wah Industries Limited

5.3.1 Introduction

Wah Industries Limited (the Company) was incorporated in 1958 in Pakistan as a public limited company under Companies Act, 1913 (now the Companies Act, 2017). The Company is fully owned by Pakistan Ordnance Factories (POFs). The registered office of the Company is situated at Quaid Avenue, The Mall, Wah Cantt.

Nature of Business:

The company is engaged in manufacture and sale of 12-Bore Ammunition and sale of Civil Products purchased from POF. The Company also acts as commission agent for POF to facilitate its sale of obsolete/surplus stores and scraps generated in POF.

Structure of the entity

The Company is under the administrative control of the Pakistan Ordnance Factories as the major shareholder is the Government of Pakistan. The Company is being governed through its independent Board of Directors, who is reportable to its Chairman. The Board has delegated powers to the CEO/Managing Director. All the major operations of the company are being governed through CEO/MD. Key planning decisions are taken by the WIL Board of Directors and Chairman POF Board.

Sectoral analysis (Targets fixed of sales vs. actual achievements) for 2021-22

(Rs. in million)

Items	Target	Sales	Surplus/(Shortfall)
Civil Products	4,250	5,530	(1,280)
Ammo Containers	1,000	1,346	(346)
12 bore Cartridges	1,300	1,270	30
Disposal	725	1,024	(299)
Security Services	75	62	13
Exports	-	4,052	(4,052)
Total	7,350	13,284	(5,934)

5.3.2 Comments on Audited Accounts

5.3.2.1 Comments on audited accounts are included in the Commercial Appendix to Appropriation Accounts of the Defence Services for the year 2021-22.

5.3.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Outstanding Paras	% of Compliance
1992-93	04	03	01	87	75
1994-95	07	06	01	105	86
1999-00	24	23	01	104	96
2001-02	06	05	01	49	83
2010-11	04	0	04	4.3.2, 4.3.3, 4.3.4.1, 4.3.4.2	0
2011-12	07	0	07	5.4.2.1, 5.4.3, 5.4.4.1, 5.4.4.2, 5.4.4.3, 5.4.4.4, 5.4.4.5	0
2012-13	06	03	03	5.3.3, 5.3.4.1, 5.3.4.3	50
2012-13 (CADS)	06	06	00	-	100
2017-18 (CADS)	09	04	05	3.1.5, 3.1.6, 3.1.7, 3.1.8, 3.1.9	44
Total	73	50	23		68

The overall compliance of the PAC directives was not satisfactory which needs to be improved.

5.3.4 Audit Paras

5.3.4.1 Irregular grant of honorarium to POF officers - Rs 47.176 million

According to Govt. of Pakistan Finance Division (Regulation Wing) policy guidelines issued for grant of honorarium to the Govt. servants vide their O.M. No. F.2 (2) R.4 /95 dated 22.06.1995:-

- The amount of honorarium recommended for each officer/official is equal or less than his one month's basic pay and the officer/official has not drawn any honorarium in the current financial year before.
- Work for which the honorarium is being recommended was under taken with the prior consent of the competent authority and the amount of

honorarium was assessed and settled in advance by the competent authority and the officer / official concerned was informed of that.

During audit of Wah Industries Limited (WIL) for the year 2021-22, it was observed that the management paid an amount of Rs 47.176 million on account of honorarium to POF officers & staff vide vouchers dated 13.01.2022 and dated 19.01.2022.

The above officers have also been granted honorarium from POFs during the same period. Moreover, grant of honorarium to the employees of POFs from the account of Wah Industries Limited does not cover under the rules/policy, hence, payment of Rs 47.176 million on this account was held irregular.

The matter was reported to the management on January 23, 2023 but no reply was received till finalization of report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to justify payment of honorarium to POF officers in violation of Govt. instructions, fix responsibility thereof and recover the amount from the person(s) concerned.

Para-1 (WIL 2021-22)

5.3.4.2 Irregular appointment of Tax Consultant - Rs. 12.672 million

According to Government of Pakistan Establishment Division U.O. No. 11-3/2001-MSW-III dated January 25, 2002 the following guidelines were to be kept in view before appointment of consultant:-

- a) To ascertain as to whether or not the required expertise is available within the organization/Government;
- b) For General/ Non-Development Budget funded consultancies, a selection Board, headed by the Secretary of the Ministry/ Division concerned and including a representative each of Establishment Division and Finance Division will recommend a panel of at least three candidates in order of merit for consideration of the appointing authority. The Selection Board should also recommend the compensation package for the consultants placed on the panel;
- c) Final selection for the appointment of consultant and the terms and condition recommended by the Selection Board should be obtained from

the competent authority, i.e. Chief Executive through Establishment Division.

- d) Consultants should not be appointed to perform routine functions of an organization.

During audit of Wah Industries Ltd. for the year 2021-22, it was observed that the management appointed to Mr. Rukhsar Ahmed as tax consultant on contract basis for a period of one year w.e.f. 30.1.2017 at a monthly salary of Rs 110,000 vide letter No. Admin/767 dated 5.4.2017 which was extended upto 29.01.2023. An amount of Rs 12.672 million was paid on account of consultancy charges during the above period.

Audit observed the following irregularities:

- The appointment was made without press advertisement and without the formation and recommendations of the selection committee.
- Consultancy was required for a specific period but specific period was not observed in this case and frequent extension was granted.
- The appointment was made without the approval of the Competent Authority.
- The consultant was also provided a B type Bungalow that does not covered under the consultancy policy of Government.

The irregular appointment was made due to weak internal control system of the Human Resource Department of the company

Audit was of the view that the appointment of the consultant was made in disregard off the aforementioned criteria of the Federation, thus payment of Rs. 12.672 million to the consultant was held irregular in Audit.

The matter was reported to the management on 23.01.2023 but no reply was received till finalization of report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the causes under which government appointment rules were not followed and appointment made before fulfillment of codal formalities. Besides, fix responsibility thereof.

Para-2 (WIL 2021-22)

5.3.4.3 Irregular expenditure on account of foreign visits – Rs. 17.324 million

According to the Government of Pakistan Cabinet Division, Islamabad O.M. No. F-9-148/2002-Min dated February 19, 2003 the following procedure for visit abroad for officials/officers working in autonomous bodies is laid down:

- i. In case of officer BPS-20 and above the approval of the Minister In charge will be necessary with prior clearance of Ministry of Finance.
- ii. At the conclusion of a foreign visit the delegation/official shall submit post visit report to visit.
- iii. All cases of visits abroad will require clearance from the Ministry of Foreign Affairs.

During Audit of Wah Industries Limited (Pvt.) Limited, (a fully owned subsidiary of POFs, Wah) for the year, 2021-22, it was observed that frequent foreign visits were performed by the Managing Director WIL and other officers during the period under review. The record showed that an amount of Rs. 17.324 million was incurred on this account.

It was however, observed that neither the approval of the Competent Authority was obtained nor post visit reports were submitted by the concerned officers on return. Thus, the visits were considered as irregular.

The visit made without the approval of competent forum was indicative of weak internal control system of the organization.

The expenditure of Rs. 17.324 million incurred on the foreign visits without observing the laid down procedure was held irregular.

The matter was reported to the management on 23.01.2023 but no reply was received till finalization of report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that the irregular expenditure may be regularized by the order of the Competent Authority; fix responsibility on the person(s) at fault; and ensure observance of Govt. instruction in future.

Para-3 (WIL 2021-22)

5.3.4.4 Irregular appointment without advertisement – Rs 9.228 million

The Establishment Division vide OM. No. 6/2/2000-R.3 dated May 06, 2000 circulated policy guidelines for contract appointments for the posts in autonomous/semi-autonomous bodies, corporations, public sector companies etc. According to Para-(iii) vacancy should be advertised in the leading national and regional newspapers and selection should be made through regularly constituted selection Committees/Boards.

During audit of Wah Industries Ltd (WIL) Wah Cantt for the year 2021-22, it was observed that the management appointed 05 Nos officers on contract for a period of one year on monthly fixed pay ranging between Rs 150,000 to Rs 159,000 per month. An amount of Rs 9.228 million was paid to said officers on account of pay & allowances up to January 2023. However, the scrutiny of personal files of Mr. Asad Ullah Khan Manager and Mr. Muhammad Saad Ullah Manager revealed that the appointment were made without press advertisement as required under the above quoted rule of the federation. While, personal files of remaining three officers were not provided to audit.

The irregularity was due to weak internal controls of HR department.

Audit was of the view that appointment on contract without press advertisement was clear violation of the aforementioned rules of the federation and thus appointment as well as payment of Rs 9.228 million was held irregular in audit.

The matter was reported to the management on January 23, 2023 but no reply was received till finalization of report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that the matter may be investigated at appropriate level and fix responsibility on the person(s) at fault.

Para-4 (WIL 2021-22)

5.3.4.5 In-admissible payment of bonus to consultant - Rs. 2.104 million

According to the terms and conditions of the appointment of the consultant, the consultant was appointed on fixed pay Rs 110,000 per month and there was no provision of payment of Bonus.

During audit of Wah Industries Limited (WIL) for the year, 2021-22, it was observed that an amount of Rs 2.104 million was paid to Tax Consultant on

Account of bonus vide voucher No. 76 dated 11.10.2022. As the services of the consultant were hired on fixed pay and as per terms of his appointment he was not entitled for bonus, thus, the payment is held irregular.

The payment of bonus to the non-entitled employee was due to non-existence of internal audit cell in the company.

Audit was of the view that non-entitled incumbent was awarded with the monetary benefits of Rs 2.104 million which caused the loss to the organization.

The matter was reported to the management on 23.01.2023 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the reasons of bonus paid to consultants without provision in term & conditions of his contract, fix responsibility thereof and effect recovery.

Para-5 (WIL 2021-22)

5.3.4.6 Irregular operation of bank account without determination of working balance - Rs. 5,173.799 million

According to Government of Pakistan (Finance Division) investment policy issued vides O.M No. F-4/2002 –BR-II dated 02.07.2003. As per policy public sector enterprises and local autonomous bodies can deposit their working balances required for their operations with any public or private bank subject to the following requirements.

- a. The working balance limit of each organization should be determined with the approval of administrative Ministry in consultation with Finance Division.
- b. In case the total working balance exceed Rs. 10 million the selection of the Bank(s) as well as the terms of deposits will be approved by the concerned Board of Directors/ governing body on the basis of competitive bids from at least three independent banks.

During audit of Wah Industries Ltd (WIL) Wah Cantt for the year 2021-22, it was observed that Wah Industries Limited kept a sum of Rs 5,173.799 million in different banks under PLS & Daily Product Account carrying nominal markup rate during 2021-22. It was noted that before keeping the funds in daily product

account, management had not approved working balance limit from competent authority with a view to invest their surplus fund in TDRs.

Non-existence of proper fund management in the company, resulted into irregular operation of the financial assets.

Thus, due to non-determination of working capital balances and keeping of huge funds in daily Product Accounts instead of in TDR in disregard to aforementioned Govt. of Pakistan investment policy, the operation of Bank Accounts Rs 5,173.799 million was held irregular.

The matter was reported to the management on 23.01.2023 but no reply was received till finalization of report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to intimate reasons for violation of Govt. policy and fix responsibility thereof.

Para-6 (WIL 2021-22)

5.3.4.7 Irregular award of donation to Airport Security Force (ASF) - Rs 4.00 million

According to Govt. of Pakistan Finance Division vide their O.M. No. F.15 (13)-R.14/82 dated 05.09.1982 that “funds provided, acquired or generated by the 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 rate or specific orders of the Govt. Therefore, autonomous / Semi-autonomous bodies should not pay any donation unless:

- (a) The donation directly promotes its business and authority to make the donation exists in its statutes or by the donation is a specifically authorized by the M/o. Finance in the public interest”.

During audit of Wah Industries Limited (WIL) for the year 2021-22, it was observed that during September, 2021 a telephonic conversation between Chairman WIL and DG, Airports Security Force, Karachi was held on provision of unserviceable weapons by Airports Security Force Karachi for utilization in POF. The record revealed that the WIL management has paid a sum of Rs. 4.00 million

as donation to Airports Security Force Foundation vide voucher No. 208 dated 23.11.2021.

Payment of donation showed weak internal controls in the organization.

Payment of donation of Rs 4.00 million in violation of rules was considered as irregular.

The matter was reported to the management on 23.01.2023 but no reply was received till finalization of report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to justify payment of donation in violation of Govt. instructions and fix responsibility thereof.

Para-7 (WIL 2021-22)

5.3.4.8 Loss of revenue income due to excess payment - Rs. 5.788 million

According to Rule-23 of the General Financial Rules, “every Government Servant would be held responsible for any loss sustained by government through fraud or negligence on his part due to his negligence”. Further, as per Para 10 of GFR, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of his own money.

During audit of Wah Industries Ltd (WIL) Wah Cantt for the year 2021-22, it was observed that the company collected a quantity of 49.820 M. Ton Tungsten Penetrator Scrap @ 1600 per kg from various ARMY Depots and was exported to M/s London Metal Ltd. U.K. in June 2020. An amount of Rs 106.686 million was received against sale of the said quantity. Chairman, POFs Board approved Rs 79.712 million to be paid to OS Dte. Rawalpindi from said receipts. It was however, observed that the WIL management released an amount of Rs 85.50 million to the OS Dte. on the directions of POFs G.M. P.C. resulting into excess payment of Rs 5.785 million.

Weak internal control system of the organization caused revenue loss.

Thus, due to excess release of sale proceeds to the quarter concerned beyond approved amount, the WIL sustained loss of Rs 5.785 million on this account.

The matter was reported to the management on 23.01.2023 but no reply was received till finalization of report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the reasons for release of excess payment, fix responsibility thereof and effect recovery.

Para-8 (WIL 2021-22)

5.3.4.9 Loss on account of L.D. Charges due to delay in supply of store - Rs 101.570 million

According to clause 23 (b) of the Contract agreement between M/s DGP(A) Pak Army and M/s WIL “To make the supplier pay liquidated damages for the period of delay in supply up to the rate of 2% of the value but not less than 1% of the un-supplied store per month”. Whereas, as per Clause-8 of the said agreement “the delivery period of the contracted store was one year after signing of agreement”.

During audit of Wah Industries Ltd (WIL) Wah Cantt for the year 2021-22, it was observed that Director General Procurement (Army) awarded six PLC Contract worth Rs 11,084.25 million to M/s WIL (Pvt.) Ltd. during 2016-17. As per Clause - 8 of the agreement, the order was required to be completed within one year. The relevant record, however, revealed that the company failed to supply the requisite order within the stipulated period and delayed by 10 to 22 months. Due to said abnormal delay the DGP(A) imposed L.D. Charges Rs 101.570 million by invoking Clause-23(b) of the agreement and withheld Bank Guarantee amounting to Rs 115.404 million against the L.D. Charges.

Position showed ill-planning and poor performance on the part of management.

Audit was of the view that the agreement was signed by M/s WIL without assessing its capability and delay in completion of order resulted in imposition of LD Charges by the client which is a loss to the formation.

The matter was reported to the management on 23.01.2023 but no reply was received till finalization of report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that obtaining of time bound orders without assessment of actual capability of the company be investigated with a view to fix responsibility on the persons at fault besides recovery.

Para-9 (WIL 2021-22)

5.3.4.10 Unauthorized payment of bonus – Rs 7.300 million

According to Govt. of Pakistan circulated vide Finance Division O.M. No. F. (5) R.12/80(R-14)/2002-154 dated March 18, 2002, “Managing Director and member of the Board of Directors will not be entitled to receive bonus”.

During audit of Wah Industries Ltd. Wah Cantt. for the year 2021-22 it was observed that an amount of Rs 7.300 million was paid to Managing Director WIL as bonus during 2021-22 despite the fact that under above referred bonus policy of the Govt. of Pakistan, the Managing Director was not entitled to receive bonus.

Payment of bonus in disregard to federation policy was indicative of weak financial internal control system of the company.

Audit was of the view that despite repeated audit observations, the unauthorized payment of bonus has been continued. In the light of the above referred criteria of payment of bonus to Managing Director Rs 7.300 million was held irregular in audit.

The matter was reported to the management on 23.01.2023 but no reply was received till finalization of report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that the unauthorized payment of bonus to non-entitled officers be investigated with a view to fix responsibility thereof, besides effecting recovery.

Para10 (WIL 2021-22)

5.3.4.11 Unauthorized payment of honorarium and concealment of facts - Rs 7.978 million

According to Article 56 (1) of Memorandum & Article of Association (M&AoA) each Director shall receive a fee of Rs 500/- for every meeting attended plus the actual travelling and other incidental expenses incurred by him for attending the meeting. This will not apply to Government Servants. Furthermore, according to Note 29.1 of Audited Accounts of Chartered Accountant ‘this represents the aggregate value of benefits/facilities including free accommodation, utilities allowances, vehicle allowances, telephone and medical services provided

to the managing director and executives of the Company. Company has five directors who were not entitled for any remuneration and benefits.

During audit of Wah Industries Ltd (WIL) Wah Cantt for the year 2021-22, it was observed from the payment vouchers that an amount of Rs 7.978 million was paid as honorarium to member of WIL Board. It was however, observed that under Article 56(1) Memorandum & Article of Association, the WIL BoD members were not entitled for any kind of financial benefits being Govt. servants. Furthermore, despite the payment to BoD members Rs 7.978 million the Chartered Account has certified that no financial benefit whatsoever were made to the five Directors of the company as they were not entitled for any financial benefits during the current year.

The payment of Honorarium of Rs 7.978 million was made in violation of Memorandum & Article of Association of the Company was indicative of non-existence of sound financial internal controls in the organization.

Audit was of the view that in view of the aforementioned rules the Board members were not entitled for payment of Honorarium. Further the CA Firm had mis-stated the fact that the BoD directors have not paid any remuneration and benefits during the current and corresponding year despite of the fact that they have been paid financial benefit to the extent of Rs 7.978 million.

The matter was reported to the management on 23.01.2023 but no reply was received till finalization of report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to justify the payment of honorarium without having any provision in Memorandum & Article of Association, inquire the matter and effect recovery from the concerned members under intimation to audit.

Para11 (WIL 2021-22)

5.3.4.12 Loss of interest income due to non-deposit of bank guarantees of vendors in bank - Rs. 7.327 million

According to Rule-38 (1) of GFR provides 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 correctly and promptly assessed, realized and credited to Public Account.

During audit of the Wah Industries Limited (WIL) for the year, 2021-22, it was observed that the management of Packages Factory executed 34 contracts with different suppliers for procurement viz. M.S. Steel Sheet etc. These suppliers provided bid securities through PO/SD/CDR amounting to Rs 73.275 million with their quotations. These amounts of bid money (PO/SD/CDR) were kept in safe custody in office rather than depositing it in separate bank account which resulted in loss of interest income Rs 7.327 million ($\text{Rs } 73.275 \times 10\% = \text{Rs } 7.327 \times 01 \text{ month}$).

The loss occurred due to non-deposit of securities into Bank account and return back to suppliers after fulfilling the supplies.

Audit was of the view that due to weak financial management by non-depositing of security amount of vendors in separate Bank account, management sustained loss of interest income Rs. 7.327 million.

The matter was reported to the management on 25.01.2023 but no reply was received till finalization of report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends justification for non-depositing of CDRs in Bank account without fruitful results may be made and responsibility may be fixed on the person (s) responsible besides recovery.

Para-17 (WIL 2021-22)

5.3.4.13 Irregular award of work to M/s All About Innovation – Rs. 21.963

According PPRA 2004, Rule 28 (2) opening, evaluation and rejection of bids, that bids shall be opened publicly in the presence of the bidders or their representatives who may choose to be present, at the time and place announced prior to the bidding. The procuring agency shall read aloud the unit price as well as the bid amount and shall record the minutes of the bid opening. All bidders in attendance shall sign an attendance sheet. All bids submitted after the time prescribed shall be rejected and returned without bid opening.

During audit of WIL for the year 2020-21 it was observed that the management awarded a contract for procurement of furniture/electronic items to M/s All about Innovation, Islamabad for Rs 10.402 million. Further scrutiny

revealed that procurement contract was awarded in violation of PPRA rules on the basis of following shortcomings:

- i. Quotation of M/s Creative Source was accepted on unsigned tender forms.
- ii. Attendance of bidders was found without name and signature of representative by M/s All About Innovation.
- iii. In technical evaluation the hand written date was mentioned as 30.01.2021 with overwriting, whereas, technical bid was opened on 26.11.2021.
- iv. Financial statements of the firms were not available in record provided to Audit.

The irregularity occurred due to non-observing of PPRA rules and undue favour to contractor.

In view of the above short comings the award of work could be considered as transparent. The whole process from award of work to payment of Rs 21.963 was held irregular and non-transparent.

The matter was reported to the management on 25.01.2023 but no reply was received till finalization of report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to justify the above short comings in award of contract work.

Para-18 (WIL 2021-22)

5.3.4.14 Loss due to non-forfeiture of performance bond of defaulted contractor – Rs. 3.796 million

According to clause-6 of the contract agreement dated February 7, 2022, the 10% performance guarantee submitted by the firm will be released on successful completion of the contract. In case the supplier fails to supply the store than the security money will be forfeited.

During audit of the Wah Industries Limited for the year 2021-22, it was observed that M/s Package Factory awarded a contract for purchase of 15,264 sq.m Wool Felt 3 mm for Rs. 44.415 million to M/s Abdul Aziz & Co, Lahore vide contract No. 1910/C2/Woolf-Felt 3mm/Pur/PF/21-22 dated February 7, 2022. As per clause-3 of the contract agreement, the entire store was required to be supplied upto September 30, 2022. It was observed that the firm could supply a

quantity of 6,000 Mtr Wool till the expiry of the contract on September 30, 2022. During this period neither the supplier approached for extension nor the management pursued the supplier for the supply of remaining store.

This state of affair was indicative of the poor purchase procedure of the company.

Audit was of the view that the supplier went into default by not providing the store within the stipulated time; hence the contract was required to be cancelled by forfeiture of the 10% performance bond of Rs. 3.796 million as stipulated in clause-6 of the agreement and the balance store should be purchased at the risk & cost of the supplier, as per clause 10 of the agreement. However, no action was initiated against the contractor on his default which tantamount to extending undue favour to the supplier by not forfeiting the security money Rs. 3.796 million.

The matter was reported to the management on 25.01.2023 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that the matter may be investigated with a view to fix responsibility.

Para-20 (WIL 2021-22)

5.3.4.15 Irregular grant of honorarium to unauthorized officers - Rs. 4.820 million

According to Govt. of Pakistan Finance Division (Regulation Wing) issued policy guidelines for grant of honorarium to the Govt. servants vide their O.M. No. F.2 (2) R.4 /95 dated 22.06.1995 as under:

- a. The amount of honorarium recommended for each officer / official is equal or less than his one month's basic pay and the officer / official has not drawn any honorarium in the current financial year before.
- b. Work for which the honorarium is being recommended was under taken with the prior consent of the competent authority and the amount of honorarium was assessed and settled in advance by the competent authority and the officer/official concerned was informed of that.

During audit of the Wah Industries Limited (WIL) for the year, 2021-22, it was observed that the management granted honorarium of Rs. 4.820 million to officers of POF Export Division vide voucher No. 62 dated 13.01.2022. The MD WIL was also granted honorarium in recognition of his services for Export Division without observing laid down criteria.

Position showed weak internal controls in the organization over financial matters.

Audit was of the view that the officer had already been benefited by granting honorarium from WIL, thus, payment of honoraria on behalf of POF Export Division was not authorized. Moreover, grant of honorarium from Wah Industries Limited funds did not cover under the policy guidelines and leads to conflict of interest Rs 4.820 million, hence the payment on this account was held irregular.

The matter was reported to the management on 25.01.2023 but no reply was received till finalization of report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that reasons for payment of honorarium in violation of Govt. instructions be justified and responsibility be fixed. Besides, recovery be initiated from the person (s) concerned.

Para-21 (WIL 2021-22)

5.4 Wah Brass Mills (Private) Limited

5.4.1 Introduction

Wah Brass Mills (Private) Limited the Company) is wholly owned subsidiary of Wah Industries Limited which was incorporated on January 26, 2012 as a private limited company under the Companies Ordinance, 1984. The registered office of the Company is situated at Quaid Avenue, Wah Cantt.

Corporate Information

The principal activity of the Company is to manufacture and sale of Brass products. The Company is currently under final stage of upgrading its existing plant and machinery and after achieving the same they will have an installed capacity 24,000 MT per annum and actual capacity 19,200 MT per annum. The Company has started its operations from August 01, 2016.

5.4.2 Comments on Audited Accounts

5.4.2.1 The working results of the Company for the year 2021-22 as compared to the previous years are tabulated as under:

	(Rs. in million)						
	2021-22	% inc / (Dec)	2020-21	%age Inc. / (Dec)	2019-20	%age Inc. / (Dec)	2018-19
Sales/Revenue	4,658.440	30.87	3,559.462	112.59	1,674.323	(38.04)	2,702.048
Cost of sales	1,804.804	17.13	1,540.591	18.62	1,298.788	(42.47)	2,257.443
Gross profit	2,853.636	41.35	2,018.872	437.60	375.535	(15.54)	444.605
Admn. expenses	109.955	(0.23)	110.208	112.58	51.842	(19.31)	64.251
Finance Cost	17.252	(73.32)	64.656	(92.50)	821.989	27.85	642.923
Other operating cost	206.324	49.91	138.295	-	-	--	-
Other income	280.014	112.71	131.641	560.85	19.920	(27.35)	27.421
(Loss)/Profit before tax	2,800.117	52.40	1,837.352	-	(478.377)	103.44	(235.149)
Provision for tax	253.411		493.996	-	-	-	-
Profit/(Loss) after tax	2,542.706	89.28	1,343.357	-	(478.377)	103.44	(235.149)
Other comprehensive (loss)/income for the year	338.261		(0.422)	(55.34)	(0.945)	-	0.605
Total (Loss) / Profit for the year	2,547.044	89.66	1,342.935	-	(479.322)	104.36	(234.544)

(Source: Annual Audited Accounts)

The revenue of the Company was increased by 30.87% to Rs 4658.440 million in 2021-22 (Rs 3559.462 million – 2020-21), while, the cost of sales was increased by 17.13% to Rs 1804.504 million in 2021-22 (Rs 1540.591 million – 2020-21). The increase in revenue was mainly due to 47.07% increase in export sales i.e. from Rs 1820.018 million in 2020-21 to Rs 2676.702 million in 2021-22 and increased in local sale by 13.93% from Rs. 1739.444 2020-21 to Rs. 1981.738 in 2021-22. The abnormal improvement in the performance of the company during 2021-22 is appreciated.

5.4.2.2 Administrative expenses were decreased by from Rs. 110.208 million in 2020-21 to Rs. 109.955 million during 2021-22. The decreasing trend in the administrative expenses during the year is appreciated. However, abnormal increased by 49.91% Rs. 206.324 million in 2021-22 (Rs 138.295 million – 2020-21) in other operating cost needs to be justified.

5.4.2.3 Other income was increased by 112.71% to Rs 280.014 million in 2021-22 (Rs 131.641 million – 2020-21). The figure included write back of liabilities of Rs 6.970 million during the year. Position needs clarification with detail of liabilities and reasons of their written back.

5.4.2.4 An amount of Rs. 40.01 million appeared in non-current assets under the head intangible asset work in progress during the year 2021-22 against the same figure in the previous year 2021-22. Despite a lapse a period of about 5 years the completion of ERP system has not been made so far. Justification for non-completion of computerization process needs to be made.

5.4.2.5 Store and spares Rs. 164.633 million appears in the books of account as on June 30, 2022. No physical verification at the end of financial year through independent team has been carried out. The need full may be done now.

5.4.2.6 Trade debts increased to Rs 223.820 million as on June 30, 2022 (Rs 132.720 million – 2020-21). Abnormal increased in trade debts needs clarification. Aging analysis of trade debts and early recovery is stressed upon the management to avoid their conversion into bad debts.

5.4.2.7 Bank balances in saving accounts abnormally increased by 214.761% to Rs 2885.104 million as on June 30, 2022 (Rs 757.752 million – 2020-21) carrying nominal interest rate. Keeping of such huge amount in banks instead of

invested in TDRs reflected poor financial management of resources. Efforts are required on the part of management to ensure financial control by shifting the amount kept in bank accounts into fixed deposit scheme after determination of working balance limit.

5.4.2.8 An amount of Rs. 3.549 million on account of interest expense on WPPF appear under the finance cost during the year 2021-22 against nil expenditure in previous year 2020-21. This needs to be clarified.

5.4.2.9 An amount of Rs. 150.322 million shown as expense on workers profit participation fund under the head other operating cost. Breakup of the same may be provided in support of disbursement of the amount so as to verify the correctness of the expenditure.

5.4.3 Compliance of PAC Directives

No PAC has so far been conducted; hence, no pending compliance is outstanding.

5.4.4 Audit Paras

5.4.4.1 Irregular procurement of store without competitive bidding – Rs. 114.660 million

According to Rule-12 (2) of Public Procurement Rules “all procurement opportunities over three million rupees should be advertised on the Authority Website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and other in Urdu. In cases where the procuring agency has own website it may also post all advertisement concerning procurement on that website as well”.

During audit of the accounts of Wah Brass Mills (Pvt.) Ltd for the year 2020-21, it was observed that the management purchased 100 Metric Ton Copper wire scrap at a total cost of Rs 114.660 million inclusive of GST vide contract agreement dated 31.08.2020 from M/s Abdullah Engineering Works, Gujranwala. Instead of calling rates through wide publicity via print media as required under the aforementioned PPRA Rules, the management obtained rate on the basis of 03 hand collected quotations from the market.

This showed weak internal control system towards observance of procurement rules.

Audit was of the view that the procurement of store worth Rs 114.660 million in disregard to Rule 12 (2) of PPRA is held irregular and also deprived the formation from the benefit of competitive rate.

The matter was reported to the management on May 28, 2022. The management in its reply dated June 24, 2022 stated that procurement by Wah Brass Mills was being done as per Purchase Procedure approved from POF / WBM Board. PPRA rules were exempted by POF Board vide Secretary POF Board letter dated March 4, 2020.

Reply was not acceptable as POF Board vide letter No. 6500/6/Mise/Secy(B) dated August 3, 2020 directed to adopt PPRA Rules 2004, while the above purchase was made vide contract dated August 31, 2020 i.e. after with drawl of exemption, by the POF Board.

DAC meeting was held on February 13, 2023 wherein the Committee directed the management to hold a fact finding inquiry with a view to fix responsibility and recommends disciplinary action against person(s) at fault.

Audit recommends implementation of DAC directives.

Para-2 (WBM – 2020-21)

5.4.4.2 Un-authorized payment of bonus to CEO / Managing Director – Rs. 3.576 million

According to Para-IV of the Bonus Policy of the Federal Government circulated vide Finance Division (Regulation Wing) OM No. F.3 (5) R.12/80-CR.14/2002-154 Islamabad dated March 18, 2002 “Managing Director and members of Board of Directors will not be entitled to receive Bonuses”.

During audit of the accounts of Wah Brass Mill Pvt. ltd for the year, 2020-21, it was observed that an amount of Rs 3.676 million was paid to Managing Director/CEO on account of bonus during 2020-21. Under above referred policy of the Government, the Managing Director was not entitled/authorized to receive bonus under the above referred policy of the

Federation, therefore, the payment of bonus Rs 3.576 million of MD/CEO in disregard to the bonus policy is held irregular.

The payment of bonus to Chief Executive in disregard to Government instruction showed weak financial management of the formation.

The matter was reported to the management on May 28, 2022. The management in its reply dated June 24, 2022 stated that WBM Board of Directors is fully authorized to grant any number of bonuses to its employees. A ruling in this regard was also sought by PAC from Law, Justice & Human Rights Division on a similar Para made on WIL in FY 2000. The said Division clarified that Departmental Instructions issued by Finance Division or any other Ministry would not take away the authority of a company to approve bonus for its employees.

The reply of the management was not convincing as the BOD was not empowered to make any decision in disregard to the policy of the Government of Pakistan. As regard instruction of PAC meeting held on 21 & 22.07.2002 while discussing payment of bonus to WIL officers, PAC directed the PAO that expenditure should be got regularized from Finance Division, hence stand of WIL on the issue that legal opinion of Ministry of Law Justice & Human Rights was sought in this regard was not correct and is irrelevant.

DAC meeting was held on February 13, 2023 wherein the management apprised the Committee that Board of the Company was fully authorized to grant bonus to its employees under Section 183 (2) (h) of the Companies Act, 2017. Audit did not agree with the contention of the management as the bonus was paid to the Managing Director in violation of bonus policy of the Federation. DAC decided to place the matter before PAC for appropriate decision.

Audit recommends implementation of DAC directives.

Para-19 (WBM – 2020-21)

5.4.4.3 Loss due to deletion of performance bond clause from agreement - US\$ 125,280 (Pak Rs 19.963 million)

According to Clause-5.1 of the tender enquiry “the successful bidder will provide performance bond at the rate of 10% of CFR/FOR value of the contract in favour of Wah Brass Mill Pvt. Ltd. Wah Cantt. The performance bond will be

furnished in the form of call deposit receipt (CDR) from any schedule bank. The performance bond shall be furnished within 15 days from the date of contract. If the performance bond is not furnished within the prescribed time, the purchaser reserves the right to cancel the contract and has the right of risk purchase.

During audit of the accounts of Wah Brass Mill for the year, 2020-21, it was observed that a tender enquiry for the purchase of 200 M.Ton Copper Cathode grade-A was floated in press on December 8, 2020. In response all the 04 firms qualified for technical bids. The rate of US\$ 6,264 per M.Ton of M/s Dapi Group of Companies, Kenya was found the lowest. Accordingly order for the purchase of 200 M.Ton Copper at US\$ 1,252,800 was placed on the firm vide contract dated 28.12.2020. Initially irrevocable LC dated February 09, 2021 for 50 M.Ton store with US\$ 313,200 was established in favour of the firm without obtaining 10% performance bond as required under above referred clause of the tender inquiry from the contract. However, the supplier failed to supply the requisite store and contract was cancelled on August 11, 2021 without imposing any penalty as performance bond was not obtained from the supplier as required under the above quoted rules.

The deletion of the performance bond security clause @ 10% from the contract agreement, showed weak financial control in the organization which caused loss to the formation.

Audit was of the view had the management obtained 10% performance bond of US\$ 125,280 equal to Pak Rs 19.963 million the loss could have been avoided.

The matter was reported to the management on May 28, 2022. The management in its reply dated June 24, 2022 stated that procurement of Copper Cathodes is directly linked with LME rate which fluctuates on daily basis. Submission of performance Bond/Bank Guarantee was not agreed by the firm, as they have already offered the competitive and less than the prevailing LME rate.

Reply of the management was not convincing as the management should obtain the required performance guaranty as per clause- 5.1 of tender enquiry. The same was deleted from contract agreement.

DAC meeting was held on February 13, 2023 wherein the Committee showed its concern over non-observance of terms & conditions of the tender enquiry and directed the management to review the procurement procedure in line with the terms of tender enquiry and initiate action against the defaulted firm.

Audit recommends implementation of DAC directives.

Para-4 (WBM – 2020-21)

5.4.4.4 Mis-procurement of store resulting into loss - Rs 70.430 million and loss due to non-inclusion of performance bond clause in contract - US\$ 25,150 (Pak Rs. 4.200 million)

According to Rule-38 of PPRA Rules 2004, the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity. Further, in accordance with Clause-3.9 of the WBM Foreign Purchase Manual in case of value of the contract is exceeding

US\$ 50,000- the successful bidder will provide performance bond at the rate of 10% of the FOB value of contract. Clause-6.0 further clarifies that in case of failure of the supplier to deliver the contracted store within stipulated period, the purchaser reserves the right to cancel the contract and purchase the store at the risk & cost of the supplier.

During audit of the accounts of Wah Brass Mill for the year 2020-21, it was observed that tenders, for the purchase of 400 M. Ton Mulberry Copper scrap, were called for from selected firms through request for quotation (RFQ) on September 26, 2020. The rates of Rs 980,000 per M.Ton of M/s Abdullah Engineering Works, Gujranwala was the lowest. However, the formation received another offer from an Australia based firm on October 8, 2020 i.e. after opening of financial bid. The firm offered only 50 M. Ton scrap @ US\$ 5,030 per M.Ton equal to Pak Rs 823,551. Instead of placing the order on the lowest bidder i.e. M/s Abdullah Engineering, the management preferred to place order on M/s World Direct Import Australia vide Contract Agreement dated 16.10.2020. Accordingly, LC was opened, however, on December 28, 2020 the supplier showed its inability to supply the store. The management cancelled the contract and subsequently

purchased 200 M ton copper from another supplier at higher rates of US\$ 7,500 per M.Ton equal to Pak Rs 1.332 million per M.Ton vide contract dated March 2, 2022.

Due to negligence on the part of management and weak internal controls, the formation sustained loss on this account.

Audit was of the view that the management ignored the lowest bidder and also neither obtained 10% performance bond nor included risk & cost clause in the contract agreement as required under the above referred rules due to which the formation sustained loss of Rs70.430 million (i.e. Rates of lowest firm ignore Rs 980,000 per M.Ton – purchase rate 1,332,150 per M.Ton = Rs 352,150 x 200 M.Ton). Furthermore, non-obtaining of performance bond @ 10% of the contract value, resulting in loss of US\$ 25,150 equal to Pak Rs 4.200 million.

The matter was reported to the management on May 28, 2022. The management in its reply dated June 24, 2022 stated that procurement was done as per purchase procedure approved from POF/WBM Board. PPRA rules were exempted vide Secretary POF Board. However, from November, 2020 onwards PPRA rules are being complied. It was further informed that the firm was neither agreed to provide Bank Guarantee nor agreed to accept risk & cost clause in the agreement.

The management contention was not acceptable as the POF Board vide letter dated August 03, 2020 withdraw the PPRA exemption and directed to adopt PPRA, rules. The adoption of PPRA rules from November 2020 is clear violation of the Board instructions. As regard reasons for non-obtaining bank guarantee and non-inclusion of the risk and cost clause, that was also not acceptable as both the clauses were the parts of the bidding documents and omitted without any lawful authority.

DAC meeting was held on February 13, 2023 wherein the Committee directed the management to hold a fact finding inquiry with a view to fix responsibility and recommends disciplinary action against person(s) at fault.

Audit recommends implementation of DAC directives.

Para-1 (WBM – 2020-21)

5.4.4.5 Loss due to non-forfeiture of security amount of defaulting contractor – Rs. 3.250 million

According to Clause-3 of the sale agreement dated March 13, 2021 between

M/s Wah Brass Mill (Pvt.) limited and M/s Bismillah Metal Impex (Pvt.) Limited the purchaser “in the event of the failure of the purchaser to fulfill any of the terms & conditions of his contractual commitment, the Company shall have the right to cancel the contract agreement & forfeit the security/advance deposit”.

During audit of Wah Brass Mill for the year 2020-21, it was observed that a contract for the sale of 3,580 Metric Ton Aluminum Swarf Scrap at a total contracted value of Rs 63.564 million (including taxes) was awarded to M/s Bismillah Metal Impex (Pvt.) limited Gujranwala. In accordance with clause-1 of the said agreement the contractor was required to lift the whole quantity of scrap upto 30.04.2021. However, the contractor could lifted only 95.140 Metric Ton scrap up to April 20, 2021. In view of the poor performance, the WBM management short closed the contract and contract of remaining quantity was awarded to M/s Abdullah Engineering Works Gujranwala. The security deposit of defaulting contractor was returned to the contractor.

Position showed weak internal control of the organization over its operational activities.

Audit was of the view that contractor M/s Bismillah Metal Impex failed to honor the contractual obligation and was liable for forfeiture of 5% security deposit of Rs 3.250 million. However, no such action was initiated against the defaulter contractor. Thus, due to non-forfeiture of security from the defaulter contractor, the formation had to sustain loss of Rs 3.250 million on this account.

The matter was reported to the management on May 28, 2022. The management in its reply dated June 24, 2022 stated that initially contract was awarded to M/s Bismillah Metal Impex (Pvt.) Ltd. For a qty. 350 MT. As per Chairman directives, it was instructed to clear all Aluminum swarf available within POFs before June 25, 2021, lifting progress of M/s Bismillah Metal Impex (Pvt.) Ltd

was very slow. Therefore, contract was short closed by WBM without penalty. Reply was not convincing as despite of the failure of the contractor to perform in accordance with agreement, yet the management did not forfeit the security.

DAC meeting was held on February 13, 2023 wherein the Committee directed the management to hold a fact finding inquiry with a view to fix responsibility and recommends disciplinary action against person(s) at fault. The Committee further directed to recover the amount from defaulted contractor.

Audit recommends implementation of DAC directives.

Para-13 (WBM – 2020-21)

5.4.4.6 Loss on sale of scrap due to unjustified reduction in offered rates - Rs 8.700 million

According to Rule-38 of Public Procurement Rules “the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity.

During audit of Wah Brass Mill Private Limited for the year 2020-21, it was observed that tender for the sale of 50 M Ton Aluminum Swarf composition was floated in press on December 3, 2020. In response 07 firms quoted their rates, the rate of M/s Abdullah Engineering i.e. Rs 162 per kg was the highest and rates of Rs 157 per kg of M/s Al-Qamar Al Abyat was the 2nd highest. Instead of awarding the contract at the highest offered rates, the management asked the highest bidder to share their best price for 300 M.Ton Aluminum Swarf vide email dated 16.12.2020. In response thereof firm informed that they quoted rates against Aluminum bale and not for Swarf (the item which was not offered for disposal) and rates for the said items may be considered as Rs 130 per kg, which was finally increased to Rs 133 per kg. Contract for enhanced quantity of 300 M.Ton was awarded to M/s Abdullah Engineering Works at his reduced rates of Rs 133 per kg vide contract agreement dated December 19, 2020.

The non-observance of PPRA rule in letter & spirit showed weak internal control of the organization.

Audit was of the view that the highest rates of Rs 162 per kg was unauthorizedly reduced and the quantity was increased just to extend undue favour to

the buyer. Thus, due to reduction in already quoted price the formation sustained loss of Rs 8.700 million (i.e. Rs 162 per kg highest bid rates (-) Rs 133 per kg reduced rates x 300,000 Kgs.).

The matter was reported to the management on May 28, 2022. The management in its reply dated June 24, 2022 stated that Sale of Aluminum Swarf was advertised on December 03, 2020.

The management reply was not tenable as they admitted that sale of Aluminum Swarf was advertised; therefore, any rate received against the item mentioned in the tender shall be treated offer of the firm for that advertised item.

DAC meeting was held on February 13, 2023 wherein the Committee directed the management to hold a fact finding inquiry with a view to fix responsibility and recommends disciplinary action against person(s) at fault.

Audit recommends implementation of DAC directives.

Para-12 (WBM – 2020-21)

5.4.4.7 Irregular/non-transparent sale of store - Rs 4.170 million

According to Rule-12 (2) of Public Procurement Rules “all procurement opportunities over three million rupees should be advertised on the Authority Website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and other in Urdu. In cases where the procuring agency has own website it may also post all advertisement concerning procurement on that website as well.”

During audit of Wah Brass Mill for the year 2020-21 it was observed that the management sold a quantity of 20,000 Kgs Aluminum Bail to M/s Abdullah Engineering (Pvt.) Ltd. at Rs 4.170 million vide sale contract dated December 19, 2020. It was however, observed that neither the rates, for sale of said item were called for through press nor any other procedure was adopted which not only violated the above quoted of PPRA rules but also deprived the formation from the benefits of competitive rates.

The position showed weak internal control of the organization.

Audit was of the view that the procedure adopted for the sale of Aluminum Bail Rs. 4.170 million was not covered under the rules, thus, held irregular.

The matter was reported to the management on May 28, 2022. The management in their reply dated June 24, 2022 stated that Aluminum Bail was not advertised as these were manufactured on experimental basis. However, quoted prices were attractive therefore; only 9000 Kgs bails were sold out with the approval of competent authority DG(C).

The reply was not acceptable as the management itself admitted that the same item was not advertised for sale.

DAC meeting was held on February 13, 2023 but the para was not discussed as the management did not submit working paper.

Audit recommends that the irregular sale of store be investigated with a view to fix responsibility on the person (s) at fault.

Para-14 (WBM – 2020-21)

5.4.4.8 Irregular award of contract without competitive bidding - Rs 20.00 million

According to Rule-12 (2) of Public Procurement Rules “all procurement opportunities over three million rupees should be advertised on the Authority Website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and other in Urdu. In cases where the procuring agency has own website it may also post all advertisement concerning procurement on that website as well.

During audit of Wah Brass Mill for the year 2020-21, it was observed that a contract dated August 22, 2020 for appointment of Clearing Forwarding Agent was placed on M/s Marshal World Wide, Lahore for the period up to 30.06.2021. An amount of Rs 20.425 million was paid to the firm during 2020-21. It was however, observed that the services of the firm was hired without obtaining competitive bids through media, rather rates were directly obtained from the firm. The placement of contract on single source basis was not covered under the rules,

thus, the act of the management was considered as irregular which resulted into irregular expenditure of Rs 20.425 million on this account.

The non-observance of rules in letter & spirit showed weak internal control in the organization.

The irregularity was reported to the management on May 28, 2022. The management in its reply dated 24.06.2022 stated that procurement was made as per Purchase Procedure approved from POF / WBM Board. PPRA rules were exempted in WBM at that time of processing of case.

Reply was not acceptable as the exemption of applicability of PPRA Rules was withdrawn by POF Board on August 3, 2020, therefore, PPRA rules were rightly applicable at that time.

DAC meeting was held on February 13, 2023 wherein the Committee directed the management to obtain ex-post-facto approval from the competent forum.

Audit recommends implementation of DAC directives.

Para-7 (WBM – 2020-21)

5.4.4.9 Irregular sale of scrap due to abnormal increase in quantity after opening of bids - Rs 106.55 million

According to Rule-4 of Public Procurement Rules “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.

During audit of Wah Brass Mills for the year 2020-21, it was observed that the management floated tender in press on 03.12.2020 for the disposal of 50 M.Ton Aluminum Swarf. The tender was opened on 16.12.2020 in which 07 bidders offered their rates. However, after opening of bids the quantity of store was increased to 300 M.Ton and M/s Abdullah Engineering Works was asked to offer price for 300 M.Ton Aluminum Swarf and was sold at Rs. 42.800 million @ Rs. 171.170 per kg including 17% Sales tax & 10% Income tax.

Similarly another contract disposal of 350 M.Ton Aluminum Swarf was advertised in press on 27.03.2021. The rate of Rs 141.110/kg and Rs 181.61/kg offered by M/s Madani Engineering, Gujranwala and M/s Bismillah were found the 1stand 2ndhighest bidder. Due to slow lifting of scrap by M/s Bismillah Engineering Works his contract was short closed and the contract was awarded to the 3rd lowest bidder M/s Abdullah Engineering Works vide contract dated 23.04.2021 for a quantity of 300 M.Ton. However, audit observed that on the same date April 23, 2021 the contract was signed by enhancing the quantity of scrap from 550 M.Ton to 650 M.Ton through amendment # I dated 23.04.2021 and amendment # II dated 23.04.2021 respectively valuing Rs. 63.75 million.

The irregularity was due to non-existence of the approved Sale Policy of the Company.

Audit was of the view that the procedure for award of contract and subsequently abnormal increase in the contracts quantities cannot be considered as transparent and was not justified at all. The formation was required to obtain more favorable rates for the sale of said store through fresh advertisement. Therefore, the disposal of scrap worth Rs106.55 i.e. (Rs 42.800 + Rs 63.75) million by enhancing of quantities after opening of bids was held irregular and non-transparent.

The matter was reported to the management on May 28, 2022. The management in their reply dated June 24, 2022 stated that at the time of Tender (No 008/2020-21/WBM) only 50MT Aluminum Swarf was available with WBM subsequently rate running contract (RRC) was signed with POF by WBM to lift all available Aluminum swarf in POF. Accordingly contracted quantity of said store with M/s Abdullah was also increased.

The justification provided for abnormal increase in quantity of store soon after award of contract was not correct as the increase after opening of tender was about more than 200% of the assigned order while any increase over & above 15% required retendering.

DAC meeting was held on February 13, 2023 wherein the Committee directed the management to hold a fact finding inquiry with a view to fix responsibility and recommends disciplinary action against person(s) at fault.

Audit recommends implementation of DAC directives.

Para-11 (WBM – 2020-21)

5.4.4.10 Loss due to failure in lifting of contracted quantity within validity period - Rs 23.128 million.

The Chairman POF Board approved sale of 400 M.Ton ingots to WBM on single source basis @ of Rs 366,000 per M.Ton with the direction that the above rates are valid upto 2020-21 vide Para-4/N dated January 30, 2020 of the relevant file. A contract No. 19-LP-Pur-WBM-2019-20 dated 27.06.2020 was concluded in this regard.

During audit of Wah Brass Mills for the year 2020-21, it was observed that the Chairman POF Board approved sale of 400 M.Ton Brass Ingots GD,III on single source basis to M/s WBM through WIL @ Rs 366,000 per M.Ton including all type of taxes for a period 2019-20 & 2020-21. The WBM management failed to lift the contractual quantity of 400 M.Ton and only a quantity of 272 M.Ton ingots was lifted upto December 31, 2021. Due to delay in lifting of store, the POF management increased the quoted rates of ingots from Rs 366,000 per M.Ton to Rs 545,780 per M.Ton for the balance quantity of 127.980 M.Ton through amendment in contract vide WBM letter dated December 31, 2021. Accordingly, WBM purchased the balance quantity of 128.980 M.Ton ingots at enhanced rate of Rs 545,780 per M.Ton which resulted into extra financial burden of Rs 23.188 million (i.e. Rs 545,780 increased rate (-) Rs 366,000 existing rate (x) 128.980 M.Ton) which is loss to the formation.

Position showed weak internal control in the organization specifically in operational matters.

Audit was of the view that being a commercial entity, the management was required to lift the contractual quantity within the price validity period to avoid loss of Rs 23.128 million.

The matter was reported to the management on May 28, 2022. The management in its reply dated June 24, 2022 admitted the facts highlighted by Audit and stated that contract was placed on M/s Wah Industries Ltd for procurement of Brass Ingots (Qty 400 M. Ton) from POFs for the period of 2019-20 & 2020-21. Rates were valid for the FY 2020-21 and new rates were intimated by WIL for the current financial year 2021-22 for lifting of balance quantity 128 MT.

The reply was not convincing as the company sustained loss due to slow lifting of the contractual quantity of store.

DAC meeting was held on February 13, 2023 wherein the Committee directed the management to hold a fact finding inquiry on the issue within one month and findings of the inquiry may be placed before the Board for appropriate decision.

Audit recommends implementation of DAC directives.

Para-15 (WBM – 2020-21)

5.4.4.11 Non-transparent award of sale contract - US\$ 839,420 (equal to Rs 140.670 million)

According to Rule-5 and 5 (c) (i) of the Public Sector Companies (Corporate Governance Rules) “the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety, integrity and honesty and relationship with the Stakeholders. Ensuring that the Directors and executive uphold the reputation of the Company by treating the general Public, Institutional investors and other Stake holders with courtesy, integrity and efficiency, and ensuring service quality”.

During audit of Wah Brass Mills for the year 2020-21, it was observed that tender for sale of 11 products at WBM was advertised in press on June 23, 2020. In response 07 parties offered their rates. According to the comparative statement M/s Al Qamar Al Abyad offered rates for only two products against the 11 products namely Brass Ingots 60/40 (Rectangular and Brass Ingots 70/30 (Rectangular). Instead of negotiation of rates with other higher bidders who offered rates for other products, the WBM management obtained rates from M/s Al-Qamar Al Abyad after signing of the commercial offer by the Committee by making nominal increase in rates of other bidders who offered highest rates. Accordingly, the management sold out 05 items to the firms who did not initially offered rates for these items for US\$ 839,420 equal to Pak Rs 140.670 million.

Non-existence of approved Sale Policy was the cause of the irregularity.

Audit was of the view that the procedure adopted by the management was unfair, non-transparent and put the other bidders on disadvantage and they might not participate in future. Thus, the award of sale contract worth US\$ 839,420 equal to Pak Rs 140.670 million to the firm for the products for which he did not offer rates in his bid and obtaining of rates for the said products after opening of commercial offer is considered as unfair, non-transparent and thus held irregular in audit.

The matter was reported to the management on May 28, 2022. The management in its reply dated June 24, 2022 stated that WBM being a private firm needs to generate maximum revenue and profit to meet its expenses and for the same negotiation with bidders were being held.

The reply was not convincing as the practice of obtaining rates after opening of the bids are against the fair & ethical standard of WBM code of conduct and also damaged the reputation of the company.

DAC meeting was held on February 13, 2023 wherein the Committee directed the management to review the sale policy of the company to make it more transparent. The Committee further decided that the relevant record may be got verified from audit.

Audit recommends implementation of DAC directives.

Para-9 (WBM – 2020-21)

5.4.4.12 Loss due to un-necessary procurement of store and subsequent sale at lesser rates - Rs 5.377 million

According to Rule-4(3) of Public Sector Companies (Corporate Governance) Rules, 2013, the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules. His 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.

During audit of Wah Brass Mill (Pvt.) Ltd. for the year 2020-21, it was observed that quantity of 25 M.Ton Lead Ingot was sold to M/s SGA Factory WIL at a total sale value of Rs 8.415 million @ US\$ 2,241.87 equal to Pak Rs 347,490 per M.Ton vide supply order dated June 2, 2020. The record revealed that the said store was procured by the Mill in 2017-18 from M/s Amanda General vide contract dated August 28, 2017 at a total cost per M.Ton US\$ @ 3,629.50. The record showed that not a single kg of store was utilized since procurement which revealed that the store was unnecessarily procured. The purchase of store and subsequently its sale at lesser rate resulting in loss of US\$ 34,690.75 equal to Pak Rs 5.377 million (i.e. US\$ 3,629.5 purchase cost - US\$ 2,241.87 sale price = US\$ 1,387.63 x 25 M.Ton) to the formation.

The position showed weak internal controls and inefficient planning on the part of concerned management.

The matter was reported to the management on May 28, 2022. The management in its reply dated June 24, 2022 stated that 25 M.T Lead was procured in line with Phase-2 plan of WBM. According to which Extrusion Press was to be installed for production of leaded Rods, however, due to poor financial health of WBM at that time, further diversification was withheld by the Management. Therefore, un-utilized lead (qty. 24.217 MT) was sold to our sister concern Short Gun and Ammunition Factory.

The reply of the management was not acceptable as the management in its reply admitted poor management of resources by purchase of raw material before installation of the requisite machinery.

DAC meeting was held on February 13, 2023 wherein the Committee pended the para and decided that the LME rate may be got verified from Audit.

Audit recommends implementation of DAC directives.

Para-3 (WBM – 2020-21)

5.4.4.13 Loss due to non-forfeiture of call deposit of the defaulting bidder - US\$ 11,000 (Pak Rs 1.729 million)

According to Clause-3 of the Contract agreement dated November 11, 2021 for sale of 13,600 Kgs Brass slag Mix between to M/s Al Qamar Al-Abyad UAE, “In the event of the failure of the purchaser to fulfil any of the terms and

conditions of his contractual commitment, the Company shall have the right to cancel the contract agreement & forfeit the security/advance deposit besides any other right or remedy that may accrue to the Company under this agreement and or under the Law of the Country, and as per Clause-01 of the said contract the lifting period of the store was up to January 19, 2021.

During audit of Wah Brass Mill for the year 2020-21, it was observed that a contract for sale of different types of un-serviceable/non-recyclable scrap was awarded to M/s Al-Qamar Al-Abyad, UAE vide contract agreement dated November 19, 2020 at a total cost of US\$ 212,704 (Pak. Rs 33.776 million). According to clause-1 of the aforementioned contract, the store was required to be lifted up to January 19, 2021. It was observed that the bidder failed to lift even a single kg quantity upto target date i.e. January 19, 2021, and after expiry of the contract period, the firm intimated on March 01, 2021 that import of scrap in UAE and China was banned; therefore, they would lift the store through their sister unit/Company i.e. M/s Abdullah Engineering, Gujranwala. The contract was awarded to M/s Abdullah Engineering Gujranwala vide contract agreement dated March 12, 2021.

The loss was due to non-existence of approved sale policy and the management acted according to their own will and wish without safeguarding interest of the company.

The above narrated facts showed that the firm failed to fulfill contractual obligations, hence, by invoking clause-2 of the agreement, security amount was required to be forfeited which was not done, this favor to the defaulting firm resulting in loss of US\$ 11,000 (Pak Rs 1.729 million) to WBM.

The matter was reported to the management on May 28, 2022. The management in its reply dated June 24, 2022 stated that M/s Al Qamar Al Abyad had requested to convert the contract in the name of its local sister concern firm due to environmental restrictions in UAE and the same was approved by Director General-Commercial (POFs). Secondly both companies were sister concerns therefore, penalty was not imposed.

The contention of management was not justified because after expiry of the contract period, the firm showed its inability to lift the contractual quantity of

store. As the firm failed to fulfill contractual obligations, hence, security amount US\$ 11,000 (Pak Rs 1.729 million) was required to be forfeited by invoking clause-2 of the agreement.

DAC meeting was held on February 13, 2023 wherein the Committee directed the management to recover the call deposit amount from the defaulted contractor.

Audit recommends implementation of DAC directives.

Para-16 (WBM – 2020-21)

5.4.4.14 Irregular/non-transparent award of sale contract - Rs 43.792 million

According to with 9.1 (b) of the Disposal Policy 2017 duly approved by Chairman POF Board for the disposal of POF Scrap, Managing Director will tender Scrap for which an advertisement in the Newspaper and on POF Website will be floated, offer shall be collected in sealed tender box.

During audit of Wah Brass Mill for the year 2020-21, it was observed from the scrutiny of scrap auction files that a Contract dated November 11, 2020 for the disposal of Brass Slag Mix 136,000 Kgs valuing US\$ 212,704 was awarded to M/s Al-Qamar Al Abyad UAE being highest bidder. However, the contractor after expiry of contract period informed the management that due to ban on the Scrap in UAE and China, he would not be able to fulfil the contractual obligations and he may be allowed to lift the store through M/s Abdullah Engineering Gujranwala. The management instead of cancelling the contract and retendering the same; entered into an agreement with M/s Abdullah Engineering works dated March 12, 2021 at a total sale value of Rs 43.792 million, despite of the fact that the firm had not even participated in the tender process.

The irregular award of contract was due to weak internal control of the Company towards observance of approved procedures.

Audit was of the view that the management was required to retender the said item due to failure of firm in lifting the scrap which was not done. Thus, award of sale of scrap contract to M/s Abdullah Engineering Works, Gujranwala

valuing

Rs 43.792 million without advertisement was held irregular.

The matter was reported to the management on May 28, 2022. The management in their reply dated 24.06.2022 stated that M/s Al Qamar Al Abyad had requested to convert the contract in the name of its local sister concern firm due to environmental restrictions in UAE.

The contention of the management was not justified because after expiry of the contract period, the sale of scrap items should have been re-advertised to achieve most competitive rates.

DAC meeting was held on February 13, 2023 wherein the Committee directed the management to hold a fact finding inquiry with a view to fix responsibility and recommends disciplinary action against person(s) at fault.

Audit recommends implementation of DAC directives.

Para-10 (WBM – 2020-21)

5.4.4.15 Over payment due to payment of double bonus - Rs 1.00 million

According to Public Sector Companies (Corporate Governance Rules, 2013) Rule-5(a)(i) “The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety, objectivity, integrity and honesty and relationship with the Stakeholders namely handling of public funds, assets resources and confidential information by Directors, Executives and Employees”.

During audit of Wah Brass Mills for the year 2020-21, it was observed that

Mr. Muhammad Waheed Manager Finance & Accounts WIL was posted in Wah Brass Mill on temporary attachment basis for a period of three months against the vacant post of Chief Financial Officer with the condition that the officer will remain on the strength of WIL and monthly remuneration will be paid by WIL. It was observed that WBM Board vide 16th Board meeting approved bonus equal to 20 running basic pay to WBM employees during 2020-21. As Mr. Muhammad Waheed was on attachment with WBM, therefore, he was paid bonus of Rs 1,398,400 @ Rs 69,920 basic pay from the parent department i.e. M/s WIL

under terms & condition of his posting orders for the said period. It was however, observed during scrutiny of the payroll of November 2021 that in addition to the above the officer was also paid bonus of Rs 1.00 million from WBM Account.

This state of affairs was indicative of the fact that either the Board did not establish System of sound internal controls or not effectively implemented to detect and prevent such type of irregularities.

The matter was reported to the management on May 28, 2022. The management in its reply dated June 24, 2022 stated that the bonus was paid to the Officer in lieu of all other benefits and allowances which were admissible but not being extended to the Officer.

The reply was not convincing as the Board allowed 20 bonuses to all the employees including the officers, therefore, payment of bonus over & above the approved rate in lieu of other benefit was not allowed & covered under the Board approval.

DAC meeting was held on February 13, 2023 wherein the Committee directed the management to recover the amount of bonus, paid by the WBM, from the officer.

Audit recommends implementation of DAC directives.

Para-20 (WBM – 2020-21)

5.4.4.16 Irregular award of sale contract - US\$ 1,711,800 (Pak Rs 266.835 million)

According to Rule-5 and 5 (c) (i) of the Public-Sector Companies (Corporate Governance Rules) “the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public-Sector Company, to ensure compliance with the fundamental principles of probity and propriety, integrity and honesty and relationship with the Stakeholders. Ensuring that the Directors and executive uphold the reputation of the Company by treating the general Public, Institutional investors and other Stake holders with courtesy, integrity and efficiency, and ensuring service quality, whereas per 7 (c) lays down that “the Board shall also formulate significant policies of the Public Sector Company included therein Policy for

marketing of goods to be sold or services to be rendered by the Public Sector Company”

During audit of Wah Brass Mill (Pvt.) Ltd. for the year 2020-21, it was observed that tender were called for through press on May 18, 2021 for sale of Brass Ingots 70/30 (Rectangular) 100 M.Ton, Brass Ingots 60/40 (Rectangular) 50 M.Ton and Gilding Metal Ingots 90/10 GD II, 100 M.Ton. In response 04 foreign firms offered their rates. The rates offered by M/s MB2 Group US\$ 6,601 for Brass Ingot 70/30, M/s Zurich Metal of US\$ 6,085 for Brass Ingot 60/40 and M/s London Metal US\$ 7,391 for Gilding Metal Ingot 90/10 were found the highest. However, after opening of bids M/s Al Qamar Al Abyad submitted revised rates for Brass Ingots 70/30 US\$ 6,616 per M.Ton, Brass Ingot 60/40 US\$ 6,102 per M.Ton and for Copper Gilding 90/10 US\$ 7,451 per M.Ton vide email dated May 28, 2021. Thereafter, with new rates M/s Al Qamar Al Abyad become the highest bidder and sale contract US\$ 1,711,800 equivalents to Pak Rs 266.835 million was awarded to the firm. The highest bidders MB2 Group DMCC communicated his observation on the award of contract through negotiation as “this goes against the principle of tender, in which multiple bids were evaluated. The winner of each lot is determining on the basis of highest quoted due to unlawful negotiation, we are not only disappointed on WBM but also surprised with unprofessional, un-ethical behavior and attitude of WBM”.

Due to non-formulated Sale Policy by the Company, this irregular practice was adopted.

In the light of above narrated facts, the whole process of tendering could not be considered as fair and transparent and also damaged reputation of WBM in international market. As the procedure was not covered under the rules. Thus, the award of sale contract worth US\$ 1,711,800 (Pak Rs 266.835 million) is held irregular.

The matter was reported to the management on May 28, 2022. The management in its reply dated June 24, 2022 stated that WBM approached all bidders to increase their rates as initial rates quoted were less and not acceptable.

The reply was not convincing as the award of contract through negotiation after calling tender was against the principles of tender process in which multiple

bids were evaluated. The winner of each lot is determining on the basis of the highest price quoted. Furthermore, such type of awards of contracts are indicative of un-professional and unethical behavior & attitude.

DAC meeting was held on February 13, 2023 wherein the Committee decided that the matter may be placed before Board for appropriate decision.

Audit recommends implementation of DAC directives.

Para-8 (WBM – 2020-21)

5.5 Wah Nobel (Private) Limited

5.5.1 Introduction:

Wah Nobel (Private) Limited the “Company” was incorporated in Pakistan in 1962 as a Private Limited Company under Companies Act 1984 now the Companies Act 2017(XIX of 2017). Wah Nobel (Pvt.) Ltd the parent company of the group was set up by the Wah Industries Limited in collaboration with Bofors Sweden (Now Saab, Sweden) to meet the requirements of commercial explosives and accessories.

Wah Nobel is a joint venture between the Wah Industries Limited, Saab (Sweden) and Al-Misehal Co (Saudi Arabia). Wah Nobel Group is a multinational group with six companies on its orbit. Wah Nobel operates as a Commercial Subsidiary of POF on commercial frequency and wavelength. The shareholders of Wah Nobel are WIL Pakistan 51.75%, SAAB Sweden 27.23%, Al-Misehal Co Saudi Arabia 21.02%.

Wah Industries Limited which is 100% owned subsidiary Company of Pakistan Ordnance Factories (POFs) Wah Cantt owns 51.75% shares (232,875 share of Class-B) of Wah Nobel (Pvt.) Ltd. and acts as a holding Company. Therefore, the Company indirectly comes under the administrative control of POFs and then Ministry of Defence Production (Govt. of Pakistan). The registered office and manufacturing facilities of the Company are situated in Wah Cantt, Pakistan.

Corporate information:

The Company is engaged in production of Commercial Explosives/ Accessories, wide range of Industrial Chemicals and Acetates and has a presence in the Energy Sector. Since its inception Wah Nobel has continued to develop and refine the company's core expertise in traditional explosives the NG based dynamites and powder explosives

The company is thickly engaged with Mining Sector, Cement & Oil and Gas Prospecting Industry. Its products are also exported to host of friendly countries.

At present Wah Nobel Pvt. Ltd is not only meeting the country's commercial explosive requirements as well as exporting its products to a host of friendly countries. These products cater to the following industries:

- Mining Industry
- Oil & Gas Industry
- Mega Infrastructural Projects i.e. Dams, Tunnels and Road Networks
- Exports to Afghanistan, Sri Lanka, Bangladesh, Malaysia and Kenya

Today, explosives and initiation devices are employed in modified forms depending on the respective application. The main products comprises of the followings:

Commercial Explosives:

Nitroglycerine Based Dynamites, S-3 (Seismic Explosives), Wabox, Wabofite, Powder Explosives, Wabonite, Wapril (ANFO)

Emulsion Explosives:

Seismic Emulite (ES-3), Emulite-150 / Emulite-150 (G), Emulite-100 / Emulite- 100 (G), Permissible Emulite (E-408)

Detonators & Accessories:

Detonators No. 8 (PLAN), Electric Detonators No. 8, Leher Ignition System, Seismic Detonators, MS / HS Electric Delay Detonators

Blasting Accessories:

Wabocord (Detonating Cord), Safety Fuse

The Company's manufacturing facilities are located at the following areas:

- Dynamite Factory: Compound State Area, Wah Cantt, and
- Detonator Factory: Hattar Industrial State, Haripur.

Since its inception, following five more companies have been added to the group as under:

- i. Wah Nobel Chemicals Ltd
- ii. Wah Nobel Acetates Ltd

- iii. Wah Nobel Balochistan Explosives (Pvt.) Ltd
- iv. Nobel Energy Ltd
- v. Wah Nobel Gilgit Baltistan (Pvt.) Ltd

5.5.2 Comments on Audited Accounts

5.5.2.1 The working results of the Company for the year 2020-21 as compared to the previous years are tabulated as under:

(Rs. in million)

Particulars	2020-21	% Inc / (Dec)	2019-20	% Inc / (Dec)	2018-19
Sales / Revenue	3,253.947	35.44	2,402.541	8.73	2,209.706
Cost of Sales	1,713.241	26.40	1,355.421	19.64	1,132.963
Gross Profit	1,540.707	47.14	1,047.120	(2.75)	1,076.744
General & Admin. Expenses	221.176	(3.24)	228.577	20.59	189.553
Distribution Cost	82.797	(12.20)	94.307	5.41	89.470
Operating Profit	1,231.646	79.11	687.632	(13.80)	797.721
Other Income	4.272	(67.36)	13.089	(94.21)	225.895
Finance Cost	8.513	128.35	3.728	8.56	3.434
Allowance for expected credit losses / provision for doubtful receivables	9.360	(81.16)	49.693	653.27	6.597
Other Expenses	74.764	52.09	49.159	(3.63)	51.009
Profit / (Loss) before Tax	1,420.511	44.48	983.171	2.14	962.575
Income Tax Expense	373.610	42.97	261.327	(5.40)	276.237
Profit after Tax	1,046.902	45.03	721.844	5.17	686.337
(Loss)/gain on re-measurement of defined benefit plan	7.288	(15.39)	8.614	58.90	5.421
Related tax	1.902	(16.32)	2.273	44.59	1.572
Total Comprehensive Income	1,052.288	44.51	728.185	6.70	682.489

Source: (Annual Audited Accounts 2020-21)

5.5.2.2 Wah Nobel is a joint venture between the Wah Industries Limited, Saab (Sweden) and Al-Misehal Co (Saudi Arabia). Wah Nobel Group is a multinational group with six companies on its orbit. Wah Nobel operates as a Commercial Subsidiary of POF on commercial frequency and wavelength. The shareholders of Wah Nobel are WIL Pakistan 51.75%, (100% owned subsidiary Company of Pakistan Ordnance Factories) SAAB Sweden 27.23%, Al-Misehal Co Saudi Arabia 21.02%. The company refused to entertain audit from Auditor General Office in violation of powers vested in its Ordinance 2001. The reason

/matter of depart from audit needs to be looked in keeping in view of 51% share of GOP.

5.5.2.3 The Chartered Accountant i.e. Grant Thornton has pointed out in other matter auditors raised its modified opinion reported that the company has not presented the statement of compliance with Public Sector (Corporate Governance) Rules, 2013 on the premise that company is not a Public Sector Company. However, Wah Industries Limited, wholly owned by the State Enterprises, Pakistan Ordinance Factories, has majority shareholding in the Company and has power to appoint majority of directors of the Company due to which the Company is a Public Sector Company as defined in the Rules.

5.5.2.4 The sales/revenue of the Company were increased by 35.44 % to Rs 3,252.947 million in 2020-21 (2019-20: Rs 2,402.541 million) which was mainly due to increase in sales of manufactured products and export by 212% i.e. to Rs 368.283 million and Rs 173.046 million in 2020-21. Further these sales made through contacts with customers for Saindak projects in Baluchistan, Pakistan which has declared as Export Processing Zone (EPZ) by the Government of Pakistan. The increasing trend needs to be continue more efficiently.

5.5.2.5 As per Note 28 ‘other income’ income from sale of scrap was shown to Rs 3.731 with the increase by 127 % as compared to Rs 2.937 million in Year 2019-20. Whereas, in general & administrative expenses an amount under provision of slow moving stores items of Rs 17.537 million in 2020-21. The sudden booking of provision in this year despite sale of scrape has create a doubt on inventory management. The policy/ position may be elaborated with details of assets sold and inventory under slow moving /obsolete items.

5.5.2.6 As per Note 30.3 ‘Donations’ was paid exceeding limit prescribed by the Companies Act 2017 i.e. Rs 3.617 million in 2020-21 and Rs 56.582 million in 2019-20 consecutively. The payment of Donation in violation of Companies Act 2017 may be justified besides avoiding of such instances in future.

5.5.2.7 As per note 4 to the financial statement operating fixed assets 4.1 Rs 243.387 million is not part of financial statement. The same may be provided to audit for clarity with justification of the note raised by Chartered Accountant.

5.5.2.8 Audit noticed as instance breakdown of cost being incurred on Salaries, Wages amounting to Rs 441.038 and Property Plant & Equipment, furniture & fixture, Motor Vehicles etc. was raised with additions of Rs 62.426 million. These amounts include market based pay packages are not in confirmation with compliance audit to determine applicability of rules & regulations.

Salaries & Wages	2020-21
Head of accounts	
Cost of sales	261.438
Distribution cost	45.374
General & Admn	134.226
	441.038

Alarming increase in expenditure under these heads needs to be elucidated/audited.

5.5.2.9 As per Note 25.3 sales tax demand of Rs 39.230 million for the tax year 2013 was determined by the tax authorities on certain issues such as short declaration of supplies of goods, non-withholding of sales tax on taxable purchases, inadmissible input tax adjustment on local purchases etc. The company filed an appeal before Commissioner Inland Revenue (CIR-A) against this demand which has been accepted and the case is remanded back to the tax authorities for denovo consideration. Reassessment proceedings is pending with the tax authorities. Further, Deputy Commissioner Inland Revenue (DCIR) raised a demand of Rs 13.070 million along with penalties of which management of company expects a favorable decision in respect of these matters. However, no provision has been recognized in the financial statement early disposal of the cases pending is also stressed upon the management.

5.5.2.10 An amount of Rs 23.196 million is appearing under Note 16 the amount was increased from Rs 9.046 million registering an increase by 256% without details of Note. The increasing trend may be known to audit with justification.

5.5.2.11 Cash at bank balances has increased by 308% from Rs 221.536 million as compared to Rs 682.637 million during 2020-21 & 2019-20 respectively. These funds are kept in deposit accounts carry mark-up ranging from 5.5% to 6.5% (2020:6.5% to 12.75%) per annum. Similarly, had these funds kept with financial management in short term investments wherein interest rate ranging from 6.5% to 13.5% (2020: 7.8% to 13.5%) having maturity period of 1-month to

6-months from the date of investment a handsome amount could have been earned. Thus the reasons for retaining huge amount needs justification.

5.5.2.12 Interest income was decreased by 70% to Rs 217.792 million by Rs 308.258 million registering decrease trend whereas, short term investment was raised to 121% and increased to Rs 2,300.00 million from Rs 1,900.00 million 2020-21. These carry effective interest rate ranging from 6.5% to 13.50% (2020: 7.80%to 13.00%) per annum having maturity period of 1 month to 6 months. The position needs to be clarified.

5.5.2.13 The Chartered Accountant i.e. Grant Thornton has pointed out in its Auditors responsibilities for Audit of Financial Statement that “our conclusions are based on aludit evidence obtained up to the date of our auditor’s report. However, future events on conditions may cause the company to cease to continue as a going concern”. Thus, the matter needs clarification relating to future business plan.

5.5.3 Compliance of PAC Directives

As no audit of the entity has been conducted, therefore there were no pending PAC directives.

Chapter-6

Finance Division

Overview

The Finance Division deals with the subjects pertaining to finance of the Federal Government and financial matters affecting the country as a whole, preparation of annual budget statements and supplementary / excess budget statements for the consideration of the parliament accounts and audit of the Federal Government Organization etc. as assigned under the Rules of Business, 1973.

Moreover, Finance Division maintains financial discipline through financial advisors in organizations attached to each Ministry / Division etc.

Aims & Objectives

To pursue sound and equitable economic policies that put Pakistan on the path of sustained economic development and macroeconomic stability with a view to continuously and significantly improving the quality of life of all citizens through prudent and transparent public financial management carried out by dedicated professionals.

Governing Laws and Policies

- Rule of Business 1973
- General Financial Rules

Sectoral Analysis

Zarai Taraqati Bank Limited (ZTBL) was incorporated as a public limited company under the Companies Ordinance 1984 (now Companies Act 2017) on October 23, 2002 in pursuance of Section-3 of Agricultural Development Bank of Pakistan (ADBP) (Re-organization and Conversion) Ordinance 2002, ZTBL. All assets, contracts, liabilities, proceedings and undertakings of ADBP were transferred to and vested in ZTBL on December 14, 2002 worth Rs. 8.70 billion. Out of total issued shares of 1,252.24 million, 1,251.19 million are held by Federal Government, remaining shares are held by

four Provincial Governments. The Bank's principal office is situated at 1-Faisal Avenue, Zero Point Islamabad.

The main purpose of the Bank is to provide sustainable rural finance and services particularly to small farmers and low-income households to strengthen the rural and agricultural sector, mitigate poverty, capital market, investment activities and other banking business. The Bank was disbursing loans of two categories i.e. production loans for short term and development loans for long-term purposes. The Bank is being operated through 32 Zones with a total number of 488 branches and is serving around half a million clients annually and over one million accumulated account holders with the average loan size of around Rs.162,331 serving 68%, 29% & 3 % of subsistence, economic and large growers respectively. The major issues of Bank are non-finalization of annual financial statements for the financial years 2017 to date, mismanagement of financial resources, frequent irregularities and frauds/misappropriations at different levels.

Audit Profile of Finance Division

(Rs. in million)					
S. No.	Description	Total	Audited	Expenditure audited FY 2021-22	Revenue /Receipts audited FY 2021-22
1	Formations	8	7	212,343.979	996,289.637
2	Assignment Accounts (excluding FAP)				-
3	Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs. 1,517,694.894 million were raised as a result of this audit. This amount also includes recoverable of Rs. 49,567.672 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Non-Production of record	4.316
2	Reported cases of fraud, embezzlement and misappropriation	6,728.148
3	Irregularities:	
A	HR/Employees related irregularities	3,751.136
B	Procurement related irregularities	32,627.698
C	Management of accounts with Commercial Banks	38,515.967
4	Value for money and services delivery issues	86,937.214
5	Others	1,349,130.415

6.1 House Building Finance Company Limited

6.1.1 Introduction

House Building Finance Company Limited (HBFCL) is the only housing finance institution in Pakistan, established in 1952 by the Government of Pakistan.

It was corporatized in 2007 and is now an unlisted public limited company. State Bank of Pakistan (SBP) and Government of Pakistan (GoP) jointly hold the capital of HBFC with 90.31% and 9.69% shareholding, respectively.

House Building Finance Company Limited (HBFCL) provides financing facilities for construction and purchase of houses through its deep-rooted and national footprint of 51 Branches, 7 Area Offices, 3 Regional Offices and the Head Office based in Karachi.

6.1.2 Comments on Audited Accounts

6.1.2.1 The working results of the Corporation for the year ended June 30, 2022 as compared with the preceding years are given below:

(Rs. in million)					
	2021	% Inc / (Dec)	2020	% Inc / (Dec)	2019
Net markup / interest income	2,348.01	(27.74)	3,249.47	8.76	2,987.84
Total non-markup / interest income	76.282	(43.85)	135.852	3.86	130.8
Total income	2,424.29	(28.39)	3,385.32	13.56	2,981.13
Total non-markup / interest expense	1,520.05	(9.84)	1,685.94	2.97	1,637.30
Operating expenses	1,491.84	(10.00)	1,657.55	2.42	1,618.36
Various reversal / (provision) made (net)	426.425	240.29	-303.96	-17.55	-368.64
Profit/(loss) before taxation	1,328.14	(4.43)	1,389.64	45.70	953.75
Taxation	341.98	(5.28)	361.04	119.97	1,808.30
Profit/(loss) after taxation	986.154	(4.13)	1,028.60	-62.76	2,762.05
Current Ratio	6.253	56.012	4.008	(10.174)	4.462
Debt Ratio	14.592	(48.352)	28.253	39.790	20.211
Equity Ratio	85.407	9.538	77.970	(2.278)	79.788

Net markup/interest income of the company decreased by 27.74% from Rs. 2,348.01 million to Rs. 3,249.47 million in 2020. This requires justification.

6.1.2.2 Total non-markup /interest income of the company decreased by 43.85% from Rs. 76.282 million to Rs. 135.852 million in 2020. This requires justification.

6.1.2.3 Total Income has been decreased by 28.39% to Rs. 2,424.29 million in the year 2021 as compared to previous year 2020 Rs. 3,385.32 which may be justified.

6.1.2.4 Various reversal / (provision) made (net) has been increased by Rs. 426.425 million were created during the year 2021, increasing the amount by 240% from a reversal of provisions of Rs. 303.96 million in 2020. Company was reversing the provisions against loans, which needed justification.

6.1.2.5 Profit before taxation decreased by 4% from Rs. 986.154 million in 2021 to Rs. 1,028.60 million in 2020, which needed justification.

6.1.2.6 Current Ratio in the year 2021 was 6.25 as against preceding year stand of 4.0. The improvement in current ratio is on account of decreased in current liabilities by Rs. 2,094.625 million.

6.1.2.7 Debt Ratio in the year 2021 was 14.59 as against 22.03 for the year 2020 showing improved debt standing. The improvement is due to decreased in total liabilities by Rs. 2,068.619 million in the year 2021 against 2020.

6.1.2.8 Equity Ratio in the year 2021 was 85.407 as against 77.970 for the year 2020 showing improved equity ratio. The improvement is due to increase in total equity by Rs. 1,551.599 million.

6.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1994-95	14	9	5	37, 38, 39, 41, 42	64%
1998-99	2	1	1	89	50%
1999-00	5	3	2	132, 135	60%
2000-01	5	2	3	101, 102, 103	40%
2001-02	5	4	1	95	80%
2002-03	3	2	1	56.1	67%
2003-04	14	8	6	41.4, 41.5, 41.6, 42, 43, 48	57%
2004-05	3	-	3	31	0%
2005-06	14	11	3	57, 58	79%

2006-07	5	4	1	38	80%
2007-08	8	3	5	43,44(a), 44(b), 44 (c), 44(d)	38%
2008-09	3	3	-		100%
2009-10	-	-			-
2010-11	10	6	4	7.1.2.1, 7.1.2.3, 7.1.4.1, 7.1.4.4	60%
2013-14	12	1	11	6.1.2, 6.1.3.1, 6.1.3.2, 6.13.3, 6.1.3.4, 6.1.3.5, 6.1.3.6, 6.1.3.7, 6.1.3.8, 6.1.3.9, 6.1.3.10	8%
2015-16	7	1	6	6.2.4.2, 6.1, 6.2.2, 6.2.3, 6.2.4.1, 6.2.4.3	14%
2016-17	12	2	10	6.1.4.3, 6.1.4.6, 6.1.4.1, 6.1.2.1, 6.1.2.2, 6.1.3, 6.1.4.2, 6.1.4.4, 6.1.4.5, 6.1.4.7	17%
2019-20	2			6.1.4.1, 6.1.4.2	
Total	124	60	62		48%

The overall compliance of PAC directives was not satisfactory which needed improvement.

6.1.4 Audit Paras

6.1.4.1 Non-recovery from borrowers and ex-employees - Rs. 526.676 million

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

During audit of House Building Finance Company Ltd (HBFCL) Head Office, Karachi for the year 2021, it was observed that a number of loans were sanctioned to various customers for purchase & construction of houses which were not recovered. Furthermore, advances from ex-employees were also not recovered (Annex-34). The details are as under:

S. #	Description	Rs. in million	Nature of Recovery
1.	Suit cases	21.123	Decreed in favor of HBFCL but not recovered.
2.	Defaulting customer	59.225	Outstanding amount on various schemes
3.	Defaulting customer	177.836	Outstanding amount did not recover more than 05 years.
4.	Defaulter	5.973	Outstanding amount not recovered last year.
5.	House Building and Conveyance advances from ex-employees	3.332	Not recovered despite a lapse of considerable time.
6.	Non-recovery of loan from defaulting customers (Islamabad)	118.300	Outstanding amount from various customers
7.	Non-recovery of loans decided / decreed in favor of HBFCL (Islamabad)	37.743	Decreed in favor of HBFCL but not recovered.
8.	Non-recovery from chronic defaulters	78.073	Outstanding amount from chronic defaulters customers
9.	Stuck up loans due to non-recovery amounting to on account of zero payment	25.071	Defaulting customers with zero payment
Total		526.676	
<i>(Source: House Building Finance Company Limited)</i>			

Audit was of the view that the management failed to recover outstanding amount of Rs. 526.676 million which reflected inefficiency and negligence.

The matter was reported to the management in October, 2022. The irregularity was discussed in the DAC meeting held on January 18, 2023. The management informed that:

1. The execution, separate criminal complaint and application for blocking of CNIC and passport of the judgment order has been filed against 03 borrowers and remaining 04 cases have been filed in banking court. DAC directed the management to pursue the cases for recovery.
2. An amount of Rs. 53.401 million has been recovered. DAC directed the management to reconcile the amount as pointed out by the audit, provide relevant documents on the amount already recovered and pursue the outstanding amount vigorously.
3. An amount of Rs. 76.768 million has been recovered. DAC directed the management to reconcile the amount as pointed out by the audit, provide

- relevant documents on the amount already recovered and pursue the outstanding amount vigorously.
4. DAC directed the management to provide relevant documents to Audit reflecting efforts on recovery of the decreed amount and pursue the matter accordingly.
 5. DAC directed the management to provide relevant documents to audit reflecting efforts of the management made so far on the subject matter and pursued the recovery accordingly.
 6. An amount of Rs. 3.734 million has been recovered. DAC directed the management to reconcile the amount as pointed out by the audit, provide relevant documents on the amount already recovered and pursue the outstanding amount vigorously.
 7. An amount of Rs. 17.781 million has been recovered. DAC directed the management to reconciled the amount as pointed out by the audit, provide relevant documents on the amount already recovered and pursue the outstanding amount vigorously.
 8. An amount of Rs. 1.785 million has been recovered. DAC directed the management to reconciled the amount as pointed out by the audit, provide relevant documents on the amount already recovered and pursue the outstanding amount vigorously.
 9. An amount of Rs. 21.15 million has been recovered. DAC directed the management to reconciled the amount as pointed out by the audit, provide relevant documents on the amount already recovered and pursue the outstanding amount vigorously.
 10. DAC directed the management to make concrete efforts for recovery of the amount.
 11. DAC directed the management to pursue the matter of recovery in cases of the decrees in favor of the corporation and provide relevant documents to audit for examination.
 12. DAC directed the management to pursue the matter of recovery and provide relevant documents to Audit for examination.
 13. Recovery committee had been notified on the subject matter. DAC directed the management to provide details with relevant documents to

Audit reflecting efforts for examination and pursue the court cases accordingly.

Audit recommends implementation of the DAC directives.

(DP 869, 872, 876, 886 , 874, 374, 375, 376 , 377, 180, 181, 182 & 183)

6.1.4.2 Poor performance and non-obtaining of performance guarantee - Rs. 142.177 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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.

Rule 39 of PPRA Rules, 2004 states that where needed and clearly expressed in the bidding documents, the procuring agency shall require the successful bidder to furnish a performance guarantee which shall not exceed 10 percent of the contract amount.

During audit of House Building Finance Company Limited, Head Office, Karachi for the year 2021, it was observed that the management awarded the contract for “Application Software Solution” to M/s. Autosoft Dynamic (Private) Limited amounting to Rs. 129.252 million. However, severe discrepancies were observed during operations which were highlighted by Branches (Annex-35).

Furthermore, M/s Autosoft Dynamic (Private) Limited failed to provide 10% performance security of total bid amounting to Rs. 12.925 million (LMS Rs. 95.545 million & Treasury System Rs. 33.707 million = Rs. 129.252).

Audit was of the view that the poor performance of the software solution provider and non-obtaining of performance guarantee reflected serious doubts over the working affairs of the management.

The matter was reported to the management in October, 2022. The irregularity was discussed in the DAC meeting held on January 18, 2023. The management informed that:

1. Although there were short comings in the software, yet the software has been of much used to corporation and the weakness have been addressed on time to time basis. DAC directed the management to share KPIs,

response to lacunae by the management and the matter of conducting third-party validation of the software may be placed before the competent forum for its consideration.

2. Performance guarantee in both of the project have duly been submitted. DAC directed the management to provide relevant documents to audit in support of its assertion. M/s Autosoft Dynamics had submitted Performance Bank Guarantees for both projects i.e. TMS and LMS.

Audit recommends implementation of the DAC directives.

(DP Nos. 895 & 875)

6.1.4.3 Irregular disbursement of various loans – Rs. 138.181 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of House Building Finance Company Limited, (HBFCL) Head Office, Karachi for the year 2021, it was observed that various irregularities / violation were found in the sanction of loans amounting to Rs. 138.181 million (Annex-36) as detailed below:

(Rs. in million)			
S#	Name of Customer	Amount	Violation
	Falak Naz Dynasty	63.119	Project approved by the credit committee without KBCA certificate which was essential requirement. The project is under in litigation due to illegal construction.
2.	Mr. Muhammad Ajmal Khan Tareen	2.250	Neither letter for marking the lien in favor of HBFC from registrar office nor mutation was obtained.
3.	Various Customers	45.640	Fraudulent activities and fake inspection reports.
4.	Mr. Muhammad Aurangzeb Hafeez	10.00	Title document was missing and also not transferred to HBFCL.
5.	Various Customers	17.172	Title property documents was missed in strong room.
Total		138.181	

Audit was of the view that the management failed to exercise due diligence in sanctioning of loan which reflected negligence.

The matter was reported to the management in September, 2022. The irregularity was discussed in the DAC meeting held on January 18, 2023.

1. DAC directed the management to provide relevant documents to Audit including NOC already taken and further directed to management to pursue the matter accordingly.
2. The management informed that the lapse of on the part of sub-registrar. DAC directed the management to provide relevant documents to Audit and pursue the court case accordingly.
3. DAC directed the management to provide relevant documents along with inquiry report on the subject matter to Audit and further directed to management to place the matter before BoD for consideration of black listing of evaluators.
4. DAC directed the management to provide inquiry report with relevant documents to Audit for its comments and take necessary actions accordingly.
5. The management informed that control weaknesses have been identified and necessary internal controls have been put in place. DAC directed the management to share details with relevant documents with Audit for its examination.

Audit recommends implementation of the DAC directives.

(DP 900,901, 906, 898, & 885)

6.1.4.4 Irregular award of contract on negotiation basis – Rs. 129.527 million

Rule 40 of PPRA Rules, 2004, states that without changing the cost and scope of work or services, the procuring agency may negotiate with the successful bidder (with a view to streamline the work or task execution, at the time of contract finalization) on methodology, work plan, staffing and special conditions of the contract. Authority may determine the extent and types of negotiations on procurement by regulations.

During audit of House Building Finance Company Ltd (HBFCL), Head Office, Karachi for the year 2021, it was observed that the management awarded service contracts to following vendors after negotiations with change in cost and scope of work in violation of rules:

S#	Supplier	Work description	Quoted Price (Rs.)	Revised Price (Rs.)	Description
1	M/s Autosoft Dynamic	Loan Management System (LMS)	97,512,868	95,545,220	"Hiring of Application Software Solution
2	M/s Autosoft Dynamic	Treasury Systems	37,711,179	33,707,596	"Hiring of Application Software Solution
3	M/s. Baker Tilly Mehmood Idress Qamar,	Hiring of Service of Tax Consultant	150,000	100,000	Hiring of Service of Tax Consultant
4	M/s. Baker Tilly Mehmood Idress Qamar,	Hiring of Service of Tax Consultant	225,000	175,000	
Total			135,599,047	129,527,816	
<i>(Source: House Building Finance Company Limited)</i>					

Audit was of the view that the management extended an undue favor to the vendors in violation of rules.

The matter was reported to the management in October, 2022. The irregularity was discussed in the DAC meeting held on January 18, 2023. The management informed that:

1. The bidder / tax consultant being the lowest was awarded the contract. DAC directed the management to provide relevant documents including comparative statement & evaluation sheets to Audit in support of its assertion.
2. The contract was awarded on weighted average of technical and financial aspects (70% for technical: 30% for financial). DAC directed the management to provide relevant documents to Audit (for its examination and comments) including technical evaluation details reflecting justification for weighted average method and scoring mechanism. Audit recommends implementation of the DAC directives.

(DP 880 & 896)

6.1.4.5 Unjustified relocation / hiring of new branches – Rs. 59.937 million

Rule 12 (2) states that all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

Terms of reference (TOR) for branch relocation states that to check the availability of branch in reasonably sound commercial area. To ensure that the branch location is easily accessible to the customers and must be on the ground floor. To check out whether office space is adequate and enough to house all functions accordingly According to category of the branch. To check out the office premises where branch is going to be relocated that the conditions of the building is sound and free from any risk and dispute etc. To check the availability of the parking for the ease of customers. To rent office on reasonable and economical cost by making agreement of at least 05 years as it is not feasible to relocate branch again and again.

During audit of House Building Finance Company Ltd (HBFCL), Head Office, Karachi for the year 2021, it was observed that the management relocated and hired twenty (20) branches for 5 years with one year advance rent without any commercial viability & competitive process amounting to Rs. 59.9377 million on rent and renovation.

Audit was of the view that the management failed to act prudently during relocation/hiring of branches which reflected negligence and weak financial management.

The matter was reported to the management in October, 2022. The irregularity was discussed in the DAC meeting held on January 18, 2023. DAC directed the management to provide relevant documents to audit reflecting branch-wise commercial feasibility /requirement and BoD approvals to audit on the subject matter.

Audit recommends implementation of the DAC directives.

6.1.4.6 Loss due to renting out space at lower rates – Rs. 32.480 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of House Building Finance Company Limited (HBFC), Head Office, Karachi for the year 2021, it was observed that the management entered into an agreement with M/s. Pakistan Poverty Alleviation Fund for renting the space at Islamabad without any rent assessment. Furthermore, the enhancement of yearly rent rates was lower against standard rates i.e. 10% which resulted in loss of Rs. 32.480 million as detailed below:

(Amount in Rs.)								
	Rent per Month	No. of Months	Actual % age Enhancement of Rent	According to law % age enhancement of Rent	% age	Tenure of Agreement	Advance Rent for 02 years	Total
1	2,800,000	24	-	10% (2017)	(10)	01.03.2016 to 28.02.2018	67,200,000	30,800,000 33,880,000
2	3,200,000	24	12.5%	10% (2018) 10% (2019)	(7.5) (17.5)	01.03.2018 to 28.02.2020	76,800,000	37,268,000 40,994,800
3	3,703,000	24	13.5%	10% (2020) 10% (2021)	(14) (24)	01.03.2020 to 28.02.2022	88,872,000	45,094,280 49,603,708
4	3,619,682	24	(2.25)%	10% (2022) 10% (2023)	(26.25) (36.25)	01.03.2022 to 28.02.2024	86,872,368	54,564,079 60,020,487
	Total		23.75%	70%	(46.25)		319,744,368	352,225,354
Loss								32,480,986
(Source: House Building Finance Company Limited)								

Audit was of the view that the management rented out the space at cheaper rates which reflected favoritism and negligence.

The matter was reported to the management in October, 2022. The irregularity was discussed in the DAC meeting held on January 18, 2023. The management informed that according to the signed agreement, rent received from M/s Pakistan Poverty Alleviation Fund on account of Advance Rent for Two (02) years of HBFC Office Building on Plot No. 14, Sector G-8/1,

Mauve Area at Islamabad was according to agreed term i.e. 15% increase was paid by the M/s PPAF. DAC directed the management to provide relevant documents to Audit reflecting cost-benefit analysis compare to enhancement as per market practice.

Audit recommends implementation of the DAC directives.

6.1.4.7 Irregular payment to contractors before inspection / completion of work – Rs. 31.766 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of House Building Finance Company Limited, (HBFCL) Head Office, Karachi for the year 2021, it was observed that the management awarded different contracts for renovation work and supply of appliances at newly relocated / hired premises offices in Central, North and South Region branches (Annex-37). However, it was observed that relevant work was not done and overall quality of the works was not satisfactory. Moreover, there was increase in BOQ quantities from original contracts without proper authorization.

Audit was of the view that the completion certificates were issued and payment of Rs. 31.766 million was released before inspection / completion.

The matter was reported to the management in October, 2022. The irregularity was discussed in the DAC meeting held on January 18, 2023. The management informed that the payment has been withheld for those deliverables which was not upto the specified parameters. Besides, retention money has also been withheld. DAC directed the management to provide detail of actions to be taken with relevant documents to Audit for its examination.

Audit recommends implementation of the DAC directives.

6.1.4.8 Irregular payment of cash award - Rs. 29.278 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of House Building Finance Company Limited (HBFCL), Head Office, Karachi for the year 2021, it was observed that the management paid cash award of Rs. 29.278 million to employees despite the fact that the financial position of the Company showed declining trend. The details of financial position is as under:

(Amount in Rs.)					
Financial Indicator	2021	% age	2020	% age	2019
Net Mark-up/Interest Income	2,348,006	(72.3)	3,249,469	87.7	2,850,328
Total Income	2,424,288	(71.6)	3,385,321	88	2,981,125
Profit Before Tax	1,328,137	(95.6)	1,389,638	68.6	953,748
Profit After Tax	986,154	(95.8)	1,028,599	(268.5)	2,762,047
Earnings per share	0.51		0.53		1.43
(Source: House Building Finance Company Limited)					

Audit was of the view that payment of cash award despite the financial crunch reflected weak financial management and negligence.

The matter was reported to the management in September, 2022. The irregularity was discussed in the DAC meeting held on January 18, 2023. The management informed that the case was decided by the Supreme Court of Pakistan and the payment is made accordingly. DAC directed the management to provide relevant documents to Audit for its examination.

Audit recommends implementation of the DAC directives.

6.1.4.9 Irregular award of contracts to second lowest bidders - Rs. 27.477 million

Rule 38 of PPRA Rules 2004 states that the bidder with the lowest evaluated bid shall be awarded the procurement contract, within the original or extended period of bid validity.

During audit of House Building Finance Company Ltd (HBFCL), Head Office, Karachi for the year 2021, it was observed that the management awarded 03 contracts to following second lowest bidders in violation of rules:

S#	Name of Bidders	Description	Financial Bid (Rs)
01	M/s Hybrid Technologies	Laptop	12,028,055
02	M/s Interwood (Pvt.) Ltd	Furniture	6,147,088
03	M/s KSS Engineering (Pvt.) Ltd	Civil, Engg & Electrical Works	5,402,248
04	M/s Grant Thornton	Appointment of External Auditors	3,900,000
Total (Rs)			27,477,391
<i>(Source: House Building Finance Company Limited)</i>			

Furthermore, the concurrence regarding appointment of External Auditors was also not obtained from Department of Auditor General of Pakistan.

Audit was of the view that the management extended an undue favor to the vendors.

The matter was reported to the management in October, 2022. The irregularity was discussed in the DAC meeting held on January 18, 2023.

1. The management informed that the work was awarded on single stage one envelope basis. DAC directed the management to provide relevant documents to Audit reflecting justification in accordance with PPRA rules.
2. DAC directed the management to provide details with relevant documents to Audit for its examination.
3. DAC directed the management to provide relevant documents to Audit including details of payment of non-utilization of fees and place the matter before BoD for its further consideration.
4. The management informed that the contract was awarded on weighted average of technical and financial aspects (80% for technical: 20% for financial). DAC directed the management to provide relevant documents to Audit (for its examination and comments) including technical evaluation details reflecting justification for weighted average method and scoring mechanism.

Audit recommends implementation of the DAC directives.

(DP 881, 903, 904 & 897)

6.1.4.10 Wasteful expenditure on marketing campaign - Rs. 25.045 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for 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.

During audit of House Building Finance Company Ltd (HBFCL), Head Office, Karachi for the year 2021, it was observed that the management performed / exercised different market campaigns for promotion different loaning products. The banners were displayed which were detached / removed by the Municipal Committees which reflects absence of due diligence which resulted in a huge expenditure of Rs. 25.045 million.

Audit was of the view that the management failed to act proactively while incurring an expenditure of Rs. 25.045 million which stood wasteful.

The matter was reported to the management in October, 2022. The irregularity was discussed in the DAC meeting held on January 18, 2023. DAC directed the management to provide relevant documents to audit segregating PID –related amounts and the amount spend on campaign through banners and further directed the management that advertisement campaigns may be launched with structured approach in future.

Audit recommends implementation of the DAC directives.

6.1.4.11 Irregular appointment of Chief Financial Officer & Chief Information Officer - Rs. 9.900 million

Para (iii) (b) & (c) of Cabinet Secretariat (Establishment Division) letter dated 6th May, 2000, (b) vacancies should be advertised in the leading national and regional newspapers (c) selection should be made through regularly constituted Selection Committees / Board. According to advertisement criteria:

Advertisement	
Post	Required Qualification
Chief Information Officer	Masters/Bachelor's degree (16 years of education) in the field of Computer Science / Information Technology or any other field from HEC recognized institutions.

	Minimum 16 years of relevant experience with minimum 06 years in senior management position

During audit of House Building Finance Company Limited (HBFCL) Head Office, Karachi for the year 2021, it was observed that the management inducted Mr. Kazim Raza Bhayani as internship / articleship in 2010 on contract basis and his duration was extended till 2015. The incumbent was confirmed after contractual period and appointed as AVP-Accounts on February 19, 2015. He was promoted as VP-Accounts on 02-09-2019. Later on, he was promoted / appointed as Chief Financial Officer on 30-04-2022 without competitive process.

Furthermore, the management appointed Mr. Abdul Rahim Ahmad as Chief Information Officer in July, 2022. His qualification was Bachelor in Computer Engineering, whereas the required qualification for this post was Bachelor in Computer Science / Information Technology. In addition, he had not performed his duty in Head Office, Karachi and working online in Islamabad Office.

Audit was of the view that undue favour was extended to the incumbents which reflected negligence and slackness. Hence, payment of Rs. 9.900 million (Rs. 75,000 per month x 100 months & Rs. 1,200,000 x 02 months) incurred on salary and allied benefits was also held irregular.

The matter was reported to the management in October, 2022. The irregularity was discussed in the DAC meeting held on January 18, 2023.

1. DAC directed the management to provide relevant documents to Audit reflecting eligibility in terms of qualification and experience in the instance case.
2. DAC directed the management to provide relevant documents to Audit reflecting eligibility in terms of qualification and experience in the instance case.

Audit recommends implementation of the DAC directives.

(DP Nos.887 & 888)

6.1.4.12 Irregular appointment of Managing Director - Rs. 8.400 million

According to advertisement for the recruitment of Managing Director (MD) HBFCL, the required qualification was minimum graduation or equivalent in the discipline of Banking Finance, Economics, Business Administration and related fields.

During audit of House Building Finance Company Ltd (HBFCL), Head Office, Karachi for the year 2021, it was observed that Mr. Ahmed Ahad was appointed as Managing Director on January 12, 2021, against the requisite qualification for a period of 03 years. He possessed qualification of Bachelors in Commerce (B.Com) which was not in line with the requirement. The detail of payments is given below:

(Amount in Rs.)					
Period	Salary x Months	Amount	Period	Salary x Months	Amount
19.04.2021 to 30.04.2021	700,000 x 12/30	280,000	01.05.2021 to 18.04.2021	700,000 x 11	8,120,000
Total					8,400,000
<i>(Source: House Building Finance Company Limited)</i>					

Audit was of the view that the appointment of incumbent without fulfillment & observance of codal formalities and criteria reflected negligence and favoritism.

The matter was reported to the management in October, 2022. The irregularity was discussed in the DAC meeting held on January 18, 2023. The management informed that Mr. Imran Ahad was appointed as Managing Director, HBFC by the Finance Division, Govt. of Pakistan, for a period of three years in terms of Sub-Section 4 of Section 187 of Companies Act, 2017 read with Article 72 of Memorandum and Article of Association of HBFC. DAC decided that details on appointment of MD / CEO would be provided by Ministry of Finance.

Audit recommends implementation of the DAC directives.

6.1.4.13 Irregular sanction of construction loan - Rs. 6.360 million

Section 4.1 (a) of Code of Conduct of HBFCL states that the employees shall not commit or assist any activity that involves making false statement, fraud, forgery, misappropriation, theft, embezzlement, bribery, misrepresentation,

violation of HBFC rules, regulations, policies and procedures and/or any similar activity that harms or may harm the interest and reputation of HBFC.

During audit of House Building Finance Company Ltd (HBFCL), Head Office, Karachi for the year 2021, it was observed that the management sanctioned a construction loan amounting to Rs. 6.360 million to Dr. Sarfraz Muneer Khan for residential purpose. However, Area Manager and Branch Manager, Multan and valuator prepared deceptive reports to hide the construction of a commercial building with full fledged hospital with different clinics. They not only concealed that fact deliberately but also conducted all property inspections for disbursement of various tranches fraudulently.

Audit was of the view that the management failed to comply with rules and regulations and extended undue favor to customers in financing loans which was held irregular.

The matter was reported to the management in September, 2022. The irregularity was discussed in the DAC meeting held on January 18, 2023. DAC directed the management to share inquiry report with relevant documents to Audit for its examination and comments.

Audit recommends implementation of the DAC directives.

6.1.4.14 Irregular payment of depreciation cost of car and driver salary - Rs. 1.869 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of House Building Finance Company Limited (HBFCL), Head Office, Karachi for the year 2021, it was observed that Syed Basit Aly (Ex-Managing Director) had been allotted vehicle along with driver. However, the management allowed benefit of monthly depreciation cost of car and driver salary amounting to Rs. 1.869 million (Rs. 33,917 & Rs. 18,000 = Rs. 51,917 x 36 months) which is held irregular and unjustified.

Audit was of the view that payment of dual facility i.e. monthly depreciation cost of car and driver salary reflected undue favor.

The matter was reported to the management in October, 2022. The irregularity was discussed in the DAC meeting held on January 18, 2023. DAC directed the management to provide relevant documents to Audit including terms and conditions of employment of the officer.

Audit recommends implementation of the DAC directives.

6.1.4.15 Loss on payment of penalty – Rs. 1.110 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of House Building Finance Company Ltd (HBFCL-HO) for the year 2021, it was observed that management processed the case of Mr. Amir Shahid and collected postdated cheques without waiting for approval from State Bank of Pakistan (SBP) and misreported Electronic Credit Information Bureau (e-CIB) information of the customer, resultantly, SBP imposed a penalty of Rs. 1.110 million in violation of rules.

Audit was of the view that the management failed to monitor the case which reflected negligence.

The matter was reported to the management in October, 2022. The irregularity was discussed in the DAC meeting held on January 18, 2023. DAC directed the management to provide relevant documents to Audit on details of penalties imposed on HBFCL for last three years.

Audit recommends implementation of the DAC directives.

6.1.4.16 Non-determination of sanctioned strength / overstaffing

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of House Building Finance Company Ltd (HBFCL) Head Office, Karachi for the year 2021, it was observed that the management appointed various categories of officers / official without any sanctioned & working strength. The details are as under:

S #	Grade	Designation	Regular	Contract	Total
1	MD	MD	0	1	1
2	EVP	EVP	-	2	2
3	OG-6	SVP	1	2	3
4	OG-5	VP	14	-	14
5	OG-4	AVP	45	4	49
6	OG-3	Manager	107	25	132
7	OG-2	Asstt. Manager	107	16	123
8	OG-2	MTO	0	-	0
9	OG-1	Junior Officer	18	-	18
Total (Officer)			292	50	342
9	Grade -VI	Clerical	60	-	60
10	Grade - V		20	-	20
11	Grade - IV		11	-	11
12	Grade - III	Non-Clerical	30	-	30
13	Grade – II		38	-	38
14	Grade - I		-	-	-
	Total (Staff)		159	-	159
Total (Officers & Staff)			451	50	501
(Source: House Building Finance Company Limited)					

Audit was of the view that absence of sanctioned strength reflected negligence and slackness on the part of management.

The matter was reported to the management in October, 2022. The irregularity was discussed in the DAC meeting held on January 18, 2023. The management informed that BoD has sanctioned 572 overall strength of company through medium term strategy paper. DAC directed the management that the matter may be placed before the competent authority for sanctioning of the grade-/position-wise strength.

Audit recommends implementation of the DAC directives.

6.2 National Bank of Pakistan

6.2.1 Introduction

National Bank of Pakistan is a leading Commercial Bank established on November 8, 1949 under the National Bank of Pakistan Ordinance 1949 by Government of Pakistan (where Government of Pakistan is major shareholder as more than 75 % of total No of shares are owned by GoP). The Bank registered Head Office is situated at Karachi and is listed on the Pakistan Stock Exchange. While NBP have been entrusted to act as trustee of public funds and as the agent to the State Bank of Pakistan (Central Bank of Pakistan), over the years bank redefine its role into a modern growth oriented commercial bank by expanding network across continents and by capturing largest market shares in the debt equity market, corporate investment banking, retail and consumer banking, agricultural financing and treasury services globally.

Together with its local and foreign subsidiaries, NBP is providing commercial banking services including Corporate Loans, Asset Management, Leasing, Forex, Modarba, Global Remittances, Underwriting, Broking, Agency, Investment Advisory and such other services. The Bank's services are available to individuals, corporate entities and the government. NBP strive in promoting financial inclusion of unbanked masses in the Countries it is operating, creating equal employment opportunities, identifying & delivering its responsibility as a corporate citizen. Bank Regions are: Far East / Asia Pacific, South Asia, Middle East, Central Asia, Europe & North America. The Bank operates with 34 Foreign Branches / Offices & 1,450+ Branches in Pakistan.

6.2.2 Comments on Audited Accounts

6.2.2.1 The working results of bank for the year ended December 31, 2021 as compared to previous years are given below:

	(Rs. in million)				
	2021	% Inc /Dec	2020	% Inc /Dec	2019
Markup/Return /Interest earned	231,883	-10.06	257,811	7.66	239,477
Net-Interest Income	97,618	-6.28	104,155	44.85	71,907
Other Income	1,844	-53.47	3,963	-31.29	5,768
Extra-ordinary Item	9,779	-	-	-	-
Profit after tax	28,008	-8.35	30,559	93.29	15,810
Other assets	100,255	-9.02	110,196	-32.92	164,280
Borrowings	312,925	125.88	138,539	-70.63	471,757
Non-performing loans	197,938	15.55	171,294	15.15	148,752
Return on equity	13.50%	-21.51	17.20%	68.63	10.20%

The markup/Return/interest earned by the Bank decreased by 10.06%, from Rs. 257,811 million in 2020 to Rs. 231,883 million in 2022, mainly due to lesser return on loans/advances and investments, which needed justification.

6.2.2.2 Net Interest Income of the Bank declined by 6.28%, from Rs. 104,155 million in 2020 to Rs. 97,618 million in 2021, which needed elucidation.

6.2.2.3 Other income reflected a drastic decline of 53.47% during 2021, from Rs. 3,963 million in 2020 to Rs. 1,844 million in 2021, which required justification.

6.2.2.4 An Extra-ordinary item of expenditure of Rs. 9,779 million was incorporated during the year 2021, which required justification.

6.2.2.5 Profit after tax of the bank declined by 8.35%, from Rs. 30,559 million in 2020 to Rs. 28,008 million in 2021, which required justification.

6.2.2.6 Other assets of the Bank reflected a decline of 9.02% during the year 2021, from Rs. 110,196 million to Rs. 100,255 million in 2021, which needed justification.

6.2.2.7 Borrowings of NBP increased by 125.88%, from Rs. 138,539 million to Rs. 312,925 million in 2021, which necessitated explanation.

6.2.2.8 Non-Performing loans (NPLs) of the Bank increased by 15.55% from Rs. 171,294 million to Rs. 197,938 million in 2021, witnessing poor recovery efforts, which required justification.

6.2.2.9 Return on equity declined by 21.51% during the year, from 17.2% to 13.5% in 2021, which required elucidation.

6.2.3 Compliance of PAC Directives

There were no pending PAC directives for compliance.

6.2.4 Audit Paras

6.2.4.1 Loss due to poor performance of the management - Rs. 70,087.67 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance.

During audit of National Bank of Pakistan (NBP), Karachi for the year 2012 to 2020, it was observed that the management changed the organisational structure and introduced various new groups to make the entity more profitable. In the last three (03) years, the management hired 80 key Executives (SEVPs, EVPs, SVPs and VPs) on lucrative salaries for the betterment of overall performance. Following is the detail of four (04) groups with their average performance:

Group Name	(Rs. in million)						Total
	Years						
	2018		2019		2020		
	Profit/Loss	%	Profit/Loss	%	Profit/Loss	%	
Inclusive Development Group	-		(1,310.983)	-	(1,380.048)	5.34% ↑	(2,691.03)
Corporate and Investment Banking	(3,516.232)	-	(5,495.811)	56% ↑	(19,122.981)	248%↑	(28,135.02)
International, Financial Institution and Remittance	1482.966	-	802.901	(46%)	(975.444)	-	1,310.423
Head Office / Others	(13,732.086)	-	(16,638.453)	21% ↑	(8,891.080)	46%↑	(39,261.62)
(Source: National Bank of Pakistan)							

Audit was of the view that the management had failed to enhance the overall performance of the Groups despite hiring key management officials on

hefty salaries. The overall performance of the Bank (especially groups mentioned above) had deteriorated over the last three (03) years.

The matter was reported to the management in December, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. DAC directed the management to share the relevant record/ documents with the Audit for verification, particularly with reference to the other banks/ market trends. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.2 Non-recovery of various dues / advances - Rs. 81,576.438 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance.

During audit of National Bank of Pakistan (NBP) for the year 2012-2020, it was observed that the management failed to recover various dues / advances as detailed below: (Annex-38)

(Rs. in million)		
S #	Description	Amount
1.	Various Public Sector Enterprises	52,882
2.	Nostro Foreign Accounts	5,041
3.	Defaulters of Bangladesh Operations	18,967.81
4.	M/s. Lakhra Power Generation Company Limited	6,128.686
5.	National Development Finance Corporation (NDFC)	3,592.901
Total		81,576.438
<i>(Source: National Bank of Pakistan)</i>		

Audit was of the view that the non-recovery of huge amount reflected weak financial management and poor recovery mechanism.

The matter was reported to the management in December, 202. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022.

1. DAC directed the management to expedite efforts for recovery of outstanding amount and get the recovery already effected verified by Audit. The DAC further directed the NBP to furnish progress report in the case to the Ministry and Audit on monthly basis.
2. DAC directed the management to get the relevant documents verified by Audit.
3. The management informed that an amount of Rs. 6,875.045 has been recovered upto December, 2020. Furthermore, in December, 2021, senior team from Head Office visited Bangladesh and initiated negotiations with the obligors with the focus on limited write-offs. As borrowers agreed to settle their accounts and deposit initial repayment amounts, their proposals will be submitted to the competent authority for approval as per Bank's "Recovery Policy" and SBP "Prudential Regulations". DAC directed the management to expedite efforts for recovery of outstanding amounts; fix the target/ dates for completion of recovery and get the relevant records/ documents and amount recovered verified by audit.
4. The management informed that NBP approved an amount of Rs. 6.4 billion as 5-year loan in 2009. This loan was secured by an unconditional and irrevocable 1st demand continuing guarantee from the Government of Pakistan (GoP). NBP initiated legal proceedings in 2017. The Lahore High Court vide its order (September 2020) asked NBP to impose a lien on the Federal Consolidated Fund account of the GoP maintained at SBP for the decreed amount, however, NBP has demonstrated a focused and consistent recovery effort through both legal action and engagement with the GoP. DAC directed the management to expedite efforts for recovery of outstanding amount and follow up court case and concerned quarters to ensure finalization of the case at the earliest.
5. The management informed that these are legacy non-performing loans which were originally booked by NDFC prior to its amalgamation with NBP. The management recovered an amount of Rs. 2.7 billion against these non-performing loans. DAC directed the management to get the amounts recovered verified by audit and necessary efforts also be expedited for recovery of outstanding loan amounts, vigorously.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos. 60, 62, 64, 69 & 75)

6.2.4.3 Irregular disbursement of loan in Bangladesh operations - Rs. 25,842.86 million equivalent to US\$ 164.04 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance.

During audit of National Bank of Pakistan (NBP), Karachi for the year 2012 to 2020, it was observed that the management of NBP (Bangladesh) sanctioned loans to various groups / customers amounting to Rs. 25,842.86 million (US\$164.04 million) during the period 2003 to 2014 without obtaining sufficient collateral or have discrepant / defective securities. Furthermore, in most of the cases, credit limits sanctioned to the borrowers were beyond the limit of Business Discretionary Powers (BDP) of GM; the credit proposals were neither referred to the Regional Chief Executive (RCE), nor to Credit Committee at Bank's Head Office nor post facto approvals were obtained. The details of loan are given below:

S. #	Name of Group	Outstanding (US\$ in million)	%	Rs. in million
	Ibrahim	21.53	13	(US\$164.04 million @ 157.54 as at June 30, 2021) = 25,842.86
	Cotton	33.21	20	
	DG Knitting	9.00	05	
	Harb	6.68	04	
	Koba	6.44	04	
	Sub-Total	76.85	47	
	Remaining Portfolio	87.19	53	
	Total Portfolio	164.04	100	
(Source: National Bank of Pakistan)				

Furthermore, management sanctioned / disbursed loan without screening of documents and not following proper guidance / policies related to the disbursement of loan such as non-compliance with requirements of borrower's due diligence, non-valuation of securities, absence of search report, expiry of insurance cover, no evidence of visits borrowers place sanctioned loan without maintaining godown inspection report / stock report and improper releasing of securities etc.

Audit was of the view that management irregularly disbursed loan amounting to Rs. 25,842.86 million (US\$ 164.04 million @ Rs. 157.54) without due diligence, without collateral securities or have discrepant / defective securities.

The matter was reported to the management in December, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed that the current outstanding principal amount of NPL portfolio of NBP-Bangladesh Operations is US\$ 121.12 million equivalent to Rs. 21,378.61 million instead of US\$ 164.04 million equivalent to Rs. 25,842.86 million mentioned in the report. As a result of investigation, NBP HR identified sixty one (61) top management executives / officers and they were charge-sheeted as per Bank's process. Bank also filed a criminal complaint with NAB and case is still under investigation. DAC directed the management to pursue the outstanding recoveries in the case, vigorously, till finalization. The DAC further directed that the NAB cases also be pursued for early finalization. Moreover, amount recovered (if any) and administrative action taken against responsible person (s) also be got verified by the audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.4 Imprudent disbursement of loan despite negative factors - Rs. 14,150.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters,

subject to the oversight and directions of the Board, in accordance with the Ordinance.

During audit of National Bank of Pakistan (NBP), Karachi for the year 2012 to 2020, it was observed that the management granted loan facility to M/s Hascol Petroleum Limited (HPL) during the year 2012 to 2021. Details of loan granted and status of non-performing loan is tabulated below:

(Rs. in million)		
Year	Exposure	NPL/Doubtful
2021	14,150	23,432
2020	18,262	4,211
2019	16,065	-
(Source: National Bank of Pakistan)		

It was observed that M/s. HPL faced various operational difficulties during the year 2020 which included reduction of fuel oil in electricity generation, volatility in international oil market and currency devaluation in local currency besides reporting a loss after tax of Rs. 25,875 million. The negative reserves of HPL stood at Rs. 37,621 million in December 2020. Due to heavy losses, the HPL's net negative equity was Rs. 13,686 million during December 2020. Furthermore, the auditors of the borrower had also raised concern over the going concern of the company in December 2019. However, despite the above facts, the management further enhanced its credit limit amounting to Rs. 14,150 million during the year 2021.

Audit was of the view that management extended undue favor to M/s HPL by allowing repeated credit facilities / enhancement of facilities by ignoring all the negative financial factors.

The matter was reported to the management in December, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. DAC directed the management to furnish revised replies in the case and follow up the court cases etc. vigorously for early finalization and also get the relevant records/ documents verified by Audit till its satisfaction.

Audit recommends implementation of the DAC directives.

6.2.4.5 Non-transferring of ownership of shares -Rs. 8,193.241 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance.

During audit of National Bank of Pakistan (NBP), Karachi for the year 2012 to 2020, it was observed that the management acquired 31 million shares of Pakistan State Oil (PSO) Co. Ltd. from National Investment Trust (NIT) which was not transferred to NBP since 2012. These shares currently held by NIT in its own name till the end of December 31, 2020. Resultantly, subsequent cash dividend and bonus shares are received by NIT. The market value of these shares at December 31, 2020 is given below:

(Rs. in million)				
S#	Name of Company	No. of Shares at the date of 31 st December, 2020 (in million)	Market value per share at the date of 31 st December, 2020	Total Market value at the date of 31 st December, 2020
1	M/s Pakistan State Oil Co. Ltd.	38.055	215.30	8,193.241
(Source: National Bank of Pakistan)				

Audit was of the view that non-transferring of shares' ownership was a serious procedural lapse on the part of management.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed that share of PSO acquired by NBP under tri-party agreement dated June 29, 2011 were frozen and could only be sold to strategic investor by Privatization Commission. Hence, these shares could not be sold without prior permission from the concerned Ministries. NBP has written multiple letters to the concerned Ministry for transfer of shares. Reply to the letter was awaited from the Ministries. DAC directed the management to follow up the case with concerned quarters and furnish updated progress to audit for verification of records. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.6 Non-utilization / disposal of non-banking assets - Rs. 3,968.329 million

Section 10 of the Banking Companies Ordinance, 1962 states that no banking company shall, (except as may be permitted by the State Bank of Pakistan from time to time or as is required by it for its own use), hold any immovable property howsoever acquired, for any period exceeding seven years from the acquisition thereof or from the commencement of this Ordinance, whichever is later or any extension of such period as in this section provided, and such property shall be disposed of within such period or extended period, as the case may be.

During audit of National Bank of Pakistan (NBP) for the year 2012-2020, it was observed that the management disbursed huge loans against the mortgage of Non-Banking Asset (Land, Building etc.) to various parties over the period of time and later on acquired the mortgage assets of the borrowers in satisfaction of outstanding claims / loans. The detail is as under:

(Rs. in million)		
Name of party	Acquisition year	Revalued amount (as at December 31, 2020)
M/s. New Allied Electronics (Private) Limited	2010	931.110
M/s. Mekran Fisheries (Private) Limited	2010	279.300
M/s. Gharibwal Cement Limited	2011	422.466
M/s. Afroze Textile (Private) Limited	2011	1,549.835
M/s. Punjab Cold Storage	2011	68.968
M/s. Khizar Abbas (Private) Limited	2011	53.740
M/s. Independent Newspaper Corporation (Private) Limited	2012	123.341
M/s. Independent Newspaper Corporation (Private) Limited	2012	292.320
M/s. Independent Newspaper Corporation (Private) Limited	2012	247.249
Total		3,968.329
<i>(Source: National Bank of Pakistan)</i>		

However, the management failed to dispose off these assets in violation of rule mentioned above.

Audit was of the view that the management failed to utilize / dispose off these assets despite a lapse of more than seven years.

The matter was reported to the management in December, 2021. The management informed that market value of each of the asset has appreciated by multiples. Moreover, disposal of 02 Unutilized Bank's Properties (UBPs) as a test-case basis has been submitted on 01.12.2021 for approval of the Board of Directors. DAC directed the management to furnish revised replies in the case and get the relevant documents verified by Audit till its satisfaction. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.7 Loss due to penalty imposed by regulatory bodies - Rs. 3,322.284 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance.

During audit of National Bank of Pakistan Head Office, Karachi for the years 2012-2020, it was observed that the State Bank of Pakistan (SBP) and other regulatory bodies (Central Bank of International Branches & Regulators of subsidiaries / Competition Commission of Pakistan etc.) imposed penalties on different violations / non-compliance of rules & regulations such as violation of Competition Act, 2010, Know Your Customer (KYC) & Customer Due Diligence (CDD), Foreign Exchange Operations, Banking Companies Ordinance, 1962, non-compliance of relevant policies, timely non-updating customers' information in banking records, not updating active customers expired CNICs in the system etc. The details of penalties are as under:

(Rs. in million)				
S#	Year	Penalties imposed by		Total
		SBP	Other Regulatory Bodies	
1	2012	160.324	-	160.324
2	2013	23.395	-	23.395
3	2014	1,735.915	0.759	1,736.674
4	2015	72.455	1.294	73.749
5	2016	298.719	10.365	309.084
6	2017	214.393	91.664	306.057
7	2018	237.480	8.517	24.997
8	2019	141.015	9.570	150.585
9	2020	310.588	5.851	316.439
Total		3,194.284	128.020	3,322.304

(Source: National Bank of Pakistan)

Audit was of the view that due to negligence and weak internal controls, the management sustained hefty losses due to penalties.

The matter was reported to the management in December, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed that the penalties were imposed by SBP during based on

inspections and reviews of the Bank in accordance with industry practice. DAC directed the management to share the reasons for penalties imposed by SBP and other Regulatory Bodies. DAC further directed to the management to get the relevant records/ documents verified by Audit till its satisfaction. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.8 Embezzlement / misappropriation through Performa entries - Rs. 2,787.000 million

According to Organizational Circular No. 05/2018 of NBP, Branch Manager (BM) key task is to establish localized control environment as first line of defense and maintain stringent or proactive internal control environment.

During audit of National Bank of Pakistan (NBP) for the year 2012-2020, it was observed that Mr. Usman Saeed, the then Vice President (VP) adjusted GL Head Import Loans under Foreign Exchange-25 directly by affecting only the performa entries without recovering the amount from parties / borrowers and without remitting funds to Head Office. The quantum of fraud / defalcation was Rs. 3,855 million out of which Rs. 1,068 million had been recovered amount placed in the current account of concerned borrowers under lien.

Audit was of the view that due to criminal negligence, lack of monitoring and ineffective internal controls, the management suffered a loss of Rs. 2,787.000 million.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. DAC directed the management to pursue FIA / Court case as well as outstanding recovery and get the administrative action taken / relevant records verified by Audit till its satisfaction. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.9 Loss on purchase of shares at higher rates – Rs. 2,331.546 million

According to Finance Division No.F.4(1)/2002-BR.II 6 “Before making any investment under this policy, it would be necessary for public sector entities

to set up in-house professional treasury management functions. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority. Transactions above the approval authority of the IC will be subject to approval of the Board of Directors or an equivalent forum. The IC should be assisted by an Investment Management Unit employing qualified staff with at least 3-5 years of experience of managing investment in debt/equity instruments. However, it will be necessary for public sector enterprises to use the services of professional fund managers approved by SECP”.

During audit of National Bank of Pakistan (NBP), Karachi for the year 2012 to 2020, it was observed that the management acquired shares from M/s Agritech during the years 2012-2014 on higher rates as compared to the market rates. The details of investment and losses are as under:

(Rs. in million)					
Date	No. of shares purchased	Purchase price	Market value per share	Loss per share	Total Loss
Nov 02, 2012	82,920,608	35.00	13.00	22.00	1,824.253
July 02, 2014	20,000,000	35.00	10.00	25.00	500.000
Dec 27, 2017	242,055	35.00	4.87	30.13	7.293
Total	103,162,663				2,331.546

(Source: National Bank of Pakistan)

Audit was of the view that the management failed to safeguard the interest of the Bank by making investment in the loss bearing company.

The matter was reported to the management in December, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed that the purchase of Agritech Limited's (AGL) shares from Azgard Nine Limited (ANL) at Rs. 35/share was based on regulatory approvals by SBP & SECP and were supported by full disclosure, rationale, and approval of lenders. DAC directed the management to pursue the NAB / Court case, vigorously for early finalization. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.10 Loss by embezzlement / fraud / misappropriation - Rs. 1,902.683 million

According to Organizational Circular No. 05/2018 of NBP, Branch Manager (BM) key task is to establish localized control environment as first line of defense and maintain stringent or proactive internal control environment.

During audit of National Bank of Pakistan (NBP) for the year 2012-2020, it was observed that an embezzlement / fraud / misappropriation amounting to Rs. 1,902.683 million at various branches as detailed below:

S #	Description	Amount (Rs. in million)
1.	Embezzlement of the government funds pertaining to DPO Office, Gujrat	630.800
2.	Flying / fraudulent entries / un-authorized debits to various office accounts at NBP Khanaspur Ayubia Branch and Khairagali Branch	472.171
3.	Fraud / embezzlement in Government Treasury at Frere Road Branch, Sukkur and Pano Akil Branch, Sukkur	309.452
4.	Fraud / forgery in SSP Officer Account at Kandhkot Branch	215.705
5.	Misappropriation / embezzlement in Government pension payment at Kotri, Hyderabad	70.723
6.	Unauthorized debit to GL Heads ATM Cash at NBP Loralai Branch	67.240
7.	Tempering and embezzlement of funds by Branch Manager in assistance with staff	44.899
8.	Withdrawal of funds against customer's cheques by Mr. Qamar uz Zaman (Godown Chowkidar)	31.307
9.	Misappropriation of funds by creating flying entries in General and Current accounts by Operations Manager at NBP Community Centre Branch, Jhang	28.131
10.	Fraud by Manager at Serhota Branch District, Kotli Mirpur (A.K)	21.018
11	Fraudulent withdrawal from various accounts by Manager and Staff at Anarkali Branch, Lahore	11.237
Total		1,902.683

(Source: National Bank of Pakistan)

Audit was of the view that due to negligence, weak internal controls and poor monitoring mechanism, embezzlement / fraud / misappropriation of Rs. 1,902.683 million was incurred. No recovery was made against these acts by the management. The branch management failed to create and maintain internal control environment to cater fraud & embezzlement.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The

Chairman DAC expressed grave concern over slow response of management and directed the management to furnish revised reply in the case with full justification and also expedite necessary administrative action against the responsible person(s) and efforts for recovery of outstanding amount and get the records/documents verified by Audit till its satisfaction. Furthermore, DAC directed the management to pursue FIA / Court case as well as outstanding recovery and get the administrative action taken / relevant records verified by Audit till its satisfaction. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos. 89, 94, 92, 88, 82, 87, 91, 84 80, 83 & 81)

6.2.4.11 Loss due to penalty in Export Re-finance - Rs. 1,200.718 million

Section 12 (1) of FERA (Foreign Exchange Regulations Act), 1947 states that the Federal Government prohibit the export of any goods or class of goods specified in the notification from Pakistan directly or indirectly to any place so specified unless a declaration supported by such evidence as may be prescribed or so specified, is furnished by the exporter to the prescribed authority that the amount representing the full export value of the goods has been, or will within the prescribed period be, paid in the prescribed manner.

During audit of National Bank of Pakistan (NBP) for the year 2012-2020, it was observed that the management was engaged with M/s Fateh Textile Mill Limited in export re-financing scheme. M/s Fateh Textile Mill Limited (Exporter) made exports to 41 importers and hoarded export proceeds amounting to US\$ 38.399 million during the year 1992 to 2014 (up to 23 years), out of which NBP's portion was US \$10.207 million. The Exporter failed to repatriate export proceeds amounting to US\$ 38.399 million within prescribed limit of 120/180 days for exports. The detail is as follows:

(Amount in US\$)						
Years	Documents against Acceptance & Firm Contract		Letter of Credit		Total	
	Cases	Amount	Cases	Amount	Cases	Amount
1994	01	7,371	-	-	01	7,371
1997	07	355,955	03	478,467	10	834,422
1998	53	4,983,060	01	173,617	54	5,156,677
1999	41	3,911,891	-	-	41	3,911,891
2000	02	123,208	-	-	02	123,208
2014	-	-	01	173,617	01	173,617
Total	104	9,391,485	05	825,701	109	10,207,186

(Source: National Bank of Pakistan)

SBP imposed a hefty penalty of Rs. 1,020,718,600 on non-compliance of Foreign Exchange Regulations Act (FERA), 1947 on the management.

Audit was of the view that the management certified the genuiness of importers inspite of the fact that they retained foreign exchange against exports and defaulted. Furthermore, the management failed to fulfill its obligations under the regulations.

The matter was reported to the management in December, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. DAC directed the management to furnish revised replies in the case and follow up the court cases etc. vigorously for early finalization and also get the relevant records/ documents verified by Audit till its satisfaction. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.12 Irregular appointment, promotion, deputation and payment of leave encashment to SEVP / Group Chief (Logistic) - Rs. 814.639 million

Para (iii) (b) & (c) Cabinet Secretariat (Establishment Division) letter dated 6th May, 2000, (iii) (b) vacancies should be advertised in the leading national and regional newspapers (c) selection should be made through regularly constituted Selection Committees / Board.

Clause 4.2 (c) of employment contract of National Bank of Pakistan (NBP) for the period from 2003 to 2015 states that “30 days of annual paid leave for each year of service. The annual leave may be accumulated and any unutilized

leave will be en-cashed at the end of the term of this contract. Application for leave is to be approved by the Group Chief. The balance leaves under the earlier contract, if any, may be en-cashed during the currency of this contract or at the end of the term of this contract”.

During audit of National Bank of Pakistan for the years 2012-2020, it was observed that Mr. Karim Akram Khan was appointed as Operations Analyst on September 06, 2000 on contractual basis for a period of three (03) years without advertisement which was re-designated as Vice President (VP) in November 11, 2002. He was promoted as Senior Vice President (SVP) in April 2006. He was posted as Director, NAB, Rawalpindi in April 2008 for a period of one year on attachment basis. During this posting, his contract was renewed for a period of three (03) years (01-04-2009 to 30-04-2012) and his deputation period was extended for one more year. During his attachment/deputation period from April 2008 to May 2011, salary along with deputation allowance were paid by the Bank. Furthermore, his contract was renewed for a period of further three years w.e.f.01-04-2012 to 30-06-2015 (only one-time activity).

He was further promoted as Executive Vice President (EVP) w.e.f. 01-03-2015 vide order dated May 18, 2015 and his contract was extended for another period of three years from March 2015 to June 2018. Later on in November 2016, his promotion was made from 01-01-2014. His contract was again renewed for a period of one (01) year w.e.f.01-03-2018 to 28-02-2019 and further renewed for a period of three (03) years w.e.f. 01-03-2019 to 28-02-2022 and promoted as SEVP in February 2021 and posted as Group Chief, Logistic Support Group.

It was also observed that Mr. Karim was also paid an amount of Rs. 1.459 million irregularly in lieu of un-availed privilege leave for a period from 2003 to 2015 after a lapse of period of about 10 years in violation of clause 4.2 (c) of employment contract.

Audit was of the view that the appointment, promotions, payment of leave encashment and deputation of the individual were not in order as the individual was appointed without any competitive process, promoted without any objective laid-down criteria, and deputation was not in the interest of the bank. Hence, approvals in this case lack due diligence, objectivity in judgment and interest of the bank. This reflected that fiduciary responsibility was not duly exercised.

Thus, payment of Rs. 814.639 million was also held irregular (salary Rs. 813.18 million and leave encashment Rs. 1.459 million).

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed that advertisement requirement for contractual hiring up to VP level became mandatory in the recruitment policy approved in October, 2000 by the BoD. Hence, Advertisement was not a mandatory requirement in the contractual hiring in the instant case. Further, the contract renewals, promotions and deputation were duly approved by the competent authority. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointments, deputations and promotions may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.13 Irregular appointment of employees after attaining the age of superannuation - Rs. 611.065 million

Rule 17 (2) of SSR, 1973 states that that no employee shall be retained in service beyond the age of sixty years except in rare and exceptional circumstances and with the prior approval of the Federal Government.

According to Cabinet Secretariat (Establishment Division), Government of Pakistan O.M No.4121901-r-I-I dated December 05, 1990 and subsequent instructions issued through letters dated May 26, 1999 and December 04, 2007 the re-employment after the age of superannuation in the government, semi-government, autonomous bodies and semi-autonomous bodies was required to be made by obtaining the approval of Prime Minister.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management rehired 160 officials / officers for one and more years on contractual basis after attaining the age of superannuation i.e. 60 years in violation of above rule. (Annex-39)

Audit was of the view that the management rehired the retired employees without justification and prior approval of the Federal Government / Prime

Minister. An undue favor was extended as there seems to be no rare and exceptional circumstances in which these employees were hired.

The matter was reported to the management in November, 2021. The management informed that the service of employees of NBP were re-hired as per clause 17 (2) of NBP Staff Service Rules (SSR), 1973 and the BoD in its meeting held on 29th October, 2010 authorized the President to approve rehiring/extension in services contracts of retired NBP employees up-to a period of one year. DAC directed the management to get the relevant records/documents verified by the audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.14 Non-depositing of tax in Federal Treasury - Rs. 307.436 million

According to Organizational Circular No. 05/2018) of NBP, Branch Manager (BM) key task is to establish localized control environment as first line of defense and maintain stringent or proactive internal control environment.

During audit of National Bank of Pakistan (NBP) for the year 2012-2020, it was observed that Inland Revenue Zone-V, Regional Tax Office II vide letter dated 19-04-2011 intimated the management that total collections and deductions by the withholding agents stood at Rs. 830.527 million. On scrutiny, the Branch Operations Manager confirmed that a sum of Rs. 639.963 million was deposited into Federal Treasury, however a sum of Rs. 567.816 million had been remitted to the link branch showing that Rs. 261.411 million had been less remitted to Federal Treasury. The concerned staff intentionally pocketed portion of collection instead of depositing it into the respective Government Collection Accounts i.e. Income Tax Collection / With-Holding Tax. The total estimated loss / financial impact on the bank is as under:

(Rs. in million)					
S#	Description	Amount	S#	Description	Amount
1	Fraud / Misappropriated amount	283.313	2	Un-authorized Debits	24.122
Total financial impact / fraud					307.436
<i>(Source: National Bank of Pakistan)</i>					

Audit was of the view that the management failed to implement effective controls which resulted in a massive non-deposit / loss of Rs. 307.436 million on

account of fraud / misappropriation. No recovery has been made till date which caused huge loss to the public exchequer.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. DAC directed the management to pursue FIA / Court case as well as outstanding recovery and get the administrative action taken / relevant records verified by Audit till its satisfaction. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.15 Defective appointment of President / CEO - Rs. 307.17 million

Clause 4 sub clause (ii) section (c) of Annexure A of SBP Prudential Regulations (Corporate & Commercial), 2015 states about Chief Executive that he / she should have minimum qualification of graduation or equivalent in the discipline of banking, finance, economics, business administration and related fields. CEO of the Islamic Bank should preferably be having experience / training in Islamic Banking”.

According to advertisement, the required qualification for the post of President is Minimum Bachelor’s and preferably Master’s degree from a local or foreign institution recognized by Higher education in the discipline of banking, finance, economics, business administration and related field. Applicants must have extensive experience in the Financial Sector with at least 05 years of experience at Senior level as EVP and above or equivalent in Banking Sector. Applicants should also have the eligibility to qualify for inclusion in the list of Professional Bankers maintained by SBP.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that 98 candidates applied for the post of President / CEO (NBP) against the advertisement dated 30-09-2018. A Committee under the Chairmanship of Finance Secretary shortlisted 05 candidates whose names were forwarded to Selection Committee. The Selection Committee conducted interviews of 04 candidates on 09-11-2018 and unanimously recommended the panel of three (03) persons in order of merit (1. Mr. Javed Kureishi, 2. Mr. Arif Usmani and 3. Mr. Wajahat Hussain). The Cabinet in its meeting dated 23-11-

2018 approved the appointment of Mr. Arif Usmani as President / CEO (NBP) for the period of three (03) years.

Following irregularities were observed by Audit in his appointment:

- In the merit list, Mr. Javed Kureishi was the top scorer by getting 74.50 marks and Mr. Arif Usmani stood second by getting 70.75 marks.
- He possessed the degree of B.Sc. Physics which was not a relevant discipline to banking, finance, economics, business administration. Despite the fact, he was granted 8 marks of irrelevant degree.
- He had no experience of running a large Public Sector Company (PSC).
- Despite working in just 2 banks and handling much lesser number of staff, having no knowledge of (PSCs) in Pakistan, no knowledge of Markets in Pakistan as he was away from Pakistan since long, he was given seventeen (17) marks in “relevance & quality standards” of the experience.
- In the advertisement, word “preferably” was written. However, candidate(s) having Master’s degree were not picked.
- His appointment was also declared illegal and defective by the Honourable Islamabad High Court vide judgment dated 26-06-2021 as his degree was not in accordance with the Advertisement.

Audit was of the view that the appointment of Mr. Arif Usmani was defective and illegal as his recruitment was made in violation of SBP Prudential Regulations (Corporate & Commercial), 2015 and advertisement criteria. Furthermore, more suitable candidates were rejected despite having relevant qualification and experience. Thus, the payment of remuneration and other allied benefits amounting to Rs. 307.17 million stand irregular and unjustified.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that appointment Mr. Arif Usmani, President NBP was made by Ministry of Finance. The management of NBP or BoD has no role in such appointment. Moreover, Mr. Usmani has not paid any bonus or cash award, salary & benefits were approved in 70th AGM dated 28.03.2019 which were disclosed in bank’s Financial Statements. DAC directed the management to

get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointments may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.16 Undue favor by acquiring House Building Finance at appointment - Rs. 287.028 million

Clause 7.2.1 of HR-Policy-Booklet of National Bank of Pakistan (NBP) regarding House Building Finance (HBF) states that:

REGULAR	CONTRACTUAL
All Executives, Officers, & Clerical/Non-clerical Staff who have completed Five (05) Years' continuous service in the Bank. The Management Trainee Officers (MTOs) will be treated at par with other regular employees of the Bank.	All Executives/Officers hired on three years' contract will be eligible after completion of minimum six (6) months service period and confirmation of service. Provided at least there remains six (6) months service period in his/her contract and the concerned Group Chief/D.H give in writing that their contracts are likely to be renewed. Age of Contractual employee should not be more than 55 years. In exceptional cases the Management may takeover HBF outstanding liability from previous Employer According to terms of employment contract in Executive grades of AVP and above only on approval of the President.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management acquired House Building Finance (HBF) Loan of various Executives / Officers at the time of their appointments amounting to Rs. 287.028 million (Annex-40) in violation of HR Policy mentioned above. Later on, the management revised the policy in favor of all contractual employees by taking HBF outstanding liability from previous Employer which is a clear favoritism extended to contractual employees. The regular employee has to wait for five (05) years for obtaining loan whereas, contractual employee was being appointed with the loan.

Audit was of the view that revision of policy to favor the contract employees was irregular and unjustified. Any appointment can easily be made without acquiring the previous liabilities.

The matter was reported to the management in December, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that BoD approved the policy regarding takeover loan of house building finance to all officers and executives only on approval of the President NBP. DAC directed the management to get the relevant records/documents verified by Audit till its satisfaction. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.17 Irregular appointments without advertisement - Rs. 267.635 million

Cabinet Secretariat (Establishment Division) letter dated May 06, 2000 states that vacancies should be advertised in the leading national and regional newspapers.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management had been utilizing the services of M/s Fidelity National Information Services (FIS), Netherland for Master License Agreement (MLA) for Fidelity Software Suit, SAP, Theta and Global 360 which was signed between NBP and M/s FIS on 09-05-2008. The MLA was expired on 30-09-2016 which was not renewed. The Board of Directors (BoD) in its meeting dated 08-04-2017 resolved that the contract be renewed with M/s FIS for a period of 05 years and all local FIS staff will be rebadged and hired as NBP Employees. Later on, the management appointed twenty-four (24) IT personals (working with the Bank as third party employees) on contractual basis without the advertisement and due process of appointment. (Annex-41)

Audit was of the view that lack of succession planning by the management is visible. Further appointment of the 24 IT personnel without due process was not in order. Thus, the payment of Rs. 267.635 million was held irregular

(Rs. 5,139,235 per month salary of 24 employee's x 52 months).

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed that all local FIS staff will be rebadged and hired as NBP

employees by the BoD. DAC directed the management to get the relevant records / documents verified by the audit and copies of approvals may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.18 Wasteful / irrational expenditure on hiring services of head hunters - Rs. 103.086 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that management hired the services of Head hunters / Consultants for the recruitment of Executives / Officers and Batch hiring during the years 2012-2020 and onwards. The brief scope of activities of Head hunters includes:

- Placement of Advertisement and calling of CVs.
- Sharing & maintaining database along with Screening & Shortlisting of applications.
- Conducting written test and assessment interviews and shortlisting candidates.

The NBP had a full fledged HRM Department headed by a Senior Executive Vice President (SEVP) with a team comprising of eight (08) Executive Vice President (EVP) along with a total of 515 employees. Scope of activities of the Consultants were of routine nature and not of any specialized nature which can be performed by HRM Department itself. Hiring of Consultants for core function of HRM Department despite incurring hefty expenditures in lieu of salary packages with perks and privileges is irrational and imprudent. The details of total year-wise expenditure incurred on Consultants are as under:

(Rs. in million)									
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021

Expenditure	5.182	10.342	12.572	12.905	6.289	5.166	0.329	14.237	36.060
<i>(Source: National Bank of Pakistan)</i>									

Furthermore, it was also observed that in most cases the Consultants were not being involved for recruitment at any level especially during the period 2012-2019. In addition, in majority cases the Consultant(s) role was only limited to the issuance of advertisements especially in the year 2020.

Audit was of the view that due to non-optimum utilization of HRM Department, the management incurred a wasteful expenditure of Rs. 103.086 million. The Consultants were being hired to perform routine function which showed in-efficiency and in-competency.

The matter was reported to the management in December, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that the appointment of Headhunter was made to bring more accuracy and effectiveness in the hiring process and also to minimize any bias and unwanted pressures. DAC directed the management to furnish revised reply in the case with full facts/ justification and get the relevant records/ documents verified by Audit till its satisfaction. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.19 Irrational / defective buy-back policy of vehicles – Rs. 83.462 million

Section 24 (i) of Transport Policy of National Bank of Pakistan (NBP) states that Sale of Bank's vehicles, at the depreciated value i.e. 20% remaining book value on Bank's vehicles which are four years old or at 10% of the original cost of the Bank's vehicles which are five years old or more, may be allowed to all executives (Regular and Contractual) in grades of SVPs and above, According to their entitlement, who have completed a minimum of four years of continuous service in the grade of SVP and above. In case, the vehicle was leased by the Bank, the sale would be on the basis of balance amount to be paid to leasing / modaraba company or 16% of the original cost of the vehicle, whichever is more.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management sold its vehicles on written down value (WDV) to various Executives / Officers according to the policy mentioned above. The year-wise details of vehicles sold are as under: (Annex-42)

			(Rs. in million)
Year	Purchase Price	Written Down Value (WDV) / Book Value (BV)	Sale Proceeds
2020	202.397	42.132	44.661
2019	49.080	15.487	15.941
2018	49.912	25.843	26.151
Total	301.389	83.462	86.753
(Source: National Bank of Pakistan)			

Thus, instead of selling vehicles at market prices, the vehicles were sold to the Executives / Officer at WDV. According to prevailing market practice in the country, the old vehicles sold beyond their invoice prices, hence, vehicles can easily be sold at higher prices than the written down value.

Audit was of the view that policy of selling vehicles to employees at book value is irrational & illogical and subsequently leading to loss to bank. The management extended undue favour to the Executives / Officers.

The matter was reported to the management in December, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that sale of bank vehicles to executives were allowed as per approved policy by the Board. DAC directed the management to get the relevant records/ documents verified by Audit till its satisfaction. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.20 Loss due to defective club membership policy - Rs. 72.637 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management granted club membership to its various Executives / Officers (SVPs, EVPs and SEVPs) for the period from 2012-2020 which ranges from Rs. 100,000 to Rs. 1,610,000 in various cities of the country. However, sixty-three (63) Executives left the services of NBP and

took away the facility of club membership with them amounting to Rs. 72.637 million. (Annex-43).

It is pertinent to mention here that the management allowed the club membership on individual basis instead on corporate membership basis. Resultantly, on leaving the services, the Executives took the advantage of the existing policy and took it with themselves. The management would have to bear heavy additional expenditure on taking new club membership for the newly appointed Executives.

Audit was of the view that due to defective club membership policy, the management sustained a loss of Rs. 72.637 million. The management extended undue favours to the incumbents by allowing individual club memberships instead of corporate.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that as per the BoD minutes dated 26th April, 2011, executives appointed on contract period were allowed to take the membership as end-service benefits subject to completion of three-year contract period. In case of separation before completion of three-year, executives have to pay back the value of club membership on pro-rata basis at 33.33% per annum for the remaining period of contract. DAC directed the management to get the relevant records/ documents verified by Audit till its satisfaction. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.21 Irregular appointment of executives / officers without Head Hunters - Rs. 72.462 million

According to BoD minutes dated May 3, 2013 the contractual hiring in the positions SEVPs, EVPs, SVPs are made through Head hunters.

HR Policy Booklet Volume I para 3.1.12 (a) Recruitment of senior position(s) (SVPs, EVPs and SEVPs) should be through advertisements, Head hunting firms and applications received directly through References etc.

According to agreement b/w National Bank of Pakistan (NBP) and Head Hunters, the job description of the Head Hunters is as under:

- Placement of Career Advertisement in two local newspapers.
- Calling of CVs/ profiles through Portal/Software
- Sharing & maintaining complete database.
- Screening & Shortlisting of applications.
- Conducting written test and assessment interviews.
- Provide at least 3 - 5 shortlisted applicants per position for final review to NBP)

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management hired two Head hunter's / recruitment consultant's for appointment of Executives / Officers. It was further observed that the Consultants floated the advertisement for recruitment of different positions. In response, different candidates applied for jobs against the advertisement. After the advertisement, the management took-over the recruitment process and got the CVs from the Head hunters and appointed the Executives/ Officers at their own discretion in violation of above mentioned procedure. Details are at (Annex-44).

Audit was of the view that the management violated the appointment procedure and by passed the Consultant(s) in the appointment of various candidates. This act of management raises concerns over the appointment of above mentioned Executives / Officers and made the whole procedure doubtful & non-transparent.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that the HRM Group was in the process of major transformation. These critical resources were required on urgent basis to facilitate various business groups and the President NBP accorded approval for the same. DAC directed the management to get the relevant records/ documents verified by Audit till its satisfaction. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.22 Loss due to dacoity during transportation - Rs. 53.000 million

According to Organizational Circular No. 05/2018) of NBP, Branch Manager (BM) key task is to establish localized control environment as first line of defense and maintain stringent or proactive internal control environment.

During audit of National Bank of Pakistan (NBP) for the year 2012-2020, it was observed that Taftan Branch was in routine practice to remit cash from Dalbadin, Sandak & Naukubdi branch in personal vehicle on regular basis since long without approval / involvement of Regional Office. On June 22, 2021, Head Cashier took the bank cash amounting to Rs. 53.00 million with one Levies Guard and was looted on the way. FIR was registered on June 23, 2021 and Head Cashier was arrested who thereafter released on bail. Following observations were observed.

- The cash in transit was being carried out in personal vehicle instead of Bank approved Cash in transit Companies.
- The branch management un-necessarily cash remitted to NBP Dalbadin which was not needed and unjustified.
- Nor insurance for additional amount was not arranged nor the permission for transfer of cash from NBP Taftan branch to Dalbadin branch was obtained from Regional office, Quetta.
- Letter was not written to concerned Levis official for provision of proper escort.
- The Head Cashier handed over the cash to Mr. Iqbal Hussain (OG-III) on June 22, 2021 without completion of security arrangement.
- The branch was in practice to remit cash in private taxi / personal vehicle on regular basis as 14 remittances was made in the year 2021.

Investigation was conducted by the management which holds Cash Officer criminally involved and other Officers / staff negligently involved. However, no dacoits have been arrested and looted amount has not been recovered so far.

Audit was of the view that due to negligence, loose internal controls, non-compliance of rules / regulations, management suffered a loss of Rs. 53.00 million.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. DAC directed the management to pursue the court case and recovery of outstanding amount vigorously for early finalization and get the relevant records/ documents verified by Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.23 Irregular hiring of services of head hunters - Rs. 52.779 million

Rule 20 of PPRA, 2004 states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

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

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the HR Department hired the services of M/s Sidat Hyder Morshed Associates, M/s HRSG Recruiting, M/s Ace Consultant and M/s Executive Network International (ENI) for the recruitment of Executives / Officers and Batch hiring during the years 2012-2019. The services of Head hunters / Consultants were hired on direct contract basis and without open competitive bidding. The details of payment are as under:

(Rs. in million)					
S#	Name of Consultant	Amount	S#	Name of Consultant	Amount
1	M/s Sidat Hyder Morshed Associates	33.032	3	M/s Ace Consultant	0.995
2	M/s HRSG Recruiting	4.884	4	M/s ENI	13.868
Total					52.779
<i>(Source: National Bank of Pakistan)</i>					

Audit was of the view that procurement of services without tender is irregular, non-transparent and in clear violation of PPRs-2004. Thus, the expenditure of Rs. 52.779 million on the stood irregular and un-justified.

The matter was reported to the management in December, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that Headhunters for the purpose of hiring Executives were duly approved by BoD. However, in the year 2018, BoD advised the bank to review the existing panel of Headhunters and selection of new panel of Headhunters should be in line with PPRA. Accordingly, Bank initiated process and two Headhunters were placed on Bank's panel. DAC directed the management to hold a fact finding inquiry in the case for fixing of responsibility and to the relevant records/ documents verified by Audit till its satisfaction. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.24 Irregular appointment & extension of contract beyond 60 years of EVP / Secretary Board - Rs. 51.570 million

According to advertisement for the post of Company Secretary the age limit was below 50 years. According to interview sheet Mr. M. Ali Zamins' expected salary was Rs. 254,000 per month.

Rule 17 (2) of SSR, 1973 states that that no employee shall be retained in service beyond the age of sixty years except in rare and exceptional circumstances and with the prior approval of the Federal Government.

According to Cabinet Secretariat (Establishment Division), Government of Pakistan O.M No.4121901-r-I-I dated December 05, 1990 and subsequent instructions issued through letters dated May 26, 1999 and December 04, 2007 the re-employment after the age of superannuation in the government, semi-government, autonomous bodies and semi-autonomous bodies was required to be made by obtaining the approval of Prime Minister.

During audit of National Bank of Pakistan for the years 2012-2020, it was observed that management appointed Syed Muhammad Ali Zamin as Senior Vice President (SVP) / Company Secretary on June 02, 2008 on contractual basis for a period of three (03) years with a gross salary of Rs. 270,000 per month along with other allied facilities amounting to Rs. 119,510. However, at the time of appointment his age was 50.6 years against the required age of below 50 years.

Furthermore, his expected salary was Rs. 254,000, however, management hired him at an excessive gross salary of Rs. 270,000 with other allied benefits of Rs. 119,510. On 30-07-2017, he was stand retired on superannuation after attaining age of 60 years. However, management extended his contract on yearly basis up to 2021 (up to the age of 64 years) without the approval of Federal Government.

Audit was of the view that the appointment of incumbent in excess of required age and expected salary and re-hiring after attaining the age of superannuation without the approval of Federal Government / without rare and exceptional circumstances stood unjustified. Thus, payment of salary and other allied benefits amounting to Rs. 51.570 million (Rs. 270,000 per month x 140 months) stood irregular and unjustified.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that hiring of S. Muhammad Ali Zamin was duly approved by the then Head of HRMG and the President. He was slightly over-age at the time of hiring. His promotions were duly approved by the competent authority. He was re-hired/ re-employed as per clause 17 (2) of NBP Staff Service Rules (SSR), 1973. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR polices on appointment, promotion and re-hiring may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.25 Loss due to theft and replacement of gold ornaments – Rs. 64.587 million

According to Organizational Circular No. 05/2018) of NBP, Branch Manager (BM) key task is to establish localized control environment as first line of defense and maintain stringent or proactive internal control environment.

During audit of National Bank of Pakistan (NBP) for the year 2012-2020, it was observed that on November 07, 2013, out of 167 bags of gold ornaments pledged, 62 bags have been theft by a janitorial staff with gross weight of 10.966 grams having an approximate market value of Rs. 51.00 million. FIR was lodged against the culprit by the management. Only Rs. 786,000 was recovered from the

culprit. Investigation was carried out which holds Mr. Ziaullah Shah (MTO / Ex-Manager) and Mr. Abdul Hameed Khan (Head Cashier) criminally involved. The enquiry was paralyzed for the last one and a half year due to the abstention of stay orders from the Court. Keeping in view of the judgement, charge sheets were reissued in compliance of Court Orders under SSR-1973 and enquiry was initiated.

Furthermore, it was also observed that gold ornaments were replaced with the fake gold at Village Siraj Branch, Sialkot by the officials. Out of 168 gold finance cases, the gold was replaced with the fake ornaments in 110 cases which resulted in loss of Rs. 13.587 million. An inquiry holds three (03) employees criminally and one (01) employee negligently involved. The matter was referred to the Disciplinary Cases Committee (DCC). The DCC in its meeting dated October 24, 2016 decided to dismiss three (03) employees and demoted one (01) employee. The replacement of gold with fake ornaments raises serious concerns over the control mechanism of the Bank.

Audit was of the view that due to connivance, loose internal controls and negligence management sustained a huge loss of Rs. 64.587 million. No serious efforts have been taken to recover the amount from the responsible staff till date which leads to loss to the public exchequer and a serious reputational issue as well.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. DAC directed the management to pursue the court case and recovery of outstanding amount vigorously for early finalization and get the relevant records/documents verified by Audit. Further DAC directed the management to pursue the court case and recovery of outstanding amount vigorously for early finalization and get the relevant records / documents verified by Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.78 & 96)

6.2.4.26 Irregular deployment of Senior Executive Vice President (SEVP) on deputation and payment of benefits - Rs. 49.182 million

Clause 5.7 of letter of appointment of Mr. Kausar Iqbal Malik dated 23-12-2009 states that during the term of your employment with NBP, you are debarred to serve any other organization in any capacity whatsoever unless acceded to by NBP.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointed Mr. Kausar Iqbal Malik as Senior Executive Vice President (SEVP) on 23-12-2009 on contract basis for a period of three (03) years. Surprisingly, his services were placed on deputation with National Accountability Bureau (NAB), Islamabad on the same day i.e. 23-12-2009. His services were placed on deputation with Ministry of Petroleum & Natural Resources w.e.f. 25-05-2011 to 11-12-2011. He again went on deputation with NAB, Islamabad w.e.f. 12-11-2012 to 26-12-2012 which was further extended till 22-12-2015. He went again on deputation with Ministry of Petroleum & Natural Resources w.e.f. 23-01-2012 to 22-04-2012. After that he again joined NAB, Islamabad on deputation w.e.f. 23-04-2012 to 11-02-2014. His contract with NBP was also extended till 22-09-2017. His services were again placed with Privatization Commission of Pakistan, Islamabad w.e.f. 04.11.2016 to 08.12.2016. He was relieved from Bank's service on expiry of his contract on 22-09-2017. He then approached the High Court of Sindh for restoration of his contract / services up to 11-10-2018 which was allowed by the Court. On the basis of this, the management released his withheld funds / salaries, allowance and benefits.

His end service benefits were withheld by the management due to non-settlement of fix assets in his possession and involvement in a disciplinary case (Bangladesh Operations) on which NAB had also filed a reference. Mr. Kausar approached the High Court, Islamabad for release of end service benefits along with delayed interest which was accorded by the High Court Islamabad on 03-07-2019. The management paid him Rs. 49.182 million as end service benefits.

Audit was of the view that out of seven (07) years and nine (09) months of his paid services with NBP, he had only served with the Bank not more than three (03) years and seven (07) months. Most of the times he worked on various deputations / secondments. Therefore, the payment of pay and allowances and

end service benefits amounting to Rs. 49.182 million Stood irregular and unjustified.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that after appointment of Mr. Kausar Iqbal Malik, his services were asked by NAB authorities vide their letter # 627/1/Bank-S-62/NAB dated 24-12-2009 on attachment basis. Moreover, end-service benefits along with delayed interest were paid on the directives of Honorable High Court Islamabad. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointment and deputation may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.27 Irregular appointment of SVP / Corporate Head - Rs. 36.190 million

Cabinet Secretariat (Establishment Division) letter dated 6th May, 2000, (iii) (b) vacancies should be advertised in the leading national and regional newspapers (c) selection should be made through regularly constituted Selection Committees/ Board.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointed Mr. Usman Shahid as Senior Vice President (SVP) / Corporate Head-North on 18-03-2008 on contractual basis for a period of three (03) years at Rs. 235,000 per month without advertisement. Furthermore, the management rejected the most suitable candidate whose expected salary was less as detailed below:

Name	Age	Academic/ professional Qualification	Experience	Present Emoluments	Expected Salary
Mr. Usman Shahid	31 years	MBA B.Sc (Eco & Maths)	08 years	N/A	Around Rs. 250,000 plus benefits
Mr. Khurram Danyal	41 years	M.Com	13 years	Rs. 156,000 plus benefits	15% raise in the gross package. About Rs. 180,000

(Source: National Bank of Pakistan)

Audit was of the view that the appointment of Mr. Usman Shahid as SVP/Corporate Head (experience of 8 years) disregarding the candidature of Mr. Khurram Danyal (experience of 13 years), without any competitive process (Advertisement), promotion without any objective laid-down criteria, and fixing of salary of the SVP at Rs. 235,000 per month instead of expected declared salary of Mr. Danyal of Rs. 180,000 per month, was not in the interest of the Bank. Hence, approvals in this case lack due diligence, objectivity in judgment. This reflected that fiduciary responsibility was not duly exercised.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed that Mr. Usman Shahid was recommended by the headhunter for further processing. He was interviewed by the interview panel comprising of senior executives from the management and they assessed all the aspects of his candidature and found him suitable for the position. Further, the contract renewals and promotion was duly approved by the competent authority. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointments, deputations and promotions may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.28 Irregular appointment of Vice Presidents (Engineering Wing and Head of Business Technology) - Rs. 34.740 million

According to Officers / Executive Requisition Form, the required age for the appointment of VP /Wing Head, Engineering Wing was 45 years.

The required experience for the recruitment of Vice President (VP) - Head of Business Technology was minimum 20 years of overall experience, with 15 years' experience in Banking will be preferred.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointed the following officers in violation of above criteria:

					(Rs. in million)
Name	Position/ Grade	Date of	Requirement of age/	Actual age/	Amount of

		appointment	experience	experience	salary drawn
Mr. Adnan Akbar	Vice President / Wing Head, Engineering Wing	November 2020	45 years	47.3 years	6.300 (November 2020 to August 2021 @ Rs. 525,000 per month)
Mr. Imran Z. Malik	Vice President (VP) - Head of Business Technology	April, 2015	Minimum 20 years of overall experience, with 15 years' experience in Banking will be preferred.	15 years	28.440 (Rs. 360,000 per month w.e.f. May 2015 to November, 2021)
Total					34.740
<i>(Source: National Bank of Pakistan)</i>					

Furthermore, some suitable candidates/options for the position of VP (Engineering) within the age limit were also available but the management ignored them.

Audit was of the view that the management extended undue favour to the incumbents at the time of appointment. Thus, appointment of incumbents and payment of Rs. 34.740 million was held irregular and un-justified.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022.

1. The management informed that neither internal placement circular nor external advertisement contained the age criteria for the post. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointment may also be shared with Audit.
2. The management informed that Mr. Imran Z. Malik was found as the most suitable candidate during the assessment process for the post. The relaxation in experience was approved by the then President NBP. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointments may also be shared with Audit.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.29 Irregular appointment of SEVP/ Head (International Banking) - Rs. 33.980 million

Clause 4 (iii) (a) to Annexure A of Prudential Regulation (For Commercial / Corporate Banking), 2015 states that Key Executive must be a qualified professional possessing relevant experience & degree relating to the job/assignment.

According to advertisement regarding appointment of SEVP/ Head (International Banking), the required qualification and experience was MBA (Banking & Finance) or equivalent and minimum 15 years banking experience preferable with 05 years as General Manager/ Country Manager in overseas branches and experience in Foreign Trade & Finance.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointed Mr. Saad ur Rahman Khan as Senior Executive Vice President (SEVP) /Head of International Banking at a monthly salary of Rs. 1,415,867 on contractual basis w.e.f. 22-07-2019. Details of shortlisted candidates is given under:

Name	Qualification	Total Experience (In terms of Years)	Min. 15 years Banking Experience	Preferably with 05 years as GM/Country Manager in Overseas Branches	Marks Obtained
Hassan Raza	M.A (Eco) MBA (Fin)	28	28	1.8	315
Saad ur Rahman Khan	MBA (Marketing & Finance)	26	26	Nil	312
Zahid Hussain	M.Sc. Intl. Banking & Financial Studies & M.Sc. Public Admin	26	26	11	308

(Source: National Bank of Pakistan)

This showed that Mr. Zahid Hussain was the most suitable candidate having relevant qualification and experience. However, management rejected the most suitable candidate (s) and appointed Mr. Saad ur Rahman.

Audit was of the view that Mr. Saad ur Rahman Khan was M.BA (Marketing & Finance), whereas, Mr. Zahid Hussain was (M.Sc International Banking & Financial Studies). Mr. Zahid possessed 11 year experience as GM/Country Manager overseas branches, whereas, Mr. Saad had nil experience in international banking. The scoring chart reflected that Mr. Hassan Raza, another candidate, was with the highest score with 315 marks compared to that of Mr. Saad who held 312 marks. Besides, the advertisement required preference for the candidate with experience in overseas branches/foreign trade and finance. Hence, appointment of Mr. Saad disregarding highest score and highest number of relevant years of experience reflected that appointment was not in order. Thus, appointment and payment of Rs. 33.980 million (August 2019 to Aug 2021 @ Rs. 1,415,867 per month) is held irregular and un-justified.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed that number of years of experience is not the only criteria on which candidates are assessed. There are many other factors such as their past achievements, required skill set, attitude, acceptability, leadership qualities, overall suitability for the position, etc. which are the key deciding factors. Hence, it was decided that Saad Khan has better profile than other candidates. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointments may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.30 Irregular appointment of SEVP/Group Chief / Head of HR – Rs. 33.980 million

Para 3.1.12 (a) HR Policy Booklet 2018 (a) Version I Recruitment of senior position(s) (SVPs, EVPs and SEVPs) should be through advertisements, Head hunting firms and applications received directly through References etc. The vacancies should first be advertised internally by HRM Group. In case on non-availability of the required human resource from within the Bank, the management would confirm to the Board, in case of EVPs (DR) and SEVPs that the internal process was followed and no suitable candidate was found internally.

Clause 4 (iii) (a) to Annexure A of Prudential Regulation (For Commercial / Corporate Banking), 2015 states that Key Executive must be a qualified professional possessing relevant experience & degree relating to the job/assignment.

Required Qualification was University degree preferably Masters in HR /Business / Public Administration or a related field from HEC recognise institution or equivalent local or foreign qualifications relax able in case of deserving candidate.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management floated an advertisement for the appointment of Senior Executive Vice President (SEVP) / Head of HR simultaneously internally and externally in violation of above mentioned rule. Ms. Asma Shaikh was appointed as Head (HR) at a monthly salary of Rs. 1,415,867 on contractual basis w.e.f. 22-07-2019. It was also observed that she possesses the Bachelors in Humanities, which was not a relevant degree for the job/assignment and the management ignored the suitable candidates in the appointment as well. Furthermore, the management published a defective advertisement in which preferably Master in HR/Business/Public Administration or a related field from HEC recognised institution or equivalent local or foreign qualifications relaxable in case of deserving candidate was asked.

Audit was of the view that the appointment in this case was made without due consideration for qualification. Hence, the appointment is held irregular in Audit. Thus, appointment of Ms. Asma and payment of Rs. 33.980 million (August 2019 to Aug 2021 @ Rs. 1,415,867 per month) is held irregular and unjustified.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed that although Ms. Asma fulfills the minimum eligibility criteria, yet qualification is not the only criteria on which candidates are assessed. There are many other factors which are the key deciding factors. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointments may also be shared with Audit.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.31 Irregular appointment of Chief Technology Officer - Rs. 33.252 million

Advertisement for the post of Chief Technology Officer (SEVP) was Minimum Bachelor's degree preferably in Computer / IT / Business from International University (Preferred) or HEC recognized University. Minimum 20 years' experience in the relevant field with at least 05 years at senior level position / SEVP.

Para 3.1.12 (a) HR Policy Booklet Version I (a) Recruitment of senior position(s) (SVPs, EVPs and SEVPs) should be through advertisements, Head hunting firms and applications received directly through References etc.

Clause 4 (iii) (a) to Annexure A of Prudential Regulation (For Commercial / Corporate Banking), 2015 states that Key Executive must be a qualified professional possessing relevant experience & degree relating to the job/assignment.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointed Mr. Amin Manji, Senior Executive Vice President (SEVP)/Chief Technology Officer on contract basis at Rs. 1,511,468 per month. The details of other shortlisted candidates are given under:

S#	Name of the Candidate	Age	Educational/Professional qualification	Total Experience	20 years in relevant field	05 years at senior position / SEVP
1	Amin Manji	54.8	Masters (Applied Finance Bachelor of Science (Electrical Engineering))	29.6	29.6	6
2	Muhammad Arshad Jahanzed Minhas	51.8	Masters (Computer Science) Bachelor in Science CISSP, OCP	27.6	27.6	13
3	Anwar Umeed Ali	55.3	Executive Management Development Program MBA (MIS) PGD (System analysis and design) Bachelors of Science (Mathematics & Statistics) Various Certificate courses.	28.11	28.11	15.8
4	Amir Zaffar Chaudhry	56.7	MBA, M.Com	25.10	25.10	16.3
(Source: National Bank of Pakistan)						

Thus, candidates at serial No.2, 3 & 4 were the more suitable candidates having relevant qualification and experience which were ignored by the management. Furthermore, a defective advertisement was also made by keeping in mind the qualification of Mr. Manji.

Audit was of the view that against the requirement of Chief Technology Officer, the management appointed a candidate with qualification of Masters (Applied Finance) and Bachelors (Electrical Engineering) disregarding the candidates with qualification of Masters (Computer Science) and another candidate with qualification of M.BA (MIS) & PGD (System Analysis & Design). Besides, the candidate appointed had reportedly experience of 6 year, whereas, other candidates reportedly had experience of 13 to 16 years at senior level positions. Hence, appointment of the individual was not in order. Thus, appointment of Mr. Manji and payment of Rs. 33.252 million (Nov 2019 to Aug 2021 @ Rs. 1,459,875 per month) is held irregular and un-justified.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed that although Mr. Amin Manji fulfills the minimum

eligibility criteria, yet qualification is not the only criteria on which candidates are assessed. There are many other factors which are the key deciding factors. Further, he was hired after completing the hiring process which includes assessment from the BHRRC and BoD. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointments may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.32 Loss due to negligence of bank staff – Rs. 32.000 million

According to Organizational Circular No.05/2018 of NBP, Branch Manager (BM) key task is to establish localized control environment as first line of defense and maintain stringent or proactive internal control environment.

During audit of National Bank of Pakistan (NBP) for the year 2012-2020, it was observed that on 07-01-2108, a dacoity / robbery was occurred at Nazimabad Branch, Karachi. in association with the Security Guard causing loss to the bank of Rs. 32.000 million. FIR was lodged on 08-01-2018 by the management. The investigation hold Mr. Muhammad Aijaz Khan (VP / Manager) and Mr. Abdullah M. Qureshi (Operations Manager) negligently involved in the above case. Furthermore, according to Instruction Circular 68/2017 dated 08-06-2017, both of them were jointly responsible to update the registered mobile numbers for the automated SMS service provided by the Security Company which was also not done by them. In addition to this, the M/s Mughal Security Company acted unprofessionally and M/s Phoenix also failed to take any proactive action. An investigation was carried out by the management which holds two (02) employees negligently involved only. Resultantly, an amount of Rs. 32.000 million was defrauded.

Audit was of the view that due to negligence, loopholes in security management system, and violation of bank's procedure and regulations, the management sustained a loss of Rs. 32.000 million.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. DAC directed the management to pursue the court case and recovery of

outstanding amount vigorously for early finalization and get the relevant records/ documents verified by Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.33 Misappropriation / shortage of cash at vault and ATM – Rs. 29.621 million

According to Organizational Circular No. 05/2018 of NBP, Branch Manager (BM) key task is to establish localized control environment as first line of defense and maintain stringent or proactive internal control environment.

During audit of National Bank of Pakistan (NBP) for the year 2012-2020, it was observed that on 17-01-2018, Mr. Abdul Ghaffar (Head Cashier) Jutial Cantt Branch, Gilgit collected Rs. 30.00 million cash himself collected instead of cash carrying company i.e. M/s Askari Guards without delivering the original indent. The amount was used by him to make up the previous cash shortage. On 18-01-2018, Jutial Cantt Branch also remitted cash worth Rs. 36.000 million to Main Branch, Gilgit. Thereafter, the culprit escaped on 22-01-2018. The defrauded amount was Rs. 28.700 million out of which Rs. 11.595 million was recovered and Rs. 17.105 million was still outstanding. No further recovery had been reported till date.

Furthermore, it was also observed that cash shortages in Vault & ATM amounting to Rs. 12.516 million was disclosed in NBP Nowshera Road Branch, Regional Office, Mardan during the cash verification. The Branch Manager (BM) as Joint Custodian of cash / Vault and did not check the bank cash balance at the close of business nor she had ever done verification / checking of whole of the bank cash on weekly basis. Furthermore, the Cashier being the custodian of vault was also failed to ensure that physical cash in vault was balanced/tallied with cash balance books. During investigation, four charges were levelled against the Cashier and Branch Manager which was proved being criminally and negligently involved respectively. However, no recovery was made in this fraud till date.

Audit was of the view that the management suffered a loss of Rs. 29.621 million due to weak internal controls.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. DAC directed the management to pursue the court case and recovery of outstanding amount vigorously for early finalization and get the relevant records/documents verified by Audit. Furthermore, the DAC also directed the management to pursue FIA / Court case as well as outstanding recovery and get the administrative action taken / relevant records verified by Audit till its satisfaction. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos. 86 & 76)

6.2.4.34 Irregular payment in lieu of end-service benefits – Rs. 29.396 million

Rule 5(5) of the Code of Corporate Governance Rules, 2013, states that the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders.

During audit of National Bank of Pakistan (NBP) for the years 2012-2020, it was observed that Mr. Zubair Ahmed, Ex-Senior Vice President (SEVP) was the main person responsible in the debacle of NBP-Bangladesh Operations regarding non-performing portfolio and un-authorized release of securities amounting to US\$164.04 million being Regional Chief Executive. An enquiry was initiated against him and 14 charges were proved. The management paid him end service benefits of Rs. 29.396 million despite being the main responsible for the debacle of NBP-Bangladesh Operations. The Legal Head vide its letter dated 15-04-2014 had also opined for withholding of end service benefits which was also ignored by the management.

Audit was of the view that management paid an amount of Rs. 29.396 million to Mr. Zubair irregularly despite the fact that he was the main culprit of debacle in NBP-Bangladesh Operations.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that end-service benefits were released upon approval of competent authority and issuance of the Non-Involvement Certificate/ NOC. DAC directed the management to hold a fact finding inquiry in the case for fixing of responsibility and to explain the factual position before the PAC with full justification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.35 Irregular appointment of SEVP / Group Chief (Chief Risk Officer) and payment of salary without joining – Rs. 24.208 million

Rule 2.7.1 of HR Policy Booklet 2018 states that all appointments are subject to clearance of Medical Fitness Tests prescribed by the Bank's Medical Officers and issuance of fitness certificates.

Rule 3.5.1 of HR Policy Booklet 2018 states that the verification of antecedents will confirm the following aspect: -

a. Verification of Testimonials pertaining to educational & professional qualifications, for matriculation and last qualification. b. Verification of required work experience from last employer and all previous employers (financial institutions only) where the individual has worked previously, which will cover the following: - i. Experience ii. Position held iii. Salary drawn (Basic Pay & other perks) iv. Integrity/any adverse record. c. Police Verification. d. Clearance from ECIB, if applicable. Verification of military service record, if applicable. f. Computerized National Identity Card (CNIC). g. National Tax Number (NTN).

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointed Mr. Adnan Ally Agha as Senior Executive Vice President (EVP) / Group Head / Chief Risk Officer in April 07, 2020 at a monthly salary of Rs. 2,017,382 on contractual basis for a period of three years. However, Medical fitness, Police verification, Verification of Testimonials, Verification of required work experience, clearance from ECIB were not done. Furthermore, he did not join the Bank up to November 18, 2020 however, the management paid him salary of Rs. 15.264 million.

Audit was of the view that undue favour was extended to the incumbent at each step. The requisite rules / policies were neglected in his appointment and irregular payment of salary without joining the Bank was made. Thus, the appointment and payment of salary amounting to Rs. 24.208 million (Rs. 2,017,382 per month w.e.f. April 2020 to March 2021) is held irregular and unjustified.

The matter was reported to the management in November, 2021. The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed that due to the COVID-19 outbreak and subsequent travel restrictions, BoD allowed Mr. Adnan to work from Manila till Oct 31, 2020, therefore, his medical was not obtained. However, the Police Verification Report was provided. DAC directed the management to provide to Audit cost-benefit analysis of his services and details of other formalities of joining. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.36 Loss on disbursement of bogus Agricultural Finance – Rs. 20.385 million

According to Section D of National Bank of Pakistan (NBP), Agri Finance Policy Manual, the Branch Managers will scrutinize and process finance applications, recommended by the Agricultural Field Offices and will ensure that sanction and disbursement of production finance are done in time According to SBP Prudential Regulations. Furthermore, they will ensure proper documentation, disbursement and control of finance accounts as soon as a finance application is sanctioned.

During audit of National Bank of Pakistan (NBP) for the year 2012-2020, it was observed that five (05) agricultural loans amounting to Rs. 11.750 million was disbursed on bogus Agri documents to various borrowers at NBP, Tando Adam Branch, Regional Office, Mirpurkhas in connivance of Branch Manager and other staff. The management sustained a loss of Rs. 20.385 million (Rs. 11.750 million Principal & Rs. 8.635 million in accrued mark-up) in five (05) accounts which was also endorsed by the Investigation carried out by the Bank.

However, neither recovery suit filed nor portfolio under loss category was charged off. No recovery has been made from the responsible staff till date.

Audit was of the view that due to connivance, loose internal controls and lack of monitoring, the management suffered a loss of Rs. 20.385 million.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. DAC directed the management to pursue the court case and recovery of outstanding amount vigorously for early finalization and get the relevant records/ documents verified by Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.37 Irregular appointment of Vice President / Executive Logistic Support - Rs. 20.349 million

Para (iii) (b) of Cabinet Secretariat (Establishment Division) letter dated 6th May, 2000, vacancies should be advertised in the leading national and regional newspapers (c) selection should be made through regularly constituted Selection Committees/ Board.

During audit of National Bank of Pakistan for the years 2012-20220, it was observed that the management appointed Mr. Saad Salman Dar as Vice President (VP) / Executive Logistic Support on 08-09-2007 at a monthly salary of Rs. 119,000 on contractual basis for a period of three (03) years. His appointment was made without advertisement, having nil experience in Banking Sector and his qualification was simple B.A. Furthermore, the Head hunter provided names of two (02) candidates, out of which one candidate possessed the experience of HR (Training / Organizational Development) which was totally irrelevant to the job. This situation clearly states that the management paved the way for Mr. Saad Salman Dar to be selected. The antecedents were also not being verified despite a lapse of considerable time.

Audit was of the view that his appointment was made without advertisement / fulfilling other codal formalities. He was appointed purely on favoritism basis and it seems that the management already decided to appoint Mr. Saad Salman Daar prior to the appointment process. Hence, his appointment and

payment of pay & allowances amounting to Rs. 20.349 million (Rs. 119,000 per month w.e.f. October 2007 to November, 2021) is also held irregular and unjustified.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed that position was processed by the Head-hunter and both the candidates were duly assessed and screened. Both were interviewed by the panel whereby, Mr. Saad Salman Dar was selected, whereas the second candidate expressed interest for Training & HR. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointments may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.38 Irregular appointments of SVP/Wing Head (HR Operations) - Rs. 18.920 million

According to Executive / Officers requisition form dated 28-02-2020 of National Bank of Pakistan (NBP), the requisitioned vacancies for the post of SVP / Wing Head / Head of HR Operations were 01.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointed following three (03) officers against one (01) vacancy:

(Rs. in million)					
S #	Name	Period	No. of months	Salary per month (Rs.)	Amount of salary drawn till Aug 2021
1.	Mr. Riazuddin	May 2020 to Aug 2021	16	500,000	8.00
2.	Mr. Shaikh M. Shakeel	June 2020 to Aug 2021	15	460,000	6.900
3.	Mr. Shazad Ajmery	Aug 2020 to Aug 2021	12	335,000	4.020
Total					18.920
<i>(Source: National Bank of Pakistan)</i>					

Audit was of the view that appointment of three officers against the required vacancy (i.e. one vacancy) stood irregular.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that hiring process was initiated to fill one vacancy, however, during the process and proposed re-organization of the HRM Group, it was decided to create three vacancies and fill the same from the available pool of candidates to fill the positions on urgent basis. DAC directed the management to get the relevant records/documents verified by the audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.39 Irregular / unauthorized appointment of staff at Chairman Secretariat (BoD) - Rs. 18.840 million

Clause K of SBP circular No 03 of 2019 dated 17-08-2019 states that the administrative expenses pertaining to the office, staff and security allocated to Chairman of the Board should be determined rationally.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management hired officers/executives for the Secretariat of Chairman BoD on contractual basis /retainer ship basis. The Chairman's, BoD job is to chair the BoD meetings on need basis moreover, he is not the full time employee of the Bank, therefore attachment of officers with his Secretariat is irrational. The excessive appointment of officials on excessive salaries is a clear favouritism extended to the Chairman, BoD. The details of attached staff are tabulated below:

S. #	Name	Designation	Type of employment	Period	Salary P.M (Rs)	Months	Total (Rs)
1	Maha Arshad	Research Associate/VP	Retainership / Contract	6 months on contract from 20.08.2020 to July 2023	350,000	19	6,650,000
2	Zahid Hussain	Legal Advisory Associate/ VP	Retainership / Contract	Rs. 300,000 pm for 6 months on contract from May 2021 to April 2023	350,000	12	4,200,000
3	Ms. Celine Rodrigues	Executive Secretary /AVP	Retainership / Contract	01 year on contract April 2021 to March 2023	150,000	19	2,850,000
4	Muhammad	In-Charge –	Retainership /	March 2021 to Feb	500,000	8	4,000,000

	Pervaiz	Chairman Sect	Contract	2022			
5	Audre Hazeldine	Executive Secretary	Retainership / Contract	March 2020 to Aug. 2022)	60,000	19	1,140,000
Total							18,840,000
<i>(Source: National Bank of Pakistan)</i>							

Audit was of the view that the appointment of excessive staff for Chairman Secretariat (BoD) was irrational and unjustified. Due to un-necessary staff deputed at Secretariat, the organization was sustaining a recurring expenditure on regular basis.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that provision of Secretarial Staff of Chairman BoD was duly approved in the 71st AGM dated May 12, 2020. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies regarding appointments on retainership may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.40 Irregular & unlawful appointment of SVP (Recruitment & Placement) - Rs. 17.728 million

According to advertisement dated January 24, 2016, the required qualification and experience for the post of Senior Vice President/ Wing Head-Recruitment & Placement was Master's degree in HR / Business / Management from an HEC recognized university / institute and minimum 12 years of experience, preferably in banking with at least 5 years in a relevant field.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointed Ms. Shahla as SVP/Wing Head-Recruitment & Placement on 13-06-2016 on contractual basis for a period of three (03) years at Rs. 277,020 per month. However, at the time of appointment she did not possess the Masters' Degree in HR / Business / Management. She submitted a degree of MBA (Marketing) vide application dated nil after issuance of a complain. She also submitted that attaining degree from the University was a lengthy process, therefore, she couldn't apply for the degree in 2006. It is pertinent that she did not disclose her MBA degree in CV and NBP

Employment Application Form or any other stage at the time of appointment or after appointment. Furthermore, some suitable candidates having relevant qualification & experience ranging b/w 13 to 23 years were rejected without any justification.

Audit was of view that she only possesses the MA (IR) degree, against the required qualification i.e. Master's degree in HR/Business/ Management at the appointment. Further, Audit was also of the view that her MBA degree was obtained illegally from Preston University. The management even allowed her ten (10) years for submitting her degree, which in return she submitted MBA (Marketing) that was also irrelevant. Thus, her appointment and payment of salary and allowance amounting to Rs. 17.728 million (July 2016 to October 2021 at Rs. 277,000 per month) is held irregular / illegal.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that enquiry No. 50/2018 of FIA CBC Karachi was initiated against her illegal appointment and outcome of the same is still awaited. DAC directed to the management to pursue the case and outcome may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.41 Irregular appointment of EVP/ Divisional Head (International Business Strategy) - Rs. 16.380 million

According to advertisement dated February 23 2020 for the post of Executive Vice President (EVP), the Divisional Head International Business Strategy, will be responsible for preparing the business strategy for the institution of its overseas operations, whilst maintain compliance with the local and international banking regulatory framework. The incumbent will effectively manage the growth of international business by designing appropriate strategies for the various countries so as to gain centralized control of key decisions while maintaining flexibility at the local level. The ideal candidate must have a University Degree preferable MBA (Banking & Finance) from HEC recognized University / institute or equivalent local/foreign qualification with minimum 15 years banking experience, preferable with minimum 03 years of overseas experience.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointed Mr. Riaz Hussain, as EVP/ Divisional Head-International Strategy on 15-04-2020 on contractual basis for a period of three (03) years at Rs. 910,000 per month. However, the management rejected the most suitable candidates as depicted below:

(Amount in Rs.)					
Name	Academic/ professional Qualification	Experience in Years	Head hunter assessment	Present Emoluments	Expected Salary
Mr. Riaz Hussain	CPA/MBA/BBA	28.8	He has worked in almost all business related functional areas of commercial banking, he spent 3 years in audit, 3 three years with NBP. He has not worked in any areas related to international banking like FIs, overseas banking, remittance etc.	738,230	Market based
Mr. Adnan Anwar	MBA/BBA Certificate for Documentary Credit Specialist Foreign Trade Certification Program	18.1	Banking experience spans over 16 years of which 3 and half years has been in overseas banking. Good exposure of managing correspondent banking with international banks, market overseas branches as strategic partner to local and international bank, manage Nostro/Vostro accounts while administering compliance with local and international regularity requirements.	300,000	According to Banks Policy
Mr. Ahsan Raza	MBA	17.1	21 years' experience, almost all of his banking experience has been related to international banking	510,000	Market based
(Source: National Bank of Pakistan)					

Thus, according to assessment of the Consultant, Mr. Riaz Hussain was not the most suitable candidate as he did not work in any areas related to international banking like FIs, overseas banking, remittance etc. While, on the other hand, rejected candidates have far better relevant experience of International / overseas banking. Furthermore, a defective advertisement was also floated to facilitate his appointment as well.

Audit was of the view that the management published a defective advertisement keeping in mind the credentials of Mr. Riaz and appointed him at exorbitant salary by rejecting the suitable candidates. Thus, appointment and payment of Rs. 16.380 million (May 2020 to October 2021 at Rs. 910,000 per month) is held irregular and un-justified.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The

management informed the DAC that although Mr. Riaz Hussain fulfilled the minimum eligibility criteria, yet qualification is not the only. There are many other factors which are the key deciding factors. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointment may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.42 Irregular appointment of Manager (E-Remittances) - Rs. 14.502 million

According to advertisement, the requirement for the post of Manager, E-Remittance is:

Academic / Professional Qualification	Experience	Age Limit
MBA / M.A (Economics) from any HEC recognized Institution / University having excellent computer knowledge	Minimum 08 years' experience in the relevant field, must have worked in the similar capacity for at least 3-4 years for handling operations of both commercial & home remittances in a large commercial bank.	30-35 years

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointed Mr. Yousuf A. Kadeer as Manager (E-Remittances) on 09-05-2007 on contractual basis for a period of three (03) years at Rs. 79, 250 per month. However, he was granted a waiver of 3.7 years and also holds the Bachelor's degree against the required Master's degree in either Economics or MBA. Furthermore, he does not possess minimum 08 years' experience in the relevant field i.e. in a large commercial bank.

Audit was of the view that management extended undue favour to Mr. Yousuf A. Kadeer and violated the concept of equal opportunity providers. Hence, his appointment and payment of pay & allowances amounting to Rs. 14.502 million (Rs. 79,250 pm x 183 months w.e.f. September 2006 to November, 2021) is held irregular and unjustified.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The

management informed the DAC that relaxation in age and education qualification requirement was approved by the competent authority. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointment may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.43 Irregular Appointment of Vice President/Wing Head (Corporate Investment Banking) - Rs. 14.320 million

The required qualification and experience for the post of VP / Wing Head (Corporate Investment Banking) was minimum Graduation / B. Com / B.Sc / B.E / BBA / MBA from a reputed University / Institute (recognised by HEC). Any diploma or certification in Banking will be an advantage. 12 years' experience in the Banking Industry out of which minimum 10 years in client facing, Relationship Management, Cash Management and Service roles.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that management appointed Mr. Ainain Khalid and Mr. Nabeel Baig as Vice President (VP) / Wing Head for Corporate Investment Banking in June / July 2020 without taking input of Head Hunter by rejecting the most suitable candidates having far better experience/qualification and demanding less salary as detailed below:

S #	Name	Educational/ Professional Qualification	Banking Experience in Years	Last Drawn Salary per Month in Rs.	Expected Salary per Month in Rs.	Offered Salary per Month in Rs.	Selected /rejected
01	Mr. Ainain Khalid	B. Com, I. Com	16.3	307,969	425,000	400,000	Selected
02	Mr. Nabeel Baig	BA	15.10	370,742	550,664	495,000	Selected
03	Mr. Jawad Khalil Khan	Post Graduate Diploma MBA-Finance & BBA	15.10	324,365	410,000	-	Rejected
04	Mr. Nadeem ul Haque	MBA & B.Sc	19.6	311,519	375,000	-	
05	Mr. Hamid Muhammad	EMBA, Post Graduate B.Com	16.0	209,089	275,000	-	
(Source: National Bank of Pakistan)							

The above position manifestly speaks out that undue favour was given to the selected candidates. Further, the management published a vague / defective advertisement for the appointment of chosen candidates.

Audit was of the view that the management appointed the incumbents on favouritism basis. Thus, the payment of pay and allowances amounting to Rs. 14.320 million (Mr. Ainain Rs. 400,000 x 16 = Rs. 6,400,000 & Mr. Nabeel Rs. 495,000 x 16 = Rs. 7,920,000) is held irregular and unjustified.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that interview panel assessed all aspects of the candidature in terms of requirements of the job and found him suitable for the position. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointment may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.44 Irregular appointment of EVP / Senior HR Business Partner - Rs. 14.195 million

Clause 4 (iii) (a) to Annexure A of Prudential Regulation (For Commercial / Corporate Banking), 2015 states that Key Executive must be a qualified professional possessing relevant experience & degree relating to the job/assignment.

According to advertisement for the post of Senior HR Business Partner, the required qualification was Bachelor's degree and Master's degree in HR would be preferred. 10 years plus 5 years' experience in Human Resource or Banking as Human Resource Business Partner or at least possess expertise in two Human Resource Function.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointed Mr. Mirza Muhammad Asim Baig as Executive Vice President (EVP) / Senior HR Business Partner w.e.f. February 2020 at a monthly salary of Rs. 835,050 on contractual basis. However, management rejected the most suitable candidates having relevant and better qualification / experience than Mr. Asim. Comparative statement is given in (Annex-45).

Thus, the rejected candidates possess more relevant experience and qualification as compared to Mr. Asim Baig. However, management rejected them without justification which indicates favouritism. Furthermore, Mr. Asim possess the degree of BBA & MBA (Communication & Economics) which was not relevant to the job/assignment.

Audit was of the view that the appointment of Mr. Mirza Muhammad Asim Baig was made as EVP/Senior HR business partner (HRBP) against qualification of MBA & BBA (Communication & Economics) and with overall experience 14 years (HRBP 04 years) disregarding candidature of Mr. Jaffar Ali Khan MBA (HR) with overall experience of 8.7 years (HRBP 4.8 years), Mr. Muhammad Zeeshan MBA (HR) with overall experience of 16.7 years (HRBP 2.8 years). Hence, appointment of the individual against other candidates with relevant qualification & experience is held irregular in Audit.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed that qualification was not the only criteria on which candidates are assessed. There were many other factors which were the key deciding factors. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointments may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.45 Irregular appointment & promotion of SVP / Head of Compensation & Benefits - Rs. 13.806 million

According to Promotion policy of NBP, 2020:

Promotion	from	Minimum service in the current grade: 3 years
OG-III	and	Last 3 year's APA should be "Good" and above
above		No listed punishment awarded during the period since the last promotion.

Clause 4 (iii) (a) to Annexure A of Prudential Regulation (For Commercial / Corporate Banking), 2015 states that Key Executive must be a qualified professional possessing relevant experience & degree relating to the job/assignment.

According to BoD minutes dated May 03, 2013 the contractual hiring in the positions SEVPs, EVPs, SVPs are made through head hunters.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointed Mr. Abbas Ali as Senior Vice President (SVP), Head of Compensation & Benefits against the advertised post of EVP w.e.f. January 2020 at a monthly salary of Rs. 690,339 on contractual basis. It was further observed that Mr. Abbas Ali possess the degree of EMBA (Banking & Finance) which was not relevant to the job and his appointment was made without the involvement of head hunters. He was also promoted as EVP within a year of appointment in violation of promotion policy.

Audit was of the view that since the appointment was made as SVP (a junior position which was actually not advertised) instead of advertised post of

EVP, against qualification of EMBA (Banking & Finance) instead of qualification of HR, directly instead of due process through head hunter, so his appointment was held irregular in Audit. Besides, he was promoted by the management (stating the contractual obligation) after one year of his contractual service instead of required three years. Thus, appointment and subsequent promotion of Mr. Abbas and payment of Rs. 13.806 million (January 2020 to Aug 2021 @ Rs. 690,339 per month) on account of salary is held irregular and un-justified.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed that Mr. Abbas Ali was hired after completing the hiring process and fulfilling the minimum eligibility criteria. Further, since he performed exceptionally well, therefore, based on this contractual obligation, he was recommended for promotion, which was approved by the President and the Board. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointments and promotion may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.46 Inappropriate procedure adopted in hiring consultancy firms - Rs. 13.621 million

Rule 3 c (i) of Procurement of Consultancy Service Rules (PCSR), 2010 states that the method of Least Cost only be used for assignments of standard / routine nature, where well established practices and standards exist.

Rule 04 of PPRA Rules, 2004, states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management awarded the contract to M/s Sidat Hyder Morshed Associates (for Executives / Officers) and M/s FSC Integrated Services (Pvt.) Ltd (for Batch hiring) being the lowest. The

management adopted Quality and Cost based Selection method, According to Procurement of Consultancy Regulations, 2010. The method adopted by the management was used where high quality is the prime consideration while cost is the secondary. However, scope of activities of the Consultant were of routine and not of technical nature, therefore, the suitable method would be a least cost method. Furthermore, the management allocated 70% marks for technical evaluation and 30% marks for the financial evaluation. However, the job was not much technical in nature, therefore, allocation of 70% marks was on a very higher side. M/s FSC Integrated Services (Pvt.) Ltd offered lowest bids for specialized hiring of Officers and Executives, however, due to irrational allocation of technical marks his aggregated marks stood less despite offering the lowest financial bids.

Audit was of the view that by adopting Quality and Cost based selection method, Bank has been incurring additional expenditure on yearly basis. Furthermore, due to allocation of irrational bifurcation of marks, the lowest financial bidder could not get the contract. The management paid an amount of Rs. 50.298 million to M/s Sidat Hyder (Rs. 445.116 million @ 11.30 %) which could be done at Rs. 36.677 million (Rs. 445.116 million @ 8.24 %). Thus, the management had been incurring an additional expenditure of Rs. 13.621 million (Rs. 50.298 million - Rs. 36.677 million).

The matter was reported to the management in November, 2021. The management informed the DAC that due to importance and complexity of the project, the authority decided to opt quality-cost based method (Quality 70%:Cost 30%) giving higher weightage to the quality as acquiring best possible talent was the prime objective. DAC directed the management to get the relevant records/ documents verified by Audit till its satisfaction. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.47 Wasteful expenditure on investigation of Bangladesh Operations - Rs. 10.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for the management of the

Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance.

During audit of National Bank of Pakistan (NBP), Karachi for the year 2012 to 2020, it was observed that the management of NBP (Bangladesh) sanctioned advances / loans to various groups / customers amounting to Rs. 25,842.86 million (US\$.164.04 million) through its various branches during the period 2003 to 2014 in which various irregularities were observed. The management started investigation regarding the issue. First investigation was initiated on 03-12-2010 by NBP (HO), Karachi, second investigation was initiated on 26-02-2013 and third was initiated on 25-08-2013. The mentioned internal investigation reports were placed before the Board of Directors (BoD) on 03-03-2014 on which BoD decided that due to variances in the findings of these investigation reports, the task to be given to M/s. KPMG to undertake the fact - finding investigation.

Thus, the management (Audit & Inspection Group) failed to detect the fraud timely and to create an internal control environment. Furthermore, three (03) investigations were conducted which proved to be un-satisfactory which questions the competency and investigation methodologies adopted by the management.

Audit was of the view that the fraud / irregularities occurred due to inefficiency of the management and loose internal controls. Further, management also failed to investigate the matter internally thrice effectively and subsequently hired the services of consultant at cost of Rs. 10 million which is wasteful and irregular.

The matter was reported to the management in December, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. DAC directed the management to expedite efforts for recovery of outstanding amounts, fix the target/ dates for completion of recovery and get the relevant records/ documents and amount recovered verified by audit till its satisfaction. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

**6.2.4.48 Irregular appointment of SVP/ Head (Organizational Effectiveness)
- Rs. 9.902 million**

Clause 3.1.12 of HR Policy Booklet of NBP states that “on receipt of a requisition from the concerned Group / Division / Region, the vacancy shall first be internally advertised by the HRM Group through internal placement circular, duly uploaded on Bank’s internal web. In case of non-availability of the required human resource from within, the bank advertises the position(s) externally through print media.

According to BoD minutes dated May 03, 2013 the contractual hiring in the positions SEVPs, EVPs, SVPs are made through head hunters.

According to advertisement the required qualification was Bachelor’s degree and Master’s degree in HR would be preferred and must possess at least 10 years’ experience in Organizational Development / Organizational Effectiveness role working for a reputable organization with at least 5 years in Leadership position.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointed Ms. Nida Haider as Senior Vice President (SVP) / Head of Organizational Effectiveness at a monthly salary of Rs. 550,166 on contractual basis. However, the management rejected the most suitable candidate as mentioned below:

Name	Education	Present Job Title	Total Employment Experience				Expected Salary
			Total Exp. in years	10+ years HR / Banking	5 years as Leadership	Current Salary	
Nida Haider	MBA	-Currently not Working -TCS, Head of HR-e Com -Integral Resource Group as Director OD and HR -Bank Alfalah as OD Head.	16	11.7	No	426, 000	800, 000
Aamir Islam	MBA	-Senior Consultant, HR -Country HR Head in Merck Ltd. -HR Manager in ICI Pakistan. -Director HR & OD in TRG. -Deputy Director HR Sheraton Hotel.	26	13	Yes	Project based	650, 000

(Source: National Bank of Pakistan)

Furthermore, she did not possess the five years' experience in Leadership position against the advertisement. She was drawing a salary of Rs. 426,000 per month in 2018, afterwards she was jobless for the last 02 years. However, the management hired her at a monthly salary of Rs. 550,166 and she was also hired without the involvement of Consultant.

Audit was of the view that an undue favour was extended by violating the policies / procedures and rejecting the suitable candidate without justification. Thus, appointment of Ms. Nida Haider and payment of salary of Rs. 9.902 million (April 2020 to September 2021 at Rs. 550,166 per month) was held irregular and un-justified.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that Ms. Nida Haider was meeting the required experience criteria for the post and the salary was negotiated with her in comparison to her last salary & benefits. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointment may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.49 Irregular appointment of Vice President/Wing Head - Rs. 9.870 million

According to advertisement, required qualification for the post of Wing Head of Anti Money Laundering and Combating the Financing Terrorism was minimum Master's degree in Commerce/Management Science/ Economics/ Statistics/ ACCA/ACMA or equivalent degree from any local or foreign college/university recognized by HEC; overall 10 years' experience with minimum 05 years of leadership experience of heading AML-CFT/MLPO/MLRO, Fraud Risk and Fraud Reporting.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointed Mr. Usman Ali Khan as Vice President (VP)Wing Head of Anti Money Laundering and Combating the Financing Terrorism. on 26th February, 2020 on a contractual

basis for a period of three (03) years at Rs. 470,000 per month along with liability of House Building Finance Loan (HBFL). However, management ignored the most suitable candidate having far better experience / qualification and demanding less salary as detailed below:

Name	Academic/ Professional Qualification	Previous/Present Job	Overall Experience	Experience of AML/CFT	Present salary (Rs.)	Expected salary (Rs.)
Usman Ali Khan	FCMA from ICMAP M.Sc (Eco.) B.Sc (Hons.) Certified AML Specialist (CAMS)	UBL as-Head of Transaction Monitoring /Dy. MLRO -Senior Manager AML Unit SCB as TL/Manager Analytical & Intelligence Habib Metro as Area Compliance Officer Nelson Paint Ltd. As Manager Internal Controls & Audit NIB as Manager Credit & Operations	12.8	3.2 years	277,510	470,000
Ali Raza	MBA (Banking Finance) B.Com, Certified Sanctions Compliance Specialist, Certified Trade Based Money Laundering Specialist Associate of Certified Anti Money Laundering Specialist	Bank Al-Habib as: Manager AML HBL as: Asst. Manager Compliance & AML UBL as: Compliance & AML Officer	13.3	09 years	94,450 Plus Car Allowance & Fuel	300,000

It is evident from the above that the management hired an unsuitable candidate having less experience and at hefty salary.

Audit was of the view that undue favour was extended to Mr. Usman Ali Khan at an exorbitant salary. Thus, his appointment and payment of salary of Rs. 9.870 million (March 2020 to October 31 2021 at Rs. 470,000 per month * 21 months) is held irregular and un-justified.

The matter was reported to the management in December, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that Mr. Usman met the advertised eligibility criteria and salary was negotiated with him in comparison to his last salary &

benefits. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointments may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.50 Irregular appointment of EVP/ Head of HR Governance - Rs. 9.500 million

The required qualification was Bachelor's degree from a reputable HEC recognized University/ Institution, Master's degree in Human Resources from a reputable institution would be preferred. 10 years+ experience Human Resource Governance or armed forces background or related roles working for a reputable organization with at least 5 years in a Leadership role. Further other skills expertise /knowledge were required as, excellent knowledge of Banking Laws, Court matters, Statutory requirement, Risk Frameworks and Operational issues.

HR Policy Booklet Volume I para 3.1.12 (a) Recruitment of senior position(s) (SVPs, EVPs and SEVPs) should be through advertisements, Head hunting firms and applications received directly through References etc. The vacancies should first be advertised internally by HRM Group. In case on non-availability of the required human resource from within the Bank, the management would confirm to the Board, in case of EVPs (DR) and SEVPs that the internal process was followed and no suitable candidate was found internally.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management floated an advertisement for the post of EVP/Head of HR Governance through head hunter. However, management took over the requirement process from the Consultant and interviewed two candidates at their own discretion. The comparative statement is as under:

Name	Qualification	Present Job Title/ Organization	Experience
Mr. Abdul Whaeed Sabir (Ret. Lt. Col)	MA (IR), B.Sc	Ministry of Defence/Pak Army	31 years
Mr. Talat Qayyum (Ret. Brigadier)	MBA HR B.Sc (Hons)	Fauji Foundation as GM (HR) (03 years), Pak Army	34 years
<i>(Source: National Bank of Pakistan)</i>			

The management appointed Mr. Abdul Waheed Sabir as EVP/Head of HR Governance w.e.f. March, 2020 on contractual basis with a monthly salary of Rs. 500,000 by rejecting a more suitable candidate having relevant qualification and experience. Furthermore, the management placed a defective advertisement by asking the experience as “or armed forces background or related roles working for a reputable organization instead of experience of HR Governance.

Audit was of the view that the management prepared a defective advertisement without keeping in view the requirement of job and violated the recruitment process. Further, undue favour was extended to Mr. Sabir and reject the most suitable candidate. Thus appointment of Mr. Sabir and payment of Rs. 9.500 million (March 2020 to September 2021 @ of Rs. 500,000 per month) is held irregular and un-justified.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that Mr. Abdul Waheed Sabir was appointed on the basis of his experience. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank’s HR policies on appointment may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.51 Irregular appointment of SVP / Senior HR Business Partner - Rs. 8.500 million

Clause 4 (iii) (a) to Annexure A of Prudential Regulation (For Commercial / Corporate Banking), 2015 states that Key Executive must be a qualified professional possessing relevant experience & degree relating to the job/assignment.

According to advertisement for the post of Senior HR Business Partner, the required qualification was Bachelor’s degree and Master’s degree in HR would be preferred. 10 years plus 5 years’ experience in Human Resource or Banking as Human Resource Business Partner or at least possess expertise in two Human Resource Function.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointed Mr. Danish Bin Inbsat as Senior Vice President (EVP) / Senior HR Business Partner w.e.f. January 27, 2020 at a monthly salary of Rs. 500,000 on contractual basis. However, management rejected the most suitable candidates having relevant and better qualification / experience than Mr. Danish. Comparative statement is given in (Annex-46).

Thus, the rejected candidates possess more relevant qualification and experience as compared to Mr. Danish which indicates favouritism.

Audit was of the view that the appointment of Mr. Danish Bin Inbsat was made as SVP/Senior HR business partner (HRBP) against qualification of MBA (MIS) and with overall experience 13.8 years (HRBP 2.1 years) disregarding candidature of Mr. Jaffar Ali Khan MBA (HR) with overall experience of 8.7 years (HRBP 4.8 years), Mr. Muhammad Zeeshan MBA (HR) with overall experience of 16.7 years (HRBP 2.8 years). Hence, appointment of the individual against other candidates with relevant qualification & experience was held irregular in Audit.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed that qualification was not the only criteria on which candidates are assessed. There were many other factors which were the key deciding factors. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointments may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.52 Irregular appointment of Chairman, Board of Directors – Rs. 8.313 million

Clause 3 of Bank Nationalization Act, 1974, states that the Chairman, the President and other members of the Board representing the Federal Government's direct and indirect shareholding (a) shall be appointed by the Federal Government in consultation with the State Bank, for a term of three years, on such terms and

conditions as may be fixed by the General Meeting of the bank: provided that the Chairman and the President shall be appointed from amongst professional bankers whose names are included in a panel of bankers qualified to be the Chairman or the President, which panel shall be determined, maintained and aired, from time to time, by the State Bank of Pakistan.

According to Cabinet Secretariat (Establishment Division), Government of Pakistan O.M No.4121901-r-I-I dated December 05, 1990 and subsequent instructions issued through letters dated May 26, 1999 and December 04, 2007 the re-employment after the age of superannuation in the government, semi-government, autonomous bodies and semi-autonomous bodies was required to be made by obtaining the approval of Prime Minister.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012-2020, it was observed that Mr. Zubyr Soomro was appointed as Chairman of the Board of Directors (BoD) of NBP by the Finance Division's letter dated April 17, 2019 for a term of three (03) years. Following irregularities were observed in his appointment:

- His appointment was made without any known method of search i.e. by inviting applications, through advertisement in the newspapers or from the list of professional bankers.
- He was on the BoD of SBP when his name was floated for Chairman / Member NBP Board.
- His name was not included in panel of professional bankers; however, his name was added when he was proposed to be appointed as Chairman, NBP Board.
- His age was 73 years at the time of appointment; however, approval of age relaxation was not obtained from Prime Minister's Office.

Audit was of the view that the appointment of Mr. Zubyr Somroo as Chairman, BoD, was non-transparent as his appointment was made without any known method of search i.e. through advertisement or from the list of professional bankers which reflected that other best suitable candidates have not been given fair chance to participate in the recruitment. Therefore, appointment and payment made to him amounting to Rs. 8.313 million stood irregular and unjustified.

The matter was reported to the management in December 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that Mr. Zubyr Somroo included in SBP's panel was subsequently excluded from the panel upon joining the SBP board. Upon completion of term as SBP Board member, his name was again included by SBP. Moreover, there is no age restriction for NBP Board members. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointment may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.53 Loss due to fraudulent pension payments - Rs. 8.201 million

According to Organizational Circular No. 05/2018) of NBP, Branch Manager (BM) key task is to establish localized control environment as first line of defense and maintain stringent or proactive internal control environment.

During audit of National Bank of Pakistan (NBP) for the year 2012-2020, it was observed that alterations were made manually on different Computerized Pension Payment Receipts (System Generated Vouchers) at Dera Allah Yaar Branch, Sibi. An investigation was then carried out which detected fraudulent payment of Rs. 25.501 million, out of which Rs. 17.300 million were recovered through pensioners. FIR was lodged with FIA, Quetta which arrested four (04) criminally accused(s) on 04-10-2018 which were released on bail later on. Investigation of the case holds 06 bank's officials as criminally and negligently involved in the case. Two (02) employees were dismissed from the services being criminally involved by the management on the directives of Disciplinary Cases Committee (DCC). An outstanding amount of Rs. 8.201 million was still unrecovered from the pensioners / employees.

Audit was of the view that due to lack of monitoring and weak internal controls the management suffered a loss of Rs. 8.201 million. No recovery has been made from the concerned staff for bogus payments till date which leads to a loss to the public exchequer.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. DAC directed the management to pursue the court case and recovery of outstanding amount vigorously for early finalization and get the relevant records/ documents verified by Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.54 Irregular appointment of HR Business Partners - Rs. 7.343 million

According to advertisement, required qualification for the post of HRBP was Bachelor's degree from a reputable HEC recognized University/ Institution, Master's degree in HR would be preferred. Minimum 6 years HR or Banking experience, 3 years as HR Business Partners or at least possess expertise in two HR functions.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointed four (04) Vice Presidents (VPs) / Human Resource Business Partners (HRBP) and rejected the most suitable candidates having better qualification / experience and demanding less salary (Annex-47).

Audit was of the view that undue favour was extended to the incumbents and suitable candidates were rejected without any justification / reason. Thus, the payment of pay & allowances amounting to Rs. 7.343 million is held irregular & unjustified.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that a fair and impartial process was followed and no appointments were made on favoritism basis nor were the suitable candidates disregarded. The interview panel interviewed shortlisted candidates and assessed all the aspects of their candidature in terms of requirements of the job and found selected candidates suitable for the position without any prejudice. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointments may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.55 Loss due to granting dual club membership - Rs. 7.310 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that existing policy regarding club membership to Bank Executives states:

Grade	Entitlement	Amount to be paid by the Bank		
		Admission fee	Existing decision Monthly subscription	Monthly ceiling exclusive of subscription & other mandatory charges
Senior Executive Vice President (SEVP)	Two Clubs	Actual	Rs. 10,000 maximum each inclusive of monthly subscription	Rs. 10,000 (each club)

According to this policy, the management granted dual club memberships to its Senior Executive Vice Presidents (SEVPs) during the period from 2012-2020 amounting to Rs. 13.188 million. The details are as under:

(Amount in Rs.)					
S. #	SAP I.D #	Name of Employee	Designation	Membership fee Paid	Name of Club
1.	16618	Zubair Ahmed	SEVP	1,125,000	M/s. Defence Raya Golf &

					Country Club, Lahore
2.	16618	Zubair Ahmed	SEVP	1,350,000	M/s. Defence Authority Country & Golf Club, Karachi
3.	18185	Zahid Mahmood Chaudhry	SEVP	1,550,000	M/s. Defence Authority Country & Golf Club, Karachi
4.	18185	Zahid Mahmood Chaudhry	SEVP	1,610,000	M/s. Karachi Club, Karachi
5.	19132	Muhammad Faraz Haider	SEVP	2,000,000	M/s. Defence Authority Country & Golf Club, Karachi
6.	19132	Muhammad Faraz Haider	SEVP	2,050,000	M/s. Karachi Club, Karachi
7.	15629	Usman Shahid	SEVP	2,300,000	M/s. Defence Authority Country & Golf Club, Karachi
8.	15629	Usman Shahid	SEVP	1,203,000	M/S. Lahore Gymkhana, Lahore.
Total				13,188,000	
<i>(Source: National Bank of Pakistan)</i>					

Thus, the management irrationally allowed dual club memberships to four (04) SEVPs at Lahore and Karachi.

Audit was of the view that due to dual club membership policy, the management sustained a loss of Rs. 7.310 million. The management extended undue favour to the incumbents by allowing dual club memberships. Being a bank of poor nation, policy needs to be revisited, moreover membership may only be allowed to the place of posting.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that dual club membership was allowed to SEVPs as per 121st Operations Committee meeting held on 10th March 2008. DAC directed the management to get the relevant records/ documents verified by Audit till its satisfaction. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.56 Irregular appointment of EVP/Divisional Head (Learning & Development) - Rs. 7.200 million

According to advertisement, the required experience for the post of EVP/Divisional Head was 10 years plus Human Resource experience in any core

HR function working for a reputable organization with at least 5 years in Learning & Development in a leadership role.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointed Ms. Saniha Jafri as Executive Vice President (EVP) / Head of Learning & Development through M/s Sidat Hyder Morshed Associates at a monthly salary of Rs. 600,000 per month on 31-08-2020. During the screening and assessment, the Consultant clearly mentioned that “she has not been involved in the most key job responsibilities for the proposed position other than customization of e-learning programs, she does not seem to have sufficient exposure and appropriate level of leadership skills, required to successfully operate the challenging work environment and drive the organization to achieve its Learning & Development goals.” However, despite the serious reservations she was hired by the management and the other suitable candidates were ignored.

Audit was of the view that the management extended undue favour to the incumbent by ignoring the reservations of Consultant. Thus, payment of Rs. 7.200 million (September 2020 to August 2021 @ of Rs. 600,000 per month) is held irregular and un-justified.

The matter was reported to the management in November, 2021. The management informed the DAC that Ms. Saniha Jafri was meeting the advertised eligibility criteria and was also recommended by the Headhunter for further assessment due to some reservations. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank’s HR policies on appointment may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.57 Irregular appointment of Vice President / HR Business Partner - Rs. 6.480 million

According to advertisement required qualification for the post of HRBP was Bachelor’s degree from a reputable HEC recognized University/ Institution, Master’s degree in HR would be preferred. Minimum 6 years HR or Banking

experience, 3 years as HR Business Partners or at least possess expertise in two HR functions.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointed Mr. Muhammad Naeem Baloch as Vice President (VP) / Human Resource Business Partner (HRBP) at Rs. 360,000 per month on contractual basis on April 30, 2020. However, the management rejected the most suitable candidates having relevant qualification/ experience and their expected salary was also less (Annex-48).

Furthermore, the management appointed him at an excessive monthly salary of Rs. 360,000 as he was drawing a monthly salary of Rs. 216,631 at KE.

Audit was of the view that management extended undue favour to Mr. Naeem and rejected suitable candidates without justification. Thus, appointment of Mr. Naeem Baloch and payment of Rs. 6.480 million (May 2020 to October 2021 at Rs. 360,000 per month) is held irregular and un-justified.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that Mr. Naeem Baloch met the minimum education requirement comfortably as he held BA degree with 10 years of HR experience. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointment may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.58 Irregular appointment of SVP/ Chief Security Officer and fixing of higher salary compared to declared salary- Rs. 6.000 million

The required qualification for the post of SVP/ Chief Security Officer was Bachelor's degree from a reputable HEC recognized University / Institution, advanced degree, certifications, courses in areas of relevant to this position shall be preferred.

Experience: Minimum 20 years work experience in area of responsibilities at a large Bank, leading MNC conglomerate, or a large public

sector organization. Retired professional from Armed Forces, not below the rank of Colonel (or equivalent) with good service record, will be preferred. Previous experience as Chief Security Officer in a large Bank / organization or Armed Forces will be preferred.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointed Mr. Raja Ansar Mahmood as Senior Vice President (SVP) / Chief Security Officer w.e.f September 16, 2020 on contractual basis at Rs. 500,000 per month. However, the management rejected the most suitable candidate having relevant experience as detailed below:

(Amount in Rs.)							
S #	Name	Qualification	Present Job Title/ Organization	Experience	Present salary per month (Rs.)	Expected salary per month (Rs.)	Total marks obtained in final interview
1	Raja Ansar Mahmood	B.Sc (War studies B.Sc. (Naval Sciences	Served in Pakistan Navy	33	243,000	400,000	326
2	Ahmed Rehan	M. Phill (IR), Masters (IR)	At UBL as VP/Cluster Head of Security (06 years. Pakistan Army (25 years)	31	292,000	500,000	294

(Source: National Bank of Pakistan)

Furthermore, he did not possess any experience in Banking Security and lacks practical experience of security management in a corporate environment as mentioned by the Consultant. He was hired at Rs. 500, 000 against the expected salary of Rs. 400, 000 per month which is about two times higher than his last drawn salary at Pak Navy. The management floated a defective / pre-designed advertisement to appoint him. In addition, his antecedents & education testimonials were also not verified up to December, 2021.

Audit was of the view that the appointment of Mr. Raja Ansar Mahmood as SVP/CSO (despite reservation of Headhunter on his relevant experience) disregarding the relevant experience of Mr. Ahmed Rehan (Head of Security in UBL for 6 years, with 33 years overall experience), and fixing of salary of the CSO at Rs. 500,000 instead of self-declared expected salary of Rs. 400,000 was held unjustified in Audit.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed that at the time of hiring, he was possessing 33 years of experience in handling Security, Safety, Emergency Response Actions, Aviation and Human Resource Management related matters in Pakistan Navy. Further, his salary was negotiated as he intimated that he may not be able to join the bank on a monthly salary less than of Rs. 500,000. DAC directed the management to get the relevant records documents verified by the audit and copies of Bank's HR

polices on appointments may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.59 Irregular appointment of Special Assistant at Chairman Secretariat (BoD) - Rs. 4.500 million

Para (iii) (b) & (c) Cabinet Secretariat (Establishment Division) letter dated 6th May, 2000, (iii) (b) vacancies should be advertised in the leading national and regional newspapers (c) selection should be made through regularly constituted Selection Committees/ Board.

Clause K of SBP circular No 03 of 2019 dated 17-08-2019 states that the administrative expenses pertaining to the office, staff and security allocated to Chairman of the Board should be determined rationally.

Duties and responsibilities of Special Assistant are to supervise and co-ordinate the work of the Chairman Secretariat, to act as a first point of contact, dealing with correspondence, collating and filling expenses, to manage databases, filling systems, managing and implementing administrative systems, to work closely with the executives and with the Chairman on communication of the proposals to and decisions from the Board of Directors (BoD) and to co-ordinate HR procedure, requirements needs and to manage financial relations.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management hired Mr. Muhammad Pervez as Special Assistant to the Chairman, BoD Secretariat on retainer ship basis w.e.f. 01-03-2021 to 28-02-2022 at Rs. 500,000 per month without any due process of appointment. It is worth mentioning here that his responsibilities are the same as of two (02) Executive Secretaries already working in the Secretariat, Chairman (BoD). It seems to be a regular practice in NBP to firstly hire an officer on retainer ship basis without adopting any due procedure and then subsequently appoint him on contract basis by preparing a defective criteria keeping in mind the qualification and experience of the existing officer.

Audit was of the view that the appointment of Special Assistance to the Chairman, BoD Secretariat on retainership basis without justification and

adopting the due procedure of appointment and on excessive salary of Rs. 500,000 per month is irrational and unjustified.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that provision of Secretarial Staff of Chairman BoD was determined rationally and was duly approved in the 71st AGM dated May 12, 2020. Being a senior resource, he was supervising all the activities of the Secretariat, Chairman (BoD) and recruitment policy did not apply on retainer-ship. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies regarding appointments on retainer ship may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.60 Irregular appointment of SVP/Head of Leadership Development - Rs. 4.400 million

According to agreement b/w National Bank of Pakistan (NBP) and Head Hunters, the job description of the Head Hunters is as under:

- Placement of Career Advertisement in two local newspapers.
- Calling of CVs/ profiles through Portal/Software
- Screening & Shortlisting of applications on the basis of specified criteria of qualification, age, experience, skills and competencies etc.
- Conducting written test and assessment interviews of the eligible applicants.
- Detailed Report along with Summary to NBP for further processing According to NBP's Policy
- Background check of the selected applicants.
- Provide at least 3-5 shortlisted applicants per position for final review to NBP)

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management floated an advertisement on 19.07.2020 for the appointment of Senior Vice President (SVP) through head hunters. In response, 91 applications were received and 07 candidates were

initially interviewed by the Consultant. Out of 07 candidates, the Consultant shortlisted 04 candidates. However, surprisingly on 09.09.2020, the management recommended Mr. Shuja Shams for the interview process though he was not in the list of shortlisted candidates finalized by the Consultant. He was also less qualified and experienced than the shortlisted candidates.

Audit was of the view that appointment of Mr. Shuja Shams was irregular as his name was inserted/recommended by the management by violating the appointment process conducted through Head hunters. Thus, the payment of Rs. 4.400 million (Rs. 400,000 per month from Oct 2020 to Aug 2021) also held irregular.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that Mr. Shuja was shortlisted by the Headhunter for Head-Learning & Development that is a higher position. However, during the interview process the panel was of the view that he was more suitable for the position of Head of Leadership Development. Since he was already recommended by the headhunter, he was considered for position of Head of Leadership Development. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointment may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.61 Irregular appointment of VP/Research Associate for Chairman (BoD Secretariat) – Rs. 4.200 million

Schedule A-1 of agreement b/w NBP and head hunter, he was required to provide at least 3-5 shortlisted applicants per position for final review to NBP.

Clause K of SBP circular No 03 of 2019 dated 17-08-2019 states that the administrative expenses pertaining to the office, staff and security allocated to Chairman of the Board should be determined rationally.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointed Ms. Maha Arshad

as VP/ Research Analyst for Secretariat of Chairman BoD, w.e.f. 20-08-2020 on contract basis at Rs. 350,000 per month. According to agreement head hunter was required to shortlist 3-5 candidates and forward to the management for final selection, however only name of Ms. Maha was forwarded. Furthermore, Ms. Maha had a total experience of 7.8 years mostly of non-banking sector and of junior position level. Before joining NBP, she was drawing a gross salary of Rs. 188,726 per month however she was hired at an excessive salary of Rs. 350,000 per month. She was irrationally hired for Chairman Secretariat, BoD.

Audit was of the view that management appointed the incumbent irrationally on favouritisms basis at excessive salary which is held irregular. Thus, her appointment and payment of Rs. 4.200 million (September 2020 to September 2021 at Rs. 350,000 per month) is held irregular and un-justified.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that the Headhunter recommended only 01 suitable candidates i.e. Ms. Maha Arshad and the Interview Panel found her suitable and she was not willing to accept the package lower than Rs. 350,000 per month. Due to constraint of not having any other option, the Bank accepted her salary demand. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointment may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.62 Irregular appointment of Legal Advisory Associate through defective criteria - Rs. 1.750 million

According to advertisement the required qualification for the recruitment of Legal Advisory Associate was Bachelor Degree in Law from a HEC recognized University / Institute. Preference will be given to candidate having foreign degree. Experience: more than 5 years' experience as either in house legal counsel or corporate law practice / chamber work, with a very good exposure to banking laws and regulations.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointment Mr. Zahid Hussain as AVP / Legal Advisory Associate on 25-05-2021 on contractual basis for a period of three (03) years at Rs. 350,000 per month despite the availability of a suitable candidate. During the screening and assessment, the Consultant showed serious reservations on him as detailed below:

Name	Academic/ professional Qualification	Experience	Head hunter assessment/ reservations	Present Salary	Expected Salary	Interview Marks	Recom
Zahid Hussain	Bachelor of Laws, University of Northampton, UK	16 years as Advocate	Not fully aware about the job role, he was not able to logically share his view as to the formulation of cost effective strategy to deal with corporate legal matters, performance monitoring of panel lawyers and effective follow up of court cases at various forums. It is felt that his good professional qualifications coupled with chamber experience & law practice do not sufficiently reflect his demonstrated analytical ability to address hypothetical basis legal challenges face by big size organizations.	300,000	350,000	150	Yes
Syed Arshad Iqbal	MBA Bachelor of Legislative Law, Diploma in Sharia Law	15 years as Advocate	Practicing law at District Court, Banking Courts, NIRC and High Courts leading wide range of cases including litigations relating to banks including NRSP, BOP, UBL and Faysal Bank with appropriate exposure to key responsibilities of the role under reference. He seems to be well versed with the whole litigation process, appointment and performance monitoring of panel lawyers and formulation of legal strategies for pursuing cases at different forums. However not having formally worked in a corporate environment	Varying income	According to Bank Policy	121	No

(Source: National Bank of Pakistan)

However, despite serious reservations, Mr. Zahid Hussain was appointed. The management deprived itself from the suitable available candidate having wide range of expertise and an appropriate exposure with leading banks. Furthermore, it was observed that Mr. Zahid was already working with NBP on retainer ship basis since June 2020 to May 2021 at Rs. 300,000 per month prior to

the appointment. In this scenario, the management prepared / published defective advertisement/ criteria, keeping in mind the qualification and experience of Mr. Zahid Hussain.

Audit was of the view that the management extended undue favour to the incumbent by ignoring the reservations of Consultant. The management prepared a defective criterion / advertisement for his appointment and further did not internally advertised the job as required under clause 3.1.12 of HR Policy Booklet of NBP. Hence, his appointment and payment of pay & allowances amounting to Rs. 1.750 million (Rs. 350,000 per month w.e.f. June 2021 to October 2021) is held irregular and unjustified.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that Mr. Zahid Hussain met the advertised eligibility criteria and was recommended by the Headhunter with some reservations. The interview panel found him suitable despite the reservations raised by the Headhunter. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies on appointment may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.63 Irregular appointment of Executive Secretary - Rs. 1.050 million

According to advertisement, the required qualification for the recruitment of Executive Secretary was Minimum Bachelor's degree, preference will be given to Master's from a reputable HEC recognized University / Institute. Minimum 10 years' experience out of which 02 years at similar role.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management appointed Ms. Celine Rodrigues as Executive Secretary on 01-05-2021 on contractual basis at Rs. 150,000 per month and rejected the most suitable candidate having better experience and demanding less salary as detailed below:

S #	Name	Education	Present Job / Organization	Total Experience	Amount in Rs.		
					Last Drawn Salary P.M	Expected Salary P.M	Proposed Salary P.M
1.	Ms. Cellne Rodrigues	MBA, B.Com	NBP as Executive Secretary. PARCO as Asst. Manager Chevron Pakistan as Asst. Manager Treasury.	37 (relevant experience is about 10 years)	150,000	150,000	150,000
2.	Ms. Shanila Ladak	MBA B.Com	ICI Pakistan Ltd as Executive Secretary. HASCOL Petroleum Ltd as Executive Secretary. PSO as Executive Secretary.	15	65,000	100,000	-

(Source: National Bank of Pakistan)

Thus, Ms. Shanila Ladak was the most suitable candidate available which was ignored by the management. Furthermore, it was observed that Ms. Celine Rodrigues was already working with NBP on retainer ship basis as Executive Secretary due to which the management favoured her over the suitable candidate.

Audit was of the view that undue favour was extended to the incumbent and suitable candidate was rejected without any justification / reason. Hence, his appointment and payment of pay & allowances amounting to Rs. 1.050 million (Rs. 150,000 per month w.e.f. May 2021 to November, 2021) was also held irregular.

The matter was reported to the management in November, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that Ms. Celine Rodrigues was meeting the advertised eligibility criteria and was recommended by the Headhunter. The interview panel found her suitable. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's HR policies

on appointment may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.64 Irregular promotions under defective / irrational policy

According to NBP promotion policies, the weightage of Interview for Promotion in various cadres during the year 2012-2020 is as under:

S#	Year	OG-III to OG-II	OG-II to OG-I	OG-I to AVP	AVP to VP	VP to SVP	SVP to EVP	EVP to SEVP
1.	2011-12 (Regular)	-	-	20	20	20	20	20
2.	2012 (Contractual)	15	15	15	15	15	15	15
3.	2015 (Regular)	-	-	20	20	20	20	20
4.	2017 (R & C)	-	-	40	50	50	50	50
5.	2020 (R & C)	-	-	40	40	40	60	60

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that the management formulated / revised the promotion criteria for various levels during the year 2012-2020. On the basis of revised criteria, the management promoted 3,717 Executives / Officers during the year 2017-2021 According to details shown below:

Grade	2017	2018	2021
OG-III to OG-II	574	-	386
OG-II to OG-I	820	-	441
OG-I to AVP	425	-	400
AVP to VP	193	-	222
VP to SVP	50	-	165
SVP to EVP	21	-	16
EVP to SEVP	0	2	2
Total	2,083	2	1,632

(Source: National Bank of Pakistan)

Thus, the management enhanced the marks of Interview from 15-20 to 40-60 from the year 2017 and onwards. Weightage of other vital components for promotion i.e. Professional and educational qualification, Seniority, Performance rating and relevant experience etc. were significantly reduced by allotting them fewer marks. An employee got promoted by getting higher marks in Interview and vice versa due to this irrational policy. Furthermore, the condition of interview from SVP to EVP and EVP to SEVP was kept dubious, as it states that

“based on the availability of vacant position, the President & the Committee will interview the candidate, if required” which is totally irregular.

Audit was of the view that the subject policy of promotion is defective and irrational. Weightage of vital components for promotion have substantially been reduced to extend undue favour to a particular section of employees. All the promotions made by the management on this defective policy stood irregular and unjustified.

The matter was reported to the management in December, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed that the weightage of interview marks was not changed much. Moreover, in 2017, interviews were conducted by the panel of Senior Management for promotion. DAC directed the management to get the relevant records/ documents verified by Audit till its satisfaction. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.65 Irregular promotion of 75 Officers / Executives in violation of Promotion Policy

Board of Directors (BoD) approved the proposal in its meeting dated 01.02.2016 of Group Chief, HRM Group which states that in promotion exercise, it has been observed that a number of deserving candidates in officer and executive grades could not qualify for promotion due to interview criteria or appraisal related score caused by limitations in Bell Curve mode of Performance Management though they were excellent performers within their Groups. The Groups were strongly recommending the promotion of said officers/ executives to the next grade. Further, the Bank is losing some of its talented employees especially in Corporate & Investment Banking, Treasury and Deposit Mobilization to other institutions due to Banks inability to either promote them or their salary not being market-based. In view of the exceptional circumstances, promotion criteria needed to be flexible to accommodate such requests. He proposed to authorize the President to promote up to employees annually by way of exception to the policy.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012-2020, it was observed that the management promoted 75 employees in officer's / executives' grades in violation of promotion policy during the year 2016. The promotions were awarded to the officers / executives ranging from OG-III to SVP (Annex-49). The management promoted the officers / executives under special powers of President of NBP despite being their names in the bottom of merit list. Furthermore, the irrational policy allowed the President, NBP to promote 25 Officers / Executives annually in exception of policy however, 75 promotions were made in the year 2016 irregularly.

Audit was of the view that management promoted the officers / executives on choose and pick basis by ignoring all vital components of promotion and ignorance of merit. The incumbents were extended undue favour without any justification. Thus, the promotions of subject officers / executives stand irregular / unjustified.

The matter was reported to the management in December, 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. The management informed the DAC that all promotions were made as per the BoD approved policies. None of the 75 employees were ineligible. All such promotions were based on the recommendations of relevant Group Chiefs, as per approval of the Board. DAC directed the management to get the relevant records/documents verified by the audit and copies of Bank's promotion policies may also be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.66 Overstayal of employees at foreign branches

Clause 07 of Overseas Posting Policy of National Bank of Pakistan (NBP) for the years 2012 and 2017 states that for all future posting, the period of overseas postings of any Pakistan based employee shall be for a maximum period of three (03) years from the date of joining at Bank's overseas branch / office and after completion of three (03) years, the employee will be repatriated.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012 to 2020, it was observed that thirty-five (35) officers were posted at various

foreign branches for a period of three (03) years. However, officers were not repatriated after the specified tenure (i.e. 03 years) (Annex-50)

Audit was of the view that delay in repatriation and non-repatriation of officers reflected favouritism, undue favour and weak internal controls. This also reflected in-effective rotation policy exists in the organization.

The matter was reported to the management in December, 2021. The management informed that as the BHRRC & BoD allowed extension in Overseas Posting. The management's reply was not tenable as management violated its own policy and extended undue favor to the selected employees. DAC directed the management to get the individual case wise updated position/ records verified by Audit till its satisfaction. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.67 Non-production of auditable record

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

During audit of National Bank of Pakistan (NBP) for the year 2012-20 and 2021, it was observed that various requisitions were issued for auditable record of Human Resource Management Group (HRMG) and Head Office. The details of non-production of record are at Annex-51.

Despite issuance of reminders and verbal requests the management was reluctant to provide auditable record / information. Due to non-provision of record, Audit was unable to ascertain transparency in HRMG operations.

Audit was of the view that non-production of record tantamount to concealment of facts and serious negligence on the part of management.

The matter was reported to the management in December 2021. The irregularity was discussed in the DAC meeting held on 12-14 October, 2022. DAC directed the management to produce all auditable records/ documents to Audit for verification till its satisfaction. In case, the management fails to provide auditable record to Audit, appropriate departmental action may be taken. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.68 Irregular investment in companies by holding shares more than 30%

According to Section 23(2) of the Banking Companies Ordinance, 1962, no banking company shall hold shares in any company whether as pledgee, mortgagee or absolute owner, of an amount exceeding thirty percent (30%) of the paid-up share capital of that company or thirty percent (30%) of its own paid-up share capital and reserves, whichever is less.

Para 06 B(i) of Prudential Regulations, 2015 states that aggregate equity investment limit for banks, and DFIs which are mobilizing funds as deposits / COIs from general public / individuals, shall be 30% of their respective equity.

During audit of National Bank of Pakistan (NBP), Karachi for the years 2012-2020, it was observed that the management invested in various companies by holding shares more than 30% of their paid-up share capital in violation of Prudential Regulations, 2015. The details are as under:

S. #	Nature of Company	Name of Company	Year	No. of Shares	% of Holding
1	Unlisted	Pakistan Emerging Venture Ltd.	2012	12,500,000	33.33
2		National Fructose Company Ltd.	2012	1,300,000	39.5
3		Venture Capital Fund Management	2012	33,333	33.33
4		Mehran Industries Ltd.	2012	37,500	32.05
5	Listed	First Credit and Investment Bank Ltd.	2012	20,000,000	30.77
6		Land Mark Spinning Mills Ltd.	2012	3,970,859	32.79
7		NAFA Financial Sector Income Fund	2012	49,917,635	48.56
8		NAFA Islamic Aggressive Income Fund	2012	7,500,000	35.27
9		NAFA Government Securities Liquid Fund	2012	502,722,026	32.75
10		NAFA Money Market Fund	2012	2,095,291,113	89.52
11	Unlisted Shares	Pakistan Mercantile Exchange Ltd.	2013	9,000,000	47.37
12		NAFA Savings Plus Fund		152,891,751	50.38
13		NAFA Riba Free Savings Fund		150,954,824	43.99
14	Listed Shares	Agritech Ltd.	2012	131,925,432	33.62

(Source: National Bank of Pakistan)

Audit was of the view that management invested millions of rupees in above mentioned companies by holding more than 30% of share, was held irregular and unjustified.

The matter was reported to the management in December, 2021. DAC directed the management to get the relevant records/ documents and amounts recovered verified by Audit till its satisfaction. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.2.4.69 Non-reconciliation of Government receipts and payments – Rs. 135,440.790 million

According to Section 559 of Standard Procedure Manual (SPM) Revised (2008) of the bank, the branches dealing with Government transactions must get the scrolls checked / verified by the respective District Account Officer / Treasury Officer. The summary of scroll duly signed by District Account Officer / Treasury Officer in token of having authenticated the figures of Govt. receipts and payments will be enclosed with Govt. daily memo (F-110A).

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that Govt. receipts and payments amounting to Rs. 135,440.790 million (Annex-52) were not reconciled as detailed below:

	Rs. in million	
Financial Year	Government Receipt	Government Payment (Assignment A/c)
FY 2018-19	43,635.100	53.100
FY 2019-20	68,028.370	55.440
FY 2020-21	23,571.840	96.940
	135,235.310	205.480
Total		135,440.790
<i>(Source: National Bank of Pakistan)</i>		

Audit was of the view that non-reconciliation reflects management's failure of maintaining required documents.

The matter was reported to the management in April, 2022. The management stated that amounts reported under Government receipts and payments through B-34 were being properly acknowledged by the concerned DAO. The management's reply was not tenable as the branches dealing with Government transactions were required to get the scrolls checked / verified by the respective District Account Officer / Treasury Officer.

Audit recommends to justify the matter.

6.2.4.70 Excess holding of cash beyond holding capacity and insurance limit - Rs. 68,441.000 million

According to Currency Management Strategy of SBP, 2015, Cash Processing Centers (CPCs) or cash feeding branches of a commercial bank shall have separate clean and secure vault space with proper safe keeping arrangements of the bank notes.

According to Currency Management Strategy of SBP, 2015, vault of Cash Processing Centers (CPCs) or cash feeding branches of a commercial bank should have a required insurance cover in line with value of cash held by it or its holding capacity, whichever is higher.

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that the management has

been keeping cash in cash chest vault in excess of its approved holding capacity by more than 100 times. Cash of different denomination was placed in front of cages / almirahs, due to which they could not be opened for counting and verification of cash purpose. The details are as under:

(Rs. in million)			
Year	Approved Holding Capacity	Actual Cash held in chest	Excess cash than approved capacity
2018	500	61,184	60,684
2019	500	68,941	68,441
2020	500	26,525	26,025
2021	500	23,071	22,571

(Source: National Bank of Pakistan)

Furthermore, it was also observed that the management was holding cash in cash chest vault in excess of insurance limit as detailed below:

(Rs. in million)			
Year	Insurance Limit	Actual Cash held in chest	Excess cash than insurance limit
2017	12,000	52,159	40,159
2018	30,000	61,184	31,184
2019	30,000	68,941	38,941

(Source: National Bank of Pakistan)

Audit was of the view that holding of exorbitantly huge amount of cash in cash chest vault in excess of approved holding capacity and in excess of insurance limit has resulted in poor implementation of cash management and weak internal controls.

The matter was reported to the management in April, 2022. The management stated that:

1. It was bank's responsibility to accept / receive the cash from the depositors in all circumstances and bank could not refuse to accept the deposit on the plea that there was no space or holding capacity available in the bank. Holding Capacity of the chest / sub chest branches was fixed by SBP. Request for enhancement of chest holding capacity had already been submitted to SBP, which was still pending at the end of SBP. The management's reply was not tenable as cash chest vault was in excess of its approved holding capacity by more than 100 times. Moreover, accumulation of cash in excess of holding capacity had resulted in poor implementation of cash management.

2. Enhancement of insurance limits in the reported instances had already been submitted to Head Office by the branch and According to procedure when a branch lodged the request for enhancement in insurance; it was considered as the Insurance limit had since been enhanced. The management's response was not tenable as no confirmation from Head office for enhancement of cash insurance limit was provided by management.

Audit recommends to justify the matter.

6.2.4.71 Non-verification of cash in cash chest vault – Rs. 61,184.000 million

Section 695(A) of Standard Procedure Manual (SPM) Revised (2008) of the bank states that at branches where the cash is not in their personal custody, operations managers will verify the Bank cash and currency chest balances (and small coin depot balance, if any) weekly. At large branches, the verification may be performed by an OG-II or above who is not him/herself in joint charge of the cash, at the discretion of the controlling office.

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that cash amounting to Rs. 58,411 million and Rs. 61,184 million at cash vault of the branch was not counted and verified by the management during the years 2017 and 2018.

Audit was of the view that the management failed to conduct cash verification of cash in cash chest vault without any justified reasons.

The matter was reported to the management in April, 2022. The management stated that CVOs prepared cash verification reports without physical counting and verification of cash. Moreover, in 2018 & 2019, cash was not counted by Internal Audit due to expansion of chest and cash verification by SBP respectively. The management's reply was not tenable as no disciplinary action was taken against Cash Verification Officers (CVOs) for fake cash verification report.

Audit recommends to take corrective measures.

6.2.4.72 Non-achievement of targets - Rs. 4,946.990 million

Section 8 B(2) of chapter-1 of NBP Agri Policy Manual states that the Regional Business Chief will also monitor the achievement of indicative targets, their effects on other financing operation of the bank. The General Manager Agricultural Credit will be required to submit regular reports to the Regional Business Chief to keep them fully informed of the operation and constraints, if any, with a copy of such reports be forwarded to Group Chief, Commercial & Retail Banking Group HO.

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that the management was not achieving advances targets continuously. Detail of targets and achievements there against are as follows:

(Rs in million)				
Products	Target 31.12.2019	Actual 31.12.2019	Target 31.12.2020	Actual 31.12.2020
SE	543.20	676.92	540.14	673.21
ME	1,486.21	1,260.81	3,567.86	1,425.69
Commercial	2,500.00	751.39	980.00	741.46
Agriculture	3,150.00	4,542.20	4,550.00	4,153.92
KJL				161.72
PMYBL	1,821.58	1,532.03	3,126.06	1,386.45
NBP Karobar	66.56	77.46	75.91	77.30
Total	9,567.56	8,840.79	12,839.97	8,619.75
Non-achievement of Targets	726.77		4,220.22	
(Source: National Bank of Pakistan)				

Audit was of the view that management has not utilized their human resources efficiently to achieve desired targets, resultantly depicting the poor performance in advance portfolio.

The matter was reported to the management in April, 2022. The management stated that in the years 2018- 2020, collective targets of advances were allocated by CRBG and no separate targets were communicated by Inclusive Development Group for the year 2020. During the year 2020, CRBG had been re-organized and Inclusive Development Group was structured and IDG advances target were not communicated by the Head Office. The management's reply was

not tenable as Inclusive Development Group failed to assign and communicate targets to Branch.

Audit recommends that rigorous efforts must be undertaken to improve business performance of the branches.

6.2.4.73 In-effective management in non-performing loans - Rs. 1,759.478 million

Section 8 D (8) of Chapter 01 of NBP Agri Policy Manual states that Branch Managers will ensure and be responsible for recovery of all the outstanding finances of the branches including the finances given under this Scheme during their tenure as Branch Managers.

According to Policy for product of Advance Salary, repayment under this scheme is only by direct debit of the Salary Account (through direct debit system) i.e. the facility will be repaid from the employee's salary each month or any other method as advised by the bank. Moreover, the Branch Manager shall be personally responsible for deduction of installment from the salary of the borrower. If the installment is not recovered and borrower is allowed to draw full salary, the disciplinary action would be initiated against the delinquent.

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that an amount of Rs. 1,759.478 million is outstanding against Non-Performing Loans (NPLs) under various schemes since long as detailed below:

S. #	Particulars	Schemes	Amount (Rs. in million)
1	Non-performing Loan (NPL)	Agri-cultural Finance	1,626.67
2	Non-performing Loan (NPL)	Advance against Salaries	76.407
3	Non-performing Loan (NPL)	Against House Financing (Saiban)	56.401
Total			1,759.478
<i>(Source: National Bank of Pakistan)</i>			

Audit was of the view that non-recovery against Non-Performing Loans (NPLs) depicted poor financial management and weak internal controls.

The matter was reported to the management in April, 2022. The management in its reply stated that during the year 2021 farmers faced the effects

of COVID-19 as they had to pay not only the markup of the current year but they also had to pay the mark up of the previously deferred period. The farmers failed to adjust their loans well in time. The management's reply was not tenable as no recovery had been effected till date and no documents were shared.

Audit recommends prompt recovery of NPLs and fix responsibility on person (s) at fault.

(DP Nos.840, 859 & 865)

6.2.4.74 Non-verification of stocks under Running Finance - Rs. 1,750.741 million

Section 15.3.3.5 of Credit Policy Manual, 2014, states that pledge/Hypothecated/Mortgages etc. will be inspected by CAD on surprise basis. However, periodic mandatory visits will be conducted by Branch Manager or Relationship Manager or delegates at least Monthly / preferably Fortnightly. Moreover, inspection on 'as and when needed' basis may also be carried out. A visit and stock report duly verified must be held in branch's records for inspection.

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that the management was not in practice of calculating drawing power against stocks hypothecated. The total exposure under Running Finance against hypothecated stocks was Rs. 1,750.741 million. Furthermore, the management did not conduct regular visits to observe business activity at the project site like capacity utilization, labor employed, stocks positions and overall conditions of the project and totally relied on stock reports provided by the customers (Annex-53).

Audit was of the view that non-verification of stocks under hypothecated running finances and not maintaining of drawing power there against had exposed the bank to a colossal credit risk.

The matter was reported to the management in April, 2022. The management in its reply stated that bank management ensured regular visits of business place of all borrowing accounts and further detail of stock reports submitted by the borrower was physically verified by the Branch Manager through onsite visits of business place. The management's reply was not tenable

as at no such document was provided by management. Hence, the probability of preparation of said documents could not be ruled out.

Audit recommends management to regularly visit the business premises of the customers and maintain drawing power against hypothecated stocks along with fixing of responsibility on the person(s) at fault.

6.2.4.75 Default on unauthorized / undue sanctioned loan - Rs. 972.509 million

Section 9.9.4.2 of Credit Policy Manual, 2014 of bank states that current ratio Standard Benchmark set in this model for all industries is equal to the universally accepted level of 1:1. Moreover, any Current ratio below the customized benchmark shall be called Exception and will only be admissible only on the basis of security offered / past conduct particularly repayment conduct etc. and risks mitigants analysis. Risk Rating Score of the borrower should at least be 66. Only credit committee can approve the exception.

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that the management granted undue favor to M/s. Shabbir Chicks Pvt. Ltd (SCPL) and its associated company M/s. Shabbir Feed Mills Pvt. Ltd (SFML) in sanctioning Agricultural Production Running Finances accumulating to Rs. 800 million. After reviewing the credit files of both associated companies, it was observed that the current ratio of SCPL was 0.88:1 as against the standard benchmark of 1:1, with risk rating score of 49.6, there by depicting the short term liquidity problems of the company. Despite knowing the fact of unfavorable short term liquidity of the borrower, the primary security of the loan was also relaxed by the management from First PariPassu charge on current assets to Ranking charge over current assets of the company. Moreover, management also favored the companies while reducing the pricing of loans from 3MK+2.50% to 3MK+2.0%. Furthermore, it was also observed that management took huge risk by sanctioning almost 30% exposure of its total Agricultural Finance in only these two companies out of almost 3,300 clients. Subsequently, both associated companies defaulted and could not pay its outstanding loans along with mark up, total accumulating to Rs. 972.509 million.

Audit was of the view that undue favor extended by the management to both associated companies in sanctioning loan despite their unfavorable short term liquidity and subsequently relaxing pricing and primary security.

The matter was reported to the management in April, 2022. The management stated that loans were sanctioned keeping in view the fact that the both companies are owned by Shujabad Group of Industries, a well-known group of South Punjab. Moreover, relaxation in credit ratio, reduction in pricing and change of First Pari Passu charge on current assets to ranking charge, were duly approved by Credit Committee of NBP. During 2020, after Covid-19 pandemic, Shujabad Group along with both companies defaulted. Subsequently, a suit had been filed for recovery against both companies in Lahore High Court. The management's reply was not tenable as sanctioning a huge loan and relaxing conditions on the back of just Shujabad Group of Industries was imprudent, which subsequently resulted in default. Moreover, recovery from both companies is still pending.

Audit recommends prompt recovery of outstanding loan with markup from both associated companies along with investigation of matter with a view to fix responsibility on officials at fault.

6.2.4.76 Cash financing / pledge financing beyond assigned limit - Rs. 440.000 million

According to approvals from Head Office via email dated 06-07-2018 and office letter No.HO/RMG/CAD/OS&IC/Mucc/2019 dated 02-05-2019 directs the assignment of limits o Mucaddum Companies and ensure that the No site is allocated beyond the assigned limit.

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that NBP Head office assigns Mucaddum to look after the pledged stock on behalf of bank at various locations. However, assigned limits of Mucaddum was violated and stock was pledged over and above the assigned limit as detailed below:

Rs. in million				
Name Of Borrower	Designated Macadam	Approved Limit	Actual Limit	Excess
Boota Brothers Flour & General Mills	Alantic surveyors & National Cargo	500	700	200
Ganji e shakr Flour	Al-Macca	300	520	220
Ganj e Shakar Flour(2019-20)	Muhafiz Associate	500	520	20
Total				440
<i>(Source: National Bank of Pakistan)</i>				

Audit was of the view that the management allowed the disbursement against that stock which was owned by NBP but limit of caretaker/ mucaddum was not equal to the value of pledged stock, hence this was exposed to risk amounting to Rs. 440.000 million.

The matter was reported to the management in April, 2022. The management in its reply stated that the borrower misreported by showing fictitious stocks in his books and over valuing the assets as on 31-12-2018. The reply was not tenable as the cash financing / pledging was made beyond permissible limits.

Audit recommends implementation of Head Office directives and inspection of pledged stock at regular intervals in order to avoid any fraudulent activity.

6.2.4.77 Non-transferring of amounts from dormant pension accounts to Federal Consolidated Funds - Rs. 402.165 million

According to Standard Procedure Manual (SPM) Revised (2008), if the branch has no proof of the pensioner being alive and there is no withdrawal from his/her account for consecutive six months or over, the pension amount credited since last withdrawal will be credited to respective government account.

During audit of National Bank of Pakistan (NBP) Main Branch, Regional Office, Multan for the years 2018-2021, it was observed that the management had been maintaining various pension accounts, out of which 1,069 pension accounts, amounting to Rs. 402.165 million were dormant or in-operative. However, the said amount had not been transferred or credited to respective Govt. accounts.

Audit was of the view that non-transferring or crediting of Govt. accounts with Rs. 402.165 million for dormant pension tantamount to loss to Government.

The matter was reported to the management in April, 2022. The management in its reply stated that Operation Group had identified the accounts of the Pensioners which had become dormant due to non-submission of Life and non-marriage certificate and non-withdrawal of pension from last six months. Management is in process of intimating the details of such pensioners to the respective Pension Paying Authorities for pension stoppage. Once the Pension Payment is stopped by the Pension Paying Authorities, then the un-drawn pension amount will be surrendered According to SOPs. The management's reply was not tenable as to the amount had not been surrendered yet. Moreover, responsibility had not been fixed on staff involved in not-crediting of amount to respective government account despite lapse of significant time.

Audit recommends management for immediately transfer the amount in dormant pension accounts to respective Government along with investigation to fix responsibility on the person(s) at fault.

6.2.4.78 Irregular maintenance of pension accounts without biometric verification - Rs. 136.629 million

Guideline 5(a) of Circular No. 18/2018 dated 19 Oct, 2018 of SBP states that banks are advised to ensure optimal utilization of biometric technology and carry out biometric verification of the existing customers (if already not done) till June 30, 2019.

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that the management had been was maintaining 866 pension accounts amounting to Rs. 136.629 million without biometric verification. The Regional Office had approved biometric verification exemption without any evidences of the presence of pensioner while attempting biometric verification on the device as required by rules. Hence, chances of fraudulent activities in unverified pension accounts or fake pension holder could not be ruled out.

Audit was of the view that maintaining pension accounts without biometric verification depicted weak internal controls along with high likelihood of fraudulent activities in unverified biometric pension accounts.

The matter was reported to the management in April, 2022. The management in its reply stated that upon dormancy of the Pension account, Pensioner had to undergo the Bio-Metric Verification and in case of Failure of BMV, the pensioner was required to submit a written request and Life Certificate so that account could be re-activated. Moreover, 528 accounts were given exemption certificates and 538 accounts were remained un-verified biometrically. The management's reply was not tenable as approval of biometric verification exemption without any evidences of the presence of pensioner while attempting biometric verification on the device.

Audit recommends biometric verification of all pension accounts along with investigation of the matter with a view to fix responsibility on the person(s) at fault.

6.2.4.79 Irregular processing of Kamyab Jawan Scheme - Rs. 134.013 million

According to S. No 7 of instruction Circular No:174/2019 dated November 21, 2019, Government of Pakistan approved Prime Minister's Kamyab Jawan Youth Entrepreneur, states that 25% of the loans will go to women borrowers.

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that loan sanctioned under Kamyab Jawan Scheme was Rs. 987.418 million of which 25% of the total loan must be provided to women borrowers i.e Rs. 246.855 million. However, only Rs. 112.841 million were allotted to women borrowers which is merely 11.4%. Thus, a gross violation of SBP directives was made on part of the management.

Audit was of the view that gross violation has been made and directives of State Bank of Pakistan are not followed in its true spirit which will de-motivate the culture of new startups and business ventures.

The matter was reported to the management in April, 2022. The management in its reply stated that the monitoring of 25% quota was being managed by Head Office. The management's reply was not tenable as the directions of SBP is to strictly follow the 25% quota for women at all levels.

Audit recommends following the guidelines issued by SBP/Government of Pakistan to avoid any penalty due to noncompliance.

6.2.4.80 Fraud / misappropriation/embezzlement of funds - Rs. 132.148 million

According to Section 1.20 of Code of Conduct of NBP, any employee found to be engaged in, attempting to, or conspiring as to fraud or theft of assets of the Bank or its clients, or attempting to engage in fraud or theft, may be subject to immediate dismissal and criminal prosecution, subject to the rules, regulations or law applicable thereto.

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that various incidents of fraud, embezzlement, misappropriation and fake payment were found as detailed below:

(Rs. in million)				
S #	Branch Name	Designation	Description	Amount
01	Regional / Main Br	Chief Cashier	Embezzlement of cash from chest	53.773
02	Timber Market Br	Chowkidar	Fraud/forgery with customers	31.659
03	Regional / Main Br	OG-II officer	Fictitious cheques	7.621
04	Kabirwala Br	Operation manager	Fraudulent payments from salary account of deceased person	4.513
05	Regional / Main Br	OG-III	Fraudulent pension payment	1.921
06	Regional / Main Br	Branch Manager	Payment through fake cheque	2.450
07	Ismailabad Br	Branch Manager	Embezzlement through counterfeit cheques	2.654
08	Jhok Viance Br	OG-III	Fraud of funds	0.559
09	Gulgushat & City Branch	Head Cashier / Shroff	Over-assessment of gold ornaments	12.568
10	Main Branch	Head Teller (OG-I)	Shortage of cash	14.430
Total				132.148
<i>(Source: National Bank of Pakistan)</i>				

Audit was of the view that due to negligence, misconduct, transgression of duties and breach of contract of code of conduct of the staff, the management

suffered a loss of Rs. 132.148 million. This showed weak internal controls and poor monitoring mechanism existing within the bank.

The matter was reported to the management in April, 2022. The management in its reply stated that bank had conducted investigation and subsequently, disciplinary actions had been taken against bank's officials along with filing of FIR with FIA. The management's reply was not tenable as no supporting documents were provided and status of recoveries was still unknown.

Audit recommends that matter should be investigated with a view to fix responsibility on the person (s) at fault besides making recovery.

(DP Nos.827, 829, 832, 847, 849, 851, 854, 858, 860, 861)

6.2.4.81 Non-recovery from various customers / ex-employees - Rs. 117.071 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules 2013, states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance. His 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.

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that an amount of Rs. 117.071 million is outstanding against various customers and ex-employees of NBP Multan branch (Annex-54). Details are as under;

(Rs. in million)			
S #	Particulars	Name of Party	Amount
01	Cash and Gold loan	Gold smith	42.309
02	Gold loan	Gold smith	41.690
03	Outstanding advances	Ex-employees	14.697
04	Mobilization advances	Ex-employees	14.096
05	Locker holder	Various customer	3.039
06	Shortage in cash	Delinquent staff	1.240
Total			117.071
<i>(Source: National Bank of Pakistan)</i>			

Audit was of the view that the management failed to recover amount of Rs. 117.071 million from various customers and ex-employees which reflects weak internal controls and poor monitoring mechanism.

The matter was reported to the management in April, 2022. The management in its reply stated that bank was vigorously trying to recover the amounts. The management's reply was not tenable as neither any supporting documents witnessing any recovery provided to audit nor any updated position was shared.

Audit recommends prompt recovery of outstanding amount and fix responsibility on the person (s) at fault.

(DP Nos.834, 837, 841, 842, 852 & 862)

6.2.4.82 Non-processing of insurance claims - Rs. 101.236 million

According to Currency Management Strategy of SBP, 2015, vault of Cash Processing Centers (CPCs) or cash feeding branches of a commercial bank should have a required insurance cover in line with value of cash held by it or its holding capacity, whichever is higher.

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that the management failed to pursue insurance claims amounting to Rs. 101.236 million from insurance companies. It was further observed that many of incidences of losses were not even lodged with insurance companies as detailed below:

S. No	Incident	Date	Amount (Rs. in million)	Status
1	Embezzlement/Fraud in customer's accounts	05.10.2017	32.459	Not yet lodged
2	Shortage of cash in currency chest	16.12.2019	35.900	Not yet lodged
3	Fire incidence at branch	02.10.2020	0.711	Pending with insurance company
4	Shortage of cash in currency chest	09.11.2020	14.430	Pending with insurance company
5	Fraudulent payment against a	01.10.2009	2.450	Not yet lodged

	fake cheque			
6	Fraudulent payment from salary account of deceased person	2017 to 2019	4.513	Not yet lodged
7	Fraudulent pension payment	-	1.912	Not yet lodged
8	Cash shortage in cash remittances to SBP	21.11.2012	1.240	Not yet lodged
9	Fraudulent pocket banking through fictitious cheques	-	7.621	Not yet lodged
	Total		101.236	

Audit was of the view that the management failed to develop a systematic mechanism to maintain insurance related data and processing of insurance claims amounting to Rs. 101.236 million.

The matter was reported to the management in April, 2022. The management in its reply stated that some cases were pending at insurance company, M/s NICL; others were not required insurance claim as no loss was sustained and some cases were under investigation by FIA. The management's reply was not tenable as it did not justify as to no loss being sustained by NBP. Moreover, no recovery from any party i.e. insurance company, FIA and concerned staff was made despite lapse of considerable time.

Audit recommends management to develop a systematic mechanism to maintain insurance related data and to process insurance claims timely.

6.2.4.83 Irregularities in finance loans - Rs. 93.750 million

According to Facility Offer Letter No. 501 dated 16-11-2020 Pledge Terms and Conditions states that "Monthly/Fortnightly/Surprise inspection of pledged stocks shall be carried out by the Bank's officials as detailed in General Conditions" & "Branch manager / CAD to ensure proper monitoring of pledge stocks According to rules".

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that various financing facilities were sanctioned to M/s Babar Meo Rice Mills, the following violations were observed:

Description	Margin	Markup	Total (Rs. in million)
Sanctioned/Approved	25%	Kibor+2.75%	4,828,125
Actual Applied	20%	Kibor+2.60%	
Difference	5%	0.15%	

Financial Impact	4,687,500	140,625	
(Source: National Bank of Pakistan)			

Further, it was also revealed that record of monthly / fortnightly inspection was not available with the branch which means loan of bank is not secured and inspected. Condition of stock pledged was also reported as worst, which constituted risk on Cash Finance Loans.

Audit was of the view that the financing facilities sanctioned to the borrower were in violation of guidelines issued by Credit Department of NBP, which reflected undue favor.

The matter was reported to the management in April, 2022. The management in its reply stated all the requirement of disbursement were fulfilled but it is also evident from banks own record that guidelines of Credit Administration Deptt. were violated with respect to fortnightly visits, monthly stock visits etc.

Audit recommends management to investigate the matter with the view to verify the financial loss.

6.2.4.84 Partial insurance coverage of cash and other valuables - Rs. 31.291 million

According to Section 166 (3) of Insurance Ordinance, 2000, all insurance business relating to any public property, or to any risk or liability pertaining to any public property, shall be placed with National Insurance Company Limited only and shall not be placed with any other insurer.

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that Insurance of cash and other valuables in the branch premises was Rs. 1,000 million and temporary insurance enhancements were arranged in order to cover the shortage in insurance. However, in some instances insurance coverage was less than cash and cash equivalents as detailed below:

Rs. in million)			
Date	Insurance required	Insurance coverage	Shortage
24.07.2018	1,325.70	1,311.26	14.439
1.4.2019	1158.987	1,149.39	9.593
2.4.2019	1196.415	1,195.93	0.126
13.05.2019	1145.464	1,139.40	6.061

20.05.2019	1390.912	1,389.18	1.072
Total Shortage			31.291
<i>(Source: National Bank of Pakistan)</i>			

Audit was of the view that shortage in insurance may lead to financial exposure risk and chances of fraud and misappropriation will be more on the uninsured amount.

The matter was reported to the management in April, 2022. The management in its reply stated that temporary insurance enhancements were arranged on need basis. The management's reply was not tenable as non-coverage of prize bond & Foreign currency is a serious risk as both are part of bank chest and were vulnerable to inherent risk.

Audit recommends arranging the insurance of cash and equivalents in bank's vault to avoid any mishap and regularly monitor it.

6.2.4.85 Unauthorized sale of pledged stock - Rs. 21.560 million

According to clause No. 4.11 of Short Term Finance Agreement, Further Lien and Pledge "NBP Shall have the right to retain as being under its lien any property, of any kind whatsoever, received on account of, or delivered on account of, the Customer, and also exercise all rights, of a pledge holder regarding such property, for satisfaction of any claim of NBP against the customer According to CAD Manual activity 11- Collateral Management 11.7 states that "Shortages in Pledged Stocks under heading (e) as at present profile system not allowed CAD to block limit of the delinquent. Therefore, you are requested to instruct the branch manager to stop debit.

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that M/s Zafar Ahmad Rice Factory availed cash finance pledge limit of Rs. 20.000 million. However, the borrower illegally lifted stocks of 3,651 rice bags pledged under the ownership of NBP amounting to Rs. 16.529 million with other defaulted amount of Running Finance Loan Rs. 3.900 million and markup of Rs. 1.131 million, total default amount of Rs. 21.560 million.

Audit was of the view that the management could not safeguard its pledged stocks through Mucaddum which reflected weak internal controls and tantamount to loss.

The matter was reported to the management in April, 2022. The management in its reply stated that they have filed complaint and recovery suit for recovery of outstanding dues of Bank and recovery team is continuously following up the case. Mucaddum is being paid by the bank it there must be some responsibility to look after the pledged stock. The reply was not tenable as it showed no intent to fix anyone responsible for this criminal act.

Audit recommends pursuing the case of recovery more vigorously, review their terms with Mucaddum and investigate the matter with a view to fix responsibility on the person(s) at fault.

6.2.4.86 Movement of cash without cash in transit insurance - Rs. 17.695 million

According to Section 166 (3) of Insurance Ordinance, 2000, all insurance business relating to any public property, or to any risk or liability pertaining to any public property, shall be placed with National Insurance Company Limited only and shall not be placed with any other insurer.

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that Cash movements involving large amount required Cash in transit insurance policy in order to secure cash movements. However, it was revealed that required insurance policy of cash in transact was not arranged which may lead to serious risks like theft/ dacoity amounting to Rs. 17.695 million which may cause loss to NBP.

Audit was of the view that violation of mandatory insurance requirement and risking cash at bank own risk is a weakness and negligence on part of management, which lead to financial exposure risk to cash in may transact.

The matter was reported to the management in April, 2022. The management in its reply stated that NBP Multan branch is now collecting through approved Security Companies; therefore there is no need of arranging insurance against cash in transit. The management reply was not tenable as NBP Multan was unaware of the inherent risk for bank and cash transactions; therefore reply lacks seriousness on part of insuring Cash in Transit insurance.

Audit recommends arranging cash in transact insurance and safe guard all of its assets.

6.2.4.87 Loss due to imposition of penalties - Rs. 12.993 million

According to Prudential Regulations (PRs), 2015 of SBP, Banks are advised to ensure meticulous compliance of these Regulations in letter and spirit. Any non-compliance or circumvention of the requirements will attract punitive action under the provisions of the Banking Companies Ordinance, 1962.

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that State Bank of Pakistan (SBP) had imposed various penalties amounting to Rs. 12.993 million against violation of SBP's Prudential Rules and regulations related to cash management, clean note policy, shortage of cash in vault, unsorted cash, late remittances of Govt. collection etc. Detail of penalties is as follows:

(Rs. in million)			
Year	Penalty Amount	Year	Penalty Amount
2017	6.429	2020	0.189
2018	3.557	2021	0.766
2019	2.052	Total	12.993

(Source: National Bank of Pakistan)

Audit was of the view that imposition of penalties by regulator tantamount to management's failure to compliance which resulted in a loss of Rs. 12.993 million.

The matter was reported to the management in April, 2022. The management in its reply stated that NBP, Main branch, Multan acting as agent on behalf of the SBP, collected deposits from others banks functioning in vicinity and mentioned penalties pertained to other banks and same had been recovered from concerned banks. The management's reply was not tenable as it's claim was not supported by any document.

Audit recommends strict compliance of rules and regulations of SBP and other regulatory bodies and fix responsibility on person at fault for such violation.

6.2.4.88 Irregular retention of Government deposits - Rs. 10.519 million

Rule 4 (3) of Cash Management and Treasury Single Account Rules, 2020 states that any approval granted by Finance Division prior to commencement of these rules, for opening of bank accounts in scheduled banks by Government offices stand revoked on commencement of these rules and the

SBP shall instruct all scheduled banks not to open account of any Government office. The accounts already opened shall be closed and balance therein shall be transferred to the Federal Consolidated Fund using treasury challan provided in Form 32A of the Federal Treasury Rules.

Section 5 (2) of Cash Management and Treasury Single Account Rules, 2020 states that Monies that have been appropriated through the Federal Government budget and have been transferred to scheduled bank accounts by Government offices shall be reverted to the non-food account No.1 of the Government by the 30th June 2020, as non-tax receipt of the Government as provided in sub-rule (3) of rule 4.

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that the management had been retaining Government's money amounting to Rs. 10.519 million in various accounts opened for Government transactions. Furthermore, the management was maintaining 687 accounts of various Government departments which were transaction less since last ten years. Hence, the said accounts became unclaimed deposits which were not surrendered to SBP.

Audit was of the view that irregular retention of Government deposits without communicating the same to Government's departments for reopening of accounts or transferring of amounts to Government despite lapse of more than ten years tantamounts to loss to the Government.

The matter was reported to the management in April, 2022. The management in its reply stated that bank is also following prescribed procedure regarding maintenance and operation of Govt. accounts. According to rules, Government had not instructed for closure of accounts and transfer of funds. The management's reply was not tenable as the accounts already opened shall be closed and balance therein shall be transferred to the Federal Consolidated Fund. Moreover, bank had been earning profits on these retained funds since years, whereas no payment on account of interest was ever made to Government on these irregularly retained deposits.

Audit recommends management to justify the matter.

6.2.4.89 Loss due to allowing undue benefits to borrowers - Rs. 7.717 million

According to Sanction letter dated 14.10.2020, Pledge Specific conditions No. 40 states that Stocks shall be released upon cash payment on FIFO basis (First in First Out) subject to the condition that outstanding and prescribed margins are always covered". "Stocks will be evaluated at the Local Market and commodity exchange rate published in newspaper, whichever is less".

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that M/s Moon Traders Rice Mills & M/s Haleema Rice Processing & Husk Unit in 2019, upon inspection of stock it was revealed that borrower has been facilitated in the form of Pledge of stock at higher rates and Delivery of the same stock at lower rates. M/s Moon pledged quantity of 8,280 bags @ 3,358.88 and taken back the delivery of 14,219 bags @ 2,816.13, allowing the financial benefit of Rs. 7.717 million (14,219 * (3358.13-2816.13)).

Audit was of the view that the sanctioned financing facilities were in violation of guidelines and rules and on the other hand allowing pledge at higher rates and delivery at lower provided financial benefit to the borrower and loss to the management.

The matter was reported to the management in April, 2022. The management in its reply stated that FIFO method for adjustments are followed hence no benefit was allowed to the borrower. The management's reply was not tenable as stock reports were different as compared to management's version.

Audit recommends management to investigate the matter with the view to verify the financial loss occurred.

6.2.4.90 Loss due to ATM skimming - Rs. 7.716 million

According to section 4.2 (j) of SBP's regulations for Payment Card Security, Card Service Providers (CSPs) shall install appropriate security mechanisms like Anti-skimming and Biometric devices etc on their ATMs and POS machines.

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that multiple cases of ATM skimming amounting to Rs. 7.716 million were reported. Various customers complained for misused and unauthorized ATM transactions. After

processing the complaints, it was concluded that customer's cards were counterfeited and Regional Office was directed to initiate criminal proceedings against fraudsters.

Audit was of the view that the management failed to safeguard bank's interest by not initiating criminal proceedings against fraudsters for recoveries amounting to Rs. 7.716 million.

The matter was reported to the management in April, 2022. The management in its reply stated that criminal application had been lodged before FIA authorities. The management's reply was not tenable as recoveries against fraudsters are still pending.

Audit recommends management to make efforts for prompt recovery and implementation of strong controls for ATM operations.

6.2.4.91 Non-monitoring of credit loan - Rs. 4.115 million

According to the Sanction of Finance Facilities letter No. ROM/CMW/637 it is clearly mentioned in terms of loan that the documentation, disbursement, monitoring & adjustment should strictly be According to Rice Seasonal Policy 2019-20.

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that various financing facilities were sanctioned to M/s Haleema Rice Processing & Husk Unit on 06-11-2019. While scrutiny of borrowers file & related documents following irregularities were found:

Description	Margin	Markup	Total (Rs)
Sanctioned/Approved	25%	Kibor+2.75%	4,115,571
Actual Applied	20%	Kibor+2.60%	
Difference	5%	0.15%	
Financial Impact	3,995,700	119,871	
(Source: National Bank of Pakistan)			

Further, it was also revealed that the requirement of regular stock inspection was not complied, sanctioning of financing was done without completion of risk and documents. Original Insurance documents were not provided to the audit which creates doubts on the financing procedures. Stocks

under the pledge and ownership of bank were never verified periodically as required under rules and regulations of NBP/SBP.

Audit was of the view that the financing facilities sanctioned to M/s Haleema Rice Processing were in violation of guidelines of the issued by Risk Department of NBP, on the other hand ignoring of approved margin and markup was not implemented benefitting the borrower at NBPs cost, which showed lack of controls and ill intentions of the persons involved in transactions.

The matter was reported to the management in April, 2022. The management in its reply stated that no benefit was provided to the borrower but various irregularities were found in the stock reports, credit limits were not monitored and scheduled inspections were not made. The reply was not tenable as no due diligence was made.

Audit recommends to justify the matter.

6.2.4.92 Irregular disbursement of loan on defective e-credit information (E-CIB) reports - Rs. 3.734 million

Regulation R-19 of Prudential Regulations (PRs) of SBP states that ECIB/bureau report(s) will be obtained at annual review date and due weightage should be given to any overdue as reported in the ECIB/bureau report(s).

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that creditworthiness of the borrowers against advances of Advance Salary and Demand Finance (DF) - Gold was not properly evaluated. Furthermore, the management sanctioned various consumer loans under Advance Salary and DF-Gold without requiring pre disbursement e-CIB report and through tempered e-CIB reports wherein concerned borrowers were reported as “Default” in original e-CIB reports. Detail is as under:

			(Amount in Rs.)
S#	A/c No.	Name of borrower	Finance amount
1	5169283286	Ali Sher	500,000
2	5170421294	RazzakMasih	500,000
3	5170421374	HamzaBaloch	435,000
4	5170421490	Muhammad Ramzan	554,000
5	5170421749	RaufRiaz	550,000
6	5171524332	Adnan James	550,000

7	5171524529	Habibullah	561,000
8	5171524618	Muhammad Tufail	84,000
		Total	3,734,000
<i>(Source: National Bank of Pakistan)</i>			

Audit was of the view that disbursement of consumer loans without e-CIBs or on defective e-CIBs reflects non-evaluation or improper evaluation of credit worthiness of the customers.

The matter was reported to the management in April, 2022. The management in its reply stated that initial enquiry in the case had been completed and disciplinary proceedings are under way against the concerned official. The management's reply was not tenable as management's claim was not supported through any document. Moreover, disciplinary action against delinquent staff was still pending.

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

6.2.4.93 Non-production of auditable record

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

During audit of National Bank of Pakistan (NBP) Main Branch / Regional Office, Multan for the years 2018-2021, it was observed that the management failed to provide auditable record despite issuance of reminders and several verbal requests (Annex-55).

Audit was of the view that non-production of record showed serious violation on the part of management.

The matter was reported to the management in April, 2022, however, no reply was received.

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

6.2.4.94 Loss due to non-recovery of Non-Performing Loans – Rs. 197,938.229 million

Rule 18 of Prudential Regulation of State Bank of Pakistan for House Financing states that Banks/DFIs should ensure that adequate procedures, systems and manpower are in place to efficiently handle the recovery process of default amount and successful execution and accomplishment of the auction proceedings wherever necessary, in accordance with the procedures and articles laid down in the Financial Institutions (Recovery of Finances) Ordinance, 2001 (FIRO-2001) and other provisions/clauses, amendments in FIRO-2001 or any law/regulations in force and SBP instructions issued from time to time.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that customers defaulted for Rs. 197,938.229 million under loss category as per State Bank's Prudential Regulations. While analyzing the data of NPLs thoroughly, it was further observed that more than 50% of total NPLs (Principal) constituted of NPLs being older than 5 years, reflecting management's failure to recover defaulted loans from customers since so long. Detail of age analysis of NPLs is as follows:

(Rs in million)		
Ageing of NPLs	Amount of Principal	%
Up to 1 year	22,310.729	12.4
1-3 years	64,676.676	36.06
3-5 years	10,052.021	5.6
More than 5 years	100,898.803	56.27
Total	197,938.229	
<i>(Source: National Bank of Pakistan)</i>		

Audit considers management's failure to recover defaulted amount of Rs. 197,938.229 million as loss.

The matter was reported to the management in November 2022. The management in its reply stated that Asset Recovery Group (ARG) had recovered Rs. 2,887 million during 2021 despite the fact that a big chunk of classified portfolio dealt by ARG is very old accounts of former NDFC and Ex-MBL, lack of collateral/security and large number of cases are under lengthy litigation. Moreover, ARG is working for settlement of loans through court and out of court

for speedier reduction of non-performing loans. The management's reply was not tenable as no break up of portfolio as mentioned in reply and supporting document evidencing recovery by ARG was provided.

Audit recommends that vigorous efforts must be taken for prompt recovery and responsibility be fixed on officials at fault for non-recovery since so long.

(DP Nos. 1080 & 1065)

6.2.4.95 Loss due to irregular retention of un-drawn pensions - Rs. 32,639.299 million

According to revised SOPs dated 29-09-2014 for payment of pension, responsibilities of the Bank include Un-drawn pension for consecutive six months or over will be debited to Pensioner's account and credited to respective head of account Major Object C02 Receipts from Civil Administration and other functions, Minor Object C022 Receipts from Civil Administration and other functions, Detailed Object C02246 Receipts of undisbursed Pension Deposited by Commercial Banks immediately and his/her pension will cease to be credited to his/her account.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that management had been irregularly retaining the un-drawn pensions for consecutive six months or over amounting to Rs. 32,638.468 million. It was observed that the management was maintaining 119,621 dormant pension accounts out of more than 700,000 pension accounts under various Government Bodies under which the pension was not drawn for consecutive six months or over. Above all, management irregularly retained un-drawn pension amounts instead of debiting the pensioner's account and crediting respective heads of Government accounts. Moreover, Accountant General Sindh had been reminding the management to refund the amounts of pension lying under dormant pension accounts, but of no avail. Furthermore, management irregularly invested the un-drawn pensions instead of refunding back to Government. Audit required the exact pension amounts in accounts, which was not provided by the management. Consequently, Audit assumed the balances in those accounts as pensions. Detail of irregularly retained pension accounts under various Government bodies are as under:

S. #	Government Body	Number of dormant accounts	Un-drawn pension amount (Rs)
1	Federal	22,873	8,166,162,858
2	Provincial	77,661	20,290,937,945
3	Local Govt.	705	38,261,760
4	Military	10,196	2,697,809,315
5	Pak Railway	4,430	1,127,715,616
6	Others	3,759	318,412,421
Total		119,624	32,639,299,915

(Source: National Bank of Pakistan)

Audit was of the view that irregular retention of undrawn pensions without crediting the same to Government's accounts or refunding of amounts to Government despite various reminders and after lapse of significant time tantamount to loss to the Government.

The matter was reported to the management in November 2022. The management in its reply stated that NBP had returned Rs. 730.891 million to Pakistan Railway on account of un-drawn pension. Moreover, in some of the DCS Pension accounts, the un-drawn pension amount was debited and was being transferred to the concerned Account office. Moreover, NBP along with Finance department, Government of Sindh had initiated the centralized reconciliation activity with AG-Sindh. The management's reply was not tenable as despite all these efforts, Bank had been retaining un-drawn pensions since years. Moreover, no supporting document witnessing refund to Pak Railway and debiting of pensioner's account and subsequent transferring to Account's office were provided.

Audit recommends management to immediately transfer un-drawn pensions to relevant Government accounts along with investigation of matter with a view to fix responsibility on person at fault.

6.2.4.96 Loss due to non-recovery of tax refunds and compensation on delayed tax refunds – Rs. 32,180.000 million

Rule 04 of Public Sector Companies (Corporate Governance) Rules, 2013, states that the responsibilities of the chief executive includes 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.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that the management failed to recover tax refunds amounting to Rs. 12.96 billion from tax authorities since years. While reviewing the record, it was further observed that a tax refund from Large Tax Unit (LTU) of FBR amounted to Rs. 12.96 billion whereas compensation on delayed tax refunds there against amounted to Rs. 19.22 billion since Tax year 2014. On the other hand, tax authorities, while cancelling 169 compensation orders, had issued show cause notices for rectification of 10 refund orders for various tax years to covert the aggregate tax refund of Rs. 11.400 billion into aggregate tax liability of Rs. 21.300 billion.

Audit was of the view that management's slackness to get adjusted or realized the tax refunds along with compensation on delayed payment since years, total accumulating to Rs. 32.180 billion, has resulted in loss to the Bank.

The matter was reported to the management in November 2022. The management in its reply stated that on December 31, 2018, determined tax refunds amounted to Rs. 45.5 billion which stand reduced to Rs. 12.96 billion as on December 31, 2021, thereby adjusting Rs. 36.3 billion. Moreover, as per the Tax Consultant's advice, the Bank has also filed a Constitutional Petition against outstanding refunds and compensation thereupon. The management's reply was not tenable as tax refunds and compensation there against have not been fully recovered or adjusted.

Audit recommends management to pursue the matter with tax department for realization of tax refunds and compensation on delayed refunds, along with fixing of responsibility on person at fault.

6.2.4.97 Non-intimation for non-submission of Life Certificate under Self Pension – Rs. 23,084.021 million

According to revised SOPs dated 29-09-2014 for payment of pension, responsibilities of the Bank stipulate that banks will retain with themselves the life certificates and in case of family pension, the widow/widower, unmarried daughter or sister, as the case may be, non-marriage certificate submitted by the

pensioners and inform the concerned Accounts Offices through letter if “Life Certificate” or “Non-marriage Certificate” is not received; for further action by Accounts Office. Subsequently, the responsibilities of Accounts Offices as per Revised SOPs include that in case Accounts Office receives intimation from bank that Life Certificate regarding any pensioner is not received, shall stop the pension, inform the bank branch about this change and send a letter at pensioner’s address informing pensioner or person receiving the letter and the indemnifier regarding stoppage of pension.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that management did not inform the respective District Account Offices for non-submission of Life Certificates or Non-Marriage Certificates by pensioners. It was observed that 80,653 pensioners did not submit Life Certificates required under Self Pension. Subsequently, management did not intimate relevant Accounts Office for stopping of pension there against. Resultantly, their pensions were not stopped by Accounts Offices as required by SOPs. Total amount under these accounts amounted to Rs. 23,084.021 million.

Audit was of the view that bank’s failure to inform Accounts offices for non-submission of Life Certificates under Self Pension by the pensioners had resulted regular payments by the Account Offices while creating extra burden over national exchequer simultaneously.

The matter was reported to the management in November 2022. The management in its reply stated that currently the process for intimation regarding non-submission of life certificate was decentralized and branches were reporting such instances to Account offices directly. Moreover, efforts were being taken to centralize this process for better control and true compliance. The management’s reply was not tenable due to want of documentary evidence related to intimation by management to Account offices for non-submission of Life certificates.

Audit recommends the management to immediately intimate Accounts Offices for non-submission of Life Certificates under Self-Pension, thereby enabling Accounts Offices to stop pension under those accounts. Moreover, matter may also be investigated with a view to fix responsibility on person at fault.

**6.2.4.98 Non-Achievement of Housing & Construction Finance Targets -
Rs. 15,401.000 million**

According to SBP circular No. IH&SMEFD No. 10 of 2020 with a view to promote housing and construction of buildings (Residential and Non-Residential) in Pakistan, State Bank of Pakistan (SBP) has decided to advise mandatory targets to the banks. Accordingly, each bank shall ensure that the financing for housing and construction of buildings (Residential and Non-Residential) shall be at least 5 percent of their domestic private sector credit by December, 2021.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that Corporate and Investment Banking Group of NBP sets the target for the Housing & Construction Finance as required by SBP. During the year 2021 NBP disbursed Rs. 16,992 million against the set target of Rs. 34,393 million, creating a shortfall of Rs. 17,401 million impacting the overall markup income of the bank.

Audit was of the view that the management was unable to utilized their finance/idle funds in accordance with the SBP requirements and CIBG lacked to achieve desired targets resultantly depicting the poor performance in credit/CIBG portfolio and impacting markup revenues directly. This also impacted in higher cash reserve deposit with SBP.

The matter was reported to the management in November 2022. The management in its reply stated that higher targets were set at the initial stage due to competition with other banks these targets were not meet. Management itself admitted the shortfall of Rs. 15,401 million. The reply of management was not tenable because this shortfall has impact on Cash Reserves ratio and all unmet targets are required to be deposited with SBP. Hence creating no economic rational.

Audit recommends rigorous efforts must be undertaken to improve business performance of CIBG / NBP.

**6.2.4.99 Loss due to imposition of penalty on regulatory non-compliances -
Rs. 9,778.840 million**

According to clause 01 of SBP's Governance Framework for Bank's overseas operations, the Board of Directors and senior management of bank are ultimately responsible for addressing concerns and ensuring compliance with all applicable laws and regulatory instructions of the respective host jurisdiction. Any negative measures taken by the host regulators would have repercussions on the board and senior management of the respective bank. Clause - 2 states that the culture of accountability shall prevail in the bank at all levels and responsibility shall be fixed on individuals for not complying with the host country regulatory instructions as and when such instances are identified. There shall be a zero tolerance towards regulatory non-compliance.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that US regulators, Federal Reserve Bank of New York (FRBNY) & New York State Department of Financial Services (NYSDFS), imposed heavy penalty of Rs. 9,778.84 million (US\$ 55.4 million) on NBP's New York (NBP-NY) branch for regulatory non-compliances. It was further observed that NBP- NY had entered into written agreement with US regulators in 2016 wherein NBP-NY was required to address certain compliance and risk management matters relating to US bank secrecy law requirements, implementation of requisite systems and controls and allocation of adequate resources to ensure full compliance with such requirements. However, management failed to focus on historical compliance program weaknesses and to implement required systems and controls. Subsequently, US regulators imposed heavy penalty on the Bank and instructed bank to submit status and progress reports at defined frequencies with respect to remedial measures.

Audit was of the view that non-compliance of US regulatory matters had resulted in imposition of heavy penalty of Rs. 9,778.84 million (US\$ 55.4 million) on NBP's New York (NBP-NY) branch by US regulators.

The matter was reported to the management in November 2022. The management in its reply stated that the Branch management only assessed three gaps. These gaps pertained to the implementation of two procedure documents and the updation of the Branch's Customer Risk Rating tool. The Branch completed its remedial actions against these gaps in April 2022 and submitted the remedial actions to Internal Audit for validation. The management's response

was not tenable as validation of remedial action is yet to be done. Moreover, neither any enquiry was conducted to determine the exact causes behind these violations nor any responsibility was fixed on persons at fault.

Audit recommends management to review and monitor strict compliance of regulations in all foreign branches along with investigating the matter in order to fix responsibility on person at fault.

6.2.4.100 Unjustified out of court settlement and waiver of loans – Rs. 5,275.000 million

According to Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, responsibilities of Chief Executive 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.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that the management was not treating Non-MTOs (regular employees) at par with MTOs (appointed in regular cadres). It was observed that Mr. Ashfaq Ali and three others filed petition before Sindh High Court while praying to treat them equally in respect of remunerations with other employees (MTOs) having same grade, nature of job and qualification. Honorable Court directed the bank to ensure equal treatment to the petitioners without any discrimination. Thereafter, certain employees filed petition in High Court of Peshawar, who also decided in favor of petitioners. Subsequently, bank entered into out of court settlements with 3,242 Non-MTO employees, including petitioners and non-petitioners and paid Rs. 5,275 million and waived off their loans. Audit requisitioned complete detail of payment and waived off loans along with reasons for waiver, however, no data was provided by management. Subsequently, authenticity and transparency thereof could not be verified by Audit.

Audit was of the view that initial unfair treatment of employees by the management and subsequent payment of out of court settlement, specially

waiving of loans without justified grounds, were unjustified. Hence, audit considered payment of Rs. 5,275.000 million as unjustified.

The matter was reported to the management in November 2022. The management in its reply stated that complete record could not be provided in time due to voluminous record. Moreover, the matter was in litigation. The management's reply was not tenable as authenticity and transparency of granting waivers to certain employees in out of court settlement could not be verified by Audit due to non-provision of record during audit.

Audit recommends management to devise and implement a fair remuneration policy and fix responsibility on person(s) for non-provision of record.

6.2.4.101 Loss due to payment of additional tax owing to decline in Bank's Advances to Deposit Ratio (ADR) – Rs. 800.000 million

According to Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, responsibilities of Chief Executive 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.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that the Bank's Advances to Deposit Ratio (ADR) had declined to 43% from 53% in FY2018-19. Subsequently, Federal Government had imposed as additional 2.5% tax on the income from Government securities as Bank's ADR was less than 50%. Resultantly, additional amount of Rs. 800 million was levied on the Bank due to lower ADR.

Audit was of the view that management's failure in maintaining ADR above 50% had resulted in imposition of additional tax of Rs. 800.00 million. Audit considered imposition of additional tax as loss to the Bank.

The matter was reported to the management in November 2022. The management in its reply stated that for the purpose of ADR calculation, balances of deposits and advances were taken 'as of' the closing date of the period. This approach was not justified in perspective of NBP as the Bank was running chest

operations on behalf of the State Bank of Pakistan under the Agency agreement. Such deposits were usually parked in the books only for a few days and would not be considered a source of funding to be utilized for lending purposes. The management reply was not tenable as management had not taken up the matter with FBR for its resolution or correction of mentioned flaw.

Audit recommends management to decide prudently with regard to maintenance of Advances to Deposit Ratio (ADR) after analyzing relevant cost vs benefit impact.

6.2.4.102 Irregular appointment of external auditors without concurrence from Auditor General of Pakistan – Rs. 381.673 million

As per Finance Division OM No. F(i)-Inv III/80-406 dated 25-03-1981, the appointment of the chartered accountant firm in Government owned/controlled companies/Body is required to be concurred by the Auditor General of Pakistan.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that the management was in practice of appointing external auditors irregularly since years without the concurrence from Auditor General of Pakistan. Detail of year-wise audit remuneration is as follows:

(Rs. in million)		
Name of Audit firm	Year 2021	Year 2020
M/s. A. F Ferguson	20.708	-
M/s. Yousuf Adil	26.662	20.268
M/s. Grant Thornton Anjum Rahman	-	45.467
Auditors for Overseas Branches	136.240	132.328
Total	183.610	198.063
Grand Total	381.673	
(Source: National Bank of Pakistan)		

Audit was of the view that appointment of external auditors / Chartered Accountant firms without the concurrence of Auditor General of Pakistan was irregular. Hence, audit considered payment against audit's remuneration amounting to Rs. 381.673 million as irregular.

The matter was reported to the management in November 2022. The management in its reply stated that concurrence of AGP was not a part of any law applicable on the bank with regard to appointment of Bank's statutory auditors

and no such instructions had ever been communicated by Ministry to the bank for compliance. The management's reply was not tenable as NBP, being Public Sectors Entity (PSE) was required to seek concurrence from the office of AGP for appointment of auditors.

Audit recommends management to get the post-fact concurrence for appointment of external auditors from Auditor General of Pakistan and fix responsibility on person at fault.

**6.2.4.103 Non-recovery of loans along with mark up from various customers
- Rs. 261.291 million**

According to Centralized Legal Policy, 2016 of Legal Division on "responsibilities of litigation wing in all cases" para (a) states that the litigation wing shall be responsible to nominate suitable counsel out of the list of Panel of Advocates as per Standard operating procedure for preparing, finalizing and filling of suits/petitions/reviews/appeals etc., and / or to defend the same before the courts of competent jurisdiction. para (b) states that the litigation wing after receiving all the documents from the concerned business segments / divisions/ regions shall review the documents as per filling requirements and determination of risk management in the matter shall initiate filling of cases and or defending the same in very structured manner.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that the management sanctioned and disbursed various loans to the following customers as per details given below: -

(Rs. in million)				
S #	Name of the Customer	Amount Sanctioned / Disbursed	Outstanding Amount of Loan	Current Status of the case
1.	M/s Unifoods (Pvt.) Limited	42.97	67.432	Pending in Court, next hearing 26-01-2023
2.	M/s Masha Allah Oil Mills	38.00	25.250	Pending in Court, last hearing was on 24-12-2022
3.	M/s Dadu Energy (Pvt.) Limited	283.040	40.333	Suit was filed in Jan 2020
4.	M/s Lucky Sirani Atta Chakki	15.00	16.129	Matter in court, no recovery
5.	M/s Masha Allah Oil Mills	17.00	12.694	Instalment plan submitted in court on 24-12-2022
6.	M/s Al-Madina Cotton Ginning Factory	80.00	47.051	Matter in court, no recovery
7.	M/s Bismillah Cotton Ginning	93.00	34.499	Next date of hearing is

	Oil Mills			10.01.2023
8.	Saibaan Home Finance Loan(Mr Asad Ullah)	15.800	17.903	Next hearing on 19-01-2023
Total		584.81	261.291	

(Source: National Bank of Pakistan)

This amount reflects the non-recovery of Rs. 261.291 million from above mentioned customers, cases are pending in court of law and progress is not satisfactory.

Audit was of the view that due to poor performance of management and non-pursuance of the recovery funds of NBP are blocked.

The matter was reported to the management in November 2022, the management in its reply stated that cases are pending court of law actively pursuing. The reply of management was not tenable as the outstanding amount was un recovered since long and progress of recovery is very slow.

Audit recommends investigating the matter with a view to fix responsibility on the person(s) for poor performance of the management towards recovery of outstanding dues.

(DP Nos. 1046, 1047, 1048, 1049, 1050, 1053, 1054, 1055)

6.2.4.104 Loss due to unjustified payment of cost over run – Rs. 202.449 million

Rule 04 of PPRA Rules, 2004 states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that the management outsourced Internal Audit function to M/s. PwC for three years from 2019 to 2021 based on the lowest quoted fees. However, management approved cost overrun of US\$ 324,460/- and US\$ US\$ 811,810/- to said firm for internal audit engagements for the years 2019 and 2020 respectively, thereby substantiating the fact that M/s. PwC deliberately offered lowest quote in order to win the contract and subsequently charged almost double of the quoted amount which was paid by the management indefensibly. Detail of cost over run is as follows:

(Amount in US\$)		
Particulars	2019	2020
Initial quoted fees	718,080	544,655
Total payment	1,042,540	1,356,465
Cost over run	324,460	811,810
Total Cost over run	1,136,270	
(Source: National Bank of Pakistan)		

Audit was of the view that the management unjustifiably paid M/s. PwC amounting to US\$ 1.136 million (equivalent to Rs. 202.449 million i.e 1 US\$= Rs. 178.17) on account of cost over run. Hence, audit considers additional payment of cost over run, in excess of initial quoted fees being base of awarding of contract, as irregular and unjustified.

The matter was reported to the management in November 2022. The management in its reply stated that regulatory examinations and internal audits during 2019, 2020 highlighted additional issues and significant areas of concern, which led to increase in internal audit activities of performing repeat audits and corrective action plans' validations. Thus requiring more time and resources by PWC, resulting in cost overrun during 2019 and 2020. The management's reply was not tenable as only 15% enhancement in same contract was allowed by PPRA rules.

Audit recommends management to enquire the matter with a view to fix the responsibility on person at fault.

6.2.4.105 Loss due to non-execution of decree - Rs. 135.131 million

According to the Section 19 (1) of the Financial Institutions (Recovery of Finances) Ordinance 2001, upon pronouncement of judgment and decree by Banking Court, the suit shall automatically stand converted into execution proceedings without the need to file a separate application and no fresh notice need to be issued to the judgment-debtor in this regard. Particulars of the mortgaged, pledged, or hypothecated property and other assets of the judgment-debtor shall be filed by the decree-holder for consideration of the Banking Court and the case will be heard by the Banking Court for execution of its decree on the expiry of 30 days from the date of pronouncement of judgment.

During audit of National Bank of Pakistan (NBP) Head Office (Legal Division) Karachi for the year 2021, it was observed legal division failed to execute decrees against the 02 borrowers, details are as under:

S #	Name of Borrower	Date of Decree	Amount (Rs. in million)
01	M/s Chand Floor Mills	March 2021	98.679
02	M/s Shiv Oil Mills	October 2021	36.452
Total			135.131
<i>(Source: National Bank of Pakistan)</i>			

Audit was of the view that since the court has already awarded decree in favour of the bank in March & October 2021 but since then the management failed to realize the decretal amount of Rs. 135.131 million despite lapse of more than 1.6 years, the non-recovery of decreed amount showed slackness on the part of management and prevalence of weak internal controls.

The matter was reported to the management in November 2022. The management in its reply stated that they are hopeful for the early adjustment as next hearing is fixed on 22-12-2022. The reply of the management was not tenable as due to poor performance of management and non-pursuance of the recovery and non-initiating action against the borrower the whole amount of loan could not be recovered

Audit recommends that the efforts may be made to pursue the cases to safe guard the bank's interest.

(DP Nos. 1051 & 1052)

6.2.4.106 Loss due to frauds and misappropriations - Rs. 112.950 million

According to Organizational Circular No. 05/2018 of NBP, Branch Manager (BM) key task is to establish localized control environment as first line of defense and maintain stringent or proactive internal control environment.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that various fraudulent activities took place, details are as follows:

S #	Nature of Fraud / Misappropriation	Activity	Personnel Involved	Amount
01	Misappropriation of Loan	Issues in disbursement of loan	Branch Manager & Banking Officer	5.000
02	Fraudulent activities in NBP AIBB(Islamic banking)	Forged transfer of DCS Pension	Branch Manager	6.980
03	Fraudulent withdrawal through IBT (Annex-III)	Payments through fake cheques	Branch Manager	15.435
04	Bribing borrower	Exchange of cheques with customer	Regional/ Br Manager	7.000
05	Fraudulent activities in Karachi south & west regions	Fake cheques, misappropriations in pension, fake debit/credit	Branch manager, key branch staff	19.634
06	Fraudulent activities in Karachi south & south regions	Fake cheques, misappropriations in pension, fake debit/credit	Branch manager, key branch staff	32.435
07	Pension withdrawal	Withdrawal from deceased pensioner account	General banking staff	3.244
08	Cash theft from ATM	Fraud and Cash Shortage from ATMs	Branch Manager	10.802
09	Cash theft from ATM	Fraud and Cash Shortage from ATMs	Branch Manager	3.30
10	Embezzlement / un-authorized payments	(18) cheques IDPs which were crossed as "Payee A/c Only" The proceeds were given credit to account of Mr. Aminullah A/c No. 4151015626 and his sole proprietorship account No. 4155544235	OG-1/Operation Manager and OG-1/GBO/CBA	9.120
Total				112.950
(Source: National Bank of Pakistan)				

Audit was of the view that due to connivance, loose internal controls and criminal negligence management suffered a loss of Rs. 112.950 million. The management failed to create and maintain internal control environment

The matter was reported to the management in November 2022. The management in its reply stated that efforts are being made to minimize misappropriations and persons involved are being dealt with the banking norms and disciplinary actions are also executed. The reply of the management was not tenable as the management failed to create and maintain internal control environment to cater fraud & forgery risk.

Audit recommends to pursue the recovery of balance amount from the officials concerned.

(DP Nos. 1039,1040,1056,1059,1060,1062,1064,1068 , 1084 & 1038)

6.2.4.107 Irregular awarding of contract creating conflict of interest – Rs. 108.769 million

Rule 34 of SBP's Governance Framework for Bank's overseas operations states that the board or its subcommittee shall periodically review 1) major litigations of overseas operations, 2) host regulator inspection reports and resolution of outstanding critical issues, 3) conflicts of interest (if any) in organizational structure of overseas operations and their removal. Moreover, Rule-24 states that the board of the bank, through its BAC shall ensure that comprehensive audit and risk reviews of each jurisdiction are conducted by HO audit and risk review functions on a set frequency as given in bank's internal audit policy. However, this frequency shall be at least once a year.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that the management awarded contract of internal audit function/services of NBP-USA to M/s. PwC for a period of three years from 2019 to 2021. Subsequently, NBP- Head office appointed M/s. A.F Ferguson & Co, Chartered Accountants (a member firm of PwC Network) as external auditors for the year 2021, thereby creating a conflict of interest and doubts over the independence and objectivity of external audit. Moreover, outsourcing of internal audit function/services to third party itself was unjustified initially as the bank has a separate group of Internal Audit consisting of hundreds of employees. Cost of internal audit engagement for the year 2021 amounted to US\$ 610,481/- (equivalent to Rs. 108.769 million i.e 1 US\$= Rs. 178.17). Additionally, there was no improvement in internal audit function at NBP-USA

over the years as regulatory and other issues were kept pending unresolved. Subsequently, huge penalty was imposed by US regulator.

Audit was of the view that awarding of internal audit services of NBP-USA to M/s. PwC for the year 2021 along with appointment of M/s. A.F Ferguson & Co, Chartered Accountants (PwC-Pakistan) as external auditors of the bank simultaneously has created a conflict of interest and raised doubts over the independence and objectivity of the external audit. Hence, audit considers the awarding of internal audit function of NBP-USA amounting to US\$ 610,481/- (equivalent to Rs. 108.769 million) as irregular.

The matter was reported to the management in November 2022. The management in its reply stated that NBP discontinued the internal audit services of PwC in 2021 and obtained services of Deloitte for ongoing internal audits and PwC only performed corrective action plan validation. Moreover, Audit role is to highlight control issues and perform validation of corrective action plans. The management's reply was not tenable as later claim of management contradicts with first one.

Audit recommends management to clarify the matter from ICAP and SBP.

6.2.4.108 Irregular and unjustified payment of TA/DA , advance payment of rent and Performance and Spot Award - Rs. 100.600 million

Rule 04 of Public Sector Companies (Corporate Governance) Rules, 2013, states that the responsibilities of the chief executive includes 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.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that following irregularities were observed while Mr. Zubair Ahmed, the then SVP was posted as a Regional Chief of newly created Middle East, Africa & Saudi Arabia Region:

- 1 Mr. Zubair Ahmed, was responsible for affairs of branches and offices failing under his jurisdiction, but he was the main person responsible in

the debacle of NBP-Bangladesh Operations regarding non-performing portfolio and un-authorized release of securities amounting to US\$164.04 million being Regional Chief Executive. He made total 18 visits to Bangladesh costing to Pak Rs. 12,242,175 but he failed to monitor the growing NPL in Bangladesh and could not take appropriate steps to register the growth of NPL

- 2 It was also observed that an advance rent payment of SAR 175,000 was paid for the residence of Ex RCE for the period from 01-08-2011 to 31-01-2012 posted at OBU Bahrain despite his repatriation orders from Head Office on 29-09-2011. He also claimed another SAR 29,166 as one-month advance rent for the period February 2012 & availed 55% house rent allowance for the period from December 2011 to March 2012 which he was not entitled to. He also obtained US \$ 15,000 equivalents to Pak Rs 2,673,750 despite the fact that his residence was fully furnished.
- 3 The management paid performance and spot award to Ex-RCE amounting to US \$ 429,000 equivalents to Pak Rs. 76,469,250 despite he failed to achieve the criteria laid down in Bank instructions of non-achieving the given targets.

Audit was of the view that the above officer failed to dispose of his assigned responsibilities and due to his negligence NPLs reached to \$164.04 million in Bangladesh. Thus the total payment of Rs. 100.600 million (Rs12.242 million + Rs. 9.216 million + Rs. 2.673 million 76.469 million) is irregular and unjustified.

The matter was reported to the management in November 2022. The management in its reply stated that Group Chief- IFRG has been delegated the powers to approve the TA/ DA Bills of officials posted at Overseas Branches. The Competent Authority at Head Office instead of sanctioning the leave, approved encashment of 120 days Repatriation Leave of Ex-RCE, Bahrain and directed him to immediately join Head Office instead of proceeding on leave. During the period from 2004-2011, he was paid an amount of US\$ 429,000/- on account of Performance & Spot Awards as approved by Head Office. The reply of the management was not tenable as Ex-RCE failed to “follow instruction of the bank and willfully did not take action against the persons causing loss to the

bank. The competent authority did not approve the leave of Ex-RCE and he was directed to join Head Office immediately. Hence the payment of TA/DA amounting to Rs. 12.421 million was irregular and unjustified. Further despite of all misdoing and misconduct, who managed get consecutively all achievement awards from the management, raising a serious question about the credibility of HRMG in appraising the performance of an individual. Hence the payment of Rs. 100.600 million to Ex-RCE was irregular and unjustified

Audit recommends investigating the matter with a view to fix responsibility on the persons for irregular and unjustified payment of TA/DA, advance payment of rent and Performance and Spot Award to Ex-RCE.

(DP Nos.1041, 1043, & 1044)

6.2.4.109 Loss due to unjustified waiver of loans – Rs. 97.342 million

SBP's BPRD Circular No. 08 of 2013 dated November 21, 2013 states that before considering/processing of a write off proposal, the banks/DFIs shall adhere to following minimum guidelines:

- i) Every reasonable effort shall be made to recover the outstanding loan.
- ii) It shall be established by all available means that the borrower(s) has not created other business interests and assets out of the non-performing loans proposed to be written off and the loan is truly irrecoverable.
- iii) It shall be ensured that all securities/collateral held/available with the bank/DFI have been realized and sale proceeds thereof appropriated towards adjustment of outstanding loan. However, in exceptional cases, such as widows and orphans, banks/DFIs may consider relaxation to this requirement under their policy.
- iv) The latest valuation of properties/other assets held by the banks/DFIs as security for the loan/advance shall be obtained, if not available on record, at the time of write off of loans. The valuation report shall clearly indicate therein, amongst others, the present market value as well as forced sale value. The valuation shall be conducted through an approved valuer on the list of Pakistan Banks Association. For outstanding principal amount of less than Rs. 2 million, valuation may be done by the bank/DFI itself as deemed appropriate in a reasonable and transparent manner. Further, for writing off of loans/advances where outstanding amount of principal is below Rs. 0.5 million, the requirement of obtaining latest valuation shall not be applicable.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that the management waived off loans of 260 customers total amounting to Rs. 97.342 million unjustifiably. Audit requisitioned reasons along with cases file of customers granting waiver, but only excel sheet mentioning details were provided by management. Subsequently, authenticity and transparency in granting waiver of loans could not be verified by Audit. Detail of waived off loan cases are as follows:

S #	Particulars	Cases	Total outstanding	Principal waived off	Other financial relief	Total amount waived off
Rs. in million						
1	Cases below Rs. 0.5 m	193	80.775	45.525	4.626	50.151
2	Cases between Rs. 0.5 m to Rs. 1 m	64	50.675	41.374	1.637	43.011
3	Cases above Rs. 1.0 m	3	9.346	3.162	1.018	4.180
	Total	260	140.796	90.061	7.281	97.342
<i>(Source: National Bank of Pakistan)</i>						

Audit was of the view that granting of waiver loans in absence of required record unjustified waiving off of loans by management has resulted in loss of Rs. 97.342 million.

The matter was reported to the management in November 2022. The management in its reply stated that these are consumer loans and have been written off due to the death of the borrower. 236 accounts out of 260 relates to Advance Salary deceased borrowers account which were approved by the competent authorities as per bank policy. Remaining 24 accounts wherein only amount of Mark-up waived as per bank Recovery Policy. The management's reply was not tenable as transparency in granting waiver could not be verified by Audit due to non-provision of record in time.

Audit recommends to fix responsibility on the person(s) at fault for non-provision of related record.

6.2.4.110 Irregular awarding of contract of Corrective Action Plan (CAP) without advertisement – Rs. 86.145 million

Rule 04 of PPRA Rules, 2004, states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a

fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Rule 12 of PPRA Rules, 2004, states that all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that management unduly favored M/s. PWC-USA by awarding the contract of Corrective Action Plan (CAP) at NBP-USA despite the former offering highest fees. It was also observed that contract was awarded without any advertisement in newspapers as required by PPRA rules. Only quotations from four firms were sought. Detail of quotation from firms is as under:

Firm name	Estimated hours	Hourly rate (in US\$)	Total fees (US\$)
PWC	1,720	281	483,500
Grant Thornton	600	150	90,000
BDO	225	185	41,625
Deloitte	400	350	140,000
<i>(Source: National Bank of Pakistan)</i>			

Audit was of the view that management unduly favoured M/s. PWC in awarding the contract of Corrective Action Plan at NBP-USA at highest quoted fees of US\$ 483,500 (equivalent to Rs. 86.145 million i.e. 1 US\$= Rs. 178.17) and without advertisement. Hence, audit considers the said awarding of contract as irregular being in violation of PPRA rules.

The matter was reported to the management in November 2022. The management in its reply stated that proposal from Tier I and Tier II audit firms in manner prevalent with industry benchmarks and practices in USA. Proposals from Grant Thornton, BDO, Deloitte and PWC were received. In view of PWC expertise in this area, familiarity of the NBP processes and controls issues, along-with USA regulators confidence on internal audit services provided by PWC, the Bank decided to maintain continuity of services and awarded the contract for CAP validation to PWC after approval by the Board of Directors. The

management's reply was not tenable as contract was awarded without advertisement and to the highest bidder.

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

6.2.4.111 Loss due to illegal lifting of pledged stock - Rs. 72.384 million

As per the Bank and Mucaddum agreement clause No. 4.1.2 "The Mucaddum shall ensure that the Pledged Goods are not left unattended at any time including during any weekly, festival, national and / or religious holidays. The Mucaddum shall ensure that there are sufficient reinforcements at all times in order to have the Shortage Locations fully guarded and secured at all times.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that an event of illegal stock lifting was reported. During the joint inspection of M/s Muslim Flour Mills dated 20-04-2021, it was revealed that borrower with the involvement of Mucaddum has illegally lifted most of the pledged stock without any loan adjustment. Other irregularities includes; Executions of transaction after expiry of Finance Limits & Mills remained in-operative during the season. With all these irregularities NBP was continuously doing transactions with the borrower. All these facts were intimated to NBP from time to time by the concerned persons but overlooked due to which CF pledge of Rs. 70 million turned into losses.

Audit was of the view that lifting stocks without the payment and adjustment of loan was illegal and willful default at the cost of NBP. On the other hand, stake of bank has been compromised with serious questions posed on securities of stocks placed under bank's pledge.

The matter was reported to the management in November 2022. The management in its reply stated that legal proceedings are initiated and matter is fixed for hearing on 31-01-2023. The reply was not tenable as the amount was still stuck and recovery will take time.

Audit recommends pursuing the case of recovery more vigorously, review their terms with Mucaddum and fix responsibility on the persons at fault.

6.2.4.112 Non-recovery of outstanding loans from staff – Rs. 59.906 million

According to Section 6.0 (General Clauses/Conditions House Building/Motor Car Finance) of Staff Loan policy, if an employee resigns from the Bank's service or his/her service is terminated/dismissed for any reason whatsoever before complete recovery of the finance, the amount outstanding against him/her shall be recovered in lump sum with mark-up before release of his end service benefits. The BM/OM of loan disbursing Branch will initiate the process of loan recovery along with markup through legal action in case of default and, if needed, the Assets Recovery Group will also take necessary action for recovery process. As per 4.15 section of Staff Loan policy, regular/uninterrupted recovery of each & every monthly installment will be ensured by the salary disbursing office upon intimation by the loan disbursing Branch. Deferment in monthly HBF installment will not be allowed for any reason whatsoever.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that management failed to recover outstanding staff loan of Rs. 59.906 million from employees. While reviewing Non-Performing Loans under Loss category, it was observed that employees failed to pay off their staff loans. Subsequently, management made provisions amounting to Rs. 52.464 million against said staff NPLs. Complete detail of NPLs is attached as at Annex-56.

Audit was of the view that management's failure to deduct / adjust the outstanding balance from benefits admissible to employee depicted internal control weaknesses. Therefore, audit considers management's dereliction towards deduction of outstanding advances as loss to the bank.

The matter was reported to the management in November 2022. The management in its reply stated that most of the cases pertained to dismissed / terminated staff. None of the employee has been paid any pensionary benefits. Partial recoveries have been made in form of cash recoveries / settlement of end service benefits. For remaining outstanding loans, bank is making recovery efforts through litigation. The management's reply was not tenable as due to want of supporting documents evidencing management's claim. Moreover, full amount of loans is yet to be recovered.

Audit recommends prompt recovery of outstanding staff loans and responsibility be fixed on persons at fault.

6.2.4.113 Irregular opening bank account at Bahrain and loss due to conversion of US \$ into Saudi Riyal – Rs. 48.484 million

Rule 5(5) of the Code of Corporate Governance Rules, 2013, states that the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that a Current Account titled “NBP Riyadh Branch” bearing No. 010-5605-520001-6 was opened at Overseas Banking Unit (OBU) Bahrain to meet day to day expenses of NBP Riyadh Branch. It is worth mentioning that the Capital requirements of US \$ 30 million by Saudi Authorities for having a branch in Saudi Arabia, is not in bank’s records. The amount was then remitted to Saudi Riyal Account opened with Bank Muscat on 05-12-2007 @ 3.7150 Riyal per US \$. This transaction of conversion of US \$ in to Saudi Riyals caused an exchange loss of US\$ 272,000, equivalent to Rs. 48,484,000 (272,000 x 178, 25). No approval of any kind for utilizing the account in the given manner was found.

Audit was of the view that the above narrated fact adumbrates “misuse or abuse of authority “Misuse or abuse of Bank’s properly assets or equipment”, which caused an exchange loss of Rs. 48.484 million.

The matter was reported to the management in November 2022. The management in its reply stated that although SAR is a pegged currency but when dealer was asked to do trade in order to cover the position there is a built in bid offer spread exist while trading in the International Market and as per norm, bank has to bear exchange margin which is the cost of covering its position. The reply of the management was not tenable as the transaction of conversion of US \$ in to Saudi Riyals caused an exchange loss of US \$ 272,000, equivalent to Pak Rs. 48,484,000 (272,000 x 178, 25). This account with Overseas Banking Unit (OBU) Bahrain was continued to utilize for payment of expenses not related to

NBP Riyadh Branch but in fact those incurred by RCE for himself including payment of medical, Children education fee.

Audit recommends investigating the matter with a view to fix responsibility on the persons for irregular opening bank account at OBU Bahrain and loss due to conversion of US\$ into Saudi Riyal.

6.2.4.114 Infuctuous expenditure on opening of ladies banking window at Riyadh - Rs. 32.286 million equivalent to SAR 679,988

Rule 04 of Public Sector Companies (Corporate Governance) Rules, 2013, states that the responsibilities of the chief executive includes 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.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that five (05) ladies, three with Saudi National and two with Pakistani National were appointed for Ladies Banking Window at Riyadh Saudi Arabia, but no sincere efforts were ever made to open the Ladies Banking Window and resultantly all were removed. An amount of 540,000 Saudi Riyals was paid as monthly salary to these redundant staff who did not deliver any service to the Branch. The total amount paid comes to Saudi Riyals 679,998 equivalent to Rs. 32,286,000 (679,988 x 47.48).

Audit was of the view that this amount to “misuse of bank property, “causing financial loss to bank (being salaries paid to the employees), and “use of official power for personal use”, “misuse /abuse of authority. Hence NBP suffered a loss of Rs 32.286 million.

The matter was reported to the management in November 2022. The management in its reply stated that NBP Riyadh Branch was made operational in 2010. By that time (3) out of (5) had already resigned due to personal reasons. The remaining two ladies started working on the core banking application of NBP Riyadh Branch and they continued till their last working day with Riyadh Branch. The reply of the management was not tenable as the above ladies banking window was never opened in Riyadh but salaries and benefits were paid.

Audit recommends investigating the matter with a view to fix responsibility on persons for irregular & unjustified appointment of above mentioned staff.

6.2.4.115 Irregular Sanctioning of Demand Finance on fake Ownership - Rs. 24.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that a Demand Finance of Rs. 24.000 million was sanctioned to M/s Al-Baih Cash & Carry for construction of Plaza & Al-Baih Cash & Carry departmental store at 2nd & 3rd floor of Al-Baih plaza against a security of residential house owned by Khan Afsar, Ehtesham Khanzada & Shehnaz Gul. It is important to mention that Al-Baih Plaza was under construction on rental plot & borrower do not own plot of Al-Baih Plaza. Regional officer of NBP sanctioned Demand Finance against projected financial statements. Audited financials were not obtained either. This fact showed that the business was based on proposals and was not existing at the time of granting Demand Finance Loan of Rs. 24.000 million.

Audit was of the view that the financing facilities sanctioned to M/s Al-Baih Cash & Carry were in violation of guidelines of bank's standing instructions issued by Credit Department of NBP and against the spirits of Public Sector Rules.

The matter was reported to the management in November 2022. The management in its reply stated that it was not a rental plot. Leased for 12 years extendable or another tenor of 12 years as agreed. The question of audit was simple that what is the relationship between borrower and the owner of property? Is the borrower and property owner same? These questions still need clarification for further assessment. Hence the reply needs concrete evidences to proof that the borrower and property owner are same.

Audit recommends bank to always safeguard its interests and follow the guidelines of bank's standing instructions and do not indulge in risky and vague transactions.

6.2.4.116 Irregular reorganization of Ex-SEVP and new appointment of SEVP - Rs. 17.000 million

According to the policy statement No. 15.1.2 of HR Policy Booklet, it is stated that “NBP will follow a transparent and Open Merit approach; therefore, all appointments will be made through internal and/or external advertisement, purely based on merit by providing equal employment opportunity to all the candidates without any discrimination by complying with the defined eligibility criteria and to attract the best talent without any consideration to race, color, religion or gender. However, in order to promote gender diversity, women will be encouraged to apply by placing such phrases in external and / or internal advertisements.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that a new post naming “Special Assistant to the President” was created and Ms. Sultana Naheed, who was the then Group Chief / SEVP Retail Banking was appointed through reorganization letter dated 18-01-2021. She was assigned to look after the Consumer Mortgage under various Government initiatives announced by the then PM. On the other hand, new SEVP retail banking was appointed 6 months before the retirement of Ms. Naheed. Monthly salary of Ms. Naheed was Rs. 1,189,049 with other allied benefits. This means that up to her retirement this position was unnecessarily filled by the appointment of Mr. Tauqeer and payment of huge salary and benefits costed

Rs. 11,100,000 (Rs. 1,850,000*6 months) to NBP.

Audit was of the view that unnecessary creation of post and reappointing of a retired person was irregular and unjustified. The same incumbent was retained for 06 months and her duties were replaced by the fresh appointment of new SEVP. She was appointed after the creation of temporary post and her replacement was adjusted with huge cost to NBP.

The matter was reported to the management in November 2022. The management in its reply stated the bank re-hired the services of Ms. Sultana Naheed for the period of 06 months after her superannuation, so the smooth transition should take place and important assignments such as Low-Cost Housing Scheme etc. should not be impacted. The reply of management was not

tenable because the post of SEVP is regarded as the highest posts in banking industry and a person with such vast experience does not needs any assistance at the time of joining.

Audit recommends justification of the matter.

6.2.4.117 Un-authorized use of NBP Premises & Logo by NBP Funds

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance..

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed from the Board Minutes that NBP Funds Pvt. Limited, a wholly owned subsidiary of NBP, having separate legal entity was using NBP branches and infrastructure for sale of its mutual fund products. As per the data of Board Minutes it was further revealed that the agreement between NBP and NBP Funds is expired in January 2021. Further it was also revealed that NBP Funds Pvt. Ltd is using NBP Logo without any formal trademark agreement with NBP. NBP has not registered its own Logo under Trademark Ordinance, 2001. Due to non-registering of NBP Logo anyone can use it or induce general public, hence it may create another scam involving NBP.

Audit was of the view that utilization of NBP premises and using NBP Logo without extension and regularization of agreement between NBP and NBP Funds is irregular and financial loss on part of rentals of property to NBP.

The matter was reported to the management in November 2022. The management in its reply stated that the NBP Logo is registered in July 2022, audit has also highlighted this observation because the Logo was used in 2021 without any agreement, hence forming questions on the management's priorities on NBP's intellectual properties.

Audit recommends to regularize the agreement and take it as arm length transaction because of the relationship between two entities. Non-registration of trade mark may also lead to an avoidable situation any anyone else uses NBP Logo.

6.2.4.118 on-provision of NoC to NBP senior staff and selecting high salary executives from external sources

According to the policy statement No. 15.1.2 of HR Policy Booklet, it is stated that “NBP will follow a transparent and Open Merit approach; therefore, all appointments will be made through internal and/or external advertisement, purely based on merit by providing equal employment opportunity to all the candidates without any discrimination by complying with the defined eligibility criteria and to attract the best talent without any consideration to race, color, religion or gender. However, in order to promote gender diversity, women will be encouraged to apply by placing such phrases in external and / or internal advertisements.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that NBP HR policy is violated in such a manner which restricted and disallowed internal employees to be hired on senior positions. It was revealed after reviewing recruitment files of Senior Executive Vice Presidents hired that during the year 2021 that 07 SEVP's were appointed from external sources whereas in all the cases internal candidates were not provided with NoC (No Objection Certificate).

Audit was of the view that non-allowing of NoCs to internal candidates is not appreciable corporate practice which not only discourage internal employees who are serving the bank since long time but also a waste of money in terms of paying huge perks and benefits provided to external once.

The matter was reported to the management in November 2022. The management in its reply stated that internal placement of NBP employees is factually incorrect and it is a policy matter. All policies at NBP are duly approved by the Board of Directors and NBP doesn't discriminate but abide all the rules and regulations approved by the BoD time to time. The reply was not tenable as this practice restricts eligible internal/experienced candidates for the due reward and it is also witnessed that ultimately experienced and loyal candidates left the bank in some cases.

Audit recommends management to provide equal opportunity to all employees and encourage regular employees as well.

6.2.4.119 Non-reconciliation of pensioner's data with Account Offices

As per Revised SOPs dated 29-09-2014 for payment of pension, the banks (Main branch or dealing wing) and Account Offices shall carry out reconciliation on quarterly basis regarding new pension issued, pension transferred on heirs, pension transferred to other places, pension stopped/restored, pension discontinued, pension amended, on the basis of full details and particulars of pension. Reconciliation statement shall be signed by the officers of BS-17 or above/equivalents in banks and copies thereof shall be retained as permanent record. Any discrepancy shall be resolved within six weeks. The responsibility for any disciplinary action and reporting to crime agencies, if needed, will rest with the end where fraud, etc. is detected.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that the management did not reconcile the pensioner's data despite reminders from Accounting Offices. Moreover, it was observed that the Bank was maintaining 746,445 pension accounts of more than 250 District Accounts Offices (DAOs) throughout the country. Furthermore, it was observed that there were differences in CNICs and account numbers of various pensioners between the data maintained by Accounting General Offices and that of the Bank. Subsequently, Accountant General Sindh (AG-Sindh) repeatedly reminded the Bank through various reminders for reconciliation of pensioner's data but same had not been not reconciled till date.

Audit was of the view that differences in pensioner's data between Accounting General Offices and the Bank & subsequent non-reconciliation thereof would lead to frauds and fraudulent activities in pension accounts.

The matter was reported to the management in November 2022. The management in its reply stated that as pension was being disbursed in a decentralized way and Pension Lists were being provided in various NBP branches, so currently reconciliation was being done between NBP branches and DAO, whenever contacted by DAO. NBP Head Office took up the matter with AGPR and Finance Department for streamlining the pension payment and reconciliation process. NBP along with Finance department, Government of Sindh had initiated the centralized reconciliation activity and fully cooperated with them in shape of provision of DCS Pension information. Moreover,

instructions had already been issued to the branches to conduct reconciliation with Account offices on Quarterly basis. The management's reply was not tenable as management did not take any effort to carry out reconciliation in provinces other than Sindh and other Government departments. Moreover, no reconciliation statement was provided to Audit verifying management's claim of carrying out reconciliation with DAOs on quarterly basis.

Audit recommends management to immediately reconcile the pensioner's data with Accounts Offices along with investigation of the matter with a view to fix responsibility on person at fault for non-reconciliation till date.

6.2.4.120 Cyber-attack on bank's IT infrastructure disrupting business operations

Rule 04 of Public Sector Companies (Corporate Governance) Rules, 2013, states that the responsibilities of the chief executive includes 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.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2021, it was observed that on 29 October, 2021 bank's IT infrastructure came under a cyberattack resulting in NBP's business-critical servers along with several workstations going down which disrupted the business operations. Cyberattack primarily compromised its Microsoft Virtualization Platform based servers which progressively shutdown within a matters of few minutes. Resultantly, it impacted the Bank's entire MS Virtualization Platform that hosts the majority of the Bank's applications. The malware damaged or rendered unusable applications and databases across production and DR data centers destroying virtual machines and storage. Subsequently, SBP had blocked access to their systems from NBP. It is pertinent to mention that external auditors had also pointed out weaknesses in bank's IT infrastructure during audit for the year 2020. Moreover, management was also aware of suspicious activities taking place in NBP environment since August 24, 2021, but did not take corrective steps to counter those activities. Audit requisitioned enquiry or forensic audit conducted by management to identify the root causes and to fix the responsibility

on bank's officials and vendors providing security services for IT systems and infrastructure, which was not provided by management.

Audit was of the view that management's remissness to monitor and improve IT control weakness despite being aware of those weaknesses had resulted in cyber-attack which subsequently impacted bank's image and reputation.

The matter was reported to the management in November 2022. The management in its reply stated that post-Cyber-incident, the bank took various immediate measures to fence the bank's security and network infrastructure and made steady and significant progress in implementing multiple controls to strengthen Bank's IT infrastructure. The management's reply was not tenable as it did not conduct any enquiry to identify root-cause behind Cyber-Attack along with fixing of responsibility on person responsible for weaknesses in IT infrastructure.

Audit recommends management to conduct forensic audit of cyber-attack on bank's IT infrastructure in order to identify root causes and improvement thereof and fix responsibility on bank's officials and vendors providing/responsible for security services for IT systems and infrastructure.

6.2.4.121 Imprudent investment in non-performing debt securities - Rs. 16,222.489 million

According to Code of Conduct for the employees of National Bank of Pakistan clause 1.1.4, The Code of Conduct for NBP employees is based on the following six principles.

1. Act honestly and with integrity
 2. Comply with the law
 3. Treat others with respect
 4. Safeguard the confidentiality of information
 5. Avoid conflicts of interest
 6. Respect the organization
- 1.4 Compliance with this Code: If an employee fails to comply with this Code or applicable laws, rules or regulations (including the rules and regulations of the SBP)he or she will be subject to disciplinary

measures, including (with respect to the employees) discharge from the Bank. Violation of this Code may also constitute violations of law and may result in civil or criminal penalties for such person, and such person's supervisors.

During audit of National Bank of Pakistan (Treasury & Capital Market Groups) for the period 2012 to 2020, it was observed that certain investments in debt securities were obtained from different companies amounting Rs. 16,222.489 million as securities against the settlement of loans. However, these securities are stuck up since long (Annex-57). Thus, these securities are not only keeping the capital of the bank stuck up, but also decreasing the overall return on the fixed income portfolio.

Audit was of the view that the management made imprudent investment which reflected poor financial management.

The matter was reported to the management in January, 2022. The management replied that some were adjusted and for remaining outstanding NBP has also filed recovery suits against them. The reply was not tenable as these securities are not only keeping the capital of the bank stuck up, but also decreasing the overall return on the fixed income portfolio.

Audit recommended adopting strong efforts to recover above amount.

6.2.4.122 Imprudent investment in TFCs having zero yield - Rs 14,796.869 million

According to Code of Conduct for the employees of National Bank of Pakistan clause 1.1.4, The Code of Conduct for NBP employees is based on the following six principles. Act Honestly and with integrity, Comply with the law, Treat others with respect, Safeguard the confidentiality of information, Avoid conflicts of interest & Respect the organization.

1. Act honestly and with integrity
2. Comply with the law
3. Treat others with respect
4. Safeguard the confidentiality of information
5. Avoid conflicts of interest

6. Respect the organization

1.4 Compliance with this Code: If an employee fails to comply with this Code or applicable laws, rules or regulations (including the rules and regulations of the SBP) he or she will be subject to disciplinary measures, including (with respect to the employees) discharge from the Bank. Violation of this Code may also constitute violations of law and may result in civil or criminal penalties for such person, and such person's supervisors.

During audit of National Bank of Pakistan (Treasury & Capital Market Groups) for the period 2012 to 2020, it was observed that management made investments of Rs. 14,796.869 million in Term Finance Certificates (TFCs). Further scrutiny revealed that these TFCs have zero yields. The details as on 31-07-2016 are tabulated below:

Amount in Rs.)				
S#	Name of TFC	Amount Invested	Yield	Coupon Rate
1	Rahman Cotton Mills Ltd.	37,554,321	0	0
2	Azgard Nine Ltd.	525,844,287.47	0	0
3	Parthenon Pvt. Ltd.	1,631,635,656.88	0	0
4	Moro Textile Mills Ltd.	188,612,985.19	0	0
5	Pak Electron Ltd.	3,165,690,000	0	0
6	Saudi Pak Leasing Co. Ltd.	66,947,760.47	0	0
7	Colony Thal Textile Mills Ltd.	119,535,787.08	0	0
8	New Allied Electronics	1,630,000,000	0	0
9	Kiran Sugar Mills Ltd.	595,226,900	0	0
10	PIAC Zero Coupon TFC	82,627,500	0	0
	Total	8,043,675,198		

(Source: National Bank of Pakistan)

Thus, yield and coupon rate are zero of the above TFCs, therefore, the above TFCs are unable to yield any profit.

Audit was of the view that management have invested huge amount of Rs 14,796.869 million in below standard TFCs. Thus, cause stuck of funds which required justification.

The matter was reported to the management in January, 2022. The management replied that some TFCs were issued to settle overdue mark up against certain facilities, Recovery suit were filed against the clients and some

were confirmed fully provided Non-Performing/ Loss. Audit was of the view that investment in below standard TFCs caused stuck of funds.

Audit recommended making strenuous efforts to liquidate above TFCs and reinvest the funds in profitable venues.

6.2.4.123 Non-recovery of import/export loans/TFC/Sukuk against defaulters – Rs. 13,082.069 million

According to Code of Conduct for the employees of National Bank of Pakistan clause 1.1.4, The Code of Conduct for NBP employees is based on the following six principles.

1. Act Honestly and with integrity
2. Comply with the law
3. Treat others with respect
4. Safeguard the confidentiality of information
5. Avoid conflicts of interest
6. Respect the organization

1.4 Compliance with this Code: If an employee fails to comply with this Code or applicable laws, rules or regulations (including the rules and regulations of the SBP)he or she will be subject to disciplinary measures, including (with respect to the employees) discharge from the Bank. Violation of this Code may also constitute violations of law and may result in civil or criminal penalties for such person, and such person's supervisors.

During audit of National Bank of Pakistan (Treasury & Capital Market Groups) for the period 2012 to 2020, it was observed that certain import/export loans/TFC/Sukuk etc. were issued to various clients amounting to Rs 13,082.069 million which is still outstanding despite lapse of considerable time.

Audit was of the view that management did not make true efforts to recover the outstanding amount despite lapse of considerable time.

The matter was reported to the management in January, 2022. The management replied that an amount of Rs. 1,304,681,846 has been recovered. Audit was of the view that Rs. 6,252.061million is still outstanding against the

defaulters. Further, states that some TFCs were issued to settle overdue mark up against certain facilities, Recovery suit were filed against the clients and some were confirmed fully provided Non-Performing / Loss. Audit was of the view that an amount of Rs. 5,313.587 million is still outstanding.

Audit recommended making strenuous efforts to recover above outstanding dues from the defaulters before going above loans in to bad debts.

6.2.4.124 Investment in shares without prior approval of SBP- Rs. 10,248.097 million

According to SBP Prudential Regulation-6 (Exposure against shares / TFCs and acquisition of shares), "Banks/ DFIs will obtain prior approval form the State Bank while purchasing shares of a company in excess of 5 % of their paid-up capital or 10 % of the capital of Investee Company, whichever is lower. These limits will be calculated as under:

- In case of Investee Company, 10% limit will be calculated by taking 10% of the number of its paid-up shares.
- In case of investing bank, 5% limit will be calculated by taking 5% of paid-up shares of the bank and then multiplying with their face value.

The bank's / DFI's request will be considered in the light of the nature of relationship of the investing bank and the investee company. Further, other factors, such as financial standing of the investing bank, its aggregate investment portfolio, experience in managing the same, efficacy of internal controls etc. will also be taken into account.

In case, shares in excess of above limit are acquired by the bank/DFI through settlement of a facility or by any other means, the information to this effect will be conveyed to the State Bank of Pakistan within three days of the acquisition of such shares, furthermore, the shares so acquired should be disposed off within one year to comply with the limits given above.

During audit of National Bank of Pakistan (Treasury & Capital Market Groups) for the period 2012 to 2020, it was observed management made following investment in excess of 10 % of the capital of Investee Companies. Thus, management invested an amount of Rs 5,634.949 million and Rs 4,613.148

million (total Rs 10,248.097 million) in the shares of highlighted companies in excess of limit of 10 % without prior approval of SBP.

Audit was of the view that the management should take prior approval from SBP to make excess investment in above shares. Therefore, this is a violation of PR and need justification.

The matter was reported to the management in January, 2022. The management replied that Preference shares does not fall under the ambit of PR-6 limits and shares were received from NDFC According to the decision of Government of Pakistan (GOP) regarding winding-up and amalgamation. Audit was of the view that prior approval from SBP to make excess investment was required According to PR-6. Further, the information to this effect will be conveyed to the State Bank of Pakistan within three days of the acquisition of such shares, furthermore, the shares so acquired should be disposed off within one year to comply with the limits given above.

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

6.2.4.125 Loss of Capital Gain and Dividend Income – Rs. 3,876.484 million

Section 4.1(a) of Equity Investment Objectives of NBP Treasury & Capital Markets Group Policy states, the main objective of Equity Markets Division (EMD) is to build, maintain & improve the quality of equity investment portfolio for NBP that provides attractive, long-term sustainable returns in terms of dividend income as well as capital gains.

During audit of National Bank of Pakistan (Treasury & Capital Market Groups) for the period 2012 to 2020, it was observed that the Capital Gain and Dividend income were performed in declining trend from 2015 to 2017. Resultantly, management deprived of Rs. 3,876.484 million. Details are as under:

Capital Gains (Rs. in million)					
Heads	Jan-Dec 2015 A	Difference C= (A-B)	Jan-Dec 2016 B	Jan-Sep 2017 D	Difference E(B-D)
Arbitrage	9.313	0.565	8.748	3.105	5.643
Available For Sale (AFS)	5,647.279	979.081	4,668.198	3,017.311	1,650.887
Strategic	-		538.773	403.653	135.12
Trading	-		17.975	9.277	8.698
Dividend Gains					
AFS	2,040.255	191.215	1,849.040	1,366.511	482.529
Strategic	-		994.025	579.137	414.888
Trading	-		9.279	1.421	7.858
Total		1,170.861			2,705.623
G. Total (C+E)					3,876.484
<i>(Source: National Bank of Pakistan)</i>					

Audit was of the view due to declining trend management suffered a loss of Rs. 3,876.484 million in terms of dividend income as well as capital gain.

The matter was reported to the management in January, 2022. The management replied that realization of capital gain and dividend income is a function of corporate profitability and the overall performance of the equities market and has no correlation on yearly basis. Audit was of the view that Capital Gain and Dividend income were performed in declining trend from 2015 to 2017. Resultantly, management deprived of Rs. 3,876.484 million.

Audit recommends to fix responsibility on the person (s) responsible for imprudent investment.

6.2.4.126 Imprudent holding of Byco Petroleum Limited shares despite decline in market price - Rs. 3,787.634 million

Section 4.1(a) of Equity Investment Objectives of NBP Treasury & Capital Markets Group Policy states, the main objective of Equity Markets Division (EMD) is to build, maintain & improve the quality of equity investment portfolio for NBP that provides attractive, long-term sustainable returns in terms of dividend income as well as capital gains.

During audit of National Bank of Pakistan (Treasury & Capital Market Groups) for the period 2012 to 2020, it was observed that the management acquired 248,642,872 shares of Byco Petroleum Limited in 2017 at purchase

price of Rs. 4.03 and Rs. 21.14 at the total cost of Rs. 1,185.223 million. The detail is as under:

Year	No of shares	Purchase price	Total cost	Average market price
2017	248,051,872	4.03	999,649,044	20.00
2017	591,000	21.14	185,574,000	
2018	-			15.50
2019	-	-		-
2020	-	-		08.50
Total	248,642,872		1,185,223,044	
<i>(Source: National Bank of Pakistan)</i>				

The above position clearly indicative of the fact, that the market price of Byco Petroleum Limited has declining trend since its purchase. Had the management sold out the shares in 2017 at estimated market price of Rs. 20.00, the management could have earned investment income of Rs. 3, 787.634 million as follow;

Year	No of shares	Total purchase price	Market price of shares on average price in 2017	Difference/(loss)
2017	248,642,872	1,185,223,044	*4,972,857,440	3,787,634,396

*market price of shares was calculated by multiplying average market price in 2017 x no of shares (Rs. 20 x 248,642,872 shares)

Audit was of the view that due to non-disposal of shares in time, the bank had to sustained loss of Rs. 3, 787.00 million on investment. Currently, the share price of Byco Petroleum Limited has declined to Rs. 8.50 per share. Audit was opined that the management should have sold out such non-profit shares, instead of holding for more than then three years. So far management has sold 119,186,500 shares. The same need justifications.

The matter was reported to the management in January, 2022. The management replied that the NBP has not sustained any loss on account of disposal of these shares. NBP booked total capital gain of Rs. 1.000 billion from investment in Byco Petroleum Pakistan Limited. Audit was of the view that that the market price of Byco Petroleum Limited has declining trend since its purchase. Had the management sold out the shares in 2017 at estimated market price of Rs. 20.00, the management could have earned investment income of Rs. 3, 787.634 million.

Audit recommends to investigate the matter and responsibility may be fixed on the person(s) responsible for imprudent investment.

6.2.4.127 Loss due to purchase of shares at higher than prevailing market price- Rs. 2,331.546 million

Section 4.1(a) of Equity Investment Objectives of NBP Treasury & Capital Markets Group Policy states, the main objective of Equity Markets Division (EMD) is to build, maintain & improve the quality of equity investment portfolio for NBP that provides attractive, long-term sustainable returns in terms of dividend income as well as capital gains.

During audit of National Bank of Pakistan (Treasury & Capital Market Groups) for the period 2012 to 2020, it was observed that the management purchased 103,162,663 shares of Agritech Limited in 2012 to 2017 at prices higher of prevailing market price. The detail is as under:

(Amount in Rs)					
Year	No of shares	Purchase price	Market value	Difference	Loss on purchase
02-11-2012	82,920,608	35.00	13.00	22	1,824,253,376
02-07-2014	20,000,000	35.00	10.00	25	500,000,000
27-12-2017	242,055	35.00	04.87	30.13	7,293,117.15
Total	103,162,663				2,331,546,493.15

(Source: National Bank of Pakistan)

The above position clearly indicated that the bank sustained loss of Rs. 2,331.546 million on purchase of above shares at prices higher of market value. So far management has sold 26,152,922 shares of Agritech Limited at sale price of Rs. 35.00 per share (i.e. equal to purchase price). Therefore, management did not earn any profit on sale of above shares. The same need justifications.

The matter was reported to the management in January, 2022. The management replied that the purchase of Agritech Limited's (AGL) shares from Azgard Nine Limited (ANL) was conducted at Rs. 35/share based on seeking all regulatory approvals (SBP & SECP) supported with full disclosure, rationale, and approval of all lenders. The management reply was not tenable as NBP sustained loss of Rs. 2,331.546 million on purchase of above shares at prices higher of market value.

Audit recommends to fix responsibility on the person(s) responsible for purchasing shares at lower of market price.

6.2.4.128 Imprudent investment of shares suspended/frozen/ revoked by CDC - Rs. 372.796 million

Section 4.1(a) of Equity Investment Objectives of NBP Treasury & Capital Markets Group Policy states, the main objective of Equity Markets Division (EMD) is to build, maintain & improve the quality of equity investment portfolio for NBP that provides attractive, long-term sustainable returns in terms of dividend income as well as capital gains.

During audit of National Bank of Pakistan (Treasury & Capital Market Groups) for the period 2012 to 2020, it was observed that management made following investment amounting to Rs. 372.796 million in shares of different companies. Further, scrutiny of the record revealed that these shares have been suspended/frozen/revoked by Central Depository Company (CDC) (Annex-58).

Thus, the shares have been suspended/frozen /revoked by CDC, therefore, bank had to sustain loss on above investment.

Audit was of the view that the management made an imprudent investment in above shares by not disposing off the above shares in time. Had the management disposed of above shares in time the management could have get better opportunity to have capital gain.

The matter was reported to the management in January, 2022. The management in its reply stated that the shares of the above mentioned quoted companies were received as part of the settlement from NIT. Audit was of the view that such shares has been gradually declined to zero thus, NBP had to sustain loss of Rs. 372.796 million.

Audit recommends disposing of above shares in prudent manner to avoid further loss in future and fix responsibility on the person (s) responsible for imprudent investment.

6.2.4.129 Loss due to placement of funds at lower rates – Rs. 275.000 million

According to Code of Conduct for the employees of National Bank of Pakistan clause 1.1.4, The Code of Conduct for NBP employees is based on the following six principles.

1. Act Honestly and with integrity
2. Comply with the law
3. Treat others with respect
4. Safeguard the confidentiality of information
5. Avoid conflicts of interest
6. Respect the organization

1.4 Compliance with this Code: If an employee fails to comply with this Code or applicable laws, rules or regulations (including the rules and regulations of the SBP)he or she will be subject to disciplinary measures, including (with respect to the employees) discharge from the Bank. Violation of this Code may also constitute violations of law and may result in civil or criminal penalties for such person, and such person's supervisors.

During audit of National Bank of Pakistan (Treasury & Capital Market Groups) for the period 2012 to 2020, it was observed from Money Markets Transactions on sample basis that management executed Repo Deal at higher rate whereas at the same time/day Reverse Repo deal was executed on lower rate with same Counter-Party (CP) by suffering a loss of Rs 275 million. Details are as under:

Deal No.	Deal Type	CP	Principal (Rs.)	Profit Rate(Rs.)	Loss (Rs)
12,149	Accept	UBL	2,500,000,000	13.30	-
12,150	Place	UBL	2,500,000,000	13.25	125,000,000 (13.30-13.25=0.05*2,500,000,000)
12,151	Accept	UBL	2,000,000,000	13.30	-
12,152	Place	UBL	2,000,000,000	13.25	100,000,000 (13.30-13.25=0.05*2,000,000,000)
12,147	Accept	UBL	1,000,000,000	13.30	-
12,148	Place	UBL	1,000,000,000	13.25	50,000,000 (13.30-13.25=0.05*1,000,000,000)
Total					275,000,000
<i>(Source: National Bank of Pakistan)</i>					

Audit was of the view that management granted undue favour to M/s. UBL by buying funds at higher rate and selling funds at lower rate causing a loss of Rs 275 million.

The matter was reported to the management in January, 2022. The management replied that According to Banks short sell PIB/T-bills in order to take advantage of short term interest rate movements. To short sell PIB/T-bills, it is necessary to have that security in Reverse Repo. Through such transactions banks generate security for delivery against short sell. Audit was of the view that management buying funds at higher rate and selling funds at lower rate causing a loss of Rs. 275.000 million.

Audit recommends to fix responsibility on the person (s) responsible for loss.

6.2.4.130 Non-achievement of targets - Rs. 227.981 million

Section 4.1(a) of Equity Investment Objectives of NBP Treasury & Capital Markets Group Policy states, the main objective of Equity Markets Division (EMD) is to build, maintain & improve the quality of equity investment portfolio for NBP that provides attractive, long-term sustainable returns in terms of dividend income as well as capital gains.

During audit of National Bank of Pakistan (Treasury & Capital Market Groups) for the period 2012 to 2020, it was observed that certain targets were set for the department during 2015 to 2020. However, the management failed to achieve the targets stipulated for them. Actual achievements remained Rs. 1,977,587 million against the target of Rs. 2,205,802 million as detailed below:-

(Rs. in million)				
Year	Description	Budget	Actual	Variances in amount
2015	Interest / Mark-up on Investment /Placement	60,553	55,850	(4,703)
2016	MTBs (market treasury bills)	427,500	397,000	(30,267)
2018	Dividend Income	2,900	2,613	(287)
	MTBs (market treasury bills)	765,547	741,981	(23,566)
2019	Capital Gain	4,141	1,848	(2,293)
2020	Interest / Mark-up on Investment /Placement	154,897	150,840	(4,057)
	Capital Gain	2,943	1,901	(1,042)
	MTBs (market treasury bills)	787,321	625,554	(161,766)
Total		2,205,802	1,977,587	(227,981)
<i>(Source: National Bank of Pakistan)</i>				

Due to non-achievement of targets, the bank was deprived of a heavy amount of revenue of Rs. 227,981 million. Hence, National Bank of Pakistan suffered a revenue loss of Rs. 227,981 million due to inefficiency of the management.

The matter was reported to the management in January, 2022. The management replied the amount shows a hash total, i.e. they have summed the Asset heads with the Profit and Loss head, e.g., they have included difference between the actual vs budgeted level of MTB's (investment) the bank planned to hold and have merged it with revenue numbers thus arriving at a loss, which needed correction.

Audit recommends to justify the matter.

6.2.4.131 Imprudent investment in shares having zero market value - Rs 210.027 million

Section 4.1(a) of Equity Investment Objectives of NBP Treasury & Capital Markets Group Policy states, the main objective of Equity Markets Division (EMD) is to build, maintain & improve the quality of equity investment portfolio for NBP that provides attractive, long-term sustainable returns in terms of dividend income as well as capital gains.

During audit of National Bank of Pakistan (Treasury & Capital Market Groups) for the period 2012 to 2020, it was observed that management made investment in shares of different companies, whose current market value is zero. Thus, shares of 59 companies have been gradually declined to zero. Therefore, bank had to sustain loss of Rs 215.027 million due to imprudent investment.

Audit was of the view that the management made an imprudent investment in pointed out shares and required market search was not made at the time of dealing / transaction, resulting into loss of Rs 215.027 million needs justification.

The matter was reported to the management in January, 2022. The management replied that the shares of the above mentioned quoted companies were received as part of the settlement from NIT according to decision of MoF to redeem investments in NIT (LOC) and distribute assets. Audit was of the view

that no market search was made at the time of dealing / transaction, resulting into loss of Rs. 215.027 million.

Audit recommends to fix responsibility on the person (s) responsible for imprudent investment, and strategy may be adopted to dispose of the above shares at minimum loss.

6.2.4.132 Non-assigning of limits to brokers- Rs. 28.698 million

According to Credit Management Division (CMD) Policy and Procedure limits should be allocated to a broker keeping in view following aspects of the broker.

1. Credit History, 2. Capital Base, 3. Market Standing, 4. Quality of Research, 5. Trade Support, 6. Broker Management.

During audit of National Bank of Pakistan (Treasury & Capital Market Groups) for the period 2012 to 2020, it was observed that certain brokers are enlisted with the bank to deal with debt/equity instruments for bank. However, it was observed that no limit was assigned to brokers According to requirements of Credit Management Division (CMD) Policy and Procedure (Annex-59). Thus, 65.61% to 82.72% commission was paid to only 10 brokers while only 17.28 % to 34.39 % commission was paid to rest of the brokers. This indicated that the management has not maintained the limit for brokers according to requirement of above mentioned policy.

Audit was of the view that the management failed to maintain justice among the dealers by not assigning limits for dealers.

The matter was reported to the management in January, 2022. The management replied that the transactions pertaining to equity market does not carry any credit risk or settlement risk hence, does not fall under the ambit of Credit Management Division limit assignment.

Audit recommended assigning limit to the brokers according to requirement of above policy.

6.2.4.133 Loss due to shortfall in Cash Reserve Ratio and penalty imposed by SBP- Rs. 21.987 million

According to Section 36 (1) of SBP Act, 1956 banks are required to maintain CRR at the rate of 5% of the time and deposit liabilities failing of which result in regulators punitive action.

During audit of National Bank of Pakistan (Treasury & Capital Market Groups) for the period 2012 to 2020, it was observed that management failed to maintain CRR during the period 2012 to 2020. Because of such shortfall SBP imposed penalty on NBP. It is evident from the above position that the management has failed to maintain Cash Reserve Ratio (CRR) of 5% according to requirement of the SBP Rule thus cause imposition of penalty by SBP.

Audit was of the view that management should formulate strong controls to ensure the maintenance of CRR according to requirement of SBP Rule. However, penalty amount of Rs. 21.987 million due to non-maintenance of CRR required justifications.

The matter was reported to the management in January, 2022. The management replied that TCMG maintained the CRR According to the requirements however the breaches occurred due to non-reporting/misreporting of cash flows by the branches.

Audit recommended adopted remedial measures to avoid such penalties in future.

6.2.4.134 Loss due to non-depositing of income tax within due date – Rs. 9.347 million

Section 137 (1) of Part-IV on “Due date of payment of tax” “Collection and recovery of tax” provides, “the tax payable by the taxpayer on the taxable income of the tax payer for the tax year shall be due on the due date for furnishing the tax payer’s return of income tax for that year”.

During audit of National Bank of Pakistan (Treasury & Capital Market Groups) for the period 2012 to 2020, it was observed that the management paid Rs 9.34 million as delayed tax return during the period 2012 to 2014.

Audit was of the view that non-deposition of income tax into the government treasury within the specified time According to rules of income tax

ordinance is not only violation of the same but showed the negligence and mis-management.

The matter was reported to the management in January, 2022. The management replied that AGP team to share details for this observation and highlight the event from which this observation was extracted. Audit was of the view that management paid compensation on delayed tax refunds during the year 2012,2013 and 2014 of Rs. 3,423,028/-, Rs. 1,668,558/- and Rs. 4,255,240/- respectively. (Total Rs 9,346,826/-)

Audit recommends to fix responsibility on the person (s) responsible for late deposit of income tax.

6.2.4.135 Imprudent investment in quoted / un-quoted shares having zero / less than par value

Section 4.1(a) of Equity Investment Objectives of NBP Treasury & Capital Markets Group Policy states, the main objective of Equity Markets Division (EMD) is to build, maintain & improve the quality of equity investment portfolio for NBP that provides attractive, long-term sustainable returns in terms of dividend income as well as capital gains.

During audit of National Bank of Pakistan (Treasury & Capital Market Groups) for the period 2012 to 2020, it was observed that management made following investment in quoted/un-quoted of 7.949 million and 19.470 million shares (total 27.419 million) of different companies, whose current book value is either zero or less than par. Further, scrutiny of the record revealed that these shares have been revoked by Central Depository Company (CDC) (Annex-60). Thus, the shares have been revoked by CDC and the bank is likely to sustain loss on above investment. Further no information was provided that 7.948 million shares and 19.470 million shares were purchased at what price to determine actual loss.

Audit was of the view that the management made an imprudent investment in above shares by not disposing off the above shares in time to avoid huge losses. Had the management disposed of above shares in time the management could have get better opportunity to have capital gain.

The matter was reported to the management in January, 2022. The management replied that NBP had not directly invested in the above mentioned unquoted companies.

Audit recommends disposing of above shares in prudent manner to avoid further loss in future and fix responsibility on the person (s) responsible for imprudent investment.

6.2.4.136 Loss due to increase in negative balances of net mark-up/return/profit – Rs. 61,677.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules 2013 states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules.

During audit of Retail Banking Group (RBG), NBP Head Office, Karachi for the years 2012-2020, it was observed that management disclosed the negative balance of net mark-up/return/profit of Rs 21,960 million since 2018 for the financial year 2017 which increases continuously Rs 26,863 during 2018 and Rs 83,638 million during 2019 due to increase in negative balances management sustained loss of Rs 61,677 million (Rs 21,960 million – Rs 83,638 million)

Audit was of the view that management sustained a loss of Rs 61,667 million by disclosing negative balance of net mark-up/return/profit in 2018 accounts which was not disclosed before either in 2017 accounts or for the 2012 to 2016 accounts.

The matter was reported to the management in August, 2022. The management stated that the negative balances represent, the Net Markup Income/Expense for the entire business. In other words, it is the Markup income on Advances, netted off with the Markup Expense on the Deposits. In the case of Retail Banking, since the Deposits are significantly higher compared to Advances, the Markup Expense on Deposits is resultantly a much higher amount than the Markup Income on Advances therefore the Net Markup Income/Expense is a negative/Expense figure as a result. The reply of the management was not tenable because management failed to provide IFRS standards, breakup of net

mark-up/return/profit/ Markup Expense on Deposits/ Markup Income on Advances/ policy rate impact and no evidence for non-disclosing of same in accounts of 2012 to 2017 were provided to audit.

Audit needs justification for losses sustained by abruptly disclosing negative balance of net mark-up/return/profit since 2018 accounts with supporting and year wise breakup/working of balances.

6.2.4.137 Abnormal decrease in other assets – Rs. 43,319.000 million

Rule 4 (3) of Public Sector companies (Corporate Governance) Rules 2013 states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules.

During audit of Retail Banking Group (RBG), NBP Head Office, Karachi for the years 2012-2020, it was observed Others in Assets category of Rs 67,781 million since 2018 for the financial year 2017 which decreased to Rs 24,462 million during the year 2020. Details are as below:

(Rs. in million)		Decrease %
Year	Others Assets	
2020	24,462	(10)
2019	27,252	(3)
2018	28,212	(58)
2017	67,781	
Dec	-43,319	
%	-64	
<i>(Source: National Bank of Pakistan)</i>		

Audit was of the view that financial accounts reflected abnormal decrease in Others of Rs 24,462 million by disclosing in 2018 accounts which was not disclosed before either in 2017 accounts or for the 2012 to 2016 accounts.

The matter was reported to the management in August, 2022. The management stated that the SBP had revised the format of Financial Statement, wherein the format of “Segment detail with respect of business activities” was also revised along with this. Therefore, 2017 figures were also restated According to the new Segments and for better presentation of the financial statement. The reporting was strictly According to the SBP new format wherein “Others”

includes Operating Fixed Assets, Deferred Tax Assets, Intangibles, right to use Assets and Other Assets. Further, figure reported in 2017 represents “Others” pertaining to Commercial & Retail Banking Group (CRBG) whereas, in 2020, CRBG was already bifurcated into RBG & IDG. The reply of the management was not tenable because management failed to provide IFRS standards, breakup & working of other assets.

Audit needs justification for decrease in Others (Assets) by abruptly disclosing it since 2018 accounts with supporting and year wise breakup/working of balances.

6.2.4.138 Loss due to decrease in total income – Rs. 14,233 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules 2013 states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules.

During audit of Retail Banking Group (RBG), NBP Head Office, Karachi for the years 2012-2020, it was observed that management earned total income of Rs 78,624 million during 2019 and Rs 64,391 million during 2020 due to decrease in total income during 2020 management sustained a loss of Rs 14,233 million. Details are as below:

(Rs. in million)	
Year	Total income
2020	64,391
2019	78,624
Loss	14,233
%	18
<i>(Source: National Bank of Pakistan)</i>	

Audit was of the view that management sustained a loss of Rs 14,233 million due to decrease in total income during the year 2020.

The matter was reported to the management in August, 2022. The management stated that the 2020 Revenues, are showing a reduction of Rs 14.2Bn Vs 2019. The major reason for this decline in both expenses and intersegment income streams is owing to the SBP policy rate which were declined by 625 basis

points during 2020 which led to lower profit rates on remunerative deposits and lower returns on investments in government securities, hence the lower than previous year Net Interest Income as a result. The reply of the management was not tenable because management failed to provide IFRS standards, breakup & working of profit rates on remunerative deposits and lower returns on investments in government securities, lower than previous year Net Interest Income.

Audit needs justification for losses sustained along with supporting and year wise breakup/working of balances.

6.2.4.139 Loss due to decrease in Profit Before Tax - Rs 13,102 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules 2013 states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules.

During audit of Retail Banking Group (RBG), NBP Head Office, Karachi for the years 2012-2020, it was observed that management earned total Profit Before Tax was Rs. 48,219 million during 2019 and Rs. 35,117 million during 2020 due to decrease in Profit Before Tax during 2020 management sustained a loss of Rs. 13,102 million. Details are as below:

(Rs. in million)	
Year	Profit before tax
2020	35,117
2019	48,219
Loss	13,102
%	27
<i>(Source: National Bank of Pakistan)</i>	

Audit was of the view that management sustained a loss of Rs 13,102 million due to decrease in Profit Before Tax during the year 2020.

The matter was reported to the management in August, 2022. The management stated that the 2020 financial results are showing a reduction of Rs 13Bn Vs 2019. The major reason for this decline is owing to the SBP policy rate declined by 625 basis points during 2020 which led to lower profit rates on

remunerative deposits and lower returns on investments in government securities, hence the lower than previous year Net Interest Income and resultantly, the same impact reflected in lower Profit before tax for the year. The reply of the management was not tenable because management failed to provide IFRS standards, breakup & working of profit rates on remunerative deposits and lower returns on investments in government securities, lower than previous year Net Interest Income.

Audit needs justification for losses sustained along with supporting and year wise breakup/working of balances.

6.2.4.140 Non-recovery of NPLs against advance salary despite having direct debit system – Rs. 2,347.15 million

According to Policy for product of Advance Salary, repayment under this scheme is only by direct debit of the Salary Account (through direct debit system) i.e. the facility will be repaid from the employee's salary each month or any other method as advised by the bank. Moreover, the Branch Manager shall be personally responsible for deduction of installment from the salary of the borrower. If the installment is not recovered and borrower is allowed to draw full salary, the disciplinary action would be initiated against the delinquent.

During audit of National Bank of Pakistan (NBP) Head Office (Retail Banking Group) for the years 2012-2020, it was observed that management failed to recover non-performing loans of Rs. 2,347.15 million against advance salary. Moreover, Days Past Dues (DPDs) against said NPLs range between 90 days to 15 years. Eligible person for loan against Advance salary include permanent employees of the Federal/Provincial government, semi government & autonomous bodies receiving salaries through NBP. Eligible person must have salary account maintained with NBP. Moreover, repayment under this scheme is only by direct debit of the Salary Account (through direct debit system). Detail of NPLs against Advance salary is as follows:

(Rs. in million)					
NPLs	#of accounts	Amount	NPLs	#of accounts	Amount
Sub-standard	591	207.1	Loss	13,789	2,140.05
Total				14,380	2,347.15
<i>(Source: National Bank of Pakistan)</i>					

Audit was of the view that non-recovery of NPLs against Advance salary despite being sanctioned to permanent employees and having direct debit system depicted internal control weakness.

The matter was reported to the management in August, 2022. The management in its reply stated that Advance salary is a star product of NBP, where over the last several years the overall NPL ratio of the product, has remained around 2.3% in contrast to the Industry average NPL ratio in personal loan products as over 8.0%. NPL in this product is mainly because of external factors beyond the bank's control, however our branches / regions are regularly following up and tracing the defaulted borrowers and do make recoveries even if it is in some cases with a little delay. The reply submitted by management was not tenable as it failed to justify non-recovery of NPLs against Advance salary despite being sanctioned to permanent employees.

Audit recommends prompt recovery of NPLs and fix of responsibility on person (s) at fault.

6.2.4.141 Loss due to non-recovery of NPLs against house financing despite lapse of considerable time – Rs. 765.477 million

Section 15(4) of Financial Institutions (Recovery of Finance) Ordinance, 2001, states that where a mortgager fails to pay the amount and after the due date given in the final notice has expired, the financial institution may, without the intervention of any Court, sell the mortgaged property or any part thereof by public auction and appropriate' the proceeds thereof towards total or partial satisfaction of the outstanding mortgage money.

During audit of National Bank of Pakistan (NBP) Head Office (Retail Banking Group) for the years 2012-2020, it was observed that management did not recover non-performing loans of Rs. 839.729 million against house financing scheme "Saibaan". While scrutinizing the Non-Performing Loans (NPLs) thoroughly, it was observed that customers defaulted for Rs. 765.477 Million under loss category According to State Bank's Prudential Regulations for house building financing, while constituting 91% of total NPLs against Saibaan scheme. Whereas, management failed to recover NPLs despite lapse of considerable amount. Detail of NPLs against Saibaan According to SBP PR is as follows:

(Rs. in million)					
Category	DPDs	Amounts	Category	DPDs	Amounts
OAEM	1-180 days	24.146	Doubtful	01 year- 02 years	22.943
Sub-standard	181 days - One year	27.163	Loss	More than two years	765.477
Total					839.729
<i>(Source: National Bank of Pakistan)</i>					

Audit was of the view that non-recovery of loans showed poor financial management and weak internal controls.

The matter was reported to the management in August, 2022. The management in its reply stated that 175 cases are in Courts under proceedings while out of 85 remaining cases/loans, outstanding amount of 71 individual cases/Loans are below or equal to 2.00 million, therefore, filing recovery suits are not feasible vis-à-vis expenses to be incurred. The more prudent course of action is to file a recovery suit under FIRO, obtain a court decree and attach the auction the mortgaged property through the court. The reply of management was not tenable as it failed to justify non-recovery of loans despite lapse of significant time.

Audit recommends prompt recovery of loans through cash receipts or sale of mortgaged properties through public auction and responsibility be fixed on person at fault for non-recovery.

6.2.4.142 Non-compliance of regulations resulting in penalties - Rs. 463.398 million

During audit of National Bank of Pakistan (NBP) Head Office (Retail Banking Group) for the years 2012-2020, it was observed that regulators had imposed various penalties on local and foreign branches of NBP due to violation of rules and regulations. Additionally, it was observed that management paid Rs. 463.398 million as penalties for violation of SBP Prudential Regulations (PRs). Audit requisitioned the related data of penalties imposed by regulators, however, no data was provided. Detail of penalties is as follows:

(Rs. in million)			
S#	Detail	Amount	Amount
		2020	2019
1	Penalties imposed by SBP	310,588	141,015
2	Penalties imposed by other regulatory bodies (on foreign branch)	4,719	7,076
	Total	315,307	148,091

Grand Total	463.398
<i>(Source: National Bank of Pakistan)</i>	

Audit was of the view that imposition of penalties by regulators due to violation of rules and regulations tantamount to management failure to compliance thereof. Hence, audit considers payment of penalties of Rs. 463.398 million as loss.

The matter was reported to the management in August, 2022. The management in its reply stated that penalties were imposed by the SBP post onsite inspections and off site reviews of the bank and were also levied on other banks in the industry from time to time. Moreover, observations raised by the regulator during their reviews did not relate to any major breaches, but on day to day operations of the bank. The reply of management was not tenable as it failed to justify imposition of penalties by regulators due to violation of rules and regulations.

Audit recommends strict compliance of rules and regulations of SBP and other regulatory bodies and fix responsibility on person at fault for such violation.

6.2.4.143 Non-recovery of NPLs in deceased cases from their retirement/end service benefits – Rs. 356.391 million

Section 6 of Prudential Regulations of SBP states that the banks/DFIs shall develop comprehensive recovery procedures for the delinquent consumer financing facilities. The recovery procedures may vary from product to product. However, distinct and objective triggers should be prescribed for taking pre-planned enforcement/recovery measures. Policy for Advance against Salary stipulates that in case of death of customer, the department should be contacted to adjust the finance account from the retirement/end service benefits of the borrower.

During audit of National Bank of Pakistan (NBP) Head Office (Retail Banking Group) for the years 2012-2020, it was observed that non-performing loans due to death of borrowers was on increasing trend. Moreover, it was noted that management had neither adjusted outstanding of loans through retirement/end service benefits of borrower nor developed any risk transfer

mechanism to safeguard banks funds. Detail of NPLs against deceased cases during last five years is as follows:

(Rs. in million)						
Year	Total NPLs	NPLs of deceased cases	Deceased (%share in NPL)	Total number of NPLs	No of NPLs of deceased cases	Deceased (%share in NPL)
2020	76.062	34.224	45	119	52	44
2019	305.883	109.804	36	614	212	34
2018	312.317	99.055	32	724	235	32
2017	218.005	72.392	33	628	206	33
2016	187.777	40.916	22	752	175	23
Total	1,100.04	356.391		2,837	880	

(Source: National Bank of Pakistan)

Audit was of the view that management's failure to recover and adjust outstanding loans against retirement/end service benefits against deceased NPL cases, depicted absence of risk transfer mechanism and internal control weakness.

The matter was reported to the management in August, 2022. The management in its reply stated that the policy of effecting recoveries against defaults of the deceased borrowers through their end service benefits is in place, nevertheless the bank is facing a challenge from a legal perspective to make the adjustment/settlement of outstanding/defaulted loans from the proceeds of end service benefits. Moreover, RBG has developed a write-off policy for widows/orphans of the deceased borrowers (including existing deceased borrowers) which was approved by the bank's Board of Directors, in the year 2018 with an eligibility criterion. Furthermore, most of such deceased accounts pertain to legacy portfolio and the field functionaries are facing difficulties in tracing their legal heirs as well, even if traced and pursued, the heirs are not cooperating in completing the requisite formalities mandatory to write-off such loans. The reply of management was not tenable as it failed to justify failure to recover and adjust outstanding loans against retirement/end service benefits against deceased NPL cases.

Audit recommends prompt recovery and vigilant review of risk transfer mechanism to safeguard bank's interest against rising NPLs under deceased cases and fix responsibility on person (s) at fault.

6.2.4.144 Cash shortage at ATMs – Rs. 355.000 million

According to Rule 5 (1) of Public Sector Companies (Corporate Governance) Rules, 2013, the directors of a Board shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly

exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of National Bank of Pakistan (NBP) Head Office (Retail Banking Group) for the years 2012-2020, it was observed that cash amounting to Rs. 355 million was short at ATMs of the Bank throughout the country. Moreover, it was further observed that out of 1,113 cash unbalanced ATMs, only 44 ATMs were balanced with general ledgers till Oct, 2020, leaving remaining 1,069 ATMs unbalanced. It is pertinent to mention here that ATM cash balancing is serious issue and may lead to significant frauds in ATM's underlying balances. Moreover, management had not created any provision for said operational loss in the financial statement of the Bank.

Audit was of the view that non balancing of cash in ATMs with respective General Ledgers timely has resulted in cash shortage of Rs. 355 million in ATMs and may lead to frauds.

The matter was reported to the management in August, 2022. The management in its reply stated that previously the bank's ATMs, were operating through a system, wherein the settlement was not executed on a real-time basis up to May 22, 2021. Due to lag in flow of transactions, differences in ATM physical Cash and SAP GL did appear. To address this problem, LORO was introduced by the Bank in the month of May 2021 which enabled a real-time settlement of ATM's transactions. Due to ongoing balancing efforts, unbalanced amount had been reduced to Rs. 305.6 million. The reply was not tenable as it failed to justify non balancing of cash in ATMs with respective General Ledgers timely which resulted in cash shortage. Moreover, still Rs. 305.6 million is unbalanced.

Audit recommends that management should strenuous efforts to balance the cash in remaining unbalanced ATMs with respective GLs promptly and fix the responsibility on person (s) at fault.

6.2.4.145 Non recovery of NPLs under Cash N Gold loans – Rs. 310.318 million

Section 16.1 of Cash N Gold policy states that on completion of 15 days after the issuance of 3rd & final notice, Public Auction Notice intimating the date of auction must be sent to the borrowers with its public announcement in at least

two local prominent newspapers (one English/local language & second Urdu) within 7 days with auction date not later than 15 days of the service of notice. In case of lump sum repayment, the maximum time period allowed from expiry of the loan up to auction of the Gold ornaments is 66 days and in case of staggered repayment schedules, the maximum time period allowed from first default of Principal or Markup installment up to auction of the Gold ornaments is 81 days.

During audit of National Bank of Pakistan (NBP) Head Office (Retail Banking Group) for the years 2012-2020, it was observed that management failed to recover NPLs under “Cash n Gold” product amounting to Rs. 310.318 million despite lapse of considerable time of one year. It is pertinent to mention that said loans were secured through pledge of gold, hence, management failed to recover NPLs through auction process of pledged gold. Following is the aging of NPLs of gold loans:

(Rs. in million)		
Ageing of DPDs	Number of accounts	Amount of NPL
Less than one year	284	71.254
1-3 years	257	41.942
3 -5 years	603	74.868
5 years and above	1,546	193.508
Grand Total	2,690	381.572
<i>(Source: National Bank of Pakistan)</i>		

Audit was of the view that management’s failure to recover NPLs of gold loans amounting to Rs. 310.318 million through auction of pledged gold has resulted in loss of Bank.

The matter was reported to the management in August, 2022. The management in its reply stated that although the NBP Cash n Gold is a secured product but normal losses in every product are inherent and unavoidable. Nevertheless, owing to the concerted efforts of RBG’s Team, both in the field and HO, the infection in Cash n Gold is 1.5% as of 25-01-2022 which is considerably below the NPLs of personal loans in the industry. Moreover, efforts for recovery are being made by management. The reply submitted by management is insufficient as it failed to justify failure to recover NPLs of gold loans amounting to Rs. 310.318 million through auction of pledged gold.

Audit recommends prompt recovery of NPLs besides fix responsibility on person (s) at fault.

6.2.4.146 Non-recovery of over-assessed gold loans – Rs. 146.252 million

According to Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, responsibilities of Chief Executive 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.

During audit of National Bank of Pakistan (NBP) Head Office (Retail Banking Group) for the years 2012-2020, it was observed that management failed to recover an amount of Rs. 146.252 million from over assessed cases of gold loans. The management irregularly over assessed the value of gold in granting loans against the pledge of gold. Detail of non-recovery of over assessed gold loans of various regions is as follows:

(Amount in Rs.)				
S#	Region Name	Amount	Recovery / Regularization by Region	Remaining
1	Sahiwal	(52,661,544)	7,654,544	(45,007,000)
2	DG Khan	(119,736,988)	75,333,337	(44,403,651)
3	Multan	(136,543,662)	94,853,000	(41,690,662)
4	Vehari	(61,456,360)	47,882,032	(13,574,328)
5	Hyderabad	(3,529,899)	2,787,399	(742,500)
6	Bahawalpur	(38,451,775)	37,804,575	(647,200)
7	Peshawar	(1,162,428)	1,039,428	(123,000)
8	Lahore Central	(3,449,001)	3,385,355	(63,646)
	Total	(514,462,969)	368,209,982	(146,251,987)

(Source: National Bank of Pakistan)

Audit was of the view that management failed to recover amount of Rs. 146.252 million from over assessed cases of gold loans.

The matter was reported to the management in August, 2022. The management in its reply stated that most of the cases of over-assessment are Fraud related and/are under inquiry at FIA or under litigation (against both i.e. bank's officials as well as Shroff responsible for overassessment), therefore recoveries in these cases are slow with a strong dependency on the court of law's decisions. Based on inquiry conducted at bank level, the officials that were

criminally involved had been dismissed / terminated from bank's services whereas responsible Shroff were delisted from bank's approved panel. The reply of management was not tenable as Rs. 146.252 million is yet to be recovered.

Audit recommends prompt recovery of outstanding loans and fix responsibility on person (s) at fault.

6.2.4.147 Non-achievement of targets of new account opening

According to Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, responsibilities of Chief Executive 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.

During audit of National Bank of Pakistan (NBP) Head Office (Retail Banking Group) for the years 2012-2020, it was observed that the Retail Banking Group was not meeting targets related to opening of new bank accounts continuously. Analysing the monthly data of new account opening for last three years, it was observed that management branch management failed to attract new customers by not achieving almost 50% of their desired targets of new account opening continuously. Detail of targets and achievements there against are as follows:

Description	2018	2019	2,020
Target (in No of accounts)	461,343	615,982	361,872
Actual	233,951	326,281	314,834
Non-achievement	227,392	289,701	47,038
% of Non-achievement	49.3	47.0	13.0
<i>(Source: National Bank of Pakistan)</i>			

Audit was of the view that branch has not utilized their human resources efficiently to achieve desired targets, resultantly the poor performance in new account opening was observed.

The matter was reported to the management in August, 2022. The management in its reply stated that concrete efforts, like Introduction of GM Layer and Regional Executives (RE), Creation of Institutional Sales Division, Hiring of Relationship Managers and assigning of Monthly Performance

Indicators, are being taken to move the branches and their Control Leads towards utilization of their full potential. The reply submitted by management was not tenable almost 50% of the targets were not achieved even after management's effort.

Audit recommends justification of the matter.

6.2.4.148 Unjustified maintenance of huge number of dormant accounts

Section 8 of AML guidelines for risk based approach issued by SBP states that Regulated Entities (REs) should take steps to ensure that AML/ CFT controls (preventive measures) are adhered to and are effective. To this end, their AML/ CFT controls (preventive measures) should be monitored on an ongoing basis for ensuring timely remedial measures. In this regard, the entity's standardized report/MIS on the ML/ TF/ PF risks posed to the entity and the effectiveness of available AML / CFT controls (preventive measures) is required to be submitted to the Board/ relevant Board sub-committee assigned by Board on periodical basis, preferably on quarterly basis.

During audit of National Bank of Pakistan (NBP) Head Office (Retail Banking Group) for the years 2012-2020, it was observed from branch-wise deposit summary that total dormant or in-operative accounts maintained in the bank constituted to around 44% of total accounts. Total dormant accounts contained an amount of Rs. 162,758.373 million. It is pertinent to mention here that a dormant account is vulnerable to fraud, easy targets for phishing scams and an open invitation for hackers. Such accounts are prone to be misused. Audit requisitioned the complete detail of dormant accounts with ageing and actions taken by management, however, related data was not provided. Detail of accounts According to branch wise deposit summary till year 2020 is as follows:

Description	Number of accounts	% of total accounts
Total Operative accounts	3,884,837	55.6
Total dormant accounts	3,035,243	43.5
Total unclaimed accounts	62,357	0.9
Total accounts	6,982,437	
<i>(Source: National Bank of Pakistan)</i>		

Audit was of the view that maintenance of huge number of dormant accounts by management may expose the Bank to significant risks of fraud, legal and reputational risk.

The matter was reported to the management in August, 2022. The management in its reply stated that in order to address the associated risks of misuse in dormant account's activation, the bank have issued instruction circulars, wherein employees were advised to follow procedures. Resultantly, the dormant accounts ratio reduced to 39.4% in 2021 from 43.5% in 2020. The reply was not tenable as it failed to justify maintenance of huge number of dormant accounts.

Audit recommends that management should take corrective measures in response to threat of maintaining dormant accounts and fix responsibility on person (s) at fault.

6.2.4.149 Un-justified decreases in different head of accounts

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules 2013 states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules.

During audit of Retail Banking Group (RBG), NBP Head Office, Karachi for the years 2012-2020, it was observed that different accounts figures reflected that actual balances was Rs 3,028,505 million during 2019 and actual balances same head of accounts was Rs 2,287,496 million which showed decreases of Rs 741,009 million during the year 2020.

Audit was of the view that NBP different accounts showed decreases of Rs 741,009 million during 2020.

The matter was reported to the management in August, 2022. The management stated that the Performance of RBG, as a group is adjudged on the basis of targets assigned by the BOD. In all of the above years, the targets by the board have not only been met, but rather have been far exceeded and excelled, with the exception of one year, where it was short by less than 2%. The reply of the management was not tenable because it failed to justify decreases of Rs 741,009 million during the year 2020.

Audit requires justification for decreases in different head of accounts along with branch and head wise breakup and supporting documents.

6.2.4.150 Non-achievement of targets of new account opening

According to Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, responsibilities of Chief Executive 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.

During audit of National Bank of Pakistan (NBP) Head Office (Retail Banking Group) for the years 2012-2020, it was observed that the Retail Banking Group was not meeting targets related to opening of new bank accounts continuously. Analyzing the monthly data of new account opening for last three years, it was observed that management branch management failed to attract new customers by not achieving almost 50% of their desired targets of new account opening continuously. Detail of targets and achievements there against are as follows:

Description	2018	2019	2,020
Target (in No of accounts)	461,343	615,982	361,872
Actual	233,951	326,281	314,834
Non-achievement	227,392	289,701	47,038
% of Non-achievement	49.3	47.0	13.0
<i>(Source: National Bank of Pakistan)</i>			

Audit was of the view that branch has not utilized their human resources efficiently to achieve desired targets, resultantly the poor performance in new account opening was observed.

The matter was reported to the management in August, 2022. The management in its reply stated that concrete efforts, like Introduction of GM Layer and Regional Executives (RE), Creation of Institutional Sales Division, Hiring of Relationship Managers and assigning of Monthly Performance Indicators, are being taken to move the branches and their Control Leads towards utilization of their full potential. The reply was not tenable as almost 50% of the targets were not achieved even after management's effort.

Audit recommends to justify the matter.

6.2.4.151 Unjustified restatement of the figures in annual accounts

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. IFRS 9 specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. IFRS 9 requires an entity to recognize a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, an entity measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules.

During audit of Retail Banking Group (RBG), NBP Head Office, Karachi for the years 2012-2020, it was observed that management restated figures in different head of annual accounts for the years 2012 to 2020 in absence of frame work for financial assets, financial liabilities, and some contracts to buy or sell non-financial items, which showed impact of Rs3,342,461 million.

Audit was of the view that NBP management practice of restating amounts has compromised reliability of financial statements as it does not present true picture of bank accounts for the years 2012 to 2020.

The matter was reported to the management in August, 2022. The management stated that the purpose of restatement of any figure is to depict like to like comparison in line with change(s) in the current period for better presentation of the Financial Statement. Secondly, there is no change in the overall Bank's profitability, assets and liabilities. Furthermore, business segment reporting was changed in 2018 and segments appearing on previous formats against prior year (i.e. 2017) were also restated in line with the current period change i.e. Commercial & Retail Banking Group (CRBG). Hence, comparing

previous Retail Segment with CRBG does not make sense. Further, previous reporting format do not consist of balance sheet wise breakup of assets and liabilities whereas new format (specified by SBP) carries such bifurcations. The reply of the management was not tenable because management failed to provide IFRS standards, breakup & working of restatements.

Audit recommends that management justify for basis of restatements in heads of accounts along with evidence in support of the change in policy.

6.2.4.152 Non-achievement of targets

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules 2013 states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules.

During audit of Retail Banking Group (RBG), NBP Head Office, Karachi for the years 2012-2020, it was observed that management set targets of Rs 23,031,609 million for different accounts out of set targets management only achieved targets of Rs 20,964,697 million which were less achieved targets of Rs 2,066,912 million during the years 2012 to 2019.

Audit was of the view that NBP management less achieved of Rs 2,066,912 million targets than the set targets of Rs 23,031,609 million during the years 2012 to 2019.

The matter was reported to the management in August, 2022. The management stated that the target figures used in the findings is the aggregate of target figures assigned to our regions/field, who are usually given more aggressive targets in order to optimize their performance. However, Performance of RBG, as a group is adjudged on the basis of targets assigned by the BOD. In all of the above years, the targets by the board have not only been met, but rather have been far exceeded and excelled, with the exception of one year, where it was short by less than 2%.The reply of the management was not tenable because it failed to justify less achievement of Rs 2,066,912 million targets than the set targets of Rs 23,031,609 million during the years 2012 to 2019.

Audit requires justification for non-achievement of desire targets along with branch and head wise breakup and supporting documents.

6.2.4.153 Decline of growth in different head of accounts

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules 2013, states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules.

During audit of Retail Banking Group (RBG), NBP Head Office, Karachi for the years 2012-2020, it was observed different accounts figures reflected year wise growth was decline from Rs 3,734,900 million to Rs 3,223,329 million during the years 2013 to 2020.

Audit was of the view that NBP different accounts showed year wise decline in growth of Rs 511,571 million during the years 2013 to 2020.

The matter was reported to the management in August, 2022. The management stated that the Performance of RBG, as a group is adjudged on the basis of targets assigned by the BOD. In all of the above years, the targets by the board have not only been met, but rather have been far exceeded and excelled, with the exception of one year, where it was short by less than 2%. The reply of the management was not tenable because it failed to justify year wise decline in growth of Rs 511,571 million during the years 2013 to 2020

Audit requires justification for growth decline in different head of accounts along with branch and head wise breakup and supporting documents.

6.2.4.154 Non-execution /filing of recovery suits by the Bank involving - Rs. 168,103.000 million

According to Centralized Legal Policy, 2016 of Legal Division on “responsibilities of litigation wing in all cases” para (a) states that the litigation wing shall be responsible to nominate suitable counsel out of the list of Panel of Advocates According to Standard operating procedure vide Annexure “A” for preparing, finalizing and filling of suits/petitions/reviews/appeals etc., and / or to defend the same before the courts of competent jurisdiction. (b) states that the

litigation wing after receiving all the documents from the concerned business segments / divisions/ regions shall review the documents According to filling requirements and determination of risk management in the matter shall initiate filling of cases and or defending the same in very structured manner.

During audit of Legal Division, NBP Head Office, Karachi, Financial and Management Audit Report for year 2019 of Legal Division (HO) revealed 2,428 recovery suit cases of litigation involving amounting Rs 109,839 million was lying pending for the want of execution, 5,916 recovery suit cases of litigation involving amounting to Rs. 54,841 million was lying pending for the want of decree and 520 recovery suit cases of litigation involving amounting Rs 3,423 million was decreed in favour of the bank but the management did not file execution, resultantly an amounting to Rs 168,103 million was still lying recoverable since long in various courts of the Pakistan. The aging of suits is given as under:

(Rs in million)							
1 to 5 years old suits		6 to 10 years old Suit		Above 10 years old suits		Total	
No. of Cases	Suit Amount	No. of Cases	Suit Amount	No. of Cases	Suit Amount	No. of Cases	Suit Amount
1,201	85,282.154	677	14,441.27	550	10,115.86	2,428	109,839
Non-Execution of recovery suit cases, pending for the want of decree / disposal.							
1,993	12,779.526	2,121	9,878.272	1,802	32,183.124	5,916	54,841
Non - filing of recovery suits despite having decree in favour of Bank							
90	2,214.509	75	238.89	355	969.713	520	3,423
					Total	8,864	168,103
(Source: National Bank of Pakistan)							

This reflected that the management failed to take efforts to recover the huge amount in favour of the Bank. Had the bank pursued the recovery suits well in time with serious efforts, amounting to Rs. 109,839.000 million would have been recovered.

Audit was of the view that the non-perusal of pending cases in the various courts by the bank showed the negligence and weak performance of the legal department.

The matter was reported to the management in August, 2022. The management stated that the delayed results in the cases are due to the inefficiencies of the Legal Justice System, the aging of the cases and other

reasons. For execution, the management stated that the decision to file a recovery suit is not taken by Legal Division. The reply of the management was not satisfactory as the management to cover its inefficiencies in disposing off the huge number cases, wholly blaming the judicial system for its delay which is totally against the stated facts.

Audit recommends that all the pending cases should be followed in organized and structured manner to reduce the litigation portfolio with the focused approach to protect the bank's interest.

6.2.4.155 Pendency of 1198 sine-die court cases - Rs. 26,237.892 million

According to Draft Centralized Legal Policy 2016 of Legal Division on "responsibilities of litigation wing in all cases" para (a) states that the litigation wing shall be responsible to nominate suitable counsel out of the list of Panel of Advocates According to Standard operating procedure vide Annexure "A" for preparing, finalizing and filling of suits/petitions/reviews/appeals etc., and / or to defend the same before the courts of competent jurisdiction. (b) states that the litigation wing after receiving all the documents from the concerned business segments / divisions/ regions shall review the documents According to filling requirements and determination of risk management in the matter shall initiate filling of cases and or defending the same in very structured manner.

During audit of Legal Division, NBP Head Office, Karachi, Financial and Management Audit Report for year 2019 of Legal Division (HO) revealed that 1198 cases involving financial exposure / suit amount of Rs 26,237.892 million with sine die or date in office status for 06 months and above were lying pending in various courts.

Audit was of the view that the legal division failed to pursue the cases vigorously resultantly huge number of the cases were laying pending involving huge amount of Rs. 26,237.892 million.

The matter was reported to the management in August, 2022. The management stated that several cases having weak, forged or defective collateral and untraceable end up getting adjourned sine die by the court. However, the Bank may revive such cases as and when the defaulter is traceable or upon security becoming available to the Bank. The reply of the management is not

satisfactory as the Legal Division failed not only to finalize the sine die cases but also remained unable to trace out the defaulters involved.

Audit recommends that the efforts may be made to pursue the cases to safe guard the bank's interest.

6.2.4.156 Irregular engagement of advocates/counsels resulting in unauthorized payment of legal fees – Rs. 533.322 million

According to NBP Centralized Legal Policy 2016 of Legal Division on “responsibilities of litigation wing in all cases” para (a) states that the litigation wing shall be responsible to nominate suitable counsel out of the list of Panel of Advocates According to Standard operating procedure vide Annexure “A” for preparing, finalizing and filling of suits/petitions/reviews/appeals etc., and / or to defend the same before the courts of competent jurisdiction.

Ministry of Law, Justice & Parliamentary Affairs, Government of Pakistan issued policy/ guidelines for nominations /recommendations for appointment of legal advisors and engagement/placement of advocates on panel of advocates of various departments on June 3rd, 2015 which is reproduced below;

- 1 “...only those recommendations/nominations shall be considered by the “Committee for selection of legal Advisor/Panel Advocates”, which are duly recommended by the concerned Departments/ Organizations / Corporations for the appointment of Legal Advisors in consultation with the attorney General of Pakistan.
- 2 Advocates who have at least 3 years practice as an advocate of High Court and having good reputation / competency would be placed on panel of Advocates of the Departments/Organizations/Corporations as well as Ministry of Law, Justice and human Rights with the approval of the Committee.
- 3 Senior Advocates of Supreme Court with good reputation would be placed on the panel of Advocates on Record (AOR) and their professional fee shall be determined on case to case basis or consolidated fee in identical cases, as the case may be.

During audit of Legal Division, NBP Head Office, Karachi, it was observed that the management appointed / engaged 2,633 numbers of advocates /counsels on her panel list and made the payments amounting to Rs 533.322 million on account of legal fees / professional charges during the period 2012 to 2020. Moreover, it was observed that the management did not adhere the NBP Centralized Legal Policy in nomination of suitable advocates / counsels on panel as no SOPs were followed. The management further informed that there were no such SOPs either drafted or available in black and white to be placed while engaging the counsels. Moreover, no concurrence was obtained from the Ministry of Law, Justice and human Rights in respect of the appointments / engagements of advocates / counsels on its panel.

Audit was of the view that the engagements of the advocates /counsel were made in violation of Draft Centralized Legal Policy 2016 of Legal Division and prescribed policy of the Ministry of Law, Justice and Human Rights that results the legal fees / professional charges paid as unauthorized.

The matter was reported to the management in August, 2022. The management stated that the Policy Document is not applicable to NBP. Hence concurrence of the Ministry of Law & Justice is not required. The reply of the management was not tenable as the organization being the major shareholding of the federal government is liable to abide by the rules, regulations and policies issued by the Federal Government.

Audit recommends to justify the matter and responsibility may be fixed on person (s) at fault.

6.2.4.157 Void engagement of advocates / counsels resulting in un-authorized payment of professional/ legal fees – Rs. 139.314 million

Ministry of Law, Justice & Parliamentary Affairs, Government of Pakistan issued policy/ guidelines for nominations /recommendations for appointment of legal advisors and engagement/placement of advocates on panel of advocates of various departments on June 3rd, 2015 which is reproduced below;

- i. Every Government Department or Semi Government or Public Corporate Body shall seek concurrence of the Law, Justice and Human Rights

Division for engagement of lawyer where professional fee exceeds Rs 300,000/-. In such a case the concerned Department will send a panel of at least three advocates for selection of one of them along with proposed professional fee for approval of the Law, Justice and Human Rights Division. Any failure in doing so will render the engagement of Advocate / Counsel etc, void and no ex-post facto approval will be allowed.

During audit of Legal Division, NBP Head Office, Karachi, it was observed that the management made payments amounting to Rs. 139.314 million to 78 advocates / counsels on her panel on account of professional / legal fees during the year 2020. Furthermore, legal fees payments record for the years 2012 to 2019 was not provided to Audit despite issuance of requisitions and reminder. However, it was observed that the Bank neither sought concurrence of Law, Justice and Human Rights Division for engagement of lawyer where professional fee exceeds Rs 300,000/, nor send a panel of at least three advocates for selection of one of them along with proposed professional fee for approval of the Law, Justice and Human Rights Division. Resultantly, the engagements of the advocates / counsels are held void and the payments are held un-authorized.

Audit was of the view that the management extended un-due favour to the advocates / counsels on its panel in its engagements and made the legal fees payments in violation of the prescribed government policy.

The matter was reported to the management in August, 2022. The management stated that the Policy Document is not applicable to NBP. Hence concurrence of the Ministry of Law & Justice is not required. The reply of the management was not tenable as the organization being the major shareholding of the federal government is liable to abide by rules, regulations and policies issued by the Federal Government time to time.

Audit recommends that the matter may be justified and responsibility may also be fixed on person (s) at fault.

6.2.4.158 Loss due to poor pursuance of court cases resulting in adverse judgements – Rs. 87.500 million

According to draft Centralized Legal Policy, 2016 of Legal Division on “responsibilities of litigation wing in all cases” para (a) states that the litigation

wing shall be responsible to nominate suitable counsel out of the list of Panel of Advocates According to Standard operating procedure vide Annexure “A” for preparing, finalizing and filling of suits/petitions/reviews/appeals etc., and / or to defend the same before the courts of competent jurisdiction.

During audit of Legal Division, NBP Head Office, Karachi, it was observed that the 04 adverse order cases involving amounting Rs 87.50 million were given against the Bank despite bearing the huge cost on account of legal / professional fees of the advocates / counsels on its panel. These cases were filed during the years 2015 and 2017. Due to poor pursuance and irrational nomination of the counsels in the subject cases, the bank lost its cases which resulted into loss amounting Rs 87.50 million. The details are as under:

(Rs. in million)									
S #	Party Name	Case No	Amount involved	Status	S #	Party Name	Case No.	Amount involved	Status
1	M/s Shabar Enterprises Vs M/s NBP and others	1528/2015	14	Adverse Order	3	Saudi Pak Vs NBP	71/2017	23.5	Adverse Order
2	Saudi Pak Vs NBP	72/2017	30	Adverse Order	4	Saudi Pak Vs NBP	70/2014	20	Adverse Order
Total								87.5	
(Source: National Bank of Pakistan)									

Audit was of the view that due to poor performance and irrational nomination of the legal counsels in these particular cases, the Bank received adverse decisions in the cases which resulted into loss amounting Rs 87.50 million to the organization.

The matter was reported to the management in August, 2022. The management stated that the certain cases where the Bank has a weak case (such as Sapico and Shabber Enterprises) are fought on a best efforts basis only and are subject to the final judgment of the courts. The reply of the management was not tenable as due to poor performance and irrational nomination of the legal counsels in these particular cases, the Bank received adverse decisions in the cases which resulted into loss.

Audit recommends that the loss may be justified.

6.2.4.159 Undue favour to legal advocates /counsels by granting 100% advance legal fees – Rs. 30.250 million

Para g (4) of the Centralized Legal Policy of NBP 2016 provides that all fee/ charges in relation to engagement of counsel for his /her professional services shall be paid 50% in advance after filing suit or written statement and in case of defending the case 50% upon assigning the case and rest upon disposal of the case.

During audit of Legal Division, NBP Head Office, Karachi, it was observed that the management paid 100% legal /professional fees in advance to 30 legal advocates / counsels amounting of Rs. 30.250 million in various cases / suits. According to Centralized Legal Policy of NBP 2016, all fee/ charges in relation to engagement of counsel for his /her professional services shall be paid 50% in advance after filing suit or written statement and in case of defending the case 50% upon assigning the case and rest upon disposal of the case. Contrary to this, the management paid 100% legal fees in advance in violation of the above mentioned legal policy.

Audit was of the view that the management extended undue favour to the advocates and made them 100% advance payments on account of legal fees. Resultantly, made violation of the legal policy and made unauthorized payments amounting Rs. 30.250 million.

The matter was reported to the management in August, 2022. The management stated that the reputed and experienced Legal counsels will only take on cases upon payment of 100% of the legal fee. The Centralized Legal Policy allows this on a case by case basis exceptionally. The reply of the management was not tenable as no exceptionality was justified while handing over these cases and allowing 100% payments to the counsels.

Audit recommends that the matter may be justified.

6.2.4.160 Loss due to unjustified transfer of legal cases after advance payments - Rs. 12.280 million

Para g (4) of the NBP Centralized Legal Policy of NBP 2016 provides that all fee/ charges in relation to engagement of counsel for his /her professional services shall be paid 50% in advance after filing suit or written statement and in

case of defending the case 50% upon assigning the case and rest upon disposal of the case.

During audit of Legal Division, NBP Head Office, Karachi, it was observed that the management engaged / appointed the advocates / counsels in following 49 cases and made advance legal fees / payments amounting to Rs. 12.280 million. However, it was observed that the management changed the lawyers in all 49 court cases after the advance legal fees payment to the legal advisors / counsels involving. Moreover, it was observed that in subject cases, legal fees was enhanced to Rs. 24.503 million when transferred to new advocates, showing almost 100% increase in the rates. No proper justification of changing the lawyers in the cases was provided to Audit. Besides, the management did not provide the complete record of the transfer cases and only provided the cases pertaining to Karachi region.

Audit was of the view that the management extended undue favour to the advocates/ counsels and made advance legal fees payments and later on transferred these cases to other legal counsels. This act of the management resulted into loss involving millions of rupees to Government Exchequer.

The matter was reported to the management in August, 2022. The management stated that the Legal Department transfers the cases to the other counsels due to the non prosecution, delayed prosecution of the cases where counsels are jeopardizing the cases. The reply of the management was not tenable as no exceptionality was justified while transferring the cases after allowing 100% payments.

Audit recommends justification of the matter.

6.2.4.161 Unauthorized payment of retainership fee / professional fee – Rs. 10.210 million

According to draft Centralized Legal Policy 2016 of Legal Division on “responsibilities of litigation wing in all cases” para (a) states that the litigation wing shall be responsible to nominate suitable counsel out of the list of Panel of Advocates According to Standard operating procedure vide Annexure “A” for preparing, finalizing and filling of suits/petitions/reviews/appeals etc., and / or to defend the same before the courts of competent jurisdiction.

During audit of Legal Department, NBP Head Office, Karachi, it was observed that the management appointed 5 legal advisors/ consultants on lump sum retainership fee / professional fee for the period of 6 months to one year and entered into contract agreements during the years 2016 to 2020. However, it was observed that out of 5 incumbent's contract agreements, payments were made to three 3 legal counsels on expired agreements and rest of two agreements were renewed with the gap of almost three years. In result of this, payments of retainership fees amounting Rs 10.210 million was made on expired contract agreement. The details are as under:

S#	Name	Designation	Date of Joining	Place of Posting	Period of time	Contract of expiry	Extension date	Fees per month Rs	Exc: Months	Exc: payment Rs
1	Muhammad Ayaz Khan	Litigation Manager	04.12.17	RO Quetta	One Year	03.12.2021	18.11.2021	90,000	35	3,150,000
2	Humaira Cheema	Para-Legal Staff	27.01.20	HO Karachi	Six Months	26.01.2022	15.07.2021	55,000	12	660,000
3	Anjum Altaf	Securities & Property Document-ation Consultant	12.09.17	HO Karachi	One Year	11.09.2020	Nil	150,000	24	3,600,000
4	Syeda Abida Bokhari	Advisor	21.05.19	HO Karachi	Four Months	20.09.2020	Nil	40,000	12	480,000
5	Asmatullah Jan	Litigation Consultant	24.11.16	RO Peshawar	One Year	30.04.2019	Nil	80,000	29	2,320,000
(Source: National Bank of Pakistan)										

Audit was of the view that the management extended undue favour by not only approving the payments of those incumbents whose contracts were already been expired but also made the payments to the counsels whose contracts were extended after the gap of almost 35 months and 12 months. These payments are held un-authorized.

The matter was reported to the management in August, 2022. The management stated that all contracts were valid at the time of payments which were also duly authorized. The reply of the management was not tenable as it is evident from the record that the payments were made without any existence of agreements with the incumbents.

Audit recommends that the matter may be justified.

6.2.4.162 Irregular appointment of Legal Advisors resulting in unauthorized payment of fees – Rs. 2.295 million

Ministry of Law, Justice & Parliamentary Affairs, Government of Pakistan issued policy/ guidelines for nominations /recommendations for appointment of legal advisors and engagement/placement of advocates on panel of advocates of various departments on June 3rd, 2015 which is reproduced below;

- i. “...only those recommendations/nominations shall be considered by the Committee for selection of legal Advisor/Panel Advocates”, which are duly recommended by the concerned Departments/Organizations/Corporations for the appointment of Legal Advisors in consultation with the attorney General of Pakistan.”
- ii. Advocates having at least 7 years practice as Advocate of High Court duly recommended by the Departments/Organizations/Corporations concerned would be considered for their appointment as legal advisors in such Departments/Organizations/Corporations, in consultation with the attorney General for Pakistan, on retainer basis.

During audit of Legal Division, NBP Head Office, Karachi, it was observed that the management appointed M/s Mandiwala and Zafar as legal advisor of the Bank on retainer basis and paid amounting to Rs 2.295 million during the period 2013-2020. However, it was observed that the appointment was made in violation of above mentioned policy of the Ministry of Law, Justice and Human Rights. Resultantly, the appointment of the legal advisor is held irregular and the payments made on account of retainer fee is held unauthorized.

Audit was of the view that the management extended undue favour to M/s Mandiwala and Zafar and appointed as legal advisor without full filling the codal formalities.

The matter was reported to the management in August, 2022. The management stated that NBP functions under the supervision of an independent board of directors and is not subject to any direct or indirect instructions or policies of the Federal Government According to its governing laws and statutes.

The reply of the management was not tenable as the organization also comes under the domain of the Federal Government and its issued directives.

Audit recommends to justify the matter and responsibility may also be fixed on person (s) at fault.

6.2.4.163 Irregular award of contract – Rs. 26,000.000 million

Rule 23 (1) of PPRA states that Procuring agencies shall formulate precise and unambiguous bidding documents that shall be made available to the bidders immediately after the publication of the invitation to bid.

Rule 38B (1) (d) of PPRA, 2004 states that the procuring agency shall consider single bid in goods, works and services if it has financial conformance in terms of rate reasonability: Provided that except unsolicited proposal, in case of pre-qualification proceedings single bid shall not be entertained.

During audit of National Bank of Pakistan (NBP), Logistics Support Group, Karachi for the years 2012 to 2020, it was observed that the management issued Pre-Qualification Notice No. NT-11/07/2018-2 dated 09-Nov-2018 for pre-qualifying suppliers for the procurement of “Document Management System” to perform digital archiving and physical storage of bank records. The Pre-qualification bids were opened on 27-Nov-2018 where in 04 out of 08 participants were disqualified and the remaining four were declared eligible, the management invited the pre-qualified bidders and handed them Request for Proposal (RFP) on May-30, 2019. Later, the management issued a technical bid opening report on July 02, 2019 and declared ASC First Solution Pvt Ltd to be the only firm who participated in technical bidding and subsequently the financial bid of the said firm was opened on 17-Jan-2020. The management approved the proposal of M/s ASC First Solutions on April 28, 2020. However, the evaluation report was not published in accordance with PPRA rules.

Besides, following observations were pointed out in the procurement process:

1. The management declared one firm to be the sole participant and recipient of the award after the pre-qualification process. This casts shadow on the entire procurement process as it is in violation of PPRA rules which calls

for a open competitive bidding so as to ensure maximum possible competition.

2. Cost of the project was not indicated in the tender which led to confusion and later attracted the attention of Transparency International and NAB. According to calculations made by Transparency International the overall cost of project comes to Rs. 26 billion for all 1,450 branches of NBP for five years.
3. Tender file did not contain minutes of the technical and financial committee's meetings.
4. The entire process took over two years to complete which indicates either lack of commitment or deliberate delay to favor a certain company.
5. The reasons of non-participation of other three pre-qualified bidders were not given which points to the unambiguous nature of RFP which may have discouraged their participation and favored a certain firm.
6. Bid of ASC First Solution Pvt. Ltd was extended in violation of PPRA rules.

Audit was of the view that the management extended undue favour in awarding the contract of Document Management System to ASC First Solutions by formulating ambiguous RFP which discouraged other firms to participate in the tender process. Moreover, the absence of the estimated total amount of the contract in the evaluation report showed mal-intent on the part of the management in violation of PPRA rule 2(f).

The matter was reported to the management in August, 2022. The management replied that total eight bidders submitted their proposals out of which four were qualified while only one bidder submitted its proposal and rest of three prospective bidders chose not to submit their bids. The management further stated that it was not possible to determine the exact volume of documents across NBP's franchise consisting of more than 1,500 branches and numerous offices and also estimation of Rs. 26 billion was not correct as the said calculation was frivolously based on a 10-year forecasting as the Bank estimated it to be to approx. Rs. 150 million only; the bid validity of 180 days was extended for further 180 days due to complexity and non-completion of the evaluation process. Audit was of the opinion that the whole exercise showed lack of

competence and indifference on part of the management as they knowingly awarded such huge contract to ASC First Solutions---the sole bidder—which attracted unwanted attention from other parties i.e. TI, NAB etc. The tender should have been re-advertised since only one bidder participated in the original tender. Therefore, the reply is untenable as it does not justify the points raised by audit.

Audit recommends to justify the matter and responsibility may be fixed on person (s) at fault.

6.2.4.164 Irregular award of contract of desktop currency sorting & authentication machine system - Rs. 257.400 million

Rule 48 (2) of PPRA Rules-2004 states that any bidder feeling aggrieved by any act of the procuring agency after the submission of his bid may lodge a written complaint concerning his grievances not later than fifteen days after the announcement of the bid evaluation report under rule 35.

During audit of National Bank of Pakistan (NBP), Logistics Support Group, Karachi for the years 2012 to 2020, it was observed that a tender was floated for Supply, Installation and Maintenance of Desktop Currency Sorting & Authentication Machine System (DCS & AMS). In response, two vendors participated with 02 different Currency Sorting & Authentication Machines (M/s Rayyanco Business Systems with their machine name Hitachi ST-350, Korea) and (M/s House of Business Machines with their machines name Glory, USF-300, Japan). Technical Evaluation on October 10 to 12, 2018 technically rejected to M/s Rayyancom which was informed by management on 30.11.2018 after 18 days after receiving letter M/s Rayyanco submitted its grievance application on 07.12.2018 and the management constituted a Grievance Redressal Committee comprising of cross functional team of Legal division, Compliance Group, Commercial Retail Banking Group, Operations Group and Logistics Support Group. The meeting of the Committee took place on 16.01.2019 which reviewed the grievance application and decided that M/s Rayyanco Business Systems was non-compliant with the technical specifications laid down in RFP. The contract was awarded to M/s House of Rs. 257.400 million.

Audit was of the view that management informed to rejected bidder M/s Rayyanco after 18 days and on the basis the feature(s) which was not mentioned in Request for Proposal (RFP) specifically nor does it is mentioned in SBP Circular and in bidding documents on which technical qualification had to be done. The management extended an undue favor to the successful bidder while awarding the contract.

The matter was reported to the management in August, 2022. The management stated that M/s. Rayyanco Business Systems was rejected by the Technical Evaluation Committee based on features of the product which was clearly required to be met According to the Request for Proposal (RFP). The Technical Evaluation Committee, while testing machines quoted by M/s Rayyanco Business Systems, found that their machines failed to perform According to technical criteria laid out in the RFP. The reply received by the management was not tenable because management informed rejected bidder after 18 days in violation of PPRA rules and without mentioning features in RFP, SBP circular & bidding documents.

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

6.2.4.165 Irregular procurement of sweet water – Rs. 172.557 million

Rule 2 (c) of PPRA 2004, means a procedure leading to the award of a contract whereby all the interested persons, firms, companies or organizations may bid for the contract and includes both national competitive bidding and international competitive bidding;

Rule 12 (2) of PPRA, 2004 states that all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During audit of National Bank of Pakistan (NBP), Logistics Support Group, Karachi for the years 2012 to 2020, it was observed that the management procured potable/sweet water from the single supplier M/s Tariq & Brothers for its Head office and Ex-NDFC Building situated at Tariq road for last ten years at

different rates. The record revealed that the management entered into agreement with the supplier in 2010 for three years. However, it was observed that the management later on extended the contract for further three years up-to 2016 and revised the rates annually without any justification and obtaining the competitive bidding rates through tendering process. Moreover, it was observed that the management, published the tender of sweet water for the years 2017-18 only on its website and failed to do so in newspapers which was again the favour extended to the single same supplier.

It is pertinent to mention here, that the tender was floated for the years 2018-19 and 2019-20, wherein the record revealed that out of five participated bidders, again the same supplier M/s Tariq & Brothers was qualified which raises serious questions on the merit of tendering selection committees in scrutinizing the bidding process. The details are as under:

S#	Name of supplier	Period		Rate per gallon	Per day Gallons (5000x9)	Total cost for the periods	Calculation
		From	To				
1	M/s Tariq & Brothers	2010	2013	0.54	45000	26,244,000	(0.54*45000*1080 days)
2	M/s Tariq & Brothers	2013	2016	0.7	45000	34,020,000	(0.7*45000*1080 days)
3	M/s Tariq & Brothers	2016	2017	0.8	45000	12,960,000	(0.8*45000*360 days)
4	M/s Tariq & Brothers	17-Sep	2018	1.13	45000	15,255,000	(1.13*45000*300 days)
5	M/s Tariq & Brothers	2018	2019	1.65	45000	26,730,000	(1.65*45000*360 days)
6	M/s Tariq & Brothers	2019	2021	1.77	45000	57,348,000	(1.77*45000*720 days)
Total						172,557,000	
<i>(Source: National Bank of Pakistan)</i>							

Audit was of the view that management extended un due favour to the single contractor for last ten years and made irregular procurement of sweet water by extending contract more than 15% of original procurement in violation of PPRA rules, 2004. Besides, purchases were made without obtaining competitive bids for the periods 2013 to 2017 and avoided competitive bidding process.

Besides, it was noted that the management did not obtain 10% performance guarantee from the qualified bidder and received earnest money less than 2% According to tendering document.

The matter was reported to the management in August, 2022. The management stated that the perception that M/s. Tariq Brother was given any favor through its repeat contracts is incorrect as the number of participating bidders has been increasing by the year. The reply was not tenable as it failed to fully justify the irregular award of contract as undue favour was observed wherein the management accommodated M/s Tariq Brothers by making above mentioned irregularities.

Audit recommends that the matter may be justified.

6.2.4.166 Undue favour to technically disqualified bidder– Rs. 87.623 million

Rule 38 (2) of PPRA Rules, 2004 states that the procuring agency shall make a decision with due diligence and in compliance with general principles of procurement like economy, efficiency and value for money.’

Sub-rule (v) of rule 36 on Procedures of open competitive bidding of PPRA 2004 states that the procuring agency shall evaluate the technical proposal in a manner prescribed in advance, without reference to the price and reject any proposal which does not confirm to the specified requirements.

During audit of National Bank of Pakistan (NBP), Logistics Support Group, Karachi for the years 2012 to 2020, it was observed that the management floated tender for printing, stuffing & delivery of statement of account (one window in house solution) on 03.01.2019 with tender opening date of 18.01.2019. Wherein two bidders participated namely M/s Pakistan Post and M/s Leopard Courier Services (LCS) which quoted bid price amounting to Rs 104.475 million and Rs 76.194 million respectively. Resultantly, M/s LCS was awarded the contract for Rs 87.623 million, 15% above the quoted bid price. Moreover, LCS was technically qualified despite observations raised by the technical evaluation committee during evaluation process i.e. not having licensed software’s (ISO27001 standards for security and ISO 9001 for service quality / document security) and absence of 400 owned locations According to requirement of the Bidding documents. Technical bids were opened on 22.01.2019 instead of 18.01.2019 after 04 days of bids submission deadline. No agreement with M/s LSC was found in the file. 10% performance security deposit amounting to Rs. 8.762 million was not obtained from the vendor.

Audit was of the view that the management extended undue favour to bidder M/s LSC and awarded the contract to the technically disqualified bidder at a cost of Rs. 87.623 million in violation of PPRA rules compromising secrecy of the documents and sensitive data of the clients.

The matter was reported to the management in August, 2022. The management in its reply stated that M/s. LCS was technically qualified and had more than 400 own locations at the time of the bid submission thus were awarded the contract According to the Financial Bid submitted by the said company without any escalation in the quoted bid price however 10% Performance Security Deposit was not obtained. The management failed to justify the matter to audit as it is clear from the facts above that the contract was awarded in violation of PPRA rules.

Audit recommends that the matter may be justified.

6.2.4.167 Irregular award of contract of SAP Self Services Modules - Rs. 72.731 million

Rule 30 (2) on Evaluation of bids of PPRA 2004 states, “for the purposes of comparison of bids quoted in different currencies, the price shall be converted into a single currency specified in the bidding documents. The rate of exchange shall be the selling rate, prevailing on the date of opening of bids specified in the bidding documents, as notified by the State Bank of Pakistan on that day.”

During audit of National Bank of Pakistan (NBP), Logistics Support Group, Karachi for the years 2012 to 2020, it was observed that the management floated a tender for the procurement of SAP Self Services Modules (ESS/MSS) on website and published in newspapers with bid opening date of 26.07.2016. Two bidder M/s Abacus Consultancy and M/s Excellence Delivered (EXD) participated in the bidding process. Resultantly, Abacus Consultancy being the lowest bidder was awarded the contract amounting of Rs 72.731 million. The irregularities were observed that bid opening date was 26.07.2016 whereas bid was opened after a delay of 14 days on 09.08.2016, M/s Abacus did not submit his financial bid According to annexure V, Price Schedule of RFP. In spite of rejecting the bid, his quoted price was considered by the Financial Evaluation Committee showing un-due favour, rates of the units was not given by M/s

Abacus According to RFP document issued by NBP whereas units rates were manipulated, evaluation report dated 19.10.2016 revealed that the financial bids submitted by the bidders in US Dollars were converted into Pak Rupees on two different rates i.e. Rs 104 for the M/s Abacus and Rs 106 for M/s EXD instead of applying the rate of exchange, prevailing on the date of opening of bids specified in the bidding documents, as notified by the State Bank of Pakistan on that day, calculations made for the determining the financial bid in Pak rupees by the committee seems illogical whereas correspondence made for clarification for the bid with only one bidder M/s Abacus was un-due favour to him and final evaluation report before award of the contract was not published either on PPRA website or on NBP.

Audit was of the view that the management extended un-due favour bidder by awarding contract in violation of PPRA rules.

The matter was reported to the management in August, 2022. The management stated that the bidders i.e. M/s Abacus and M/s EXD submitted their Financial Bids in both Rs. as well as US\$, and the conversion rate (US\$ to Rs.) was embedded in their respective Financial Bids, NBP did not convert US\$ to Rs. The reply received by the management was not tenable as it failed to fully justify the irregular award of contract as undue favour was observed wherein the management accommodated M/s Abacus by making above mentioned irregularities.

Audit recommends to justify the matter and responsibility may be fixed on person (s) at fault.

6.2.4.168 Irregular award of contract of Security bags for gold ornaments - Rs. 66.456 million

Rule 29 of PPRA Rules, 2004 states that procuring agencies shall formulate an appropriate evaluation criterion listing all the relevant information against which a bid is to be evaluated. Such evaluation criteria shall form an integral part of the bidding documents. Failure to provide for an unambiguous evaluation criteria in the bidding documents shall amount to mis-procurement.

Rule 30(1) of PPRA Rules, 2004 states that all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in

the prescribed bidding documents. Save as provided for in sub-clause (iv) of clause (c) of rule 36 no evaluation criteria shall be used for evaluation of bids that had not been specified in the bidding documents.

Specification for Security Bags requires, Water resistance: 100 Meter and Shelf Life: 06 Year (minimum).

During audit of National Bank of Pakistan (NBP), Logistics Support Group, Karachi for the years 2012 to 2020, it was observed that an advertisement was floated on April 04, 2019 for the procurement of Security Bags for gold ornaments. In response, three companies i.e. M/s Multi Computer Forms, M/s Manazir Traders and M/s Unique Business System participated with different specifications of Security bags. The Cross Functional Team (CFT) consists of various group representatives conducted technical evaluation / test on Security Bags and all the samples of the bidders have distinctive features; therefore, all was considered fit. However, this would be conditional acceptance subject to provision of machine made samples with customized tamper evident seal and other necessary specifications mentioned in Tender / RFP. Heat test would also be applied on the final samples and in case of any variance the bid would be rejected. After conducting, 04 sessions on Technical Evaluation, the 5th session was held on 26-11-2019. Serious variances were observed in seal during the technical valuation that Samples provided by M/s Manazir Trader and M/s Unique Business System: The CFT members observed that after applying heat, the seal of sample could easily be opened without any evidence of tampering on the bag and then it could easily be re-sealed without any prominence of seal tampering. Samples provided by M/s Multi Computer Forms: The CFT members observed that the sample was not opened after applying the heat therefore passed the heat test. However, it was observed that seal was customized According to RFP / Tender Specification.

It is worth mentioning here that User Group highlighted that seal component is the critical requirement therefore, bulk order should only be issued after ensuring the appropriateness of seal i.e. strength of seal (once closed then it should not be re-opened without the indication of tamper evident mark). The same shall also be part of agreement with winning bidder. Laboratory test of all the samples was suggested but was ruled out as it was not a part of tender

documents. The User Group also added that quality of product carries more weight over the cost element given the fact that bags will be used in all branches nationwide for handling of precious gold ornaments. However, despite of all the shortcomings, all the bidders was considered fit on technical point of view According to requirement however, this would be conditional acceptance subject to the provisions of machine made sample with customized tamper evident seal and other required specification mentioned in Tender / RFP. The heat test would be applied on final samples and in case of any variance, the bid would be rejected and tender shall be recalled. Furthermore, Water resistance (which is 100 meter required) and Shelf life (which is 06 years' minimum required) of Security bags was not ascertained by the Technical Evaluation team which is a part of RFP/ Tender documents. Technical evaluation was completed on November 26, 2019 and despite of all the shortcomings / variations mentioned above, all the bidders were declared technically qualified. Financial bids were opened on December 04, 2019 and the contract for the procurement of Security bags was awarded to M/s Manazir Trader valuing Rs. 66.456 million being the lowest bidder.

Audit was of the view that the award of contract to M/s Manazir Trader despite all the shortcomings in the technical evaluation is a serious violation of PPRA Rules-2004. The User Group clearly stated that quality of product carries more weight over the cost element given the fact that bags will be used in all branches nationwide for handling of precious gold ornaments. However, the quality element was totally ignored by the management as the samples were not According to RFP/ Tender documents. The management extended an undue favor to the successful bidder in awarding the contract.

The matter was reported to the management in August, 2022. The management stated that contract was awarded to M/s. Manazir Traders without any shortcoming in the technical valuation. As a matter of fact, all relevant criteria for stress-testing were adequately applied on sample Gold Bags that were provided by various bidders, including color, thickness, inner size, sealing strength, tear resistance, water resistance, seal size and shelf-life. M/s Manazir Trader was awarded contract on the basis of being the lowest evaluated bidder According to PPRA Rule 36(b).The reply received by the management was not tenable as the award of contract to M/s Manazir Trader despite all the

shortcomings in the technical evaluation is a serious violation of PPRA Rules-2004 and the samples were not According to RFP/ Tender documents.

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

6.2.4.169 Loss due to obtaining of higher bids for courier service – Rs. 59.262 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules.

During audit of National Bank of Pakistan (NBP), Logistics Support Group, Karachi for the years 2012 to 2020, it was observed that the Committee considered Joint Memorandum No.69/19 dated 11.02.2019 for approval of printing, stuffing & delivery of statement of accounts (one window in house solution). Management stated that bid price (including all taxes) quoted by M/s Pakistan Post was Rs. 23.213 million while M/s Leopard Courier Services (LCS) quoted Rs. 16.932 million. The quoted bid amounts by the Committee were different from the bids actually obtained from M/s Pakistan Post and M/s LCS which were Rs. 104.475 million & Rs. 76.194 million respectively in the tendering process. Detail of bids are given below:

S #	Description	M/s Leopard (LSC) quoted rates	M/s Pakistan Post quoted rates
1	Quoted price According to Committee	16.932	23.213
2	Quoted price According to bid evaluation	76.194	104.475
	Loss	59.262	

(Source: National Bank of Pakistan)

Audit was of the view that the management sustained loss due to obtaining of 350 % higher bids, a difference of Rs 59.262 million (76.194 - 16.932). Moreover, the management made irregular financial approvals of Rs 89 million in the last year and Rs 87.623 million during 2019 which were higher than the bids stated in Committee Meeting No.69/19 dated 11.02.2019.

The matter was reported to the management in August, 2022, the management in reply stated that amount for taking out the difference is not correct; Rs. 16.932 is the Unit Price, whereas Rs. 76.194 million is the total Bid Price. The reply was not tenable as it does not clearly justify the matter.

Audit required point wise justification for irregular procurement.

6.2.4.170 Irregular award of contract to highest bidder - Rs. 50.895 million

Rule 38 of PPRA, 2004 states that the bidder with the most advantageous bid shall be awarded the procurement contract, within the original or extended period of bid validity.

During audit of National Bank of Pakistan (NBP), Logistics Support Group, Karachi for the years 2012 to 2020, it was observed that a tender was published on 20th July, 2018 for procurement of Currency Bundle Shrink Wrapping Machines (CBSWM) wherein two vendors (M/s Sayeed Intl & M/s House of Business Machines) participated. The technical evaluation and stress testing of the machines were carried out by LSG and Operations group wherein both the vendors qualified. Finally, the financial bids were opened on 14th September, 2018 and the contract was subsequently awarded to M/s House of Business Machines which quoted a price of Rs. 290,000 per unit, whereas the offer of M/s Sayeed Intl was 182,500 per unit. Details are as follows:

(Amount in Rs.)						
S#	Supplier	Qty	Unit Cost	GST	Total Unit Cost	Total Cost of 150 CBSWM
1	M/s House of Business Machines	150	290000	49300	339300	50,895,000
2	M/s Sayeed Intl	150	182500	31025	213525	32,028,750
	Difference					18,866,250
(Source: National Bank of Pakistan)						

Audit was of the view that the management awarded the contract of Currency Bundle Shrink Wrapping Machines (CBSWM) in violation of PPRA rules by awarding the contract to highest bidder M/s House of Business Machines instead of the lowest M/s Sayeed Intl which resulted into a loss of 18.866 million.

The matter was reported to the management in August, 2022. The management replied that no PPRA rule was violated and neither the Bank incurred any monetary loss on award of this tender to M/s. HOBM, as the total bid amount (inclusive of the cost of machines, SLA and taxes) of M/s. HOBM was

Rs. 53,645,250 compared to M/s. Sayeed Intl.'s bid amount of Rs. 53,850,000, thereby rendering HOBM the lowest bidder. Copy of RFP confirming criteria for

financial evaluation with regards to combined cost of machines and SLA. The reply received by the management was not tenable because M/s Sayeed Intl was lowest in cost of machine was Rs. 32.029 million and irregular award of contract to highest bidder in violation of PPRA rules.

Audit recommends to justify the matter and responsibility may be fixed on person (s) at fault.

6.2.4.171 Irregular award of contract for janitorial & cleaning services – Rs. 43.891million

Rule 29 of PPRA Rules, 2004, states that procuring agencies shall formulate an appropriate evaluation criterion listing all the relevant information against which a bid is to be evaluated. Such evaluation criteria shall form an integral part of the bidding documents. Failure to provide for an unambiguous evaluation criterion in the bidding documents shall amount to mis-procurement.

During audit of National Bank of Pakistan (NBP), Logistics Support Group, Karachi for the years 2012 to 2020, it was observed that the management floated tender for the procurement of janitorial and cleaning services for its 37 regional offices located all over Pakistan on 24.11.2019. The date of bids submission was first extended on 07.01.2020 and then again on 28.01.2020 through corrigendum. According to technical evaluation report twenty bidders participated. However, financial evaluation report revealed that out of 27 companies / bidders, 18 were technically qualified. Furthermore, it was observed that out of the 07 members of financial bid opening committee, five members were absent in the meeting including the chairman which raises question on the validity of the committees' decision. Moreover, minutes of the financial evaluation committee revealed that one of its member raised some serious questions on the financial bid evaluation criteria commenting: "incorporating the multiple criteria and financial modalities may lead the Bank to disadvantageous position and in breach of principle process of PPRA." In addition, it was observed that the committee unanimously agreed and accepted a complex criteria and recommended it for approval from the competent authority. The record further revealed that the management opted Criteria "A" against Criteria "B" as mentioned in the bidding documents and awarded the contracts in light of

Financial Bid Evaluation Criteria “A” to 07 qualified bidders at a cost of 43.891 million.

Audit was of the view that the management awarded the contract of janitorial and cleaning services in violation of PPRA rules by adopting ambiguous and complex evaluation criteria and providing un-due favour to the qualified bidders.

The matter was reported to the management in August, 2022. The management replied that proposition for two financial bid evaluation criteria i.e. “A” and “B” was thoroughly discussed with prospective bidders in the Pre-Bid Meeting held on 11-Dec-19, whereby none of the prospective bidders had any ambiguity nor any reservations on such criteria appended in the RFP. Audit was of the opinion that management could not interpret PPRA rules on its own because the rules clearly state that failure to provide for an unambiguous evaluation criterion in the bidding documents shall amount to mis-procurement.

Audit recommends to justify the matter and responsibility may be fixed on person (s) at fault.

6.2.4.172 Irregular/unauthorized award of contract – Rs. 31.565 million

Rule 10(1) of PPRA, 2004 states that the procuring agency shall allow the widest possible competition by defining such specifications that shall not favour any single contractor or supplier nor put others at a disadvantage.

During audit of National Bank of Pakistan (NBP), Logistics Support Group, Karachi for the years 2012 to 2020, Karachi, it was observed that the management issued two separate tenders in June 2016 and January 2019 for Annual operation and Maintenance Contract of 5.2 MW Rating Self Power Generation Plant, NBP Head Office Building, Karachi. In each case only one vendor i.e M/s Descon Power Solutions participated and the contract was awarded to the said vendor for four consecutive years including renewals. The documents provided to audit did not contain copies of tender notices, details of technical and financial evaluation reports and minutes of meetings. Details are as follows:

(Amount in Rs.)					
S#	Supplier	Extension period		Duration	Amount
		From	To		
1	M/s Descon	1/11/2016	31/10/17	(12 Months)	6,983,400
2	M/s Descon (Renewed for one more year)	1/11/2017	31/10/18	(12 Months)	7,682,000
3	M/s Descon	1/2/2019	31/01/20	(12 Months)	8,449,908
4	M/s Descon (Renewed for one more year)	1/2/2020	31/01/2021	(12 Months)	8,449,908
Total					31,565,216
(Source: National Bank of Pakistan)					

Audit was of the view that the management has violated PPRA rules by not allowing widest possible competition.

The matter was reported to the management in August, 2022. The management stated that invitation to Bids and Evaluation Criterion of the two tenders, against which Contract was awarded to M/s. Descon Power Solutions in 2016 and 2019. Only M/s. Descon responded to the Press advertisement of June 2016 but still the bid opening dates were extended thrice from 23-Jun-16 to 11-Aug-16, to allow more firms to participate in the bidding process but no additional firm came to obtain bidding documents. The reply of the management was not tenable because management irregularly engaged M/s Descon for 07 years since 2010 till 2016 and awarded multiple contracts to same contractor till 2021.

Audit recommends justification of the matter.

6.2.4.173 Irregular award of contract - Rs. 31.023 million

Rule 10 (1) of PPRA Rules, 2004 states that the procuring agency shall allow the widest possible competition by defining such specifications that shall not favour any single contractor or supplier nor put others at a disadvantage.

Rule 18 of PPRA Rules, 2004 states that the procuring agency shall disqualify a supplier or contractor if it finds, at any time, that the information submitted by him concerning his qualification as supplier or contractor was false and materially inaccurate or incomplete.

During audit of National Bank of Pakistan (NBP), Logistics Support Group, Karachi for the years 2012 to 2020, it was observed that tender dated 14th

February 2020 was floated for Supply and Installation of ACs for NBP Branches throughout Pakistan. Technical and Financial bids were opened on 18th March 2020 & 28th July 2020, respectively. The contract of 1.5 & 2 ton category was awarded to M/s Greaves and for 4 ton category it was awarded to M/s Pak Electron Pvt Ltd. The irregularities were pointed out that the management declared technically non-compliant in 1, 1.5, 2 and 4 ton category to M/s The Expert in 1 and 1.5 ton category nonetheless it was awarded the contract in 4 ton category to M/s Pak Electron in 1 ton category despite being awarded the contracts of 1.5 & 2 ton categories to M/s Greaves and technically qualified bidder in the 1.5 & 2 ton category providing air condition units of “Euro Air” which was new brand not commonly used in the market. The Member Legal advised Secretary Committee to get attested invoices of the same brand supplied to other banks from the vendor in recent past, however no such action took place. Furthermore, Member Legal dissented with other members and commented “I bear no responsibility for verification of prices”. It seems the contract was awarded without carrying out due diligence as it is obvious from the comments of Member Legal itself.

Audit was of the view that the management extended undue favour by accommodating M/s Greaves & M/s Pak Electron with above mentioned irregularities.

The matter was reported to the management in August, 2022. The management stated that tender for procurement of ACs was published in newspapers, hence called for widest possible open competition to obtain competitive products and prices. Such open competitive bidding was undertaken through PPRA rule 36(b) whereby no PPRA rule was violated in awarding of contract to M/s. Greaves. The reply was not tenable as it failed to fully justify the irregular award of contract as undue favour was observed wherein the management accommodated M/s Greaves & M/s Pak Electron by making above mentioned irregularities.

Audit recommends justification of the matter.

6.2.4.174 Undue favour in award of contract - Rs. 28.184 million

Rule 12 (2) of PPRA Rules, 2004 states that all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During audit of National Bank of Pakistan (NBP), Logistics Support Group, Karachi for the years 2012 to 2020, it was observed that sealed tenders were invited from the Bank's Pre-qualified Stationers/Suppliers for supply of ATM Consumer and Journal Rolls (4 items) vide Tender No. SSD/STY/05.2015/ dated 10th April 2015. Moreover, the tender file did not contain bidding documents of M/s Multi Computers as well as the financial evaluation report duly signed. Also, the copy of tender published on NBP & PPRA websites was missing including the signatures of one of the members of the Purchase Committee. Furthermore, the contract was irregularly split and awarded to two separate firms i.e. M/s Multi Computers & M/s Shanoo Enterprises. The details are as under:

(Amount in Rs.)				
S#	Specification	Quantity (Rolls)	Rate	Amount
M/s Multi Computers				
1.	Diebold ATM Pre-printed Consumer Receipt Rolls	10,000	1333.80	13,338,000
2.	NCR ATM Pre-printed Consumer Receipt Rolls	10,000	1294.61	12,946,050
Total				26,284,050
M/s Shanoo Enterprises				
3.	Diebold ATM Journal Printing Rolls	10,000	88	879,957
4.	NCR ATM Journal Printing Rolls	10,000	102	1,020,006
Total				1,899,963
Grand Total				28,184,013
(Source: National Bank of Pakistan)				

Upon inspection of tender documents, it was revealed that in three instances 1 out of 3 bidders did not submit quotation for a select item and the rates quoted by the remaining two had clear difference. Interestingly M/s Shanoo Enterprises has previously supplied items at S.No 1 but decided to not participate this time.

Audit was of the view that the management extended undue favour in the award of contracts to a single bidders as the items were of similar nature therefore the rates should have been quoted by the bidders as a whole instead of quoting separately for each item.

The matter was reported to the management in August, 2022. The management stated that the contract could not have been awarded to a single bidder since the items were not identical with distinctive specifications for two different makes of ATMs i.e. Diebold and NCR, therefore rates against separate BOQ's were invited. The reply was not tenable as management issued 04 separate BOQs were floated under a single tender to acquire rates for each category of articles having distinctive specifications for two different makes of ATMs in violation of PPRA rules.

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

6.2.4.175 Irregular payment of mobilization advance – Rs. 27.800 million

Clause 60.12 (a) on Mobilization Advance of Conditions of Contract provides that an interest-free Mobilization Advance up to 15% of the Contract Price stated in the Letter of Acceptance shall be paid by the Employer to the Contractor in two equal parts upon submission by the Contractor of a Mobilization Advance Guarantee/Bond for the full amount of the Advance in the specified form from a Scheduled Bank in Pakistan or an insurance company acceptable to the Employer:

During audit of National Bank of Pakistan (NBP), Logistics Support Group, Karachi for the years 2012 to 2020, it was observed that the management paid 20% mobilization advance amounting Rs. 27.080 million to the contractor M/s Al-Imam (Pvt.) Ltd out of total cost of contract amounting to Rs. 139.913 million in work award of interior furnishing and allied works at various floors and auditorium at NBP Building G-5, Islamabad against allowable limit of 15%.

Audit was of the view that the management extended undue favour to the contractor and paid 20% mobilization advance while violating the PEC instructions.

The matter was reported to the management in August, 2022. The management stated that Mobilization advance was awarded According to Contract Agreement (Page-2, Sr. 2 & Annex-II (Mode of payment) and was timely adjusted According to agreement. The reply was not tenable as it failed to fully justify the irregular payment of mobilization advance to M/s Al-Imam (Pvt.) Ltd.

Audit recommends that the matter may be justified.

6.2.4.176 Irregular award of contract through negotiation - Rs. 15.619 million

Rule 09 of PPRA Rules, 2004 states that save as otherwise provided and subject to the regulation made by the Authority, with the prior approval of the Federal Government, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or re-grouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

Rule 31(1) PPRA Rules, 2004 states that no bidder shall be allowed to alter or modify his bid after the bids have been opened.

During audit of National Bank of Pakistan (NBP), Logistics Support Group, Karachi for the years 2012 to 2020, it was observed that an advertisement was floated by the management in September 2014 for the procurement of various Stationery items from pre-qualified suppliers. The details of items are as under:

S#	Particulars	Quantity Required	S#	Particulars	Quantity Required
1	Computer Paper (Size 11*15)	5,000 boxes	4	Paper Size A-4 (80 grams Imported)	5,000 packets
2	File Board (Gata)	5,000 pieces	5	Duplicating Paper (8.5*13.5)	3,000 packets
3	Paper Large (Size 8.5*13.5)	5,000 packets	6	Letter Head with NBP Insignia and Name	1,000 packets
(Source: National Bank of Pakistan)					

In response, seven Suppliers / Stationers participated in the tender for the supply of required six (06) items. Out of which, three suppliers quoted the lowest rates of partial items and the management awarded the contract to three (03) Suppliers on piecemeal basis on negotiation basis for one item from M/s The Times Press (the 2nd lowest bidder) which reduced its price from Rs. 580 to Rs. 569.

Audit was of the view that the contracts of Rs. 15.619 million was awarded on negotiation basis after bid submission in violation of PPRA rules.

The matter was reported to the management in August, 2022. The management stated that Although M/s Paradise Press offered lowest rates for supply of Letter Heads, the company's sister concern (M/s Ismail Traders) delivered inferior quality Letter Heads which was not up to approved standard, Purchase Committee approved negotiation with the 2nd lowest bidder M/s Paradise Press on same rates. The reply received by the management was not tenable as the management's negotiation of price after bid submission with the selected supplier and awarding of contract to various suppliers by splitting up is a clear violation of procurement rules.

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

6.2.4.177 Non-deduction of liquidity damages – Rs. 13.991 million

Clause 47.1 on Amount of Liquidated Damages of PEC Conditions of Contract provides that Rs. 0.10% for each day of delay in completion of the Works subject to a maximum of 10% of Contract Price stated in the Letter of Acceptance.

During audit of National Bank of Pakistan (NBP), Logistics Support Group, Karachi for the years 2012 to 2020, it was observed that the management issued work order of interior furnishing and allied works at various floors and auditorium at NBP Building G-5, Islamabad to M/s Al-Imam (Pvt.) Ltd for an amount of Rs. 139.913 million on 06.03.2017. The tentative completion date of work was 12.08.2017. The contractor failed to complete the work within stipulated time as evident from his last bill submission along with the completion of work certificate on 31.12.2018 after almost 14 months delay. In view of this,

the management did not deduct liquidated damages up to 10% amounting to Rs. 13.991 million of the total contract prices.

Audit was of the view that the management extended undue favour to the contractor and did not deduct LD Charges amounting to Rs. 13.991 million according to agreed terms and conditions of the agreement.

The matter was reported to the management in August, 2022. The management stated that although the initial deadline for completion of the project was 12-Aug-17, however According to Extension of Time (EOT) the said completion time was extended to 15-Nov-17. The reply of management was not tenable as it failed to fully justify non-deduction of liquidity damages as from M/s Al-Imam (Pvt.) Ltd as mentioned above.

Audit recommends to justify the matter.

6.2.4.178 Irregular award of contract for supply of furniture – Rs. 11.795 million

Rule 10 (1) of PPRA Rules, 2004 states that the procuring agency shall allow the widest possible competition by defining such specifications that shall not favour any single contractor or supplier nor put others at a disadvantage.

During audit of National Bank of Pakistan (NBP), Logistics Support Group, Karachi for the years 2012 to 2020, it was observed that the management floated tender for the supply of office furniture at NBP Corporate Branch, Faisalabad on 21.11.2019. The tender was opened on 11.12.2019 wherein only one vendor i.e M/s Al-Imam Enterprises participated. The bid amount of the said vendor was Rs. 11,795,855 which was 15.58 % higher than the estimated cost. Moreover, memorandum to management committee dated January 12, 2020, which recommended the award to M/s Al-Imam Enterprises, did not contain signatures of five out of six members.

Audit was of the view that the management extended undue favour in awarding the contract for supply of office furniture M/s Al-Imam Enterprises at 15.58% higher rates than the original estimate.

The matter was reported to the management in August, 2022. The management stated that no undue favor was extended to M/s. Al-Imam

Enterprises as the 15.58% variance between the estimate and the actual bid is not in violation of any of the PPRA Rules as floating a revised tender would not have been appropriate. The reply was not tenable as awarded contract was more than 15% in violation of PPRA rules.

Audit recommends to justify the matter.

6.2.4.179 Irregular / unauthorized extension of contract – Rs. 11.157 million

Rule 8 of PPRA Rules, 2004 states that all procuring agencies shall devise a mechanism, for planning in detail for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date and benefits that are likely to accrue to the procuring agency in future.

Rule 20 of PPRA Rules, 2004 states that save as otherwise provided here in after, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During audit of National Bank of Pakistan (NBP), Logistics Support Group, Karachi for the years 2012 to 2020, Karachi, it was observed that the management gave three extensions to M/s Descon on three separate occasions without tendering and citing delay in the ongoing tendering process regarding Annual operation and Maintenance Contract for 5.2 MW Rating Self Power Generation Plant, NBP Head Office Building, Karachi. Details are as follows:

(Amount in Rs.)					
S#	Supplier	Extension period		Duration	Amount
		From	To		
1	M/s Descon	28/2/16	31/10/16	(8 Months)	7,124,760
2	M/s Descon	1/11/2018	31/01/19	(3 Months)	1,920,435
3	M/s Descon	1/2/2021	31/04/2021	(3 Months)	2,112,477
Total					11,157,672
<i>(Source: National Bank of Pakistan)</i>					

Audit was of the view that the extensions given to M/s Descon were irregular and show lack of planning.

The matter was reported to the management in August, 2022. The management stated that since the vendor (M/s MWM Gas Generators) is the sole authorized representative of the manufacturer of the Plant in Pakistan, the Bank was compelled to engage the said vendor According to PPRA Rule 42(c).The reply of the management was not tenable as management irregularly engaged M/s Descon for 07 years since 2010 till 2016 and awarded multiple contracts to same contractor till 2021.

Audit recommends to justify the matter.

6.2.4.180 Irregular / unauthorized award of contract – Rs. 8.800 million

Rule 13(1) of PPRA Rules, 2004 states that under no circumstances the response time shall be less than fifteen days for national competitive bidding and thirty days for international competitive bidding from the date of publication of advertisement or notice.

Rule 20 of PPRA Rules, 2004 states that save as otherwise provided hereinafter, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During audit of National Bank of Pakistan (NBP), Logistics Support Group, Karachi for the years 2012 to 2020, it was observed that the management made procurements on negotiation basis in violation of above rules. Details of items are as below:

(Amount in Rs.)							
Item	Qty	Unit Cost	Total Cost	Item	Qty	Unit Cost	Total Cost
Fire Alarm System	1	195375	195375	Scanners	4	20000	80000
Telephone Sets	36	-	800000	High Speed Scanners	1	150000	150000

20 KVA UPS	1	1600000	1600000	Paper Shredder	3	50000	150000
AC Units	15	-	2800000	4 in 1 Fax	3	55000	165000
Desktop PC	49	120000	5880000	Photocopier	3	375000	1125000
Printers	15	35000	525000	Water Dispenser	2	20000	40000
Network Printers	1	110000	110000	LED Display	1	36000	36000
Colour Printers	1	120000	120000	Refrigerator	1	50000	50000
Total							8,795,375
<i>(Source: National Bank of Pakistan)</i>							

Audit was of the view that the management made procurements in violation of procurement rules.

The matter was reported to the management in August, 2022. The management stated that tender was processed according to PPRA clause no. 42 (d) (iii) for Direct Contracting due to the fire incident that took place on the 6th and 7th floors at FTC building, Karachi. However, as stated above, the aforementioned offices were moved to BCP /DR site situated on 1st and 2nd floors of NBP Building at Tariq Road Karachi, therefore there was no emergency. Hence, PPRA Clause no. 42 (d) (iii) does not apply, so the reply was not tenable.

Audit recommends to justify the matter.

6.2.4.181 Irregular award of contract of ATM Rolls - Rs. 6.067 million

Rule 40 (1) of PPRA Rules, 2004 states that without changing the cost and scope of work or services, the procuring agency may negotiate with the successful bidder (with a view to streamline the work or task execution, at the time of contract finalization) on methodology, work plan, staffing and special conditions of the contract.

During audit of National Bank of Pakistan (NBP), Logistics Support Group, Karachi for the years 2012 to 2020, it was observed that the management approached two vendors i.e. M/s Majid Printer for Journal Printer Rolls (Small)

and M/s Multi Trade Converters for Consumer Rolls (Large) separately and obtained quotations by negotiating. The detail of items is as under:

(Amount in Rs.)				
S#	Specification	Quantity (Rolls)	Rate	Amount
M/s Majid Printers				
1.	Plain ATM Journal Printer Thermal Paper Rolls for NCR Machine	6,000	200	1,200,000
2.	Plain ATM Journal Printer Thermal Paper Rolls for Diebold Machine	6,000	160	960,000
Total				2,160,000
M/s Multi Trade Converters				
1.	ATM NCR Consumer Roll for NCR ATM Machine	1,000	1,957	1,957,000
2.	ATM Diebold Consumer Roll for Diebold ATM Machine	1,000	1,950	1,950,000
Total				3,907,000
Grand Total				6,067,000
<i>(Source: National Bank of Pakistan)</i>				

Audit was of the view that the management irregularly awarded the contracts by taking quotations from only two vendors and not from all pre-qualified vendors.

The matter was reported to the management in August, 2022. The management stated that the procurement was undertaken during Covid-19 pandemic, NBP had to meet regulatory instructions issued by SBP directing all banks to ensure smooth functioning, uninterrupted supply of disinfected cash at banks and ATMs during Covid-19. In Extreme Urgency Clause of PPRA Rule 42(d)(iii), separate bids were obtained from two vendors namely M/s. Majid Printer for Journal Printer Rolls (Small) and M/s. Multi Trade agreed to provide ATM Rolls under lockdown declared by the Government. The reply was not tenable as management awarded the contracts without tendering and obtaining from all pre-qualified bidders.

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

6.2.4.182 Undue favour extended to supplier - Rs. 4.249 million

Clause 08 of Special Conditions of Contract (SSC) of National Bank of Pakistan (NBP) states that prices payable to Supplier as stated in the contract are not subject to any adjustment during performance of the contract. However, any subsequent legislation enacted, changes in the rate of any tax, levy of additional tax or duty during the currency of contract that impacts the contract price would be duly accounted for by both the parties of the contract i.e. in case of increase or decrease in the rates of the said taxes and duties or levy of any tax or duty, the contract price would be adjusted accordingly with mutual agreement of the parties.

During audit of National Bank of Pakistan (NBP), Logistics Support Group, Karachi for the years 2012 to 2020, it was observed that an advertisement dated October 9, 2018 was floated by the management for the procurement of Supply Installation and Maintenance of Currency Bundle Binding Machines (CBBM). The contract was awarded to M/s Asian Machines & Technologies Pvt. Ltd amounting to Rs. 21.414 million on September 11, 2020. Later on, M/s Asian Machines & Technologies Pvt Ltd vide letter dated 04-05-2020 requested the management for the revision of prices up to 23%. The details are as under:

Import Costing Comparison			
Date of Import	October 08, 2018	April 24, 2020	
FOB Invoice Unit Price (US \$)	510.00	510.00	
Exchange Rate	132.00	161.00	32 % Increase
Value of Import in Rs.	67,320.00	82,110.00	
Customs @ 31.07 % approx.	19,522.80	23,811.90	
Freight	180.00	850.00	
Port, Yard etc charges	2,000.00	3,500.00	
Landed Cost / Unit	89,022.80	110,271.90	21,249.10
Increase in Cost of Tender (Rs. 21,249.10 * 200 Machines)			4,249,820.00
(Source: National Bank of Pakistan)			

Furthermore, M/s Asian Machines & Technologies Pvt Ltd vide its letter dated 14-05-2020 stated that the subject tender was published in October, 2018 and at that time the interbank rate of US\$ was Rs. 132.000 which was according

to their landed cost and price offered in the tender at very nominal margin. However, the interbank exchange rate changes in the year 2019 due to which landed cost went up and selling price went from Rs. 120,000 to Rs. 127,000 per unit. Furthermore, as on tender validity expired after more than one-year time period passed, on bank demand we submitted conditional period extension validity letter, with the comments for price adjustment due to the changes in interbank US\$ exchange rate. According to their request made in the Bid validity letter as the impact is above Rs. 4.300 million. The management accorded their request and paid Rs. 4.249 million as price adjustment.

Audit was of the view that the management extended an undue favour to the supplier by paying price adjustment amounting to Rs. 4.249 million in violation of contract clauses mentioned above.

The matter was reported to the management in August, 2022. The management stated that the Bank did not extend any undue favor to the supplier since no escalation in bid price was awarded to the bidder. The Purchase Order was made on the quoted and lowest evaluated price (Rs. 18,414,000) as submitted by M/s. AMTL. The reply was not tenable as the management extended undue favour to the supplier by paying price adjustment amounting to Rs. 4.249 million in violation of contract clauses.

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

6.2.4.183 Irregular award of contract to 3rd lowest bidder – Rs. 2.734 million

Rule 13(1) of PPRA Rules, 2004, states that under no circumstances the response time shall be less than fifteen days for national competitive bidding and thirty days for international competitive bidding from the date of publication of advertisement or notice.

Rule 38 of PPRA Rules, 2004, states that the bidder with the most advantageous bid shall be awarded the procurement contract, within the original or extended period of bid validity.

During audit of National Bank of Pakistan (NBP), Logistics Support Group, Karachi for the years 2012 to 2020, it was observed that the management

issued a tender on 30.03.2019 for supply and installation of 15 units of AC, the tender was opened on 04.04.2019 wherein following irregularities were found:

1. M/s Orient's bid of Rs. 2,502,170 was rejected by the management without any reason.
2. Response time of 15 days was not allowed.
3. The bid of M/s Orient was 1st lowest however; the contract was awarded to M/s AAA Pvt. Ltd in violation of PPRA rules.

Audit was of the view that the management made irregular procurement of items of Rs 2.734 million.

The matter was reported to the management in August, 2022. The management replied that bid submitted by M/s Orient's was technically disqualified and tender was processed according to PPRA Clause no. 42 (d)(iii) for Direct Contracting due to the fire incident that took place on the 6th and 7th floors at FTC building, Karachi. Since the bid submitted by M/s Orient was 1st lowest and the procurements were not of emergency nature therefore the reply was not tenable as it failed to justify award of contract to 3rd lowest bidder.

Audit recommends to justify the matter.

6.3 NBP Fund Management Limited

6.3.1 Introduction

NBP Fund Management Limited was incorporated in Pakistan as a public limited company on August 24, 2005 under Companies Act, 2017 (replaced Companies Ordinance, 1984) and obtained certificate for commencement of business on Dec 19, 2005 with effect from March 20, 2018. The name of the company has changed from NBP Fullerton Asset Management Ltd to NBP Fund Management Ltd (NBP Funds). NBP Fund Management is one of the leading Asset Management Company (AMC) of Pakistan, managing Rs. 20,000 Crores of investors' savings in various investment solutions. The main sponsors of the company are National Bank of Pakistan (NBP) and Baltoro Growth Fund.

The company has been awarded the highest achievable investment management rating of AM1 (Very High Quality,) by PACRA. This rating is based on the company's professional management team, the sound quality of systems and processes, sponsors' strength and performance of funds under management.

NBP Funds plays an important role in promoting investment opportunities in Pakistan by utilizing its financial engineering expertise. The company provides a comprehensive range of investment products and services tailored to meet its investors' individual requirements.

6.3.2 Audit Paras

6.3.2.1 Non-production of auditable record

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

During audit of National Bank of Pakistan for the year 2021-22, audit team requisitioned Citizen Participatory Audit (CPA) – related auditable record of NBP Fund Management Limited for scrutiny initially from National Bank of Pakistan (NBP) and subsequently from NBP Fund Management Limited (NBP – FML). However, the record was not provided to the audit team despite reminders & meetings of audit team, Director and Director General Audit with NBP management and CEO NBP Fund Management Limited.

The Audit issued CPA audit - related intimation on 15.07.2022 followed by requisitions to focal person each of NBP & NBP – FML dated 23.08.2022 reminders to NBP focal person dated 22.09.2022 & 06.10.2022. The matter of production of CPA – related record to Audit was taken up by NBP focal person with NBP – FML management through emails dated 22.09.2022 (on status of data provision), 30.09.2022 (on no-response from NBP-FML), 10.10.2022 (on advice to provide required data or at least reason of non – providing data for sharing with Audit) & 13.10.2022 (on status of data provision & sharing of this email with the Chief Executive Officer NBP-FML). The NBP-FML management responded to NBP focal person on 14.10.2022 to the effect that NBP-FML is a separate legal entity with a different shareholding structure & constitution of its Board of Directors. If AGP requires any information regarding NBP funds, then AGP needs to contact them directly. The stance of NBP-FML was communicated to the office of the Director General Commercial Audit & Evaluation (DGCA&E) Karachi vide letter No.A&IG/PRW/AGP-Audit/2022/ dated 31.10.2022 in response to letter by this office dated 17.10.2022 on non – production of record.

Accordingly, this office issued CPA audit - related intimation on 21.11.2022 followed by requisitions by Audit Team dated 23.11.2022 to focal person / Chief Internal Auditor of NBP – FML directly. The NBP – FML vide letter No.HO/SEC/2022/00659 dated 27.12.2022 provided its stance which is reproduced hereunder;

We have discussed the matter in detail with our lawyers and after examination of the facts and the provisions of Articles 168 to 171 of the Constitution of Pakistan and the provisions of the Auditor General’s (Functions, Powers and Terms and conditions of Service) Ordinance, 2001, we have been

advised that the worthy Auditor General of Pakistan is not conferred jurisdiction to carry out audit of 'NBP Funds' inter alia, for the reasons given below:

1. 'NBP Funds' is a public limited company incorporated under the Companies Ordinance, 1984 (now Companies Act, 2017) read with Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008. It is engaged in the business of asset management and investment advisory services and is duly licensed to undertake that business by the Securities & Exchange Commission of Pakistan which is the statutory regulator of the business and affairs of all Non-Banking Finance Companies. The business of NBP Funds is managed and supervised by an independent Board of Directors consisting of eight members (excluding the CEO) comprising of three nominee members of National Bank of Pakistan (NBP), two from Baltoro Growth Fund (BGF) and three independent directors. All eight directors are elected by the shareholders (NBP, BGF and individual shareholders) in accordance with section 158 and 159 of the Companies Act, 2017. The Board of Directors exercises its power in accordance with section 183 of the Companies Act, 2017. The day-to-day affairs of NBP Funds are administered by the Chief Executive Officer who is appointed by the Board of Directors under section 187 of the Companies Act, 2017.
2. It may be appreciated that 'NBP Funds' is neither established by nor falls under the control of the Federal or a Provincial Government nor does it receives funds, loans or grants from the Federal or a Provincial Government. Thus, it falls outside the jurisdiction of the worthy Auditor General of Pakistan. We may also add that to the best of our knowledge neither any financial institution including any Bank which is not a distinct statutory body or otherwise controlled by the Federal Government nor any Non-Banking Finance Company constituted under Companies Act, 2017, read with the Rules, 2003 and the Regulations, 2008, is being subjected to audit by the office of Auditor General of Pakistan. Therefore, there is no lawful reason or justification to treat 'NBP Funds' differently from other entities engaged in similar business operations.

The contention of M/s NBP – FML was examined. Since NBP-FML with more than 50% of shareholding by NBP is a subsidiary of NBP, a public sector entity, with its accounts reflection in the NBP consolidated financial statements and there are public grievances, *inter alia*, on non – provision of investments loss trail / non – disclosure of information to the concerned citizens. Thus, stance of M/s NBP – FML was not in order and the same was in deviation above stated articles of the Constitution. The DGCA&E Karachi has been established by the Auditor General of Pakistan to conduct audit of the public entities registered with Securities & Exchange Commission of Pakistan (SECP) under Companies Ordinance, 1984 / Companies Act, 2017, on the audited certified accounts (by the Chartered Accountant) of any authority or body maintaining accounts independently.

Accordingly, the matter of non – production was reported to the management on 30-12-2022, but no reply was received by the Audit.

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

6.4 National Security Printing Corporation (Pvt.) Limited

6.4.1 Introduction

National Security Printing Company (Private) Limited was incorporated in Pakistan under the Companies Ordinance, 1984 (now Companies Act, 2017) on April 18, 2017 and is wholly owned by the Government of Pakistan. The registered office and the factory are located at Jinnah Avenue, Malir Halt, Karachi. The Company is principally engaged in the printing of security documents on behalf of the Government of Pakistan, government agencies and private institutions.

6.4.2 Comments on Audited Accounts

6.4.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 2020-21 to 2021-22 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2020-21 to 2021-22 be provided immediately and timely finalization be ensured in future, besides, fixing responsibility for non-finalization of annual audited accounts (*Annex-2*).

6.4.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2019-20	2	1	1	6.2.4.2	
Total	2				50%

The overall compliance of PAC directives was not satisfactory which needed improvement.

6.4.4 Audit Paras

6.4.4.1 Non-installation of smart card manufacturing machine Euro 5,640,130 Equivalent to Rs. 1,100.000 million

According to Common facilities and cost sharing agreement between PSPC and NSPC made on 18th may 2017 vide clause 1.1 (iii) “Common

Building” means the land building of PSPC where any of the plant and machinery or other assets comprised in the business of Non-Currency Undertaking is installed, or which is installed there in future, as agreed between the Parties from time to time:

During audit of National Security Printing Corporation (NSPC) for the year 2021-22, it was observed that National Security Printing Company (NSPC) purchased Smart Card Manufacturing System for manufacturing of e-data page for E-passports & chip based PC at a total cost (Euro5,640,130) equivalent Pak Rs 1,1000 million in October 14, 2019. According to sharing agreement between PSPC and NSPC, the machinery was required to be installed at PSPC premises. However, machine couldn't be installed after the lapse of considerable time period.

Audit was of the view that management failed to install the machine according to the agreement which showed in-efficiency and negligence on the part of the management.

The matter was reported to the management in December, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023. DAC directed the management to conduct inquiry on the subject matter and provide relevant documents (also quantifying other cost for non-utilization of the machine in time). Such findings may be shared with Ministry and the Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.4.4.2 Irregular investment in Term Deposit Receipts - Rs. 1,000.000 million

According to Section 3 (b) Finance Division letter No.F.4 (1)/2002-BR. II Islamabad, dated 02-07- 2003, the process of selections of banks should be transparent. Therefore, prior to placing deposits with a bank under this new policy, and in case the total working balances exceed Rs. 10 million, the selection of the bank as well as the terms of deposits will be approved by the concerned Board of Directors/Governing Body on the basis of competitive bids from at least three independent banks;

During audit of National Security Printing Company (NSPC) for the year 2020-21, it was observed that the management invested an amount of Rs. 1,000 million in TDRs in various banks without approval of Board of Directors (BoD) as detailed below:

(Rs. in million)			
Bank name	Amount	Rate (%)	Tenure
Bank AL-Habib Limited	900	7.50	30 days
Bank AL-Habib Limited	100	7.55	7 days
Total	1,000		

(Source: National Security Printing Company)

Audit was of the view that the management failed to adopt bidding process and did not get the approval of the BoD which reflected poor control over investment.

The matter was reported to the management on June 09, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023. DAC directed the management to share BoD approved investment policy with relevant documents reflecting management stance that the investment was made in accordance with investment policy. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.4.4.3 Non-recovery from various customers - Rs. 415.846 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of National Security Printing Company (NSPC) for the year 2020-21, it was observed that an amount of Rs. 415.846 million was lying outstanding as detailed below:

(Rupees in million)		
S#	Customer's name	Amount
1	Director General Pakistan Post Office	5.832
2	Director General Immigration and Passports	262.371
3	Sales tax refunds	147.643
Total		415.846

(Source: National Security Printing Company)

Audit was of the view that non-recovery reflected weak recovery mechanism within the organization.

The matter was reported to the management on June 09, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023. DAC directed the management to provide relevant documents to Audit on the recovery already made and pursue the left over amounts of recovery on priority. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.4.4.4 Irregular award of contracts without performance guarantee - Rs. 153.348 million

Rule 39 of PPRA Rules, 2004, states that where needed and clearly expressed in the bidding documents, the procuring agency shall require the successful bidder to furnish a performance guarantee which shall not exceed ten per cent of the contract amount.

During audit of National Security Printing Company (NSPC) for the year 2020-21, it was observed that the management awarded the following contracts without obtaining performance guarantee;

(Rs. in million)				
S#	Supplier Name	Item	Purchase order No/date	Amount
1	M/s. Security Papers Limited	10,000 Ream	No.1138 dated 09-02-2021	151.948
2	M/s. GTS GMBH Limited	of Plastic-Coated Paper	FPO-1020-3-00001 dated 09-02-2021	1.40
Total				153.348

(Source: National Security Printing Company)

Audit was of the view that the management failed to obtain performance guarantee from the suppliers which reflected negligence and favoritism.

The matter was reported to the management on June 09, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023. DAC directed the management to provide reasons for non-seeking performance guarantee in the instant cases. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.4.4.5 Non-imposition of liquidated damages - Rs. 83.638 million

According to terms and conditions 17 of the agreement, the supplier shall pay to the buyer at the rate 2% per month or part of the month for the value of the stores which the supplier have failed to deliver within the stipulated delivery period, provided that damages shall not exceed 10% of the total price payable under the purchase contract.

During audit of National Security Printing Company (NSPC) for the year 2020-21, it was observed that the management awarded three (03) contracts for various items on which the items were not received. However, the management did not impose the liquidated damages on supplier as detailed below:

(Rs. in million)						
Name of supplier	Item	Amount	Date of LC	Delivery period from LC	Date of B/Lading	Delay period
M/s. Arjowiggins Scotland Ltd	Sensitized Cheque Paper	51.47	01.12.2020	Within 12 to 20	22.06.2021	02 months
M/s. Neenah Red Bridge International Ltd	Heat Seal Spine Tape Binding Roll	4.58	19.05.2021	8 to 12 weeks	07.09.2021	01 month
M/s. Badri Traders	Partal Wood Planks	27.588	NA	180 days	NA	Still not received
Total		83.638				
(Source: National Security Printing Company)						

Audit was of the view that the management has granted undue favour to the suppliers by not imposing penalty despite delay in delivery of consignment.

The matter was reported to the management on June 09, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023. The management informed that 3rd shipment from M/s Arouwiggins was delayed on request of NSPC user department, delay in shipment from M/s Neenah Red International Ltd. was caused by shortage of container, delivery from M/s Badri Trader was on the email request of the vendor on account of force majeure under Covid circumstances. DAC directed the management to provide relevant documents to Audit for its examination and comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.4.4.6 Irregular award of contract - US \$67,633 equivalent to Rs. 10.660 million

Rule 23(3) of PPRA Rules, 2004 states that any information, that becomes necessary for bidding or for bid evaluation, after the invitation to bid or issue of the bidding documents to the prospective bidders, shall be provided in a timely manner and on equal opportunity basis. Where notification of such change, addition, modification or deletion becomes essential, such notification shall be made in a manner similar to the original advertisement.

During audit of National Security Printing Company (NSPC) for the year 2020-21, it was observed that the management awarded contract to M/s. Arjowiggins Scotland Sensitized Cheque Paper reel width 17” total 130 reels amounting to Rs. 10.66 million (US\$ 67,633.80). Further, after issuance of purchase order, the management made certain changes in the specification of tender on request of user department and changed the specification of paper from 18 inch width to 17 inch width. The same was conveyed to the vendor and vendor agreed to supply the same but informed that there would be 121 reels instead of 130 reels with the same amount of purchase order.

Audit was of the view that the management changed the specification of the item after issuance of purchase order which reflected negligence and favoritism.

The matter was reported to the management on June 09, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023. The management informed that Central Directorate of National Savings changed the size of reel with higher specification as customer’s requirement. DAC directed the management to provide relevant documents to Audit for its examination and comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.4.4.7 Irregular award of contract - Rs. 3.697 million

Rule 35 of PPRA Rules, 2004 states that based on the procedure adopted for the respective procurement, the procuring agency shall announce the result of bid evaluation, in the form of final evaluation report giving justification for acceptance or rejection of bids at least fifteen days prior to the award of procurement contract: Furthermore, Rule 37 (a) states that single stage two envelope bidding procedure shall be used where the bids are to be evaluated on technical and financial grounds and price is taken into account after technical evaluation.

During audit of National Security Printing Company (NSPC) for the year 2020-21, it was observed that a tender for supply of heavy duty laser printer was published on 14-05-2020. Two bidders participated in the bidding. Bids were opened on 16-06-2020 and technical evaluation was carried out on 17-06-2020. The bid of M/s. Al Majid International Co. for option (1) and bid of M/s. Continental Enterprises was rejected on technical grounds. However, the management opened the both technical and financial at the same time of rejected bidders in violation of PPRA Rules. Subsequently, the contract was awarded to M/s. Al Majid International Co. for two (02) printers against option (2) at a total cost of Rs. 3,697,200.

Audit was of the view that the management opened the financial and technical bids at the same time in violation of PPRA Rules, 2004.

The matter was reported to the management on June 09, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023. DAC directed the management to refer the para through concerned Ministry to PPRA for clarification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.4.4.8 Delegation of financial powers without approval of Board of Directors

Rule 5(7) (k) of Public Sector Companies (Corporate Governance) Rule, 2017 states that the Board shall also formulate significant policies of the Public

Sector Company, which may include determination and delegation of financial powers to Executives and employees.

During audit of National Security Printing Company (NSPC) for the year 2020-21, it was observed that According to procedure of approving payments in NSPC, the management has constituted two groups and authorized four officers from PSPC as Group-I, and three officers from NSPC as Group-II. The payments are signed by one of the officers listed in Group-I and counter signed by anyone of officer listed at Group-II. The details of officers are as under:

Group-I from PSPC		
S#	Name of officers	Designation
1	Mr. Naveed Ehtesham	Director Finance
2	Mr. Asad Nouman	G.M (F&A) & Company Secretary
3	Mr. Muhammad Tahir	Senior Manager (EE/PP)
4	Mr. Rehan Ahmed	Senior Manager (Accounts)

Group-II from NSPC		
S#	Name of officers	Designation
1	Mr. Muhmmad Misbah Tunio	Managing Director
2	Mr. Naveed Ahmed Khawaja	General Manager (Supply chain)
3	Mr.Syed Zia-ul-Hassan	General Manager (Operation/Production)
<i>(Source: National Security Printing Company)</i>		

However, the prevailing delegation of powers has not been approved by the Board of Directors (BoD).

Audit was of the view that the execution of financial powers without approval of BoD was a serious violation of rule.

The matter was reported to the management on June 09, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023. The management informed that there is appropriate financial delegation of powers in practice in NSPC. DAC directed the management to provide relevant documents to Audit for its examination and comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.4.4.9 Non-production of auditable record

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

During audit of National Security Printing Company (NSPC) for the year 2020-21, it was observed that the management failed to provide auditable record despite issuance of reminders and several verbal requests (Annex-61).

Audit was of the view that non-production of record / information reflected non-compliance of rule mentioned above.

The matter was reported to the management on June 09, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023. DAC directed the management to ensure provision of record to Audit in time. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.5 Pakistan Security Printing Corporation (Pvt.) Limited

6.5.1 Introduction

Pakistan Security Printing Corporation (Private) Limited was incorporated in Pakistan under the Companies Act, 1913 (now the Companies Act, 2017) and is wholly owned by the State Bank of Pakistan (SBP). The registered office and the factory of the Corporation are located at Jinnah Avenue, Malir Halt, Karachi. The Corporation is principally engaged in the printing of currency notes and prize bonds on behalf of State Bank of Pakistan.

6.5.2 Comments on Audited Accounts

6.5.2.1 The working results of the Corporation for the year ended June 30, 2022 as compared with the preceding years are given below:

(Rs. in million)					
	2021-22	%Inc / (Dec)	2020-21	%Inc / (Dec)	2019-20
Sales	19,548.095	(0.66)	19,678.11	19.1%	16,522.88
Cost of Sales	(15,475.543)	(1.82)	(15,762.849)	18.3%	(13,325.21)
Gross Profit	4,072.552	4.02	3,915.263	22.5%	3,197.67
Administrative Expenses	(790.864)	(6.32)	(743.85)	(3.00)	(767.21)
Other expenses	(491.426)	1,335.32	(34.238)	(81.7)	(186.59)
Other Income	961.207	41.04	681.50	98.9	342.67
Financial Cost	(1.343)	(27.52)	(1.853)	(37.9)	(2.98)
Share of profit from associates excluding dividend	762.677	(42.99)	1,337.861	67.80	797.87
Profit before taxation	4,512.803	(12.46)	5,155.403	52.5	3,381.43
Profit after taxation	3,081.888	(19.76)	3,840.679	47.7	2,600.15
Current Ratio	5.716	8.257	5.280		
Debt Ratio	9.913	(3.682)	10.292		
Equity Ratio	0.90	0.004	0.897		

(Source: Annual audited Accounts)

6.5.2.2 Other expenses increase by 1,335% to Rs. 491.426 million in the year 2021-22 from Rs. 34.238 million in 2020-21 which may be justified.

6.5.2.3 Other income increased by 41.04% to Rs. 961.207 million in the year 2021-22 from Rs. 681.50 million in 2020-21.

6.5.2.4 Share of profit from associated excluding dividend has been decreased by 42.99% to Rs. 762.677 million in the year 2021-22 as compared to previous year 2020-21 Rs. 1,337.861 million which may be justified.

6.5.2.5 Revenue has been decreased by 19.76% to Rs. 3,081.88 million in the year 2021-22 as compared to previous year 2020-21Rs. 3,840.679 which may be justified.

6.5.2.6 Current Ratio in the year 2022 is 5.716 as against the corresponding of preceding year 5.280. It reflected better standing owing to rise in current asset increased by Rs. 615,194 where liability decreased by 117,275 in the year 2022 against 2021.

6.5.2.7 Debt Ratio in the year 2022 is 9.913 against correspondence value of preceding year value of 10.292. It reflected improvement in debt standing owing to relatively higher rise in total assets against liability. Asset increased by Rs. 8,258.503 million whereby liability increased by Rs 511.432 million.

6.5.2.8 Equity Ratio in the year 2022 stood at 0.90 showing slight improved position against preceding year value of 0.89.

6.5.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% age of compliance
2002-03	4	3	1	67.2	75%
2007-08	5	2	3	49.2, 50	40%
2010-11	13	-	13	7.3.1, 7.3.2, 7.3.2.1, 7.3.2.2, 7.3.2.3, 7.3.2.4, 7.3.3, 7.3.4.1, 7.3.4.2, 7.3.4.3, 7.3.4.4, 7.3.4.5, 7.3.4.6	-
2013-14	7	4	3	6.2.2.1, 6.2.2.3, 6.2.2.5, 6.3.3	57%
2015-16	8	1	7	6.3.4.4, 6.3.2.2, 6.3.2.3, 6.3.3, 6.3.4.1, 6.3.4.2, 6.3.4.3, 6.3.4.5	13%
2016-17	6	1	5	6.2.2.1, 6.2.3, 6.2.4.1, 6.2.4.2, 6.2.4.3	17%
2019-20	5		5	6.3.4.1, 6.3.4.2, 6.3.4.3, 6.3.4.4, (6.3.4.5 DAC level)	0%
Total	48	11	37		23%

The overall compliance of PAC directives needs to be improved.

6.5.4 Audit Paras

6.5.4.1 Irregular investment in Term Deposit Receipts - Rs. 4,850.000 million

Section 4 of Investment Policy of PSPC states that decision of long term/short term investment shall be made by the management keeping in view the interest rate environment and liquidity needs within the constraints of the policy approved by the board. Further According to policy, investment of surplus funds shall be made in banks having AAA or AA credit rating.

Section 3 (b) of Finance Division letter No.F.4 (1)/2002-BR.II Islamabad, dated 02.07.2003 states that the process of selections of banks should be transparent. Therefore, prior to placing deposits with a bank under this new policy, and in case the total working balances exceed Rs. 10 million, the selection of the bank as well as the terms of deposits will be approved by the concerned Board of Directors/Governing Body on the basis of competitive bids from at least three independent banks;

During audit of Pakistan Security Printing Company (PSPC) for the year 2021-22, it was observed that the management invested in TDRs for short term in various banks having serious violations as detailed below:

(Rs. in million)			
S#	Description	Violation	Amount
1	Investment in TDRs	Without BoD approval	2,100.000
2	Unapproved and unregulated investment	Without obtaining Competitive rates from Banks, Without BoD approval and in Violation of Finance Division's orders	2,750.000
Total			4,850.000

(Source: Pakistan Security Printing Corporation)

Audit was of the view that the investment was made without due diligence and in violation of rules.

The matter was reported to the management in December, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023. DAC directed the management to share BoD approved investment policy with relevant documents reflecting management stance that the investment was made in accordance with investment policy. Further, DAC directed the management to

share BoD approved investment policy with relevant documents reflecting management stance that the investment was made in accordance with investment policy. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP 958 & 961)

6.5.4.2 Blockage of fund on obsolete and excess procurements - Rs. 1,083.001 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2020-21, it was observed that the management declared spares & stores items and slow moving / obsolete stocks of paper and ink valuing Rs. 114.442 million as obsolete. Further, the management procured excess store items against the actual requirement which resulted in blockage of funds amounting to Rs. 968.559 million (Annex-62). The details are as under:

(Rs. in million)			
S #	Description	Violation	Amount
01	Stores, spares and obsolete stock of ink and paper	Become obsolete with the passage of time	114.442
02	Stores items	Blockage of fund due to excessive procurements	968.559
Total			1,083.001

(Source: Pakistan Security Printing Corporation)

Audit was of the view that due to ill-planning and lack of due diligence on part of the management, wasteful expenditure and blockage of funds of Rs. 1,083.001 million was occurred.

The matter was reported to the management on December 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023.

1. The management informed that these spare are useable for more than 20 years and or maintained in good condition. DAC directed the management to provide relevant documents to audit for its examination.
2. DAC directed the management to provide item wise ageing with relevant documents to audit for examination.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.969 & 977)

6.5.4.3 Irregular extension of contract - Rs. 411.713 million

Rule 04 of PPRA Rules, 2004, states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Rule 20 of PPRA Rules, 2004, states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During audit of Pakistan Security Printing Corporation (Pvt.) Ltd Karachi for the year 2021-22, the management extended following contracts in violation of rules:

(Amount in Rs.)			
Name of Vendor	Description	Tenure of Extension	Amount
M/s Outrider Consultants	HR Service Provider	11 months	380,489,000
	Janitorial Services	23 months	11,591,564
	Gardening Maintenance	23 months	19,632,984
Total			411,713,548
<i>(Source: Pakistan Security Printing Corporation)</i>			

Audit was of the view that the contracts were extended without observing PPRA Rules, 2004 which was held irregular and unjustified.

The matter was reported to the management in December, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023.

1. DAC directed the management to provide relevant documents to audit reflecting initial scope of work and reasons of non-completion / justification for extension.
2. DAC directed the management to provide relevant documents to audit reflecting details to the effect that it was a framework contract / justifying extension.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.963 & 989)

6.5.4.4 Exchange loss due to delay in procurement of banknote machine and payment of training - Rs. 134.493 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules.

Rule 04 of PPRA Rules 2004 states that the 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.

During audit of Pakistan Security Printing Corporation (PSPC), Karachi for the year 2021-22, it was observed that the management awarded a contract M/s. Koenig & Bauer Banknote Solutions, SA Switzerland for procurement of banknote inspection, marking, numbering & varnishing machine on April 26, 2021 amounting to Euro 8,789,050 @ Rs. 217. At the time of opening of Letter of Credit (LC) dated 23-07-2021, the conversion rate was Rs. 196.021. However, procurement process was delayed due to issuance of multiple corrigendum and un-necessary correspondence with supplier and 70% payment i.e. Euro 6,152,335 @ Rs. 217 was made on 25-05-2022. This delay resulted in loss of Rs. 129.064 million (Rs. 217 - Rs. 196.021 = Rs. 20.980 *Euro 6,152,335) due to increase in conversion rate.

Furthermore, it was also observed an amount of Rs. 5.485 million was incurred by the management for visa fee and insurance travelling of DHR/DGM and others for the same machine instead of the vendor. Thus, payment of Rs. 5.429 million was held irregular and justified.

Audit was of the view that delay in procurement process resulted in a loss Rs. 129.064 million which reflected negligence and favoritism.

The matter was reported to the management in December, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023.

1. DAC took notice of the inordinate delay in the procurement and directed the management to provide relevant documents (need assessment and deliberation details) to Audit reflecting cost-benefit analysis.
2. DAC took notice of the inordinate delay in the procurement and directed the management to provide relevant documents (need assessment and deliberation details) to Audit reflecting cost-benefit analysis.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.968 & 995)

6.5.4.5 Loss due to imprudent investment – Rs. 129.068 million

According to the Finance Division letter No. F.4 (1)/2002-BR.II dated . 02.07.2003, (a) for the sake of the safety and security of deposits, the bank/financial institutions taking a deposit should have a minimum “A” rating (long-term) as appearing on the web-site of the State Bank of Pakistan. (b) The process of selection of bank/(s) should be transparent therefore, prior to placing deposits with a bank under this new policy, and in case the total working balances exceed Rs. 10 million, the selection of the bank/(s) as well as the terms of deposits will be approved by the concerned Board of Directors / Governing Body on the basis of competitive bids from at least three independent banks.

During audit of Pakistan Security Printing Corporation (PSPC), for the year 2021-22, it was observed that the management invested an amount of Rs. 1,041.274 million various stocks fund in Equity Market Opportunity Fund

(EMOF) in the year 2016. The same was sold to Rs. 929.273 million and sustained loss of Rs. 129.068 million. The management also violated the directives of Finance Division.

Audit was of the view that the management sustained a loss of Rs. 129.068 million which reflected negligence and poor financial management.

The matter was reported to the management in December, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023. DAC directed the management to share BoD approved investment policy with relevant documents (investment decision details and cost-benefit analysis) reflecting management stance that the investment was made in accordance with investment policy. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.5.4.6 Non-recovery from various parties – Rs. 121.354 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Security Printing Company (PSPC) for the year 2021-22, it was observed that an amount of Rs. 121.354 million was outstanding against various organizations on account of bills recoverable as detailed below;

(Rs. in million)					
S#	Organizations	Amount	S#	Organizations	Amount
1	M/s Security Papers Ltd (SPL)	71.659	3	State Bank of Pakistan	41.395
2	M/s SICPA Inks	8.299	Total		121.354

(Source: Pakistan Security Printing Corporation)

Audit was of the view that accumulation of dues and non-recovery showed weak internal controls and negligence on part of the management.

The matter was reported to the management in December, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023. The management informed that amounts against Security Papers Limited and SICPA Ink have been recovered and PSPC is in the process of developing the mechanism

of recovery from SBP. DAC directed the management to provide relevant documents to Audit of the amounts already recovered and pursue the left-over amount. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.5.4.7 Irregular / unjustified revision of scope of work - Rs. 111.630 million

Rule 4 PPRA Rules, 2004, states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2020-21, the management awarded different contracts valuing Rs. 111.630 million in which specification were changed and scope of work was revised (Annex-63). The details are as under:

(Amount in Rs.)				
S#	Description	Contract	Violation	Amount
1	M/S Continental Enterprises	Renovation of old Canteen, Renovation of community washroom, Provision and installation of outdoor emergency stairways	Revised scope of work beyond the bill of quantity (BoQ) & amended 15% in the purchase order against the approved BoQ.	32.662
2	M/S Aneel Contractor	Renovation of old office block first floor, Renovation of new office block	Revised scope of work beyond the bill of quantity (BoQ) amended 15% in the purchase order against the approved BoQ.	43.700
3	M/s Falcon & General supplier	Construction of residential bungalow No 1&4 at PSPC residential estate	Revised the scope of work against the approved BoQ	14.913
4	M/S Aneel Contractor	Road construction connecting residential estate and repair of existing road network	All reports indicated that cylinder compressive strength test result was less than BOQ requirement.	20.355
Total				111.630
(Source: Pakistan Security Printing Corporation)				

Audit was of the view that revised scope of work/change in specification and increased @ 15% were allowed only in emergency cases and not in routine projects.

The matter was reported to the management on November 01, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023.

1. Since there was additional cost on account of new items and increase / addition in the existing items in the scope of work, the DAC was not satisfied with explanation given by the management and directed the management to conduct fact-finding inquiry on the subject matter and take actions accordingly.
2. DAC directed the management that the contractor may be blacklisted and LD may be recovered accordingly.
3. DAC directed the management that the contractor may be blacklisted and LD may be recovered accordingly.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP 956, 957,967 & 966)

6.5.4.8 Irregular procurement of CCTV system - Rs. 38.639 million

Rule 04 of PPRA Rules, 2004, states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2021-22, it was observed that the management awarded the contract for supply, installation commissioning and testing of CCTV system valuing Rs. 38.639 million to M/s International Office Supplier, (IOS) on June 09, 2020 which found doubtful and tempered i.e. in original brochures downloaded from Panasonic website has different specifications and this was not highlighted at bid evaluation stage. The Conflict Resolution Committee evaluated concerns of user department and concluded that:

1. Stand design is different with original as quoted in Technical Proposal. IR lights are different.
2. Tempered brochure is provided in the technical bid and difference found in motorized lens.
3. Shape of Structure are different against the original product of Panasonic. IR light is different. In original product many IR lights are installed different. IR leds Length is found different.
4. IOS in BoQ model is with PTZ, whereas, provided camera does not have PTZ feature.
5. Model does not meet the BoQs.
6. The provided brochure is forged, further such model is not available on Panasonic website
7. IOS physical verification of part No. and size of Hard Drive is required.
8. IOS provided 06 core fiber instead of 24 core.
9. Provided power MV King UPS, which is not according to BoQ.
10. No brand name was mentioned on product.
11. The supplied cameras and related accessories are Indian products.

Audit was of the view that award of contract besides the serious reservations / findings of the Committee reflected serious negligence and violation of rules on part of the management.

The matter was reported to the management in December, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023. DAC directed the management to provide revised reply keeping in view the multiple points of Audit observation. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.5.4.9 Irregular purchase of goods against specification - Rs. 33.961 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters,

subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2021-22, it was observed that the management awarded the following contracts against the required specification:

(Rs. in million)			
Name of Supplier	Required Goods	Supplied Goods	Amount
M/s UNO Seisakusho Co. Ltd	LD. PE centrally folded type with (Folded).	LDPE film for shrink-wrapping 350 MMW x 500 MI X 50 UMT	26.518
M/s Greaves Pakistan (Pvt.) Limited	LONKING brand 5 ton Diesel Engine Forklift Model LG50DT (CPC50) Isuzu 6BG1 Engine (Made in Japan)	Manual Transmission Duplex Mast 3m Lifting heightFork Size: 1070mm (3.5 Feet) Fork Extension 1828mm (06 Feet) Origin: China	7.443
Total			33.961

(Source: Pakistan Security Printing Corporation)

Audit was of the view that the management accepted the goods and fork lifter which were different from required goods which reflected favoritism and negligence.

The matter was reported to the management in December, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023.

1. The management informed that purchase of goods was made from the Original Manufacturer with technical understanding of user requirement. The item procured was as per PSPC requirement. Further hire charges were made on account of packing fee and transportation charges which had increased world over during pandemic conditions. DAC directed the management to provide relevant documents to audit for its examination.
2. The management informed that the procurement was made on equivalence basis. DAC directed the management to provide relevant documents to audit reflecting equivalence for its examination.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.5.4.10 Irregular purchase of Numbering Box Testing Machine - Rs. 13.929 million

Rule 4 of PPRA Rules, 2004, states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2020-21, it was observed that the management purchased Numbering Box Testing Machine for standard & Special Numbering Boxes with all accessories i.e. software, laptop, cable etc. amounting to Euro 68,740.00 equivalent to Rs. 13.929 million on proprietary basis from M/s Zeiser. However, the Service Declaration Committee declared M/s Atlantic Zeiser GMBH as sole proprietor instead of M/s Zeiser.

Audit was of the view that the management failed to procure the machine from original supplier which showed favoritism and negligence.

The matter was reported to the management in December, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023. The management informed that the procurement was from the same company which had changed its business name only. DAC directed the management to provide relevant documents to audit reflecting its stance. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.5.4.11 Non-imposition of liquidated damages – Rs. 13.623 million

According to Sr. No.6, Liquidated damages will be paid by the supplier @ 2% per month or part of the month for the value of the stores which the supplier have failed to deliver within the stipulated delivery period, provided that damages shall not exceed 10% of the total price payable under the contract purchase order.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2020-21, it was observed that the management awarded renovation /

construction work and procurement of Security Printing Blankets to different contractors which didn't complete the work within stipulated time and the management also did not impose the LD charges amounting to Rs. 13.623 million (Annex-64).

Audit was of the view that the management extended undue favor to the contractors / supplier by not imposing penalty which reflected negligence and favoritism.

The matter was reported to the management on December 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023.

1. The management informed that LD has been recovered from M/s Electroline Engineers. DAC directed the management to provide relevant documents to audit reflecting case-wise justification for non-imposition of LD in other cases and provide relevant documents to Audit on the recovered amount of LD.
2. The management informed that the original delivery was extended by PSPC on the request made by the vendor pledging force majeure. DAC directed the management to provide relevant documents to audit reflecting justification for non-imposition of LD.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.979 & 980)

6.5.4.12 Unjustified purchase of vehicle - Rs. 10.657 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Security Printing Company (PSPC) for the year 2021-22, it was observed that the management procured vehicles valuing Rs. 10.657 million on June 30, 2022 is detailed below:

(Rs. in million)			
S#	Description	Violation	Amount
1.	Vehicle	The management purchased vehicle (Honda Civic) for Director Operations. However, seat of Director Operations still remained vacant. Furthermore, made payment in April, 2022 but the same was not received till date.	6.703
2.	GAS-286 /2022	Management allowed vehicle (Toyota Altis -1.8L) to Director Audit over and above the entitlement of vehicle in violation of Car Policy.	3.954
			10.657
(Source: Pakistan Security Printing Corporation)			

Audit was of the view that the management purchased vehicles without actual requirement and allotted over and above the entitlement which showed favoritism and negligence.

The matter was reported to the management on December 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023.

1. The management informed that as per the revised policy director was entitled for allocation of 1800-cc vehicle. DAC directed the management to provide relevant documents to audit in support of its assertion.
2. The management stated that the matter has been noted for future compliance. DAC directed the management to provide relevant documents to audit reflecting subsequent utilization of the vehicle and insurance cover from NICL.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.992 & 993)

6.5.4.13 Irregular award of contract for supply, installation and commissioning of weigh bridge station – Rs. 9.460 million

Rule 31(1) of PPRA Rules, 2004, states that no bidder shall be allowed to alter or modify his bid after the bids have been opened. However the procuring agency may seek and accept clarifications to the bid that do not change the substance of the bid.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2021-22, it was observed that management awarded the contract to M/s Fair Weighing (Pvt.) Ltd for supply, installation and commissioning of 100 ton Weigh Bridge Station Rs. 9.460 million. The Technical Evaluation Committee initially rejected the bidder and later on management negotiated with the bidder and revised the BoQ.

Audit was of the view that revision of BoQ in favour of supplier reflected favoritism. Thus, the award of contract was held irregular.

The matter was reported to the management in December, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023. DAC directed the management to provide revised reply entailing justifying grounds for award of contract despite rejection and approvals of the competent authority on the subject matter. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.5.4.14 Irregular appointment of Senior Manager Reward Management - Rs. 7.920 million

According to advertisement dated 13-07-2017:

Post	Required Qualification
Senior Manager Reward Management	Masters/Bachelor's degree (16 years of education) in HRM/Business/Public Administration/Applied Work Psychology / Engineering and related subjects and equivalent to 16 years from HEC recognized institutions or from any reputable foreign university. At least 07 and 11 years of post-qualifications experience for Senior Manager positions in reputable organization. Maximum 40 years for Senior Manager positions as on the last date of submission of application.

According to general practice, joining time of initial appointment should be 15-30 days.

During audit of Pakistan Security Printing Corporation (PSPC), Karachi for the year 2021-22, it was observed that the management appointed Ms. Sadia Ijaz as Senior Manager Reward Management on 08-12-2017 with following discrepancies:

- a) Her qualification was Master in Sociology which was not in line with the required qualification.
- b) She joined the office on 25-09-2019 after two (02) years after the issuance of Offer order.
- c) Her age was 41 years against the required age of maximum 40 years.

Audit was of the view that the management extended undue favor to the incumbent by appointing her without fulfilling the requirement of the post.

The matter was reported to the management in December, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023. DAC directed the management to provide revised reply on justification for joining after a delay of 21 months and further directed the management to place the matter before BoD for revisiting for the eligibility qualification / criteria and the same may be made job / position-specific. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.5.4.15 Loss due to shortage of currency notes – Rs. 3.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2021-22, it was observed that 3 bundles of Rs. 1,000 currency note amounting to Rs. 3,000,000 ($1,000 \times 1,000 = 1,000,000 \times 3,000,000$) were found short in a packed box of consignment No 7 reported at SBP-BSC Peshawar office during counting and verification process on August 16, 2022. An enquiry was conducted in October 10, 2022. The Inquiry Committee recommended that theft was committed at Lahore Railway Station during its handling for charge of transport by the contractor's labor. Accordingly, the currency contractor was found responsible and it recommended to recover the loss from him.

Audit was of the view that due to negligence, misconduct, transgression of duties, the management sustained a loss of Rs. 3.000 million.

The matter was reported to the management in December, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023. DAC directed the management to pursue FIR case, share inquiry committee findings and control strengthening measure along with relevant documents with audit for its examination. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.5.4.16 Unsatisfactory performance by HR testing agency - Rs. 1.945 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules.

Section 23 of B.O.Q (Services Requisition) states that in case of any dispute regarding services; the decision of the PSPC shall be final & binding.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2021-22, it was observed that that the management hired M/s Open Testing Service (OTS) for conducting test for recruitment in PSPC Leadership Induction Program (PLIP). However, the performance of M/s OPS remained unsatisfactory. The Managing Director, PSPC also stated that considering circumstances of above scenario, exception was allowed as proposed. Furthermore, HR to review performance of testing agency and contract should be terminated if possible / re-fixed. Moreover, it also a negative sign for future aspect, the whole process spoiled the objective of the good leadership and denting the credibility and efficiency of the corporation. The discrepancies are as under: -

1. The level of difficulty of the test paper is on a higher.
2. There are several mistakes in the key that was used to mark these papers. This means, if candidates have answered correctly, there is a chance that their response would have been marked as “incorrect”.

Audit was of the view that the testing agency failed to perform the assigned job satisfactorily. Thus, the total expenditure amounting to Rs. 1.945 million

(Rs. 0.445 million HR testing services + Rs. 1.500 million Training Cost) was irregular and unjustified

The matter was reported to the management in December, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023. DAC directed the management to pursue the blacklisting of the firm and take necessary steps for penalty. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.5.4.17 Irregular hiring of external auditor - Rs. 1.712 million

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

According to guidelines/letter dated January 02, 2002 issued by the Auditor General of Pakistan in accordance with the provisions of Section 15(1) of the Auditor General's (Functions, powers and terms and conditions of Service) Ordinance, 2001, the auditors should be appointed in consultation with Auditor General of Pakistan and rotated after every 5 years. Instructions were issued in compliance of Finance Division's letter dated March 25, 1981.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2020-21, it was observed that the management appointed audit firm M/s. KPMG & Co. for external audit without competitive process. Furthermore, the management also appointed him without obtaining concurrence of the Auditor General of Pakistan. Hence, payment of Rs. 1.712 million stands irregular and unjustified.

Audit was of the view that appointment without competitive process and concurrence of Auditor General of Pakistan reflected negligence and favoritism.

The matter was reported to the management in December, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023. The management stated that the matter has been noted for future compliance. DAC directed the management to follow competitive process in future. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.5.4.18 Irregular reimbursement of training charges - Rs. 1.116 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Security Printing Corporation (PSPC) for the year 2020-21, it was observed that Dr. Sikandar Hayat Malik, DHR was nominated for foreign training of graduate certificate program titled “Organization Behavior Certificate”. The said program was being offered online by Harvard University, USA at a total cost of Rs. 1.116 million of four courses. The said training was required to State Bank of Pakistan (SBP) According to training development policy 2015 of SBP. Dr. Sikandar Hayat Malik joined PSPC as DHR on deputation on July 07, 2017 and was required to attend the training from SBP’s budget, however, training was conducted from budget of PSPC. Therefore, re-imbursement of US\$ 11,600 (US\$ 5,800 & 6,800) equivalent to Rs. 1.116 million was held irregular.

Audit was of the view that the management should have followed the due procedure for nomination of staff for foreign training program but the same was not done and also payment through cheque in favour of incumbent was irregular and unjustified.

The matter was reported to the management in December, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023. DAC directed the management to provide relevant documents to audit reflecting justification for such payment. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.5.4.19 Non-production of auditable record

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

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2020-21, it was observed that the management failed to provide auditable record despite issuance of reminder and several verbal requests (Annex-65).

Audit was of the view that due to non-production of record audit could not express its opinion on the fairness of Authority's operations & transactions which had material financial impact directly on many public concerns.

The matter was reported to the management in December, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023.

1. The management stated that all the record pertains to auction of PSPC by SBP. DAC decided that the record may be provided by Ministry of Finance / SBP.
2. DAC directed the management to provide relevant documents to audit reflecting the propriety nature of the procurement and approvals thereof by the competent forum.
3. DAC directed the management to provide relevant documents to Audit reflecting management stance that the work award was accordance with PPRA rules.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos. 978, 959 & 960)

6.5.4.20 Excess deployment against sanctioned strength

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules.

During audit of Pakistan Security Printing Corporation, Karachi for the year 2021-22, it was observed that management deployed excess employees against the sanctioned strength as detailed below:

Name of Post / Department	Actual	Proposed	(Deficit)	Name of Post / Department	Actual	Proposed	(Deficit)
Director	4	3	1	Finance	42	23	19
Assistant Manager	118	110	8	Purchase	25	17	8
<u>Department wise</u>	0	0	0	Quality Assurance	6	4	2
Engineering	178	172	6	Internal Audit	15	14	1
Admin and Security	670	644	26	Total	1,058	987	71
(Source: Pakistan Security Printing Corporation)							

Audit was of the view that the management appointed employees in excess which showed weak internal controls and negligence.

The matter was reported to the management in December, 2022. The irregularity was discussed in the DAC meeting held on January 19, 2023. DAC directed the management to reconcile the HR related figures with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.6 State Bank of Pakistan

6.6.1 Introduction

State Bank of Pakistan (SBP) is the Central Bank of Pakistan and is incorporated under the State Bank of Pakistan Act, 1956. It is an autonomous institution. Under the provisions of the SBP Act, 1956, the general superintendence and direction of the affairs and business of the Bank rests with the Central Board of Directors. Through an amendment in SBP Act in 1994, the Central Board of Directors was enlarged and now consists of the Governor, Secretary Finance Government of Pakistan and seven directors nominated by the Federal Government. From these seven directors, one Director from each province is nominated while ensuring representation to agriculture, banking and industrial sectors.

Strategic objectives are:

- i. Broadening access of Financial Services.
- ii. Ensuring viability of the Financial Sector.
- iii. Maintaining Price Stability with Economic Growth.
- iv. Exchange and Reserve Management.
- v. Strengthening the Payment System.
- vi. Human Resources Development.
- vii. Information Technology Development.

6.6.2 Comments on Audited Accounts

6.6.2.1 The working results of company for the year ended June 30, 2022 as compared to previous years are given below:

(Rs. in million)					
Particulars	2021-22	% Inc / Dec	2020-21	% Inc / Dec	2019-20
Interest expense	60,596.149	14.99	52,695.37	(28.16)	73,346.29
Fair Valuation adjustments on COVID loans	63,223.220	38.25	45,731.98	990.46	4,193.82
Share of profit from Associates	762.677	(42.99)	1,337.86	130.70	579.908
Other operating income / (expense)-net	(8,762.076)	(338.63)	3,671.85	(57.32)	8,603.99
General administrative and other expenses	37,535.472	28.02	29,320.54	(16.63)	35,168.24
Cash and Bank balances	197.518	(60.62)	501.58	135.68	212.83
Current accounts of Government (Payable Balances)	1,547,182.248	19.43	1,295,486.43	73.01	748,790.10
Other liabilities	141,866.447	72.08	82,443.36	(21.65)	105,218.89
Reserves	171,534.116	(21.22)	217,737.75	75.41	124,134.12

6.6.2.2 Interest expense has increased by 14.99% from Rs. 52,695.37 million in year FY-2021 to Rs. 60,596.149 million in FY-2022, mainly due to increase in interest on bilateral currency swap, which needed justification.

6.6.2.3 Fair Valuation adjustments on COVID loans has significantly increased by 38.25% from Rs. 45,731.98 million in FY 2021 to Rs. 63,223.220 million in FY 2022 owing to fair valuation loss adjustment on COVID-19 loans on initial recognition and subsequent creation of unwinding of income in respect of fair valuation adjustment on COVID-19 loans, which calls for elucidation.

6.6.2.4 Share of profit from associates of the Bank has materially decreased by 42.99% to Rs. 762.677 million during the FY 2022 from Rs. 1,337.86 million in FY 2021, which warrants explanation.

6.6.2.5 Other operating income of the Bank has drastically decreased by 338.63% to a loss of Rs. 8,762.076 million during FY-2022 from a gain of Rs.

3,671.85 million in year FY-2021, mainly as a result of loss in re-measurement of securities and loss in disposal of securities, which required justification.

6.6.2.6 General administrative and other expenses increased by 28.02% during year under review to Rs. 37,535.472 million from Rs. 29,320.54 million in previous year, requiring justified explanation from management.

6.6.2.7 Cash and Bank balances has significantly declined by 60.62% from Rs. 501.58 million in year 2021 to Rs. 197.518 million in FY 2022, which required elucidation.

6.6.2.8 Current accounts of Government (Payable Balances) has notably increased by 19.43% from Rs. 1,295,486.43 million in FY-2021 to Rs. 1,547,182.248 million in FY- 2022, resulting in accumulation and non-adjustment of liabilities under Non-Food Accounts and other accounts of Federal and Provincial Governments, which necessitated explanation.

6.6.2.9 Other liabilities of the Bank have significantly increased by 72.08% to Rs. 141,866.447 million during the FY 2022 from Rs. 82,443.36 million in year 2021, mainly due to un-realised loss on derivative financial instruments, which required justification.

6.6.2.10 Reserves of the Bank have drastically decreased by 66.6% to Rs. 171,534.116 million in FY 2022 from Rs. 62,010.32 million in FY 2021, which required explanation.

6.6.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% of compliance
2005-06	13	11	2	73, 76	85%
2006-07	9	3	6	43.2, 43.3, 44, 45, 46, 47, 48	33%
2007-08	5	2	3	51.2, 52, 53	40%
2008-09	5	4	1	63	80%
2009-10	6	4	2	68, 69	67%
2010-11	12		12	7.4.1, 7.4.2, 7.4.2.1, 7.4.2.2, 7.4.2.3, 7.4.2.4, 7.4.2.5, 7.4.3, 7.4.4.1, 7.4.4.2, 7.4.4.3, 7.4.4.4,	
2013-14	24	1	23	6.3.2.1, 6.3.2.2, 6.3.2.3, 6.3.2.4, 6.3.2.5, 6.3.2.6, 6.3.2.7, 6.3.2.8, 6.3.2.9, 6.3.2.10, 6.3.3, 6.3.4.1, 6.3.4.2, 6.3.4.3, 6.3.4.4, 6.3.4.5, 6.3.4.6, 6.3.4.7, 6.3.4.8, 6.3.4.9, 6.3.4.10, 6.3.4.11, 6.3.4.12	4%
2015-16	15	1	14	6.4.4.3, 6.4.4.8, 6.4.2.1, 6.4.2.2, 6.4.2.3, 6.4.2.4, 6.4.3, 6.4.4.1, 6.4.4.2, 6.4.4.4, 6.4.4.5, 6.4.4.6, 6.4.4.7, 6.4.4.9	7%
2016-17	12	5	7	6.3.4.1, 6.3.2.1, 6.3.3, 6.3.4.2, 6.3.4.3, 6.3.4.5, 6.3.4.8,	42%
2019-20	4	1	3	6.4.4.1, 6.4.4.3 (6.4.4.4 DAC level)	25%
Total	105	32	73		30%

The overall compliance of PAC directives needs improvement.

6.6.4 Audit Paras

6.6.4.1 Non-achievement of Agriculture Financing targets – Rs. 84,033.000 million

Key functions of the Agricultural Credit Enhancement Division include allocating of annual indicative credit disbursement targets, monthly monitoring of agri. loans disbursements against these targets, correspondence/Issuing letters to banks regarding shortfall/ target achievement and other related matters and

arranging regional review meetings with regional management of banks for target monitoring.

During audit of State Bank of Pakistan (SBP) and SBP-Banking Services Corporation (BSC) for the year 2020-21, it was observed that the management assigned indicative Agri-finance targets to all Commercial Banks, Islamic Banks (IBs), Micro Finance Institutions (MFIs) in order to ensure provision of adequate credit to farmers. However, various banks, failed to achieve even 50% of their targets amounting to Rs. 84,033.000 million (Annex-66).

Audit was of the view that non-achievement of Agri-financing targets by financial institutions depicted management's slackness to initiate efforts to achieve targets and subsequent failure to adopt any corrective measures.

The matter was reported to the management in June, 2022. The management in its reply stated that since July 2005, SBP had abandoned the "mandatory target" regime and shifted to "indicative agri. credit targets" to encourage banks to adopt a sustainable and scalable approach to agri. credit. The annual indicative agri. credit targets are allocated to agri. lending institutions by Agricultural Credit Advisory Committee (ACAC). In addition, SBP conducts regular target monitoring through monthly online reporting system, periodical follow-up meetings with the management of commercial banks. The management's response was not tenable as despite all efforts taken by SBP, above mentioned financial institutions could not achieve even 50% of their allocated targets for Agri-financing.

Audit recommends management to take strenuous efforts to ensure provision of credit to farmers through promotion of Agri-financing and subsequent imposition of penal measures for non-achievement of assigned targets.

6.6.4.2 In-effective supervision of credit risk of banking industry – Rs. 54,000.000 million

Strategic Goal (SG-3) of SBP's Strategic Plan-2020 is to improve the efficiency, effectiveness, and fairness of the banking system, while Tactical Objectives (TO) to achieve this goal include (i) Conduct impact and evaluation analysis of SBP policies/regulations, (ii) Finalize and implement the risk-based

supervision and consolidated supervision frameworks and re-build inspection manuals.

During audit of State Bank of Pakistan (SBP) and SBP-Banking Services Corporation (BSC) for the year 2020-21, it was observed that M/s Hascol Petroleum Ltd (HPL) defaulted against financial facilities of Rs. 54,000 million by various banks due to significant lapse in collateral management and monitoring there against by banks. During the period from 2015 to 2020, bank loans were granted to M/s. HPL by more than 15 banks in violation of Prudent Regulations and despite continuous decline in its credit rating with External auditor's disclaimer over Going Concern of the company. Resultantly, M/s. HPL, being highly leveraged, defaulted for Rs. 54.000 billion due to weak securities against loans. Considering the number of banks involved in various financing, HPL's default pointed towards the weakness in credit risk management of financial sector of Pakistan. Moreover, the management of SBP neither supervised credit risk of banking industry nor inquired the matter subsequently.

Audit was of the view that SBP, being regulator, had neither probed the worst financial fraud in banking industry along with taking rectifying and punitive actions against banks nor improved the controls of banking industry through updating Prudential Regulations (PRs) for credit risk management and monitoring of loans and securities there against. Hence, SBP failed to achieve its strategic goal of improving the efficiency, effectiveness, and fairness of the banking system.

The matter was reported to the management in June, 2022. The management in its reply stated that the said issue, pertaining to regulatory functions of SBP, was beyond scope of Government Audit. Moreover, commercial banks had professional management and boards having prime responsibility of protecting the interest of their banks. SBP identified the risks of the industry through offsite monitoring and on-site assessment and directed commercial bank to timely mitigate those risks. The management's reply was not tenable as failure of more than 15 banks reflected the weakness in banking industry. Moreover, management had not enquired the matter to identify the weakness in banking industry and take corrective measures thereafter.

Audit recommends management to investigate the worst financial fraud in banking industry of Pakistan along with taking punitive actions against banks and bankers and improve the credit risk management controls related to monitoring of loans.

6.6.4.3 Non-initiation of re-organization of the Bank - Rs. 30,070.000 million

Industrial Development Bank Limited (IDBL), under Act No. XII of 2011, was established with objective of re-organization and conversion of IDBPL into a public limited company.

During audit of State Bank of Pakistan (SBP) and SBP-Banking Services Corporation (BSC) for the year 2020-21, it was observed that management instead of re-organization of the Bank in accordance with the Act resorted to taking up the matter to the Cabinet, litigation in High Court of Sindh. Instead, the Cabinet Committee in its meeting held on 07-05-2016 approved the privatization of the IDBL due to negative net worth of more than Rs. 25 billion. SBP filed a petition for winding-up of IDBL under section 49 of the banking Companies Ordinance 1962 in the High Court of Sindh. The liabilities of Rs. 30,070 billion represent borrowings from the Federal Government and the SBP. On the directives of Ministry of Finance on 04-12-2018, the matter was discussed in the 36thBoD meeting of IDBL held on 12-12-2018.BoD was of the view that the Act passed by the Parliament can only undone by the parliament itself. It could not be overruled by an Executive Order. In case of winding up, the outstanding GOP/SBP liabilities will have to be written off. The matter was again discussed in the BoD meeting of IDBL held on 02-01-2020. The Board expressed its concern about the winding up and advised the Management of IDBL to take up the issue with MoF. In para-17 of the petition it has been mentioned that IDBL is being /' wound up to save the national exchequer as the entity is incurring losses. The fact was that since 2008 onwards, IDBL was continuously in profit and did not solicit any support from the exchequer. The fact should be brought into the notice of the Court. The Chairman of the Board has been accordingly advised to present this viewpoint in the Court of Law.

Audit was of the view that Act passed by the Parliament could only undone by the parliament itself. It could not be overruled by an Executive Order.

The management instead of re-organization of the Bank in accordance with the Act resorted to taking up the matter to the Cabinet, litigation in High Court of Sindh. Thus, non-initiation of re-organization of the Bank was held unjustified in Audit.

The matter was reported to the management on 18-04-2022. The management in its reply stated that SBP filed the winding up petition of IDBL on the direction of the Federal Government under section 49 of BCO, 1962. The matter is still sub-judice in the Honorable Sindh High Court. The reply of the management was not tenable as the management failed to take necessary actions in accordance with provisions of the Act on re-organization of the Bank.

Audit recommends that matter may be investigated for fixing of responsibility on the person (s) at fault.

6.6.4.4 Loss due to non-recovery of liquidated damages, mobilization advance, escalation charges - Rs. 863.635 million

According to clause 02 of the contract agreement dated 22-10-2004, M/s Habib Rafiq (Pvt.) Limited (HRL) is liable to pay compensation (Compensation for delay) to SBP of an amount of compensation equivalent to 10% of the cost price of the project evaluated “for every day that the work remains un-commenced or unfinished after the stipulated dates “. According Clause 3(c), the remaining work shall be completed by hiring the services of any other suitable contractor at risk and cost. As per contract agreement, SBP shall recover the mobilization advance at the rate of 15% of the work done from each running bill of the contractor. In case, the said contract is rescinded or the contractor abandons or suspends the work or commits any breach of the agreement the entire outstanding amount shall stand due and payable to the SBP forthwith.

During audit of State Bank of Pakistan (H.O) & BSC, Karachi for the year 2020-21, it was observed that the management failed to recover following amounts on account of contract for construction of the SBP Building in Sialkot to M/s Habib Rafiq (Pvt.) Limited (HRL) on 30-10-2004 amounting to Rs. 186.586 million. The work order was issued on 13-11-2004 and duration of the contract was 20 months which was not completed and the amounts were irregularly paid / no-adjusted / non-recovered.

S #	Nature of Irregularity	Amount (Rs. in million)
1	Non-Recovery of Liquidated Damages	495.733
2	Non-recovery of mobilization advances along with interest	288.846
3	Irregular payment of escalation charges	79.056
Total		863.635
<i>(Source: State Bank of Pakistan)</i>		

Audit was of the view that M/s HRL committed inordinate delay in the construction of building which resulted in litigation amounting to Rs. 495.733 million. Management failed to get the work done from the contractor despite payment of mobilization advance and irregular/unjustified payment of escalation charges which accumulated to Rs. 79.056 million till 2021. Thus, due to non-recovery of liquidated damages, mobilization advance, escalation charges, SBP had to sustain loss of Rs. 863.635 million.

The matter was reported to the management in June, 2022. The irregularity was discussed in the DAC meeting held on January 20, 2023. The management informed that:

1. Management informed the DAC that the matter is under litigation. DAC directed the management to pursue the case actively.
2. In case at serial no. 03, the management in its reply stated that the case is being regularly and vigorously pursued and the last hearing of the case was fixed on 25-06-2022. The reply of the management was not tenable as M/s HRL has committed inordinate delay in the construction of building.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.505, 511 & 514)

6.6.4.5 Procurements made & contracts awarded outside procurement plan – Rs. 676.026 million

Rule 08 of PPRA Rules, 2004, states, that within one year of commencement of these rules, all procuring agencies shall devise a mechanism, for planning in detail for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its

available resources, delivery time or completion date and benefits that are likely to accrue to the procuring agency in future.

During audit of State Bank of Pakistan (SBP) and SBP-Banking Services Corporation (BSC) for the year 2020-21, it was observed that the management uploaded Procurement Plan 2020-21 on SBP and PPRA websites. However, the management made contracts/hired services, which were not included in procurement plan (Annex-67).

Audit was of the view that management made procurements beyond the approved procurement plan amounting to Rs. 676.026 in violation of rules.

The matter was reported to the management in June, 2022. Management stated in its reply that the some procurement were urgent nature to meet the challenges of COVID-19 and provided the reference numbers of procurement plan. The reply of the management was not tenable because title, amount and serial number of awarded contracts is not matched with procurement plan. Further procurements were made without revision of procurement plan. However, no record was produced by the management till finalization of this report.

Audit recommends justification of matter.

6.6.4.6 Reduction in outsourced portfolio due to high risk taking by fund manager - Rs. 462.519 million

Guiding principles of reserve investment as per Investment Policy Statement (IPS) states that safety of the principal is the foremost objective given foreign reserves are public assets and have strategic role in furthering economic policies. Investments are undertaken in a manner that seeks capital preservation over the investment horizon subject to the appropriate constraints. Moreover, fund manager is required to maintain ex-ante tracking error, as measured using an appropriate risk model, of not greater than 1.50% per annum.

During audit of State Bank of Pakistan (SBP) and SBP- Banking Services Corporation (BSC) for the year 2020-21, it was observed that that risk taken by PIMCO was considerably higher than all fund managers and ex-Anti tracking error of fund manager exceeded the permissible limit of 1.50% per annum. Resultantly, due to higher risk taking, SBP's portfolio assigned to PIMCO

reduced from US\$ 338.043 million (as on 30-06-2020) to US\$ 335.10 million on 30-06-2021.

Name	Ex-Ante Tracking error summary	
	Total Risk (%)	Active Risk (%)
Benchmark	2.29	-
Outsourced Group	3.39	1.26
JPM	2.74	0.61
PIMCO	5.51	3.53
UBS	2.23	0.5
(Source: State Bank of Pakistan)		

Audit was of the view that management's failure to review the huge risk taken by M/s. PIMCO in managing portfolio, had resultantly reduced the market value of outsourced portfolio by US\$ 2.943 million, equivalent to Rs. 462.519 million (1US\$= Rs. 157.159 as on 30-06-2021).

The matter was reported to the management in June, 2022. The irregularity was discussed in the DAC meeting held on 20-01-2023. The Management informed the DAC that RMD deemed Ex-Ante Tracking error results reported by fund manager and custodian are in compliance and well within the tracking error limit as per IMA guidelines. DAC directed the management to verify its contention from audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.6.4.7 Operating loss due to poor performance – Rs. 306.220 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of State Bank of Pakistan (SBP), Banking Services Corporation (BSC) Sukkur for the year 2020-21, it was observed that the management earned an income of Rs. 9.516 million and incurred an establishment cost of Rs. 315.736 million causing operating loss of Rs. 306.220 million.

Audit was of the view that the management had not taken strenuous efforts to increase the income by discharging duties of core activities, as a result thereof, suffered an operating loss of Rs. 306.220 million.

The matter was reported to the management on June 13, 2022. The management stated in its reply dated September 19, 2022 that entire expenses are transferred/reimbursed by SBP and all expenses are well within the budgetary limits of the office. The reply was not tenable as operating loss of Rs. 306.220 is evident on account of less revenue generation against the related expenditures.

Audit recommends justification of the matter.

6.6.4.8 Irregular procurement of medicines – Rs. 198.288 million

Rule 20 of the PPRA Rules, 2004, states that procuring agency shall use open competitive bidding as the principal method for the procurement of goods, services and works. Further, Rule 04 of PPRA Rules, 2004, states that Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of State Bank of Pakistan (SBP) and SBP-Banking Services Corporation (BSC), Karachi, Sukkur & Peshawar for the year 2020-21, it was observed that the management incurred an expenditure of Rs. 208.133 million on the purchase of medicines from July 01, 2020 to June 30, 2021. All procurements were made without competitive bidding. The details are as under:

(Rs. in million)					
S#	Organization	Amount	S#	Organization	Amount
1	SBP (Head Office) / BSC	198.288	3	BSC, Peshawar	2.995
2	BSC, Sukkur	6.85	Total		208.133

(Source: State Bank of Pakistan)

Audit was of the view that the management failed to comply with the PPRA Rules in the procurement of medicines.

The matter was reported to the management in June, 2022. The management in its reply stated that in response to the previous Audit observation we sought clarification from PPRA vide letter dated 8th Oct 2021 while detailing the procedure we are following. Where in response, PPRA vide their letter dated

January 11, 2022, without raising objection on SBP's existing practice, stated that PPRA is in process of developing "standard bidding documents" for procurement of pharmaceutical goods. If PPRA had any observation regarding our practice they might have raised objection. The reply of the management was not tenable as the management referred the matter to PPRA for clarification regarding procurement of medicines on 08-10-2021 and 26-01-2021. In response the PPRA vide letters dated 13-10-2021 & 11-01-2022 has clarified that all procuring agencies are required to follow the procurement laws in letter and spirit while ensuring governance, management, transparency, accountability and quality of public procurement of goods services and works in the public sector procurement.

Audit recommends that management may conduct an inquiry into the matter and fix responsibility on persons for irregular procurement of medicines.

(DP Nos.513, 188 & 1015)

6.6.4.9 Award of contract beyond the approved budget - Rs. 198.000 million

According to S# (103)(a) Standing Instructions of Expenditure Regulations, 2011 (As amended up to December 18, 2020) on budget states "The availability of budget is pre-requisite for incurrence of capital and revenue expenditure".

During audit of State Bank of Pakistan (SBP) and SBP-Banking Services Corporation (BSC) for the year 2020-21, it was observed that the management approved the budget of Rs. 5.000 million for hiring a consultant for construction of new SBP office Building Complex I.I Chundrigar Road Karachi. However management awarded the contract to M/s National Engineering Services Pakistan amounting to Rs. 198.000 million which was beyond the approved budget.

Audit was of the view that management awarded the contract beyond the approved budget which stands irregular / unjustified.

The matter was reported to the management in May, 2022. The management stated in its reply that Consultant fee will be paid in parts against completion of different milestones According to the Contract Agreement. Since the project span is more than one year, therefore, cash flow of Rs. 5 million was kept in the budget FY 20-2021 for payment against milestones of the project

which has been carried forward in FY 21-2022. Till present no payment has been made to the Consultant for the project. Further it has not been mentioned anywhere in PPRA rules that Bid can only be accepted in amount, therefore, there is no violation of any rules. The reply of the management was not tenable because Consultancy project was initiated from previous years and no such Consultancy budget was fixed during previous year only Rs. 5.000 million was fixed during 2020-21 and approved on assumption basis which is in violation of rules and regulations.

Audit recommends justification of matter.

6.6.4.10 Imprudent investment in security - Rs. 195.820 million

According to clause 2.1.1 (g) of Investment guidelines, investment shall only be made in countries, where the issuer, the Guarantor and ultimate parent country of risk is OECD member or the Singapore.

During audit of State Bank of Pakistan (SBP) and SBP-Banking Services Corporation (BSC) for the year 2020-21, it was observed that the Fund Manager, M/s. UBS, invested outsourced portfolio amounting to US\$ 1.246 million in a country of domicile being outside the member list of Organization for Economic Co-operation and Development (OECD). M/s. UBS invested in security, CK Hutchison Finance, on 19-01-2021 whereby the issuer's country of domicile was Hong Kong, which was outside the OECD's member list. Subsequently, the fund manager sold the securities at US\$ 1.226 million with a loss of US\$ 0.02 million.

Audit was of the view that investment in a country outside OECD's member list, being in contravention to investment agreement guidelines, is irregular. Hence, audit considers the investment of US\$ 1.246 million, equivalent to Rs. 195.82 million (1US\$=Rs. 157.159 as on 30-06-2021) and subsequent loss as irregular and imprudent.

The matter was reported to the management in June, 2022. The irregularity was discussed in the DAC meeting held on January 20, 2023. The management informed that investment made by fund manager was in compliance with IMA guidelines 2.1.1(g)(b). Moreover, the Bank of New York, being custodian, could not monitor country of risk at ultimate issuer level.

Subsequently, SBP instructed the custodian to check country of risk instead of country of domicile.

DAC directed the management to verify its contention from audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.6.4.11 Non-construction of building due to non-payment of Property and Conservancy Tax - Rs. 174.388 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of State Bank of Pakistan (SBP) and SBP- Banking Services Corporation (BSC) for the year 2020-21, it was observed that SBP awarded the consultancy contract to M/s NESPAK for construction of Learning Resource Centre and Allied Building on the plot measuring 1.669 acres situated at Plot No.11, Rafiqui Lane Peshawar Cantt. Consequently, building plans of the said project was prepared by M/s NESPAK and were submitted to the Cantonment Board Peshawar (CBP) on November 20, 2017. Subsequently CBP vide letter dated July 20, 2018 demanded a sum of Rs. 109,047,157 on account of House/Property Tax & Conservancy Tax which was accumulated to Rs. 174.388 million as on 30-06-2022. Further, Military Lands & Cantonment (ML&C) Department informed building plan has been approved and the same shall be released only on payment of House tax and conservancy tax including late fee. However, management informed the CBP that approval of building plan has no nexus with the recovery of property tax and did not pay the charges till date.

Audit was of the view that despite lapse of more than 04 years the management failed to obtain the building plan.

The matter was reported to the management on June 03, 2022. The irregularity was discussed in the DAC meeting held on January 20, 2023. The management informed that the matter is under litigation with Supreme Court of

Pakistan. DAC directed the management to pursue the case actively. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.6.4.12 Unjustified payment of fees despite poor performance – Rs. 79.777 million

According to Manager's mandate (1.1) of investment agreement, the manager shall seek to achieve excess return relative to the Benchmark Index while seeking to protect principal. (1.2) The Manager's performance in the management of Portfolio will be assessed at regular intervals by comparing the returns earned on the portfolio, both before and after fees, with notional returns on the Benchmark Index.

During audit of State Bank of Pakistan (SBP) and SBP-Banking Services Corporation (BSC) for the year 2020-21, it was observed that management paid M/s. PIMCO the highest fees of US\$ 506,462 at an extravagant rate of 15 basis point among all fund managers despite its failure to achieve benchmark rate of return i.e. 0.09%. Detail of outsourced portfolio of fund managers along with fees and performance is as follows:

Fund Manager	Portfolio (US\$)	Rate of return	Fees (basis point)	Fees (US\$)
JPM	349,514,327	0.87	11.50	399,590
UBS	343,978,844	0.22	13.50	462,077
PIMCO	338,043,536	0.05	15.00	506,462

(Source: State Bank of Pakistan)

Audit was of the view that payment of highest fees being charged at exorbitant rate among all fund managers, despite its poor performance depicted management's failure in acting rationally. Hence, audit considered the payment of fees of Rs. 79.777 million (US\$ 506,462 * Rs. 157.159) as unjustified.

The matter was reported to the management in June, 2022. The irregularity was discussed in the DAC meeting held on 20-01-2023 Management informed the DAC that return of M/s. PIMCO was higher than benchmark in last 5 years and judging its performance on one year's failure to achieve benchmark was not appropriate. The DAC directed the management to share the previous five years records/documents relating to case with the Audit for verification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.509 & 510)

6.6.4.13 Loss due to non-utilization / non-protection of assets – Rs. 62.224 million

Management Committee on Properties and Equipment (MCPE) of SBP is responsible for monitoring, on quarterly basis, the execution of projects, utilization of funds, and effectiveness of procurement plan and timely completion of activities.

Section 21 sub section (6) of Corporate Governance Rules, 2017 states that the Terms of Reference (TORs) of the Audit Committee may also include determination of appropriate measures to safeguard the Public Sector Company's assets.

During audit of State Bank of Pakistan (SBP) and SBP-Banking Services Corporation (BSC) for the year 2020-21, it was observed that the management neither utilized assets for its intended purpose nor protected those assets effectively at construction site in Sialkot. Eventually, the management had to repurchase said electrical items amounting to Rs. 59.945 million.

Furthermore, electric cables amounting to Rs. 2.279 million were stolen by some unknown individuals in presence of security guards at under-construction building of SBP-BSC in Sialkot.

Audit was of the view that the management failed to utilize and protect the assets which resulted in additional expenditure amounting to Rs. 62.224 million.

The matter was reported to the management in June, 2022. The irregularity was discussed in the DAC meeting held on January 20, 2023. The management informed that:

1. The said electrical items were inspected at the time of delivery only. Afterwards, all delivered items were in custody of electrical contractor M/s United Electrical Engineers until 2014, when the electrical contractor demobilized from the site. DAC was not satisfied with management's reply and directed to investigate the matter and fix responsibility on person(s) at fault.
2. The building remained vulnerable due to its huge area, lack of complete boundary wall, CCTV coverage and security watch towers. Moreover, in

order to recover the stolen electric cable, an FIR was lodged with Cantt Police Station Sialkot which is under investigation by police. The management's reply was not tenable as management did not enquire the matter as to whose negligence the theft occurred and failed to fix the responsibility.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.508 & 517)

6.6.4.14 Loss to the govt. exchequer due to non-deduction / deposit of tax - Rs. 21.676 million

According to Rule 02 (S. No 13 of Schedule) of Islamabad Capital Territory (Tax on services) Ordinance 2001, Services provided by other consultants including but not limited to human resource and personnel development services; market research services and credit rating services, are liable to pay tax at the rate of 16%. According to Para 2 of Revenue Division SRO 660(1)2007 dated June 30, 2007, the withholding agent shall deduct an amount equal to one fifth of the total Sales Tax shown in the Sales Tax invoice issued by the supplier and deposit the withheld amount in treasury.

During audit of State Bank of Pakistan (SBP) and SBP- Banking Services Corporation (BSC) for the year 2020-21, it was observed that subsidiary of SBP, National Institute of Banking and Finance (NIBAF) had neither registered itself under Islamabad Capital Territory (Tax on services) Ordinance 2001, nor paid an amount of sales tax amounting to Rs. 13.676 million. Subsequently in 2016, due to non-registration, Asstt. Commissioner Inland Revenue (ACIR) ordered the company for compulsory registration along with show cause notice for filling tax returns and imposed payment of sales tax amounting to Rs. 13.676 million. Similarly, NIBAF received a notice under section 177(1) of the Income Tax Ordinance, 2001 and a show Cause notice for Rs. 8.000 million from the tax authorities against alleged non-deduction of tax on various payments relating to tax year 2017. NIBAF had submitted the certain information/documents to the tax authorities but no response was received from the tax authorities.

Audit was of the view that non-depositing of sales tax and non-deduction of tax on various payments relating to tax year 2017, amounting to Rs. 21.676 million (Rs. 13.676 million + Rs. 8.000 million) in Government treasury, being irregular, tantamount to loss to the Government.

The matter was reported to the management in March and June, 2022. The management in its reply stated that NIBAF was not providing any consultancy services and trainings services were not covered under referred rule. NIBAF has been following the requirements of withholding agent for deduction and deposit of WHIT from payments of suppliers and filing the same with authorities. However, said plea of management was rejected by FBR and management was directed to pay the dues. The management's rely was not tenable as instead of paying the dues, NIBAF filed a writ petition before Islamabad High Court (IHC) against the recovery notice.

Audit recommends investigating the matter with a view to fixing responsibility on the persons for non-deduction /payment of tax and further progress in the matter regarding petition filed before Islamabad High Court may also be intimated.

(DP Nos. 518 & 519)

6.6.4.15 Expected loss to the exchequer due to snatching of Dollar Bearer Certificate –US \$ 100,000 equivalent to Rs 15.716 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangement to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of State Bank of Pakistan (SBP) and Banking Services Corporation (BSC) for the year 2020-21, it was observed that Mr. Tanveer Ahmed, an employee of Indosuez Bank Limited was entrusted with depositing US Dollar bearer certificates and foreign exchange certificates with SBP. The said packet was snatched from him amounting to US\$ 100,000. Subsequently, Mr. Naeem claiming the ownership of US Dollar Bearer Certificate of the face

value of US \$ 100,000/- from open market, presented the same for encashment at the branch of Union Bank Limited (formerly Bank of America) which after due verification was credited in his account. Later on, Mr. Muhammad Naeem's account was debited in the said amount for the reason that the certificate was a stolen instrument and was already encashed by Indosuez Bank Limited

Mr. Muhammad Naeem, thereafter, over four years of the denial of subject DBC, filed a Suit in October 1998 in High Court of Sindh which was decreed against SBP and Union Bank Limited vide judgment dated 27-02-2004. SBP filed an appeal before the Honorable High Court of Sindh, against the aforementioned judgment. The appeal was disposed of and upheld the decree on Suit earlier issued by High Court of Sindh. SBP filed an appeal before Honorable Supreme Court of Pakistan which was also issued in favor of Mr. Muhammad Naeem and Court ordered that Mr. Muhammad Naeem is entitled to get value of the disputed certificate from SBP in Pak Rupees. Thereafter SBP has filed a Civil Review Petition on 16-11-2020 in the Honorable Supreme Court which is still pending.

Audit was of the view that the management failed to safe guard national exchequer as the management failed to initiate concrete efforts by timely cancellation of US Dollar Bearer Certificate when it was stolen and came to the notice of the SBP.

The matter was reported to the management in April 2022. The management in its reply stated that the matter is still subjudice and appeal is pending with the Honorable Supreme Court of Pakistan. US\$ certificate is still outstanding in the books. The reply of the management was not tenable as the management should have initiated concrete efforts in order to cancel the US Dollar Bearer Certificate when it was stolen and came to the notice of the SBP.

Audit recommends intimating the latest position of the court case.

6.6.4.16 Non-disposal of obsolete assets – Rs. 13.680 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangement to ensure that funds and resources are properly safeguarded and are used

economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of State Bank of Pakistan (SBP-BSC) Peshawar for the year 2020-21, it was observed that various office equipment were lying un-utilized / un-serviceable / obsolete which were not disposed off. The details are as under:

Description	Amount (Rs)	Description	Amount (Rs)
EDP Equipment	11,927,675	Furniture & Fixture	12,500
Office Equipment	1,740,705	Total	13,680,880
<i>(Source: State Bank of Pakistan)</i>			

Audit was of the view that the management failed to dispose the items which reflected inefficiency and poor financial management.

The matter was reported to the management on May 25, 2022, however no reply was received.

Audit recommends to investigate the matter and find out the reasons of no-disposal of assets in time and action may be taken for early disposal of assets.

6.6.4.17 Insufficient bid security – Rs. 12.000 million

Rule 25 of PPRA Rules, 2004, states that the procuring agency may require the bidders to furnish a bid security not exceeding five per cent of the bid price.

During audit of State Bank of Pakistan (SBP) and SBP-Banking Services Corporation (BSC) for the year 2020-21, it was observed that management awarded the contract M/s National Engineering Services Pakistan amounting to Rs. 198.000 million for appointment of engineering consultant firm for planning, detailed designing & detailed construction supervision of construction of new SBP office building at Karachi. However, it was observed that the management obtain bid security of Rs. 0.100 million instead of 2% of bid amount Rs. 3.96 million.

Audit was of the view that management obtained the insufficient bid security which showed favoritism.

The matter was reported to the management in May 2022. The management stated in its reply that PPRA rules updated on 28.06.2021, the procuring agency may require the bidders to furnish a fixed amount of bid

security not exceeding five percent of the estimated value, maximum limit of five percent has been fixed with no mention of lower limit. The reply of management was not tenable because According to rules updated before 28.06.2021, bid security was required in % According to SBP bidding document i.e. 2%, but the management fixed in amount which is violation of rules.

Audit recommends justification of matter.

6.6.4.18 Irregular award of consultancy contract without tender – Rs. 11.312 million

Rule (4) of PPRA Rules, 2004 states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Further, Rule 12 (2) of PPRA Rules, 2004 states that all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During audit of State Bank of Pakistan (SBP) and SBP-Banking Services Corporation (BSC) for the year 2020-21, it was observed that the management awarded a consultancy contract to M/s. Progressive Consultants (Pvt.) Ltd for designing and drawings of civil and electrical works at SBP-BSC Sialkot Building without tender. The contract of construction work was awarded to M/s. Habib Rafiq (Pvt.) Ltd (HRL) in 2001. Subsequently, M/s. HRL failed to complete the construction work within time. Later on, the management re-awarded the same consultancy contract to M/s. Progressive Consultants (Pvt.) Ltd at 1.88% of total cost of completion of project for remaining work and with additional scope of work without open competitive process in year 2015-16. Hence, Total payment to the consultant till date was Rs. 11.312 million.

Audit was of the view that re-awarding of consultancy contract having additional and revised scope of work without tender, being in violation of PPRA rules, is held irregular.

The matter was reported to the management in June, 2022. The management in its reply stated that the services of M/s Progressive Consultant (Pvt.) Ltd. were continued to complete remaining work of the SBP Building project at Sialkot According to rule 3.D.(i) (a) of PPRA rules, 2010. Management's response was not tenable as referred rule is only applicable in exceptional cases, where it provides clear advantage over competition. Moreover, According to rule 3.D.(ii) (a) of PPRA rules, 2010, the decision to use single source selection method shall be approved in writing by Principal Accounting Officer (PAO) on recommendation by committee. The approval of Principal Accounting Officer (PAO) was not provided by the management.

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

6.6.4.19 Irregular payment of deputation allowance – Rs. 5.740 million

According to Finance Division Regulation Wing circular F.No.1(2)Imp/2020-16-333 dated 01-07-2016. The government revised the rates of deputation allowance 20% of the basic pay subject to maximum Rs. 12,000.

During audit of State Bank of Pakistan (SBP-BSC), Peshawar for the year 2020-21, it was observed that services of Mr. Adnan Imran (OG-5) was placed on deputation basis with Financial Monitoring Unit (FMU) Islamabad for a period of three years from January 2019. The officer was paid deputation allowance equivalent to 20% of monetized salary instead of Rs. 12,000 per month as detailed below:

(Amount in Rs.)				
Period	Monetized Pay	Deputation Allowance paid	Depu. Allow. Rs. 12,000 P.M	Excess payment
January-2019 to April- 2022 (40 months)	Rs. 777,536 p.m x 40 months = Rs. 31,101,440	6,220,288	480,000	5,740,288

(Source: State Bank of Pakistan)

Audit was of the view that the officer was given undue favor in payment of deputation allowance. The officer was required to be paid deputation allowance at the maximum rate of Rs. 12,000 per month instead of actual of monetized pay of officer. Thus, the excess payment made to the officer Rs. 5,747,248 stands irregular and unjustified.

The matter was reported to the management on May 25, 2022, however no reply was received.

Audit recommends to recover the excess payment made to the officer.

6.6.4.20 Loss due to payment of pay & allowances on fake degree - Rs. 3.881 million

According to judgment of Supreme Court of Pakistan (Case 2009 SC MR 1497) no leniency should be shown in favor of employees possessing fake / bogus degrees / certificates. Supreme Court of Pakistan authorizes to examine the possibility of getting registered criminal case against such employees so that in further no one should dare to commit such misconduct. Further, the authority awarding punishment of dismissal from service to an employee could not reinstate him in service.

During audit of State Bank of Pakistan (SBP) and Banking Services Corporation (BSC) for the year 2020-21, it was observed that Mr. Atiq-ur-Rehman joined the services of the SBP on 15-02-2008. After his joining he was continuously followed up to submit his testimonial including his M.Sc. Degree, but he did not provide the same. Later on the management directly approached Cardiff University on 16-07-2009 for the verification of the facts, the University informed that Mr. Atiq-ur-Rehman failed to complete his M.sc. Degree. Therefore, disciplinary action was initiated against him and he was dismissed from the services w.e.f 15-12-2010. He had received the salary along with other benefits amounting to Rs. 3,880,621 from the bank.

Audit was of the view that management appointed the incumbent without due diligence with resulted in irregular appointment and loss to the bank amounting to Rs. 3.881 million.

The matter was reported to the management in June, 2022. The irregularity was discussed in the DAC meeting held on January 20, 2023. The management informed that the matter is under litigation. DAC directed the management to pursue the case actively. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.6.4.21 Non-recovery of decreed amount of loan from ex-employee - Rs. 2.396 million

Rule 4 (3) of Public Sector Companies (Corporate Governance), Rules, 2017 states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance.

During audit of State Bank of Pakistan (SBP) and Banking Services Corporation (BSC) for the year 2020-21, it was observed that management of SBP sanctioned and disbursed a total loan of Rs. 1,516,769 to Mr. Aslam SardarMasih, AAO of Accounts Section/IOAS (Index No. GA-252/752). After obtaining the above loans, the employee became a habitual absentee. It is pertinent to mention here that the employee started obtaining leaves casually on one pretext and other. A warning letter was issued to him on 29-05-2006 but he did not pay any attention and remained absent un-authorizedly. The Governor SBP ordered inquiry on 27-6-2006. After proper inquiry and after providing several chances to employee to defend himself and upon failure to defend his case he was dismissed from services on 05-12-2006. He was sent a notice on 05-04-2007 for re-payment of outstanding dues to SBP but he ignored the same and failed to pay to outstanding amount. The management filed a recovery suit against him on 22-08-2008 for of Rs 1,322,037 in the Court of IVTH Senior Civil Judge Karachi (South). The case was decree in favor of SBP on 09-01-2019. Up to 23-04-2019 the outstanding dues (along with markup) comes to Rs. 2,395,658 (Principal amount Rs. 1,322,037 + Rs. 1,073,621)

The matter was reported to the management in June, 2022. The management in its reply stated that subsequent to issuance of decree in favor of SBP in Civil Suit an Execution Application was submitted before Sr. Civil Judge, Karachi South. The case was last fixed for hearing on 30-05-2022 wherein advocate for Decree Holder (SBP) was present however, neither the advocate nor the Judgment Debtor side appeared before the court and the matter was adjourned. The Execution Application is now fixed before the Nazir of the Court on 30-07-2022 for compliance/auction proceedings. The contention of the management was not tenable; the non-recovery of decreed amount along with

interest thereon showed poor financial management and negligence on the part of management.

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

6.6.4.22 Increase in Government borrowing from commercial banks crowding out private lending

Rule 9B 2(c) of SBP Act, 1956 states that Monetary and Fiscal Policies Co-ordination Board meet for the purposes before the finalization of the budget to determine the extent of Government borrowing from commercial banks taking into account credit requirements of the private sector, liquidity expansion determined by the Board and expected changes in net foreign assets of the banking system.

During audit of State Bank of Pakistan (SBP) and SBP- Banking Services Corporation (BSC) for the year 2020-21, it was observed that Government borrowing from commercial banks crowded out the private sector lending. It was further observed that after imposition of ban on Government borrowing from SBP, Government heavily borrowed from commercial banks while crowding out private lending to private sector by commercial banks. Moreover, Credit to Deposit Ratio (CDR) of the banking industry was also declining. Detail of Government Borrowing and Credit to private sector during last three years is as follows:

(Rs. in billions)			
Description	FY-2018	FY-2019	FY-2020
Government Sector Borrowing	1,244.073	2,136.994	2,210.569
Private Sector Borrowing	775.495	693.537	196.357
<i>(Source: State Bank of Pakistan)</i>			

Audit was of the view that continuous increase in Government borrowing from commercial banks, while initially crowding out private lending, will ultimately result in increase in real interest rate and decrease in private investment.

The matter was reported to the management on June 03, 2022. The irregularity was discussed in the DAC meeting held on January 20, 2023. The management informed regarding increase in Government borrowing from

commercial banks and further informed that matter did not pertain to books of account of SBP, hence it is out of Government Audit's scope. DAC directed the management to furnish the revised reply to Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.6.4.23 Non-achievement of financing targets

Strategic Goal (SG-4) of Strategic Plan, 2020 is to increase financial inclusion by enabling and promoting alternative channels for delivery of financial services that meet consumer needs and encouraging innovative and flexible products/services that meet the needs of SMEs. Furthermore, in line with the strategic direction of SBP, key benchmarks to be achieved by 2020 are i) to increase SME's share from existing 8 % of private sector credit to 17 % and ii) to increase number of SME borrowers from existing 174,000 to 500,000.

During audit of State Bank of Pakistan (SBP) and SBP- Banking Services Corporation (BSC) for the year 2020-21, it was observed that the management, being regulator, has not been focusing and promoting Small and Medium (SME) financing in the country. The Commercial banks, currently having very profitable and risk free investment avenues. Moreover, there had not been any national level SME Policy for the last 20 years. In overall macroeconomic terms, SMEs contribute 30 % to GDP of the country, 65% in employment and 25 % in export earnings.

Considering the importance of SME, SBP's strategic targets for 2020-21 included the achievement of SME's share to 17% of private sector credit and increase in number of borrowers to 500,000. However, the management could not achieve the said targets. Detail of SMEs financing over the last three years is as follows:

Description	(Rs. in billion)				
	2018-19	2019-20	2020-21	Strategic Target	Non-achievement
SME Financing	464.86	401.13	437.57	1,187.55	749.98
Private Sector Financing	6,200.0	6,247.38	6,985.57	6,985.57	-
SME as % of Pvt. Sector Finance	7.50%	6.42%	6.26%	17%	10.74

No. of SME borrowers	183,606	188,804	172,893	500,000	327,107
Government Borrowing	1,244.073	2,136.994	2,210.569	-	-
<i>(Source: State Bank of Pakistan)</i>					

Audit was of the view that the management failed to promote the vital sector of Pakistan's economy by not focusing and achieving their strategic targets of SME financing.

The matter was reported to the management on June 03, 2022. The irregularity was discussed in the DAC meeting held on January 20, 2023. The management informed that credit lending is purely a management decision of commercial banks after reviewing the related risks and SBP could not impose penalties for non-achievement of targets. The management further informed that matter did not pertain to books of account of SBP, hence it is out of Government Audit's scope. DAC directed the management to advice commercial banks for achievement of targets. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.6.4.24 Non-production of auditable record

Section 1-1 of the Audi/or General of Pakistan's Functions. Powers. Terms and conditions of Service Ordinance 2001 provides as under:

The officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete form as possible and with all reasons bale expedition (Sub Section- 2)

Any person or authority hindering the Auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary actions under relevant E&D Rules (Sub-Section 3)

During audit of State Bank of Pakistan (SBP) and SBP-Banking Services Corporation (BSC) for the year 2020-21, the management failed to provide auditable record despite issuance of reminders and several verbal requests (Annex-68).

Audit was of the view that the management failed to provide the record which reflected negligence.

The matter was reported to the management in June, 2022. The management informed that the requisite record related to regulatory functions of the Bank, and did not pertain to SBP's books of accounts, hence, it was beyond the scope of AGP audit. DAC directed the management to provide non-regulatory function related record. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

6.7 SME Bank Limited

6.7.1 Introduction

SME Bank Limited was formed and incorporated on October 30, 2001, as a public limited company under the Companies Ordinance, 1984 (now Companies Act 2017). The prime objective of the Bank was supporting and developing SME sector of the country. Total paid-up capital of the Bank was Rs. 2,390 million, out of which Rs. 2,244 million (93.89%) is owned by the Government of Pakistan. Other shareholders are NBP (2.56%), UBL (1.66%), HBL (0.830%), MCB (0.62%), ABL (0.32%) and IDBP (0.12%). The Bank was operating through a network of 13 commercial banking branches.

The Bank obtained its business commencement certificate on April 16, 2005, which became effective from the date of its issue. The main objectives of Bank were:

- To support, develop and promote SMEs by providing them with the necessary technical and financial assistance.
- To concentrate on value addition and export oriented SMEs.
- To enable SMEs to play a vital role in stimulating GDP growth, create job opportunities and reduce poverty.
- The Bank was on the list of Privatization Commission of Pakistan.

6.7.2 Comments on Audited Accounts

6.7.2.1 The financial performance of the Bank for the year ended Dec 31, 2021 as compared to previous years is as follows:

(Rs in million)

	2021	%Inc / (Dec)	2020	%Inc/ (Dec)	2019
Mark-Up/return/interest earned	609,592	(18)	738,948	(5)	776,306
Mark-Up/return/interest expensed	717,637	(29)	1,008,663	(12)	1,149,619
Net Mark-up/interest income	(108,045)	(60)	(269,715)	(28)	(373,313)
Net Mark-up/interest income after provision					
Non-Mark-up/interest	19,683	32	14,934		
Free commission and brokerage	14,009	28	10,914	10	9,933
Dividend income	2,580	58	1,629	(28)	2,247
Gain on sale of securities	925	13	815		0,007
Other income	2,169	38	1,576		0,980
Total non-mark-up/interest income	(88,362)	65	(254,781)	2035	13,167
Administrative expenses	911,354	9	837,299	5	877,195
other provisions/write offs	(17,452)	20	(14,521)	(25)	(19,358)
other charges	69,183	1	69,559	0	69,426
Total non-mark-up/interest expenses	(1,068,899)	8	(1,161,639)	223	946,621
Loss before taxation	(1,051,447)	8	(1,147,118)	12	(1,306,767)
Taxation	(109,026)	(36)	(169,954)	-7801	(215,100)
Profit (loss) after taxation	(942,421)	4	(977,164)	9	(1,072,309)

(Source: Annual Audited Accounts)

Interest revenue of the bank is continuously decreasing which decreased from Rs. 776,306 million in the year 2019 to Rs. 609,592 million in the year 2021. The management failed maximize interest revenue through disbursement of fresh loans. Except few all SME branches failed to achieve the disbursement targets. The continuous decrease in interest revenue needs to be justified.

6.7.2.2 The bank sustained continuous losses in billions during the last three years. The administrative expenses of the bank are Rs. 911.354 million 150% of the interest revenue. The management failed effectively manage their human resources to control their administrative expenditure.

6.7.2.3 Non-performing loans stood Rs. 5.361 billion as on December 31st 2021 against Rs 5.392 billion as on December 31st 2020. Management failed to recover these loans. No serious recovery efforts were made. Serious recovery efforts are required to recover non-performing loans.

6.7.2.4 Liabilities on account of deposits and other accounts stood Rs. 8.248 billion, whereas, against the deposits the investments of the bank are Rs. 4.237 billion. The bank is unable to pay off their liabilities to the deposits and other accounts holders. Serious efforts are required to improve the financial position of the bank.

6.7.2.5 SME Leasing Limited a Subsidiary Company has been incurring losses since December 31st 2009 and resulted in erosion of equity. The accumulated losses of the company stood Rs.361.931 million as on December 31st 2021. This needs to be explained.

6.7.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1990-91	04	02	02	221, 225	50
1991-92	03	02	01	210	67
1992-93	06	05	01	73	83
1993-94	12	09	03	53, 54, 57	75
1994-95	10	03	07	68, 74, 76, 77, 79, 81, 125	30
1995-96	04	02	02	88, 96	50
1996-97	11	09	02	66, 71	82
1997-98	13	12	01	79	92
1998-99	10	07	03	84, 85, 86	70
1999-00	21	13	08	110, 121, 122, 124, 125, 126, 127, 129	62
2000-01	23	0	23	86, 88, 89, 91, 92, 94, 95, 97, 98, 99, 100, 101, 102, 104, 106, 107, 108, 109, 110, 111, 112, 114, 115	-
2001-02	07	02	05	144, 145, 146, 147, 148	29
2002-03	15	11	04	72 & 72.1, 73, 74, 77	73
2003-04	15	06	09	67, 68, 69, 70, 71, 73, (74,75, 76-CIRC)	40
2004-05	05	04	01	47-CIRC	80
2005-06	08	03	05	88.4, 89, 90, 91, 92	37
2006-07	13	05	08	53, 54, 55, 56, 57, 58, 59, 60	38
2007-08	06	04	02	55, 56	71
2008-09	07	0	07	64, 65, 66, 67, 68, 69, 70	-
2009-10	07	04	03	70.3, 70.4, 71	63
2013-14	13	01	12	6.5.1, 6.5.2.1, 6.5.2.2, 6.5.2.3, 6.5.4.4, 6.5.4.1, 6.5.4.2, 6.5.4.5, 6.5.4.3, 6.5.2.4, 6.5.2.5, 6.5.3	8
2016-17	15	08	07	6.4.2.2, 6.4.2.3, 6.4.2.4, 6.4.2.5, 6.4.2.6, 6.4.3, 6.4.4.2	53
Total	228	112	116		49

Overall compliance of PAC directives was not satisfactory which needs to be improved.

6.7.4 Audit Paras

6.7.4.1 Loss due to non-achievement of approved disbursement and recovery targets - Rs 1,919.585 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for 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.

The Board of Director (BoD) Small and Medium Enterprise (SME) Bank Ltd in their 109th meeting held on December 19th 2020 and 111th meeting held on March 20th 2021 approved the following fresh disbursement and recovery targets in the Annual Budget for the year 2020 and 2021.

(Rs. in million)		
Description	2020	2021
Fresh Loan Disbursement	186.00	600.00
Loan Recovery Target	404.95	400.00

During the audit of SME bank for the year 2020 and 2021, the record revealed that SME Bank Ltd failed to achieve its approved target. Resultantly the bank sustained Net Loss of Rs. 1,919.585 million in last two consecutive years. The position of approved target and actual achievement is as under:

(Rs. In million)						
Description	2020			2021		
	Approved Target	Actual Achievement	Difference (Short) / Excess	Approved Target	Actual Achievement	Difference (Short) / Excess
Fresh Loan Disbursement	186.00	262.00	76.00	600.00	475.55	(124.450)
Loan Recovery Target	404.95	20.86	(384.09)	400.00	46.55	(353.450)
Net loss after taxation			(977.164)			(942.421)

Furthermore, it was noticed that in the Annual Report of the for the year 2021 the huge operating losses was attributed due to pending privatization, restructuring, limited outreach, inadequate level of equity and economic

condition by ignoring the weak disbursement and recovery performance of the SME branches.

The matter was pointed out to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility thereof.

Para-1 (SME – 2020 & 2021)

6.7.4.2 Under disbursement of loans in SBP Refinance Scheme - Rs. 192.709 million

State Bank of Pakistan circulate Refinance Facility for “Modernization of SMEs -Expansion in the Scope” and “Storage of Agricultural Produce (FFAP)” vide their circular date May 6th 2010 and June 04th 2010 respectively for creation of employment opportunities, economic growth, poverty reduction and equitable distribution of economic prosperity. Under the Refinance Facility, the following limit allocation were approved for SME Bank Ltd.

Refinance Facility	Allocated Limit (Rs. in million)
Modernization of SMEs	50.000
Financing Facility for Storage of Agricultural Produce (FFSAP)	250.000
Total	300.000

During the audit of SME Bank Ltd for the period 2020 and 2021 it was observed that management of SME Bank Ltd failed to disburse loans under SBP Refinance Scheme. Only sum of Rs 107.291 million was disbursed against the allocated amount of Rs. 300.00 million. Only five SME branches disbursed the loan under the scheme. Detail is as under:

(Rs in million)

Refinance Facility	Allocated Limit	2021	
		Actual Disbursement	Short/Under Disbursement
Modernization of SMEs	50.00	39.310	10.690
Financing Facility for Storage of Agricultural Produce (FFSAP)	250.00	67.981	182.019
Total	300.00	107.291	192.709

The management failed to disburse loans under the scheme as per allocated limit. The economic objectives set by the Federal Government could not be achieved.

The matter was pointed out to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility thereof.

Para-2 (SME – 2020 & 2021)

6.7.4.3 Irregular disbursement of loan beyond the approved powers of BCC - Rs. 32.00 million

According to Delegation of Powers of Branch Credit Committee (BCC) circulated vide Credit Circular No. 131/3022 dated My 4th 2018, “BCC is authorized to approve credit proposal up to Rs. 2.00 million per party for term loans i.e. (Term Finance for Fixed Assets (TFFA), Term Finance for Working Capital (TFWC) and letter of guarantee.”

During the audit of SME Bank Ltd for the year 2020 and 2020 it was observed that in deviation to the above approved powers the Branch Credit Committee (BCC) discussed and approved loan facility worth Rs. 32.000 million. Detailed as under:

Borrower Name	Loan Case No.	Date of approval	Loan Approved (Rs. in million)
M/s Wah Steel Industry Re-Rolling Mills	62650-2	16.04.2020	16.000
M/s Indus Ace	61913-2	26.02.2020	16.000
Total			32.000

The disbursement of loan beyond the approved powers of BCC was held irregular in audit.

The matter was pointed out to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility thereof.

Para-3 (SME – 2020 & 2021)

6.7.4.4 Irregular disbursement of second loan - Rs 25.00 million

According to Para-3 (xi) of General Terms of Financing Facility SME 2018 “if the client is already availing financing facility and he demand /requests additional finance facility during the period, the borrower may be allowed / sanctioned financing provided that the borrower has repaid 50% of the due installment of the existing loan facility.”

In SME Bank during the audit for the period 2020 & 2021 it was observed that SME Bank Islamabad branch approved two loans Rs. 15.240 million for Working Capital and Rs. 9.760 for procurement of Fixed Assets on June 18th 2010 to Asif Public School Rawalpindi for 03 and 05 years period respectively.

In May 2011 the borrower requested for second loan. It was observed that in deviation to the approved policy additional loans for Working Capital and Procurement of Fixed Assets of Rs. 25.00 million was sanctioned to the borrower on June 29th 2011 in spite of the fact that a sum of Rs. 21.536 million was outstanding against the first two loans. Detail given at Annex-69.

The disbursement of second loan in violation of laid down SOP without any justified ground resulted in default of the borrower. A sum of Rs. 40.234 million was receivable from the borrower since December 2014.

The matter was pointed out to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter, fix responsibility thereof and recover the loan amount from the borrower or from the persons at fault.

Para-4 (SME – 2020 & 2021)

6.7.4.5 Irregular disbursement of loan to M/s Highway Cold Storage Karachi - Rs 20.00 million

According to Prudential Regulation SME R-5: Proper Utilization of Loan “Banks & DFIs shall ensure that loan has been utilized for the same purposes as specified in the Loan Application Form. In case of financing to medium enterprises, banks & DFIs shall develop and implement an appropriate system for monitoring utilization of loans. Such system may include obtaining stock reports/

position of current assets in case of Working Capital Loans; and supporting documents in case of Term Loans.”

During the audit of SME Bank for the year 2020 & 2021 it was observed that SME main Branch Karachi disbursed loan of Rs. 20.00 million on June 20th 2017 to M/s Highway Cold Storage Karachi for five years period as Financing Facility for Storage of Agriculture Produce (FFSAP). The Centralized Credit Committee (CCC) on May 24th 2017 approved disbursement of loan through pay order to the supplier of machinery through customer account in three trenches.

However, it was observed that the entire loan amount of Rs. 20.00 million was credited in one go to the borrowers account on June 20, 2017 in violation of the approval of Central Credit Committee (CCC). The borrower utilized only sum of Rs. 6.100 for procurement of machinery. The Head Risk Management Division Head office seriously observed the case and directed for detailed inquiry and fixing of responsibility.

The loan was disbursed to the client for purchase physical assets. However, the management failed to ensure the utilization of loan on procurement of physical assets as per approval of Central Credit Committee. The borrower completely defaulted in repayment of loan. Nothing was recovered from the defaulted borrower till date. A sum of Rs. 30,064,978 (Principal amount of loan Rs 19.743 million + Interest Rs.10.321 million) is recoverable as on August 16th 2022.

The matter was pointed out to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to recover the loss from the persons held responsible and share the inquiry report with Audit.

Para-5 (SME – 2020 & 2021)

6.7.4.6 Loss due to irregular re-scheduling of credit facility to the defaulter customer – Rs. 40.234 million

According to SBP Prudential Regulation SE R-9 'Restructuring /Rescheduling of Loans' "the rescheduling / restructuring of non -performing loans shall not change the status of classification of loan/advance etc. unless the following minimum condition are met.

- i. At least 10% of the outstanding loan amount is recovered in cash and the terms and condition of rescheduling /restructuring are fully met for a period of at least 6 months.

Further, the SME restructuring/rescheduling/ higher write off committee in its meeting held on August 7th 2014 approved re-scheduling of loans to M/s Asif Public School Rawalpindi with the condition that the client will make down payment of Rs. 12.500.

In SME Bank during the audit for the period 2020 & 2021it was observed that SME Bank Islamabad branch disbursed four loans worth Rs 50.00 million to Asif Public School Rawalpindi under different loan facility during 2010 -2011. Detail of loan disbursed is given at Annex-70.

The borrower failed to return the loans worth Rs. 33.602 million as per repayment schedule and requested for rescheduling of loans. The restructuring/rescheduling/ higher write off committee in its meeting held on August 7th 2014 approved re scheduling of loans with the condition that the client will make down payment of Rs 12.500.

However, it was observed that the loan of Rs. 34.386 million was rescheduled to the defaulted borrower in December 2014 in deviation approved regulation and approval of restructuring committee. The borrower defaulted in 2014 and nothing was received from the borrower till date. A sum of Rs. 40.234 million was receivable as on August 16th 2022.

The matter was pointed out to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons and fix responsibility thereof. Besides, recover the amount from the defaulter borrower or from the persons at fault.

6.7.4.7 Non-recovery of outstanding amount in execution of degree decided in favor of SME bank - Rs 141.390 million

According to clause 11.1 of the SME Bank Debt Collection/Recovery Policy & Manual 2017 “consequent to the degree passed by the court, execution of degree is the next step for further recovery proceedings. Application for execution of degree is filled by the degree holder (Bank /Creditor) with the court where the suits have decreed under previous recovery law.

Furthermore, as per clause 11.3 the court will start execution proceedings after 30 days from the date of pronouncing a degree.

During the audit of SME Bank for the years 2020 and 2021, the record revealed that 19 cases involving outstanding amount of Rs. 141.390 million were decreed in favor of SME Bank during the period from 2008 to 2017.

However, it was observed that a period ranging between 5 to 10 years had passed since award of decree but the management failed to fill application for execution of degree to recover the decreed amount from the defaulter borrower. The abnormal delay in execution of decree showed liberal attitude of the management towards recovery matters.

The matter was pointed out to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility thereof. Besides, necessary steps may be taken for early disposal of the case.

Para-7 (SME – 2020 & 2021)

6.7.4.8 Irregular retention of services beyond the age of superannuation - Rs. 4.742 million

According to Rule (4) of the Establishment Code ‘Acting charge appointment shall be made against post which are likely to fall vacant for period of six months or more on the recommendation of Departmental Selection Committee or Central Selection Board.’ Six months is considered a sufficiently long period for the purpose of filling the post on regular basis and, therefore,

there should, normally be no occasion for seeking extension of current charge arrangement beyond six months.

Furthermore, according to Sl. No.8 of the above rules ‘the continuation of service beyond the age of superannuation is serious violation of Govt. instructions issued vide D.O letter No. 4/1/84-R.1 dated 20.06.1984’. It is the responsibility of the head of the office to ensure that the civil servant relinquishes the charge on such date.

During the audit of SME Bank for the period 2020 & 2021 it was observed that Finance Division Government of Pakistan (Internal Finance Wing) assigned the Acting Charge of President/SME Bank Ltd to Mr. Dilshad Ali Ahmad Senior Executive Vice President (SEVP) SME Bank Limited with immediate vide Notification No. F.3 (2) IF-III/2012 dated October 15th 2018.

The officer retired on superannuation on November 28th 2019. However, it was observed that in deviation to above rules / instructions of the Federal Government the officer continued their services working as acting President SME Bank beyond the age of superannuation after retirement up to June 2020. Provisional pay & allowances were disbursed to the officer with an anticipation to be approved from the newly constituted Board of the Bank. Irregular payment of Rs. 4.742 million i.e. (November 29th 2019 to July 8th 2020) was made to the officer on account of retention of services on acting charge basis beyond the age of superannuation (after retirement).

The matter was pointed out to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility thereof.

Para-8 (SME – 2020 & 2021)

6.7.4.9 Irregular recruitment and promotion of officer - Rs. 36.636 million

According to Section-28 para1.1 of “Recruitment and Selection Policy” ‘Regardless of its size, or the type of the organization, the key to successful operation of any business, depends on recruitment, selection and placement of individual employees, in a time fashion. Yet it has to be a systematic mechanism,

which ensure the selection of most suitable candidates, on merit for the organization.’ According to Section-28 para 2.7 of “Recruitment and Selection Policy” of SME bank ‘In case of position to be filled from the external sources, HRD will initiate the process for recruitment, as soon as permission is received from the PRESEDENT/ CEO’.

Para 2.16 “The PSC will assess the candidates on interviewing forms and will maintain a record of all the candidates interviewed by I T whether selected or rejected. Three or four best candidates will be preliminary screened for further interview with the Selection Board.”

Para 2.18 “The final Choice for hiring will be made by the Selection Board.”

Moreover, according to para 2.15 ‘to ensure that candidates meet the desired capability profile of the organization the competency-based interview method i.e. Preliminary Selection Committee (PSC) and Recruitment and Selection Board (RSB) will be held.’

Furthermore, according to Section 32 para-1 of Promotion Policy “All promotion shall be made on merit, and no employee shall have a claim to promotion for any particulars post/ grade by virtue of his / her seniority alone. Promotions to all categories and grades shall be made in accordance with the performance of the individual i.e. achieving the given objectives (Seniority Lists, Annual Evaluation, Process of Evaluation, Eligibility, Performance Evaluation, Final Selection, and Promotion Committee) Potentials, educational qualification and the need of the SME Bank Ltd. to fill an open position. The policy applies to all employees holding permanent/ regular appointments.”

Furthermore, according to Section 32 para-1 of Promotion Policy “All promotion shall be made on merit, and no employee shall have a claim to promotion for any particulars post/ grade by virtue of his / her seniority alone. Promotions to all categories and grades shall be made in accordance with the performance of the individual i.e. achieving the given objectives (Seniority Lists, Annual Evaluation, Process of Evaluation, Eligibility, Performance Evaluation, Final Selection, and Promotion Committee) Potentials, educational qualification

and the need of the SME Bank Ltd. to fill an open position. The policy applies to all employees holding permanent/ regular appointments.”

During the audit of SME Bank for the year 2020 and 2021 it was observed that in deviation to the above recruitment and selection policy the management selected Mr. Nadeem Ud Din as HR Officer and Ms. Naheed Akhtar as Administrative Secretary on two years contract vide offer letter dated August 29th 2001 and May 03rd 2006 respectively. The personal file of the officer contained only offer letter. The following deficiencies were observed in recruitment process:

- No manpower requisition with job description was initiated and approved from the competent authority for the purpose.
- No meeting of requisite selection committee i.e. Preliminary Selection Committee (PSC) and Recruitment and Selection Board (RSB) was held for the purpose.
- No Recruitment and selection process adopted for his appointment.
- Just after completion of one year she was promoted to next higher-grade Officer General Banking Management Scale VIII w.e.f September 4th 1st 2007 by setting aside the approved promotion criteria.
- The said officer was promoted from HR Officer to Operation Head HR, From Operation Head HR to SVP and from SVP to AVP but no promotion documents i.e. minutes of selection board and approval from SME Board of director are available on record which clear cut violation of Promotion Policy.

The recruitment and promotion of the employees in deviation to rules / policy payment of pay & allowances Rs 36.636 million was held irregular in audit.

The matter was pointed out to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility thereof.

Para-9 & 10 (SME – 2020 & 2021)

6.7.4.10 Overpayment of pension and commutation to the President SME Bank Ltd – Rs. 5.705 million

Clause -11 of the Public Sector Companies Rules 2013 entails that the Board of Directors BODs shall ensure compliance with policy directions received from government from time to time.

Furthermore, according to Section IV of the Pension Rules ‘the term emoluments means the emoluments which the officer was receiving immediately before his retirement and shall include:

a) Pay	b) Technical Pay
c) Senior Post Allowance	d) Indexed Pay
e) Special Pay of all type and nature.	f) Increment accrued during leave preparatory to retirement.
g) Personal Pay	h) Any other emoluments which may be especially classed as Pay.

During the audit of SME Bank the period 2020 & 2021 it was observed that

Mr. Dilshad Ali Ahmad Senior Executive Vice President (SEVP) SME Bank Limited retired on superannuation on November 28th 2019.

On scrutiny of commutation/ pension detail, it was observed that in deviation to the above instructions of the Federal Government Senior Positions allowance was included in his emoluments which is not covered in the emoluments defined above. Overpayment of Rs. 4.710 million was made in commutation and monthly pension. Detailed of payment admissible and actual paid is as under:

Commutation		Monthly Pension	
Description	Amount (Rs.)	Description	Amount (Rs.)
Last Basic Pay Drawn in Oct 2019	223,498	Gross pension	168,190
5% Increment	11,175	Monthly Pension 50% of GP	84,095
Total emoluments	234,673	Medical Allowance	36,961
Gross Pension	168,190		
Commutation 50% of GP	15,606,249	Monthly Pension Admissible	121,056
Leave Encashment	946,608	Actual monthly Pension paid	147,160
Total advances Recoverable	(543,527)	Excess payment of monthly Pension per month	26,104
Net Commutation Admissible	16,009,330	Period to Till Date (28.11.2019 to 22.08.2022)	33 months
Actual Commutation paid	20,853,586		
Excess payment of Commutation	4,844,256	Excess Monthly Pension Paid	861,432
Total excess/ overpayment (Rs. 4,844,256 + 861,432)			5,705,688

Date of Birth 29.11.1959	Date of Retirement 28.11.2019
Date of Joining 20.01.1988	Qualifying Service 32 Years

The weak financial control of the bank leads to over payment on commutation as well as monthly pension.

The payment made in violation of Federal Government instructions was held irregular in audit.

The matter was pointed out to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter, fix responsibility thereof and recover the overpaid amount from the officer concerned or from the persons held responsible.

Para-11 (SME – 2020 & 2021)

6.7.4.11 Irregular appointment of Chief Manager - Rs. 29.699 million

According to Section-28 para1.1 of “Recruitment and Selection Policy” ‘Regardless of its size, or the type of the organization, the key to successful operation of any business, depends on recruitment, selection and placement of individual employees, in a time fashion. Yet it has to be a systematic mechanism, which ensure the selection of most suitable candidates, on merit for the organization.

According to rule 2(2.1) Section 28 “Recruitment and Selection Policy” of HR Manual of SME Bank “The president/ CEO shall be the competent authority to approve the hiring of new personnel in the organization as regular/ contractual staff members. All recruitment in the organization will be done through Human Resource Division (HRD), as per the specified procedure for the implementation of this policy”.

Rule 2(2.24) Section 28 “On the offer being accepted, HRD is responsible to issue the appointment letter to the employee. In the meantime, HRD will also carry pre-employment checks”.

Rule 4(4.10) Section 28 “Upon the preliminary selection of the three of four best candidates, members of PSC will proceed to carry out the initial

reference checks. Such reference checks may be made on telephone (Anx-L) or through confidential mail (Anx-M).”

Rule 4(4.11) “References should be obtained from at least two personal referees provided by the applicant. References should also be taken from all previous employers”.

Rule 4(4.12) “The candidates with positive feedback from their referees will be retained on the preliminary screened list for final interview with RSB”.

During the audit of SME Bank for the year 2020 and 2021 it was observed that the management signed “Service Contract” with Mr. Saeed Ahmed on 27.07.2005 in which he was hired as a Chief Manager for Sialkot Branch without any advertisement which was clear cut violation of the above recruitment and selection policy. The same employee was dismissed from service by previous employer Allied Bank Limited (ABL) on the account of committing serious act of misconduct/ financial indiscipline.

According to rule 3(3.2) Section 33 “Performance and Conduct Rules” Removal from service and dismissal from service does, disqualify a staff member/ employee from future employment”

According to condition 2 of the Service Contract “This employment will be subject to verification of credentials from all previous employer(s).

During the audit, the employee informed the head of HR Division that he was not able to submit clearance/ credentials from all previous employers due to some litigation problem with one of the previous employers vide letter No. 27/3 Habibullah Colony dated 07.08.2005. But at that time the HRD did not get any verification from the ABL in clear-cut violation to the above recruitment and selection policy. After 14 years long period of time, the management started to enquire the matter about dismissal from previous service vide letter No. 5338/HRO/2019 dated 27.08.2019.

On November 18, 2019, the employee emailed to the President of SME bank stating that he was neither in need of job nor applied for in SME Bank instead the then Head Operation himself approached him in accordance with searching external employee through Head hunting.

The employee retired from service on 11.12.2020 on attaining the age of superannuation and was given all benefits to him.

The recruitment of the employee in deviation to rules / policy payment of pay & allowances of Rs. 26.33 million (Annex-71) and Gratuity of Rs 3.37 million was held irregular in audit.

The matter was pointed out to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit was of the view that all the above irregular pay & allowances and other gratuity benefits should be recovered from the concerned Head of HR at that time.

Action recommends to investigate the matter and fix responsibility thereof.

Para-12 (SME – 2020 & 2021)

6.7.4.12 Loss due to non-recovery of house building advance from officer - Rs. 2.615 million

According to Rule 9(1) of Leave Rules of SME bank, Extraordinary leave without pay may be granted on any ground up to a maximum period of five years at a time, period that the civil servant to whom such leave is granted has been in continuous service for a period of not less than 10 years, and, in case a civil servant has not completed 10 years of continuous service, EOL without pay for a maximum period of two years may be granted at the discretion of the head of his office:

Provided that the maximum period of five years shall be reduced by the period of leave on full pay or half pay if granted in combination with the EOL.

During record verification, the record revealed that SME Bank disbursed House Building Loan (HBL) Rs 2.615 million to Mr. Asif Ghani in 1999. No recovery has been made from the officer in 13 years (i.e. from 1999 to 2012) by the negligence of the management which is violation of Rule 9 of House Loan Policy.

Furthermore, from record it was revealed that Mr. Asif Ghani Mir availed ex-Pakistan leave from 04.01.2009 to 30.03.2012 for obtaining qualification from British Columbia University Canada. Thereafter he joined his duty on 02.04.2012 at SAM, SME bank Ltd., Rawalpindi and served only 5 months and again went on ex-Pakistan leave effective from 24.09.2012 for two years and then the sanctioning authority extended his untheorized leave for 7 years up to 31.10.2019. The said officer did not return after Ex- Pakistan leave and SME Bank removed him from service vide letter No. SMEBANK/HO/HRO/2021/1236 dated 17.02.2021 and directed him to pay all SME Bank outstanding within 7 days.

The matter was inquired internally. The inquiry officer raised serious shortcomings on disbursement and recover of advance.

- Record showed that he had not completed the disbursement formalities as per sanctioning advices.
- At the time of each enhancement, it was also not checked and ensured that whether he had completed the pre and post disbursement formalities or not.
- Attested copies of disbursement formalities were not sent to Head Office of which HRD was required to keep the record.
- No actions/measures had been taken by HRD for recovery of outstanding loans and its installments.

The management to recover the advance even after lapse of 13 years. Resultantly the bank sustained loss of Rs. 2.615 million.

The matter was pointed out to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter, fix responsibility thereof and recovery should be made from the concerned officers/officials.

Para-13 (SME – 2020 & 2021)

6.7.4.13 Irregular payment of extra service benefit to retired employees of the bank - Rs. 4.155 million

Clause -11 of the Public Sector Companies Rules 2013 entails that the Board of Directors BODs shall ensure compliance with policy directions received from government from time to time.

The Finance Division Government of Pakistan Regulation Wing discontinued the additional benefit of 2%-10% for extra years of service after completion of 30 years in respect of civil pensioners in reforms in pension/commutation scheme w.e.f 01.12.2001 in respect of civil pensioner of the Federal Government.

Furthermore, according to Section IV of the Pension Rules 'the term emoluments means the emoluments which the officer was receiving immediately before his retirement and shall include:

a) Pay	b) Technical Pay
c) Senior Post Allowance	d) Indexed Pay
e) Special Pay of all type and nature.	f) Increment accrued during leave preparatory to retirement.
g) Personal Pay	h) Any other emoluments which may be especially classed as Pay.

During the audit of SME Bank the period 2020 & 2021 it was observed that in deviation to the instructions of the Federal Government the management of SME Bank paid additional benefit of 2%-10% for extra service after completion of 30 years to the employees of the bank.

Furthermore, it was observed that in deviation to the above pension rules various allowances were also included in the emoluments of the employees retired during the period. Resultantly excessive payment of commutation and monthly pension was made to the employees of the bank. Detail is as under:

S. No.	Employees Name	Extra Benefits of 2% in Commutation	Extra benefits of 2% in monthly Pension	Total Amount (Rs.)
1	Mr. Khalid Mustafa Siddique	839,094	131,196	970,290
2	Mr. Barkat Ali Lashari	338,960	240,632	579,592
3	Mr. Masood Mahmood	-	392,448	392,448
4	Mr. Sohail Ishtiaq Khan	624,844	329,460	954,304
5	Mr. Tarique Azam	-	149,776	149,776

6	Mr. M Nusair Saeed	-	256,022	256,022
7	Mr. Rashid Zaman	-	281,070	281,070
8	Mr. Farhat Zafar	-	299,505	299,505
9	Mr. Abdul Hafeez	-	272,672	272,672
Total		1,802,898	2,352,781	4,155,679

Weak financial controls of the bank led to excessive payment of commutation as well as monthly pension.

Payment made in violation of Federal Government instructions was held irregular in audit.

The matter was pointed out to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter, fix responsibility thereof and recover the excessive payment from the person held responsible.

Para-14 (SME – 2020 & 2021)

6.8 Zarai Taraqiati Bank Limited

6.8.1 Introduction

In pursuance of Section-3 of Agricultural Development Bank of Pakistan (ADBP) (Re-organization and Conversion) Ordinance 2002, ZTBL was incorporated as a public limited company under the Companies Ordinance 1984 (now Companies Act 2017) on October 23, 2002. All assets, contract, liabilities, proceedings and undertakings of ADBP were transferred to and vested in ZTBL on December 14, 2002 at a total worth of Rs. 870 million. Out of total issued shares of 1,252.24 million, 1,251.19 million are held by Federal Government, remaining shares are held by four Provincial Governments. The Bank's principal office is situated at 1-Faisal Avenue, Zero Point, Islamabad.

Main purpose of the Bank is to provide sustainable rural finance and services particularly to small farmers and low-income households to strengthen the rural and agricultural sector, mitigate poverty, capital market, and investment activities and other banking business. The Bank was disbursing loans of two categories i.e. production loans for short term and development loans for long-term purposes. The Bank was being operated through 31 Zones with a total number of 531 branches. On December 31, 2021, the total advances amounted to Rs. 155.255 billion (2020: Rs. 129.894 billion).

6.8.2 Comments on Audited Accounts

6.8.2.1 The operating results of the Bank for the year 2017 to 2021 are as follow:

(Rs in million)									
	2021	% Inc / (Dec)	2020	% Inc / (Dec)	2019	% Inc / (Dec)	2018	% Inc / (Dec)	2017
Mark-up/return/ interest earned	22,526.158	24.86	18,041.618	0.31	17,985.62	(3.05)	18,551.305	(16.36)	22,181.178
Mark-up/ return/ interest expensed	10,244.200	6.89	9,583.783	3.54	9,256.539	13.59	8,149.231	0.32	8,123.536
Net Mark-up / Interest income	12,281.958	45.21	8,457.835	(3.11)	8,729.076	(16.08)	10,402.074	(26.00)	14,057.642
Non Mark-Up / Interest Income									
Fee, commission & brokerage income	998.119	0.84	989.810	(36.05)	1,547.898	(5.75)	1,642.272	(16.54)	1,967.717
Dividend income	192.413	155.37	75.346	1.16	74.485	(34.72)	114.096	(35.37)	176.526
Gain/(Loss) on sale of securities - net	15.006	74.47	8.601	759.24	1.001	(117.18)	-5.827	(114.28)	40.806
Other income	158.452	(26.55)	215.714	34.38	160.530	2.84	156.095	(26.88)	213.483
Total non-markup/ interest income	1,363.990	5.84	1,288.742	(27.76)	1,783.914	(6.44)	1,906.636	(20.51)	2,398.532
Total income	13,645.95	40.01	9,746.577	(7.29)	10,512.99	(14.59)	12,308.710	(25.20)	16,456.17
Non Mark-Up/ Interest Expense									
Operating expenses	11,088.899	(2.16)	11,333.137	(10.35)	12,641.50	3.54	12,209.320	12.49	10,854.107
Other charges	76.359	(48.27)	147.620	4,187.54	3.443	(93.65)	54.253	18,167.00	0.297
Total non-markup / interest expenses	11,165.258	(2.75)	11,480.75	(9.21)	12,644.94	3.11	12,263.57	12.98	10,854.40
Profit/Loss before provisions	2,480.690	(243.05)	-1,734.180	(181.34)	2,131.95	4,623.30	45.137	(99.19)	5,601.77
Provisions and write offs- net	777.676	(41.54)	1,330.316	(94.46)	24,026.09	638.00	3,255.587	239.96	957.628
Extra ordinary / unusual items- charges in respect of pension liability due to change in pension factor	0.000		0.000		0.000		0.000		10,638.113
Profit/(Loss) before taxation	1,703.01	(155.57)	-3,064.49	(111.72)	-26,158.05	(1,088.74)	-2,645.582	(55.86)	-5,993.971
Taxation	3,503.174		-720.323		-8,691.78		-2,645.582		-311.957
Profit/(Loss) after taxation	-1,800.160		-2,344.173		-17,466.27		-564.868		-6,305.928
Investment – net	82,307.245	107.19	39,724.960	65.45	24010.651	(15.45)	28398.023	(59.47)	70069.233
Advances – net	91,822.307	(10.55)	102,656.27	(6.41)	109687.69	(19.14)	135653.49	(3.71)	140878.31
Borrowing	132,357.04	63.08	81,163.23	11.95	72502.365	11.07	65274.297	(24.82)	86827.03
Deposit and other accounts	42,495.389	(11.84)	48,200.89	6.32	45,337.511	14.26	39679.25	(43.47)	70185.72

(Source: Annual Audited accounts)

6.8.2.2 The performance of the bank remained unsatisfactory from 2017 to 2021. The bank suffered heavy losses during this period. Specially, in 2019, after tax loss of the bank was Rs.17466.27 billion as against the 564.868 million during 2018. Reasons for such a huge loss need to be investigated and explained.

Further, management needs to make serious efforts to improve the profitability of the bank.

6.8.2.3 Provisions and write offs' of loans continuously increased from 2017 to 2020 from 957.628 million to 1330.316 million. During the year 2019 the position under this head was alarming and it was observed that during this period provision and write offs' of loans were stood at Rs 24,026.09 million which is against the SBP policy of discouraging of write offs'. While reviewing the schedule / list of major write off cases (attached with Financial statements) it was observed that huge amount of principal amount was write offs alongwith markup due on these outstanding amount which is against the SBP policy. Complete files of following write offs cases including details of collaterals held by ZTBL be submitted to audit alongwith certified copy of SPB policy / regulations;

- i. Mst. Shamim Akhtar at Sr. # 15 for the year 2017
- ii. M/s Fresh Juices Limited at Sr. # 23 for the year 2017
- iii. M/s Modern leather ind. Pvt. at Sr. # 24 for the year 2017
- iv. M/s. Bandagi Agro services at Sr. # 25 for the year 2017
- v. M/s. Loghari Floor Mills at Sr. # 9 for the year 2018
- vi. Sardar Haroon Rashid at Sr. # 11 for the year 2018
- vii. M/s. Shalimar Industries at Sr. # 16 for the year 2018
- viii. M/s. Shalimar food industries at Sr. # 17 for the year 2018
- ix. M/s. Sheer Pak Lit at Sr. # 45 for the year 2018
- x. Ghulam Farid at Sr. # 35 for the year 2019
- xi. Sardar Yasir Ali khan at Sr. # 36 for the year 2019
- xii. Abdul Hameed at Sr. # 63 for the year 2019
- xiii. Syed Iftikhar Mahdi at Sr. # 67 for the year 2019

6.8.2.4 An amount of Rs. 10,638.113 million was observed under the head 'Extra ordinary/unusual items' during 2017 in respect of pension liability due to change in pension factor. Complete rationale, justifications, workings and approval from competent forum for such change alongwith monitory impact and resources allocations be shared with audit.

6.8.2.5 The amount of investment decreased to Rs 24,010.651 million as on December 31, 2019 against 70,069.233 million in 2017 registering a decrease of 65%. On the other side the advances (net) was also decreased from 140,878.314

million in 2017 to 109,687.69 million in 2019 which showed that amount withdrawn from investment was utilized to meet operational expenditure of the bank instead of granting loans to the farmers. Thus, unusual increase in expenditure and reduction of investment needs to be justified/ explained.

6.8.2.6 Borrowing by the bank was increased from 65,274.297 million in 2018 to 132,357.04 million registering an increase of 95.74%. Whereas advances to the customer / farmer showed a decreasing trend from 135,653.49 million in 2018 to 91,822.307 million in 2021 registering a decrease of 65%. On the other side investments of the bank was increased from 28,398.023 million in 2018 to 82,307.245 million in 2021 registering an increase of 77%. This indicates that management utilized borrowing in making investment instead of increasing the overall loan portfolio to the farmer. The year wise detail of average rate of markup being paid on borrowing and average rate of return on investment may be provided to audit.

6.8.2.7 Reduction in deposit and other account was observed from 70,185.724 million in 2017 to 42,495.389 in 2021 registering a decrease of 40 %, while costly borrowing from other sources (other than deposits) was increased. Management should focus on delivery of services to depositor so that low cost funds could readily be available for utilization.

6.8.2.8 In 2017 total operating expenses were 10,854.107 million while during the same year an amount of Rs. 10,638.113 million was observed in charging of pension liability due to change of pension factor. It indicate the very nominal operational expenses during 2017 i.e. Rs. 215.994 million. While the average operational expenses of subsequent year i.e. 2018 to 2021 were Rs. 11,818.214 per year (despite of zero pension effect). This contradiction in operational expenses needs to be justified.

6.8.2.9 Non-performing loan (NPL) portfolio increased by 72% to Rs 42,023.00 million as on December 31, 2018 from Rs 24,488.00 million at the end of previous year 2017 registering an increase of 72%. NPL further increased 43% and reached at its height of Rs. 60241million in 2019. This abnormal increase in NPL may be investigated under intimation to audit. Further, strong steps be taken to minimize the NPL.

6.8.2.10 The yearly detail of loan cases which were written off during 2017 to 2021 shows that huge loans were written offs' during 2017 to 2019 as compared to 2020 & 2021. Reasons for such huge loan written offs needs to be justified. Further, complete detail of loans written off under package may be intimated to audit along with cost benefit analysis of the scheme.

6.8.2.11 Earnings per Share (EPS) serves as an indicator of a company's profitability. Earnings per share for the year 2017 to 2021 was remained in negative as explained here:

Sr. #	Description	2016	2017	2018	2019	2020	2021
1	Earnings Per Share	2.61	(1.400)	(.13)	(3.34)	(.47)	(0.33)

6.8.2.12 This decrease was due to decrease in income and increase in expenses resulted to the heavy losses to the entity. The repercussion in this decrease was that it retarded the financial health of bank and wiped out interest of potential as well as current investors and stake holders to invest in the bank in future.

6.8.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1989-90	19	14	05	226, 230, 233, 234, 235	74
1990-91	14	10	04	174, 175, 176, 178	71
1991-92	13	06	07	154, 155, 148, 150, 152, 151, 153	46
1992-93	18	12	06	8, 16, 17, 18, 19, 21	67
1993-94	17	10	07	9, 11, 12, 13, 15, 16, 22	59
1994-95	19	13	06	7, 12, 15, 20, 14, 22	68
1995-96	24	15	09	8, 13, 14, 16, 17, 18, 19, 23, 28	63
1996-97	06	04	02	7, 11	67
1997-98	18	11	07	46, 49, 53, 56, 58, 59, 62	61
1998-99	10	05	05	68, 70, 73-S, 74-S, 75-S	50
1999-00	11	01	10	1.2, 1.3, 1.4, 2.1, 2.2, 3.1, 3.2, 4.1,4.2,5 (SAR-141)	9
2000-01	14	06	08	68, 72, 73, 74, 76, 79, 75, 80	43
2001-02	10	05	05	133, 134, 135, 138, 139	50
2002-03	02	01	01	69	50
2003-04	10	05	05	62.6, 62.2, 62.4, 64, 65	50
2004-05	03	01	02	45, 46	33
2005-06	13	06	07	80.5, 80.6, 81, 82, 84, 85, 86	46
2006-07	13	06	07	62.6, 63, 64, 65, 66, 67, 68	46
2007-08	11	07	04	59, 60, 61, 62	64
2008-09	13	05	08	71.3, 72, 73, 74, 75, 76, 77, 78	38
2009-10	07	03	04	74, 75, 77, 79	43
2013-14	14	0	14	6.6.1, 6.6.2.1, 6.6.2.2, 6.6.2.3, 6.6.2.4, 6.6.2.5, 6.6.2.6, 6.6.2.7, 6.6.2.8, 6.6.3, 6.6.4.1, 6.6.4.2, 6.6.4.3, 6.6.4.4,	0
2016-17	21	12	09	6.5.2.2, 6.5.2.3, 6.5.2.4, 6.5.3, 6.5.4.1, 6.5.4.3, 6.5.4.5, 6.5.4.6, 6.5.4.8	57
2017-18	24	02	22	9.6.1, 9.6.2.1, 9.6.2.2, 9.6.2.3, 9.6.2.4, 9.6.2.5, 9.6.2.6, 9.6.2.7, 9.6.2.8, 9.6.2.9, 9.6.2.10, 9.6.2.11, 9.6.2.12, 9.6.3, 9.6.4.1, 9.6.4.3, 9.6.4.4, 9.6.4.5, 9.6.4.7, 9.6.4.8, 9.6.4.9 & 9.6.4.10	8
2019-20	11	0	11	6.7.2.1, 6.7.2.2, 6.7.3, 6.7.4.1, 6.7.4.2, 6.7.4.3, 6.7.4.4, 6.7.4.5, 6.7.4.6, 6.7.4.7, 6.7.4.8	0
Total	335	160	175		48

Overall compliance of PAC directives was not satisfactory which needs to be improved.

6.8.4 Audit Paras

6.8.4.1 Un-necessary continuation of loss making, deposit taking branches - Rs. 810.355 million

According to rule-4(3) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters; subject to the oversight and directions of the Board, in accordance with the Ordinance. His 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.

During audit of Zarai Taraqati Bank Ltd (ZTBL) for the year 2021, it was observed that the management initiated the concept of deposit taking branches (DTBs) in 2016 with the main objective to bringing deposits from general public on the same analogy as conventional banking. The management opened deposit taking branches under this plan in all over the country. Record revealed that deposit taking branches of Peshawar Cantt, DHA & Johar Town Lahore, Jhang, Gwadar and Sukkur Zones were making continuous losses since inception. During the last three years, these branches sustained a loss of Rs. 810.355 million. Detail is as under:

(Rs. in million)

S #	Zone	Branch Name	2020	2021	2022 (average)	Total Loss
01	Peshawar	Cantt Branch	253.28	244.328	190.60	688.208
02	Lahore	DHA	9.431	6.57	11.532	27.533
03		Johar Town	8.718	8.78	16.746	34.244
04	Jhang	DTB Jhang	6.452	4.963	7.225	18.64
05	Quetta	Gwadar	5.087	5.877	5.301	16.265
06	Sukkur	Queen Road Branch	13.132	3.831	8.502	25.465
						810.355

It was evidenced from the income and expenditure statements that ZTBL had made no efforts for marketing the bank services to general public as conventional banking. These branches did not provide any facility of opening a Letter of Credit (LC) and internet banking etc.

Audit was of the view that deposit taking branches were established without feasibility study thus were not able to meet their business targets for a prolonged time and incurred huge expenses on account of pay & allowances, office rent etc. and had sustained a loss of Rs. 810.355 million during last three years. Hence their continuation was un-necessary.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that DTBs sustained loss because of a number of reasons that included lack of essential sale staff, rental cost, training cost, operational cost etc. ZTBL was not operating LC's and so far Internet banking had not been established. However, Digital Head had been hired to give digital / IT advancement to the bank. Reply of the management was not acceptable because a period of almost six years had lapsed but ZTBL could not provide essential facilities to these DTBs for making them profitable.

No DAC meeting was arranged till finalization of this report.

Audit recommends to state reasons for not taking early actions to curb losses, fix responsibility and take corrective measures to avoid such losses in future.

Para-01 (ZTBL-2021)

6.8.4.2 Provision of services to barred individuals resulting in penalty - Rs. 16.00 million

According to para 2.10.17 of ZTBL Credit Manual Vol-I "Prudential Regulations framed by the State Bank of Pakistan, as circulated from time to time should be studied and strictly followed". Further, according to Section 11-EE of Anti-Terrorism Act 1997 "Proscription of Person. (1) The Federal Government may, by order published in the official Gazette, list a person as a proscribed person in the fourth Schedule on an ex-parte basis, if there are reasonable grounds to believe that such person is (a) concerned in terrorism; (b) an activist, office bearer or an associate of an organization kept under observation under section 11D or proscribed under section 11B; and (c) In any way concerned or suspected to be concerned with such organization or affiliated with any group or organization suspected to be involved in terrorism or sectarianism or acting on behalf of, or at the direction of, any person or organization proscribed under this

Act. Furthermore, as per section 110 Seizure, freeze and detention-(1) On proscription made under section 11B or, as the case maybe, section 11EE (a) the money or other property owned or controlled, wholly or partly, directly or indirectly, by a proscribed organization or proscribed person shall be frozen or seized, as the case may be.

During audit of Zarai Taraqiati Bank Ltd (ZTBL) for the year 2021, it was observed that the management opened bank accounts of 10 prohibited/banned individuals listed in 4th schedule of Anti-Terrorism Act 1997. Moreover, the individuals were also not reported to Financial Monitoring Unit (FMU) under the provision of the Act. Due to non-adherence to the instructions of the regulator, SBP imposed a penalty of Rs. 16.00 million on ZTBL. It was further observed that same nature of penalty amounting to Rs.147.250 million, due to the same irregularity was imposed by the SBP in 2020. The management replied in compliance of audit para that instructions received from SBP has been fully complied and system mechanism has also been developed by ZTBL to avoid such type of irregularity in future.

Audit was of the view that ZTBL management did not follow the rules prescribed in Section 11EE of Anti-Terrorism Act 1997 and sustained loss of Rs.16.00 million in the shape of penalty from State Bank of Pakistan despite committing to comply with SBP instructions in earlier audit para.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that necessary corrective actions have been taken and controls instituted by the bank to avoid such penalty in future. The reply of management is not tangible because earlier SBP in its report imposed a penalty of Rs. 147.250 million on ZTBL. ZTBL did not take corrective measures hence in subsequent years, SBP imposed penalty due to violation of same directives again. Further, management settled audit para on earlier penalty of

Rs. 147.250 million in DAC meeting held on 11.01.2021 on the basis that central screening system has been developed to avoid lapse of similar nature in future thus safeguarding ZTBL from imposition of any penalty from SBP but even then ZTBL sustained losses by paying penalty due to reoccurrence of same violations.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter at Ministry level under intimation to audit, corrective measures be taken to avoid such cases in future and Initiate disciplinary proceedings and recovery from the employees held responsible.

Para-02 (ZTBL-2021)

6.8.4.3 Non-transfer of property after default of borrowers - Rs. 35.855 million

According to rule – 4(3) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance. His 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.

During audit of Zarai Taraqati Bank Ltd (ZTBL) for the year 2021, it was observed that ZTBL had acquired 80 immovable properties from borrowers who have defaulted in satisfaction of claims measuring 971 acres, 406 kanals and 529 Marlas valuing Rs. 35.855 million w.e.f 1996 to 2022. Record revealed that despite acquiring the properties from the farmers since long, the management has not transferred the legal title in favor of ZTBL till the closure of this audit i.e. 05.12.2022.

Audit was of the view that due to negligence on part of legal department, transfer of title of the acquired assets in the name of ZTBL was not done. Further, due to non-transfer of acquired lands in the name of bank, the ex-owners of the land still occupied and cultivated the lands illegally. Due to non-transfer of title of the land in the name of bank, ownership of land valued at Rs. 35.855 million was still doubtful.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that the process to obtain effective possessions has been initiated under instructions of letter dated 15.11.2018 by the field offices through panel of legal Counsels in the Banking

Court/District Management/Member Board of Revenue, Punjab & KP Provinces for obtaining physical possession/Crop Attachments. The reply of the management was not tenable because a considerable period has lapsed but ZTBL could not transfer the land titles in its favor.

No DAC meeting was arranged till finalization of this report.

Audit recommends to state the reasons for non-transfer of title of the immovable properties after lapse of considerable period, fix responsibility and immediately initiate the process of transfer of title in the name of ZTBL.

Para-03 (ZTBL-2021)

6.8.4.4 Non-recovery of SAM loan resulting into risk of survival of bank - Rs. 44,463.252 million

According to Para-5.26 of ZTBL Credit Manual Vol-1 “Recovery of Loans” the loan should be recovered in installments according to terms and conditions mentioned in the sanction letter and relevant agreements. In case of default, action for recovery may be taken procedurally, as explained in Chapter-14.” Furthermore, according to Para-1.8.1 (iii) In case of default of loans, the markup on outstanding principal would continue to be charged at the rate fixed till its repayment. Recovery would be adjusted first against upto date mark-up and residual against outstanding principal.

During audit of Zarai Taraqiati Bank Ltd (ZTBL) for the year 2021, it was observed that 148,919 Special Asset Management (SAM) defaulters did not repay their loans amounting to Rs. 44,463.252 million. It was further observed that out of total SAM defaulters, 32,554 defaulters were relating to zero recovery of loans amounting to Rs. 11,217.630 million. Further observation revealed that 11,982 loan cases of SAM defaulter were in courts for the recovery of Rs. 11,581.59 million. Moreover, against 3860 zero recovery loan cases amounting to Rs. 2,367.009 million (materiality set at Rs. 200,000 and above) of Lahore, Okara, Jhang, Multan, Quetta and Sukkur Zones only, the management did not initiate any legal action uptill now.

On 16.06.2004 the Federal Cabinet directed that “Ministry of Finance/ ZTBL should ensure that farmers shall not be arrested on account of recovery of outstanding dues”, since then the magistrate powers were not exercised but

remain intact in books of statutes of Revenue Act. ZTBL continuously pursued the Federal Cabinet through Ministry of Finance for implementation of Magistrate Powers because of increasing trend in outstanding recovery portfolio. Audit suggests that the recovery position of the bank is at its worst position and implementation of the magisterial powers is necessary for profitability of the bank as due to non-recovery from chronic SAM defaulters amounting to Rs. 44,463.252 million, survival of the bank is at stake.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that the bank was adopting all the possible/procedural measures for recovery of its dues according to bank's policy and law of the land. As far as zero recovery cases were concerned, it was an on-going process where new cases kept pouring in while the old ones were dealt with. The Finance Division vide its letter dated 22.06.2004, with reference to Cabinet Division's OM, conveyed that farmers should not be arrested on account of recovery of outstanding dues contained in case No. 126/13/2004 dated 16.06.2004. However, the Bank vide letter # RD/RPU/2(16)/2021/18 dated 02.08.2021 proposed to Finance Division for restoration of recovery as arrears of land revenue under section 4(7) of LACIP Act, 1973 and process was underway for finalization of the issue. Reply of the management was not tenable because a huge recovery portfolio on account of SAM and Zero Recovery was outstanding since long which could be effected via implementation of magistrate powers under LACIP Act, 1973 otherwise ZTBL would continue to sustain crippling losses.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons of zero-recovery in above mentioned loan cases and necessary steps be taken to restore magisterial powers for effective recovery.

Para-04 (ZTBL-2021)

6.8.4.5 Inefficiency in getting plot allotted in bank's name and loss of rent due to non-construction of branch building - Rs. 18.975 million

According to rule-4(3) of the Public Sector Companies (Corporate Governance) Rules, 2013, the chief executive is responsible for the management

of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance. His 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.

During audit of Zarai Taraqati Bank Ltd (ZTBL) for the year 2021, it was observed that Revenue Authority Multan reserved/allotted two plots of 04 Kanal each to ZTBL vide letter dated 17.01.2009 in Jalalpur Pirwala and Duniyapur for construction of Bank Branches. Record revealed that the reservation was done in 2009 but the management of ZTBL had not acquired allotment of the plots in favor of ZTBL till date. The management erected boundary walls around said plots but they were encroached by locals and are continually being used for parking and other purposes. It was further observed that due to non-construction of bank branch building at Duniyapur plot, revenue authority Multan cancelled the plot in 2019. Moreover, due to non-construction of branch buildings, rental payment of Rs. 18.975 million (Rs. 65,000*165 months = Rs 10.725 million of Jalalpur + Rs. 50,000 * 165 months = Rs. 8.250 million of Duniyapur) was made from January, 2010 till October, 2022.

Audit was of the view that due to inefficient management of land department ZTBL, title of lands of both the plots could not be transferred even after lapse of 14 years. As a result, the plots have been encroached due to non-construction. Hence due to the inability to get the plots allotted in the bank's name and cancellation of one plot, ZTBL sustained a loss to that extent. Further, unnecessary rental payments amounting to Rs. 18.975 million were made.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that plots were just reserved for bank branches since no rate or amount has been conveyed/ decided by the Revenue Office, therefore, ZTBL cannot pay any dues. Whereas rental payments were concerned, these were incurred by ZTBL to run the business. The reply of the management was not tenable because almost 14 years has been lapsed but the management could not settle the issue with Land Revenue office for taking

possession of plot and construction of branches to avoid payment of rent of building.

No DAC meeting was arranged till finalization of this report.

Audit recommends to state the reasons for not obtaining ownership rights and non-construction of bank branches and fix responsibility.

Para-05 (ZTBL-2021)

6.8.4.6 Blockage of funds due to non-disposal of immovable property since acquisition - Rs. 75.390 million

According to para 2.10.17 of ZTBL Credit Manual Vol-I “Prudential Regulations framed by the State Bank of Pakistan, as circulated from time to time should be studied and strictly followed”. Furthermore, according to Section-10 of Banking Company Ordinance 1962, “Disposal of non-banking assets. Notwithstanding anything contained in section 7, no banking company shall, (except as may be permitted by the State Bank from time to time or as is required by it for its own use), hold any immovable property howsoever acquired, for any period exceeding seven years from the acquisition thereof or from the commencement of this Ordinance, whichever is later or any extension of such period as in this section provided, and such property shall be disposed of within such period or extended period, as the case may be.”

During audit of Zarai Taraqati Bank Ltd (ZTBL) for the year 2021, it was observed that the management acquired 156 immovable properties measuring 1502 acres, 582 kanals and 1346 Marlas valued at Rs. 75.390 million from defaulter borrowers in satisfaction of claims from 1995 to 2017. Record revealed that the management did not make efforts to dispose off these properties since acquisition. The State Bank has imposed a penalty of Rs.10.00 million on ZTBL due to retaining the properties for more than seven years.

As a result of non-disposal of acquired properties after a lapse of seven years funds amounting to Rs. 75.390 million remained blocked besides incurring a penalty from SBP of Rs. 10.00 million.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that strenuous efforts were being made for early disposal of bank’s acquired properties but for agricultural Lands

(Small Pieces) in villages where local influence, Badri Systems and Political involvement created big hurdles in physical possession. They were making hard efforts and vigorously pursuing for disposal of these properties. Reply of the management was not tenable because a considerable period had lapsed but ZTBL failed to dispose off acquired property and paid penalty to SBP.

No DAC meeting was arranged till finalization of this report.

Audit recommends to state the reasons for non-disposal of the immovable property despite clear instructions and penalty from state bank, fix responsibility and take disciplinary action and initiate recovery from the employees held responsible.

Para-06 (ZTBL-2021)

6.8.4.7 Irregular payment of pay & allowances to officers/ officials due to delayed verification of fake degrees - Rs 66.437 million

According to D.O No: 6(28)2011-DG-II dated: March 08, 2011, the Prime Minister has been pleased to direct that measures should be taken to authenticate degrees/ certificates of all Federal Government employees of the respective ministries/ divisions, their attached department, subordinate offices and autonomous bodies under their administrative control.

During the audit of Zarrai Taraqati Bank Limited (ZTBL) Islamabad for the year 2021, it was observed that the management recruited three employees namely Sajid Rafiq, Muhammad Farooq Badshah and Syed Tabarik Ali Shah on fake degrees and paid an amount of Rs. 66.437 million to them on account of pay & allowances.

Audit was of the view that verification of degrees should have been initiated immediately after the appointment of employees instead of a considerable lapse. This tantamount to slackness on the part of management of ZTBL. This also raised questions on the hiring of employees in the first place and seemed an extension of undue favor to fake degree holders at the cost of those qualified persons who were deprived of the benefit of merit.

This resulted into irregular appointment of employees on bogus degrees and payment of pay and allowances valuing Rs.66.437 million.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that these three employees were dismissed from service due to fake degrees. Bank had already improved the recruitment process whereby the verification of degree was completed before issuance of offer letter. Reply of the management was not tenable because ZTBL verified the degree of these three employees after 11 years of issuance of PM directives dated 08.03.2011 and dismissed them in year 2022.

No DAC meeting was arranged till finalization of this report.

Audit recommends that reasons for non-verification of degrees at the time of appointment needs to be explained, responsibility be fixed and take disciplinary action against the staff that appointed the fake degree holders under intimation to audit.

Para-07 (ZTBL-2021)

6.8.4.8 Procurement of unfeasible plots for construction of bank branches - Rs. 35.099 million

According to rule-4(3) of the Public Sector Companies (Corporate Governance) Rules, 2013, the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance. His 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.

During audit of Zarai Taraqiati Bank Ltd (ZTBL) for the year 2021, it was observed that the management purchased two plots for construction of bank branches through open tender. One plot measuring 5 kanal, 7.56 marla at Chishtian Road, near Railway Crossing, Bahawalnagar valuing Rs. 25.558 million and second measuring 3 kanal at Kharian, M.B Din Road, Challianwala District, Mandi Bahauddin valuing Rs. 9.541 million in 2010. The management did not construct bank branches on these plots till 30.11.2022. Later on, the management decided to construct the bank branches on these plots but ZTBL Branch Operations Department Committee vide its recommendation dated

25.09.2017 declared both the plots un-feasible on the plea that land is situated away from town which decreases business potential and increases security concerns and proposed sale of these plots. It was further noticed that these plots are currently facing encroachment issues.

Audit was of the view that due to acquisition of un-feasible plots for construction of bank branches, the management committed mis-procurement and blocked funds of Rs. 35.099 million unnecessarily.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that the said plots were purchased @ Rs. 35.099 million during the year and according to revaluation the value had come to Rs. 144.872 million. The reply of the management was not tenable because ZTBL was not involved in the business of property and it negated the original intent for which this purchase was initiated. Further, a period of almost 10 years had lapsed and said bank branches could not be constructed due to them being declared un-feasible sites.

No DAC meeting was arranged till finalization of this report.

Audit recommends to state reasons for acquiring unfeasible plots for construction of bank branches, state reasons for not disposing of above plots after lapse of 5 years, fix responsibility thereof and ensure that corrective measures are taken to avoid such cases in future.

Para-08 (ZTBL-2021)

6.8.4.9 Irregular and unjustified enhancement of pay - Rs. 2.100 million

According to para 1.1 (VI) Chapter No.01 of ZTBL HR Procedure Manual 2017, Recruitment/Selection “All appointments, except those made by promotion, shall ordinarily be made at the minimum of the salary band prescribed for the post. However, the competent authority may allow higher salary within the salary band in which an appointment is made. However, President, ZTBL is authorized to allow Special Pay, on case to case basis, to candidates having special expertise in areas” Further, according to rule 6.1 of ZTBL HR Procedure Manual 2017, monetized salary band of EVP is from 180,000 to 400,000.

During audit of Zarai Taraqati Bank Ltd (ZTBL) for the year 2021, it was observed that ZTBL appointed Mr. Shah Miftah Ul Azim as Executive Vice

President (EVP) vide letter dated 28.02.2020 at a monetized salary of Rs. 350,000 month. In addition to this, he was granted following benefits: (a) Special pay Rs.300,000/- per month (b) 04 bonuses (one monetized salary each) based on performance (c) Other bonuses as and when announced by the bank (d) Free Medical for self and dependent family members (e) 1300cc car under CLDP policy. Later on, the management vide letter dated 11.05.2022 enhanced his monetized salary from Rs. 350,000 to Rs. 700,000 per month.

Audit was of the view that according to HR Manual, President ZTBL can only allow increase in special pay. However, the competent authority increased the monetized salary instead of special pay which is against the manual. The gross salary was increased by 90.3% which is highly unusual. The management also failed verify the job offer of Summit Bank provided by the employee on the basis of which this increase in pay was accorded.

Due to irregular and unjustified enhancement of monetized salary of Mr. Shah Miftah Ul Azim; ZTBL sustained loss of Rs. 2.100 million (Rs. 700,000 – Rs 350,000 x 06 months w.e.f 11.05.2022 to 10.11.2022).

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that the salary increase of Shah Miftah-ul-Azim, EVP was allowed on the basis of his achievements as Head of Treasury Division. The Board of Directors of ZTBL while considering his performance and achievements, as well as after perusal of market competitive salary package (compensation and benefits) paid to Head (Treasury Division) in other Banks, agreed with the Management's recommendations to increase his Monetized Salary. The reply of the management was not tenable because BoD in its directives dated 29.04.2022 enhanced the monetized salary over & above the salary band of EVP scale and created discrimination among the salary of other employees. Further, ZTBL management extended un-due favour to Shah Miftah Ul Azim only by giving him an abnormal salary benefit.

No DAC meeting was arranged till finalization of this report.

Audit recommends to state reasons for the exorbitant increase in salary package. rationalize the salary with other EVPs in bank and corrective measures may be taken to avoid such cases in future.

Para-09 (ZTBL-2021)

6.8.4.10 Activation of dormant account without following codal requirements resulting into penalty - Rs. 6.125 million

According to para 2.10.17 of ZTBL Credit Manual Vol-I “Prudential Regulations framed by the State Bank of Pakistan, as circulated from time to time should be studied and strictly followed”. Further, according to Section 26 of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Regulations for Banks & DFIs “Dormant accounts “For customers whose accounts are dormant or in-operative, bank/DFIs may allow credit entries without changing at their own, the dormancy status of such accounts. Debit transactions/ withdrawals shall not be allowed until the account holder requests for activation and produces attested copy of his/her CNIC if already not available and bank/DFI is satisfied with CDD of the customer”. Further, according to Section-11 “Training “Banks/ DFIs shall chalk out and implement suitable training program for relevant employees on annual basis, in order to effectively implement the regulatory requirements and banks’/DFIs’ own policies and procedures relating to AML/ CFT. The employees training shall enable them to understand new developments, money laundering and financing of terrorism techniques, methods and trends. The training should also include their responsibilities relating to AML/ CFT especially requirements relating to CDD and analysis of abnormal/out of pattern transactions and alerts generated thereof for possible reporting of suspicious transactions.”

During audit of Zarai Taraqiati Bank Ltd (ZTBL) for the year 2021, it was observed that Talagang and Chakwal branches re-activated 42 dormant bank accounts in violation of Section 26 of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Regulations for Banks & DFIs. Due to violation of Prudential Regulations, SBP imposed penalty amounting to Rs.4.200M on ZTBL. It was further observed that Jand, Chakwal and Fatehjang branches did not chalk out and implement suitable training program for relevant

employees on annual basis, in order to effectively implement the regulatory requirements, which resulted in penalty of Rs. 1.925 million from SBP.

Audit was of the view that ZTBL management did not follow the rules prescribed in Section 26 and 11 of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Regulations for Banks & DFIS and sustained loss of Rs. 6.125 million (Rs. 4.200+Rs. 1.925) million in the shape of penalty from State Bank of Pakistan.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that withdrawals on all dormant accounts were allowed by the system. Customers' identity was established and verified biometrically and operation in the account was allowed via system permission. Further, during the period from 01.01.2020 to 30.06.2022, Training & Development Division had conducted the training session on "Anti Money Laundering & Combating of Financial Terrorism" for the Bank employees. The reply of the management was not tenable because objected dormant accounts were activated without conducting biometric verification. Further, the management failed to impart training to the concerned staff/ officers of Talagang and Chakwal Zones branches which resulted in above mentioned penalties.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate of the matter at Ministry level under intimation to audit, corrective measures may be taken to avoid such cases in future and take disciplinary action and initiate recovery against the employees held responsible.

Para-10 (ZTBL-2021

6.8.4.11 Un-justified disbursement of subsequent loan to adjust previous loan of Rs. 100.870 million and non-recovery of Rs. 26.299 million

According to clause 2.5.1 of credit manual Vol-I, applications for additional loans can be entertained only if the request for additional loan is genuine, previous loan has been properly utilized, and the borrowers or any of their relatives are not defaulters. Further according to 2.5.7 "It should be ensured that no additional/fresh loan is sanctioned for adjustment of recoveries in respect of previous loan of borrower before or after their due dates. Additional/fresh loan

should be sanctioned very judiciously and for genuine needs of borrower(s) after thorough and correct appraisal of loan case(s)”.

During audit of Zarrai Taraiqati Bank Limited (ZTBL) Islamabad for the year 2021, it was observed that Mr. Ali Akram, Mr. Abid Ali Shah and Mr. Arshad Saeed of Donga Bonga branch disbursed subsequent and enhanced loans amounting to Rs. 100.87 million in 328 loan cases of defaulters against outstanding amount of Rs. 74.778 million on the same day of recovery of previous loan in violation of the provisions of the Bank’s Credit Manual.

Audit was of the view that weak internal controls of the management in subsequent loaning resulted into increased portfolio of Non-Performing Loans (NPLs), litigation case and related expenses. Due to unjustified subsequent loaning to defaulters, an amount of Rs. 26.299 million over and above the previous loans is still recoverable.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that these loan cases were disbursed before centralization/digitalization of ZTBL. The involved accused officers were served charge sheets and were subsequently issued Show Cause Notices. Reply of the management was not tenable because huge funds had been disbursed to defaulters by granting subsequent loans just to adjust previous loans. Further, an amount of Rs. 26.299 million over and above the previous outstanding was still recoverable from these earlier defaulters.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of disbursement of subsequent loans to defaulters at Ministry level, fix responsibility thereof and efforts be made to effect lump sum recovery of such loans from the quarter concerned under intimation to audit.

Para-11 (ZTBL-2021)

6.8.4.12 Loss due to withdrawal of agriculture loan on fake thumb impressions - Rs. 7.316 million

According to ZTBL Fraud Prevention Policy 2015, every employee of ZTBL including adhoc, temporary, contract, representative of vendors, suppliers, contractors, consultants, service provider or any other agency(ies) doing any type

of business with ZTBL is expected and shall be responsible to ensure that there is no fraudulent act being committed in their areas of responsibility/control. As soon as it is learnt that a fraud or suspected fraud has taken or is likely to take place they should immediately apprise the same to concerned quarter according to procedure.

During audit of Zarai Traqiati Bank Ltd (ZTBL) Islamabad for the year 2021, it was observed that Mr. Inayat Ali Magsi PP No. 108157, MCO Ghotki/Khairpur Branch and Mr. Muneer Ahmed PP No.117242, Sr. Assistant/Teller, Khairpur Mirs Branch withdrew loans themselves on behalf of different loanees against eight LC # 036526, 034940, 032906, 036504, 031314, 035244, 035266 and 030249 amounting to Rs. 7.316 million by affixing fake thumb impression. The charges were proved against them and they were dismissed from services along with orders of recovery of embezzled amount of Rs. 3.928 million and Rs. 3.388 million from Inayat Ali Magsi and Muneer Ahmed respectively.

Due to embezzlement in disbursement of agriculture loans, the bank sustained a loss of Rs. 7.316 million. Audit was of the view that the main reasons of embezzlement are loose financial controls over disbursement and non-initiation of strict recovery actions against staff (to set example in the organization) leading to frequent issues of collusion between employees.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that formal inquiry was conducted and charges were proved against objected employees. The reply of the management was not tenable because embezzled amount of Rs. 7.316 million remained recoverable. Furthermore, the management had not yet initiated criminal proceedings against these employees for recovery of loss amount.

No DAC meeting was arranged till finalization of this report.

Audit recommends to state the reasons of non-recovery besides fixing responsibility and take up the matter at appropriate level for recovery of embezzled amount. Further, criminal proceedings be initiated under intimation to audit.

Para-12 (ZTBL-2021)

6.8.4.13 Non-recovery of loan due to misplacement of loan case files - Rs. 4.316 million

According to Clause-9.11.1 of ZTBL Credit Manual Vol-1 “Loan case files containing all documents relating to validity, adequacy and soundness of security offered and the title of applicant thereto as also the loan agreement, Mortgage Deed and non-encumbrance certificate, receipt of payment made to the party and all other legal documents necessary to ensure the security of loan advanced by the Bank should be kept in the personal custody of the Incharge CAD Unit under lock and key”.

During the audit of Zarrai Taraqiati Bank Limited (ZTBL) Islamabad for the year 2021, it was observed that 09 loan case files No.73408, 79707, 89450, 98991, 125661, 156785, 158132, 163271 and 177898 involving amount of Rs. 4.316 million have been misplaced at Donga Bonga Branch.

Due to misplacement of loan case files, an amount outstanding of Rs. 4.316 million could not be recovered resulting in loss to ZTBL. Audit was of the view that due to negligent attitude and non-maintenance of proper record in safe custody, loan files have been misplaced.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 admitted that objected loan case files had still not been traced and their recovery was still stuck.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of misplacement of loan case files, fix responsibility thereof and take disciplinary action and initiate recovery from the employees held responsible.

Para-13 (ZTBL-2021)

6.8.4.14 Opening of bank accounts without acquiring minimum required information resulting in penalty - Rs. 8 million

According to para 2.10.17 of ZTBL Credit Manual Vol-I “Prudential Regulations framed by the State Bank of Pakistan, as circulated from time to time should be studied and strictly followed”. Further according to Section 1(3) of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)

Regulations for Banks & DFIS “For identity and due diligence purposes, at the minimum following information shall also be obtained, verified and recorded on KYC/CDD form or account opening form; (a) Full name according to identity document. (b) CNIC/Passport/NICOP/POC /ARC number or where the customer is not a natural person, the registration/ incorporation number or business registration number (as applicable). (c) Existing residential address, registered or business address (as necessary), contact telephone number(s) and e-mail. (d) Date of birth, incorporation or registration. (e) Nationality or place of birth, incorporation or registration. (f) Nature of business, geographies involved and expected type of counter-parties. (g) Purpose of account. (h) Type of account. (i) Source of earnings. (j) Expected monthly credit turnover (amount and No. of transactions) and (k) Normal or expected modes of transactions.”

During audit of Zarai Taraqati Bank Ltd (ZTBL) for the year 2021, it was observed that the management of different branches opened 16 accounts during 2017-2020 without verification of documents, address, sources of funds, purpose of account opening etc. as part of the KYC (Know your Customer) requirement of banking regulations of the State Bank of Pakistan. Due to violation of Prudential Regulations, SBP imposed penalty amounting to Rs. 8.0 million on ZTBL.

Audit was of the view that ZTBL management did not follow the rules prescribed in Prudential Regulations and sustained loss of Rs. 8.0 million in the shape of penalty from State Bank of Pakistan.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that centralized accounts opening were processed on day-to-day basis, currently there was no pendency at centralized processing accounts & amendments. The reply of the management was not tenable because Talagang, Jand, Fatehjang, Chakwal and Islamabad branches opened the accounts without basic and minimum required information and sustained loss on account of penalty. Further, the management did not initiate disciplinary action accused employees and effect recovery from them.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate of the matter under intimation to Audit, corrective measures may be taken to avoid such cases in future and take disciplinary action and initiate recovery from the employees held responsible.

Para-14 (ZTBL-2021)

6.8.4.15 Irregular disbursement of loan without agreement with borrower and non-recovery - Rs. 33.063 million

According to ZTBL Credit Manual Vol-1 5.26 Recovery of Loans “The loan should be recovered in installments according to terms and conditions mentioned in the sanction letter and relevant agreements. In case of default, action for recovery be taken procedurally, as explained in Chapter-14.”

During audit of Zarai Taraqati Bank Limited (ZTBL) Islamabad for the year 2021, it was observed that Mr. Tahir Abbas PP No.121722, Mr. Rao Farman Ali PP No. 115390, Mr. Rao Ghulam Razzaq PP No. 120212 and Mr. Abid Ali Shah PP No. 085978 of Donga Bonga branch disbursed loans in 67 loan cases amounting to Rs. 33.063 million without executing agreements with the borrowers.

Due to non-execution of loan agreement with the farmers, an amount of Rs. 33.063 million could not be recovered. Audit was of the view that due to weak financial controls and willful negligence loans are tied up with the loanees without recovery.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 accepted the Audit view point and informed that legal proceedings were in process. Audit stressed for recovery of involved loan cases from the borrowers or from the accused employees of ZTBL.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons for not entering into agreement and non-recovery of the amounts involved and fix responsibility thereof.

Para-15 (ZTBL-2021)

6.8.4.16 Non-recovery of loans due to missing title documents - Rs. 38.569 million

According to Clause-5.15.2 of ZTBL Credit Manual Vol-1 the loan will be disbursed only on receipt of the foil and green Pass Book duly endorsed by Revenue Officer. All fresh/ subsequent/additional loan applications of intending borrowers under Pass Book System should be duly supported by Pass Book and a photo copy thereof. The Original Pass Book after creation of charge of the bank should be retained by the branches till the audit of the loan case has been conducted by Audit Team. Thereafter, the original pass book(s) may be returned to the borrower(s) against a receipt and after retaining attested photo copy of the same at the cost of the borrower.

During audit of Zarrai Taraqiati Bank Limited (ZTBL) Islamabad for the year 2021, it was observed that the management disbursed loans in 99 loan cases amounting to Rs. 38.569 million in Donga Bonga branch without preparation / provision of title documents i.e. pass book, CCC, copy of mortgage mutation and CNIC etc.

Due to missing of title documents of loans, an amount of Rs. 38.569 million could not be recovered from the defaulter loanees which is a loss to ZTBL. Audit was of the view that due to weak documentation and willful negligence, loans were disbursed without obtaining requisite documents from the borrowers.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that accused employees have been served charge sheets and subsequent show cause notices. The reply of the management was not tenable because due to missing of title documents of loan case files, recovery could not be effected uptill now. Audit stressed for recovery of involved loan cases from the borrowers or from the accused employees of ZTBL.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of missing of title documents, fix responsibility thereof and effect lump sum recovery of the outstanding amount without further loss of time under intimation to audit.

6.8.4.17 Non-recovery of covid-19 mark-up subsidy from federal govt. Rs. 1.085 billion & subsequent lapse - Rs. 1.613 billion

The Govt. of Pakistan announced a fiscal package in wake of Covid-19 pandemic. In compliance, ECC of Federal Cabinet in its meeting dated 22nd July, 2020 approved allocation of mark-up subsidy amounting to Rs. 6.7 billion for ZTBL's small borrowers with land holding upto 12.5 acres.

During audit of Zarrai Tarraqiati Bank Limited (ZTBL) Islamabad for the year 2021, it was observed that ECC of Federal Cabinet in its meeting held on 22nd July, 2020 approved allocation of mark-up subsidy of Rs. 6.700 billion for ZTBL's small borrowers with land holding upto 12.5 acres. Ministry of Food Security & Research approved eligibility criteria for mark-up subsidy which was circulated vide ZTBL letter dated 20th August, 2020. The mark-up subsidy was valid for fiscal year 2020-21. According to this package Government of Pakistan bore mark-up @ 10% on agriculture loans and the individual farmers bore balance mark-up according to the agreed terms. Record revealed that the management of ZTBL granted total mark-up subsidy of Rs. 5.087 billion to 529,470 borrowers of whole Pakistan out of which Rs. 4 billion has been recovered from Federal Govt. leaving a balance of Rs. 1.087 billion.

It was further observed that according to Para-VII of approved criteria dated 20th August, 2020, all the defaulters were eligible for this subsidy if they settle / close their loans. Under this criteria, general loanees alongwith all types of defaulters i.e. OEAM, Sub-standard, NPL and loss/ SAM were eligible for this mark-up subsidy if they settle/ close their loan cases during fiscal year 2020-21. From the record of ZTBL Zonal office Faisalabad, it was revealed that the management only provided the facility of Covid-19 mark-up subsidy to only general/regular loanees and to OEAM and sub-standard defaulter loanees. The management did not provide this subsidy to NPL and SAM defaulter loanees. Due to non- provision of subsidy to NPL and SAM defaulter loanees, an amount of Rs. 1.613 billion could not be spent which ultimately lapsed.

Audit was of the view that due to in-efficient management, ZTBL could not utilize full subsidy which ultimately lapsed and recover balance subsidy from Federal Government even lapsed of 18 months.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that several letters and subsequent reminders had been served to Mo NFS&R and MoF for recovery of outstanding dues but the balance amount was still recoverable.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of lapsed mark-up subsidy at Ministry level by fixing responsibility and recover the balance mark-up subsidy from Federal Govt.

Para-17 (ZTBL-2021)

6.8.4.18 Fraudulent issuance of redemption letters to borrowers against alive loan cases resulting in pendency of loans recovery - Rs. 2.977 million

In term of Para-5.27 of the Credit Manual Vol-1, Redemption of Charge “After having assurance from the system on CNIC base that there is nothing in default/outstanding against the borrower in any loan case, the AMO will initiate the redemption through system (Annexure-31), Manager will recommend and CAD Hub will approve as per guidelines available in the User Manual. Redemption Letter to the concerned borrower will then be issued as per procedure through system”

During audit of Zarai Taraqati Bank Ltd (ZTBL) for the year 2021, it was observed that Mr. Faqirullah of Adda Zakhira branch Multan Zone and Mr. M. Arshad Khalid of Chichawatni branch Sahiwal Zone issued redemption letters of security of 15 alive loan cases by showing them as fully repaid. Due to fake issuance of redemption letters to the borrowers, outstanding loan amounting to Rs. 2.977 million could not be recovered.

Due to issuing redemption letters in alive loan cases, recovery of loan amounting to Rs. 2.977 million remains stuck up. Audit was of the view that disbursing officers showed fake recoveries against open and alive loan cases due to weak financial control.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 admitted that Mr. Faqirullah and Arshad Khalid issued the redemption letters to the borrowers fraudulently. Audit stressed for recovery of involved loan cases from the borrowers or from the accused employees of ZTBL.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter under intimation to audit, fix responsibility, corrective measures may be taken to avoid such cases in future.

Para-18 (ZTBL-2021)

6.8.4.19 Irregular disbursement of loans on same mortgaged land/ security and non-recovery of outstanding dues - Rs. 6.631 million

In accordance with Credit Manual Volume-I, Para-2.5.3 of Credit Manual Vol-1 “That the borrower is credit worthy has good track record and Appraisal Staff is fully convinced that previous loan as well as additional loan will be repaid in time. However, in case such borrowers offer separate security not mortgaged with other Bank then requisite provisions would not be applicable. In said cases, details of previous behavior and CIB report for all loan cases would be got arranged by the branches before processing the loan requests. Besides this, loan installment of all previous loans availed from ZTBL and other Banks will be taken into account while judging the repaying capacity of the borrower. Moreover, no loanee’s request can be processed who is defaulter of any other Bank(s).”

During audit of Zarai Taraqati Bank Ltd (ZTBL) for the year 2021, it was observed that Mr. Asadullah Solangi PP No. 081756 of Shikarpur Branch recommended 27 loan cases amounting to Rs. 6.631 million against land already mortgaged. Further probe revealed that mortgaged security was found entered in pass book of other borrowers with full or partial share which depict that the mortgaged land was disputed. Moreover, the borrowers have sold out the land and the same land is re-mortgaged without closure of previous loan and without redemption.

Due to negligence in disbursement of loans, follow up action and non-disposal of deemed land, the existences of the mortgage security is open to doubt. Resultantly due to double mortgaged of security land, an amount of Rs. 6.631 million could not recovered till date.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 admitted that seven employees were involved in disbursement of loan on same mortgaged land. They had already been penalized. Audit stressed for recovery of involved loan cases from the borrowers or from the accused employees of ZTBL.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate of the matter under intimation to audit, recover the amount from the involved employee(s) or from borrowers and corrective measures may be taken to avoid such cases in future.

Para-19 (ZTBL-2021)

6.8.4.20 Delay in surrender and non-surrender of unclaimed deposits of Rs. 79.230 million (approx.) and Rs. 13.23 million (approx.) resulting in penalty of Rs. 7.923 million and Rs. 1.323 million respectively

According to para 2.10.17 of ZTBL Credit Manual Vol-I “Prudential Regulations framed by the State Bank of Pakistan, as circulated from time to time should be studied and strictly followed”. According to Section 31-C of The Banking Companies Ordinance 1962 of State Bank, “a cheque, draft or bill of exchange including an instrument drawn by one branch of the banking company upon another such branch payable in Pakistan currency or any other currency has been issued, certified or accepted by a banking company at a branch of the banking company and no payment has been made in respect thereof for a period of ten years from the date of issue, certification or acceptance;”

During audit of Zarai Taraqati Bank Ltd (ZTBL) for the year 2021, it was observed that an amount of Rs. 79.230 million (approx.) on account of unclaimed deposits of 2,641 account holders was retained by the bank after a lapse of 10 years from the date of deposit, which was required to be surrendered to SBP. Due to delay in surrender, the SBP imposed a penalty of Rs. 7.923 million.

It was further observed that an amount of Rs.13.230 million (approx.) on account of unclaimed deposits and instruments of 441 account holders was not surrendered to SBP after a lapse of 10 years from the date of deposit. The last date of transaction in these cases were in the year 2009 and hence the surrender year was 2019. Due to non-surrender for a period of 01 to 12 years, the SBP imposed a penalty of Rs. 1.323 million.

Audit was of the view that ZTBL management did not comply with state bank’s directives to surrender the unclaimed deposits in due time. Due to delay in

surrender/non-surrender of unclaimed deposits to SBP, ZTBL sustained a loss of Rs. 9.246 million on account of payment of penalty.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that ZTBL has automated the process of identification & surrendering of unclaimed deposits according to regulator's directions. The reply of the management was not tenable because in objected cases the management violated directions of the regulator i.e. SBP and sustained loss on account of penalty.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter at ministry level and fix responsibility, corrective measures may be taken to avoid such cases in future and take disciplinary action and initiate recovery from the employees held responsible.

Para-20 (ZTBL-2021)

6.8.4.21 Loss due to non-recovery of embezzled amount - Rs. 13.949 million

According to ZTBL Fraud Prevention Policy 2015, every employee of ZTBL including adhoc, temporary, contract, representative of vendors, suppliers, contractors, consultants, service provider or any other agency(ies) doing any type of business with ZTBL is expected and shall be responsible to ensure that there is no fraudulent act being committed in their areas of responsibility/control. As soon as it is learnt that a fraud or suspected fraud has taken or is likely to take place they should immediately apprise the same to concerned quarter as per procedure.

During audit of Zarai Taraqiati Bank Ltd (ZTBL) for the year 2021, it was observed that four employees named Mazhar Abbas Khan PP # 114472, Abid Ali Shah AVP PP#085978, M. Arshad Khalid AVP PP#082731 and Faqir Ullah AVP PP#095135 of Ahmedpur Sial, Donga Bonga and Adda Zakhira branches respectively embezzled an amount of Rs. 13.949 million in 19 loan cases by non-deposit/ adjustment of recovery and illegal & un-authorize retaining of amount by themselves. Departmental inquiries were conducted and charge of embezzlement proved w.r.t. these employees and an amount of Rs. 13.949 million is recoverable from these employees until now.

Audit was of the view that due to intentional retaining of recovered amounts from loanees and showing adjustment in their accounts deprived the bank of valuable funds. Due to non-recovery of embezzled amount of Rs. 13.949 million, ZTBL sustained a loss to that extent.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 admitted that four of its employees remained involved in embezzlement. Audit stressed for recovery of involved loan cases from the borrowers or from the accused employees of ZTBL.

No DAC meeting was arranged till finalization of this report.

Audit recommends to recover the amount from the involved employees under intimation to audit and corrective measures may be taken to avoid such cases in future.

Para-21 (ZTBL-2021)

6.8.4.22 Fraudulent disbursement of loan due to non-matching/ verification of signatures of borrowers - Rs. 9.800 million

According to clause 3.3.2 of Credit Manual Vol-1, the age, caste, mark of identification, profession, CNIC, National Tax No, marital status, phone Nos. etc. and complete postal address of all the applicants should be given carefully on relevant forms. Birth mark/marks of identification may be recorded / attested by MCO at the place of attestation of signatures/LTIs of applicants. Further according to chapter-4 clause 4.4.1 (iii) the copy of valid Computerized National Identity Card obtained from the borrower below the age of 65 years be got verified through prescribed system. In case validity period of a CNIC has already been expired the same be got renewed before processing the case.

During audit of Zarai Taraqati Bank Ltd (ZTBL) for the year 2021, it was observed that Ghulam Sarwar Lolai PP # 088627, Sikandar Ali Soomro PP # 110753, Hakim Ali Solangi PP # 069728 and Asadullah Solangi PP# 081756 of Shikarpur Branch and Larkana Zone sanctioned 21 loans cases amounting to Rs. 9.800 million without matching/verifying/reconciling the thumb impressions of the borrowers, resultantly not a single penny could have recovered till 30.11.2022.

Audit was of the view that by willfully not complying with the instructions of the Credit Manual, loans were disbursed without matching/verifying/reconciling the thumb impressions of the borrowers. Due to non-recovery of outstanding loans amounting to Rs. 9.800 million, the recovery is open to doubt and a loss to that extent would be sustained by the bank.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 admitted that four employees were involved in fraud. Audit stressed for recovery of involved loan cases from the borrowers or from the accused employees of ZTBL.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate of the matter under intimation to audit, recover the amount from the involved employee or from borrowers and corrective measures may be taken to avoid such cases in future.

Para-22 (ZTBL-2021)

6.8.4.23 Misappropriation in disbursement of loan by obtaining signature / thumb impression of borrowers on blank paper – Rs. 26.050 million

According to ZTBL Fraud Prevention Policy 2015, every employee of ZTBL including adhoc, temporary, contract, representative of vendors, suppliers, contractors, consultants, service provider or any other agency(ies) doing any type of business with ZTBL is expected and shall be responsible to ensure that there is no fraudulent act being committed in their areas of responsibility/control. As soon as it is learnt that a fraud or suspected fraud has taken or is likely to take place they should immediately apprise the same to concerned quarter as per procedure.

During audit of Zarai Taraqati Bank Ltd (ZTBL) for the year 2021, it was observed that Mr. Naveen Ahmad MCO/OG-III (PP # 124127) and Mr. Ameet Kumer MCO/OG-III (PP # 124497) of Ghotki branch, Sukkur Zone committed fraud in 50 loan cases by obtaining signature/thumb impression of borrowers on blank papers, including blank cheques in advance and the loan payments of Rs. 26.050 million were not made to borrowers. Further, they did not credit the amount into their loan account, and so the amounts were embezzled by collusion with other staff. The management vide office memorandum No. DPD/IU-

III/SKR-5 (112) / 259 dated 13.10.2021 imposed major penalty of dismissal from service with recovery of Rs. 26.050 million from both employees combined. However, no recovery has been made uptill 30.11.2022.

Audit was of the view that according to SOPs of the bank, thumb impression of borrowers should have been obtained on prescribed forms in order to ensure effective lending but the same was ignored. Resultantly due to non-recovery of the embezzled amount, the Bank sustained a loss of Rs. 26.050 million.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 admitted that its two employees were involved in misappropriation. Audit stressed for recovery of involved loan amounts from the borrowers or from the accused employees of ZTBL.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate reasons for non-recovery of embezzled amount from the accused officers at Ministry level, fix responsibility thereof, effect recovery from the officer(s) concerned under intimation to audit.

Para-23 (ZTBL-2021)

6.8.4.24 Disbursement of loan through fraud & forgery - Rs. 31.294 million

According to ZTBL Fraud Prevention Policy 2015, every employee of ZTBL including adhoc, temporary, contract, representative of vendors, suppliers, contractors, consultants, service provider or any other agency(ies) doing any type of business with ZTBL is expected and shall be responsible to ensure that there is no fraudulent act being committed in their areas of responsibility/control. As soon as it is learnt that a fraud or suspected fraud has taken or is likely to take place they should immediately apprise the same to concerned quarter as per procedure.

During audit of Zarai Taraqiati Bank Ltd (ZTBL) for the year 2021, it was observed that Mr. Asadullah Solangi (AVP/MCO PP # 081756) alongwith other employees disbursed an amount of Rs. 31.294 million in 55 loans cases in Shikarpur branch by committing fraud & forgery i.e. erroneous feeding of borrower profile due to which borrowers could not be traced; recommended loans wherein the legal share of borrowers could not be verified; sanctioned loans on

fake CNIC & Pass book; exceeded the loan than mortgaged value; amount of loan enhanced w/o creating additional charge and loan disbursed on fake documentation.

Audit was of the view that employees were bound to follow the instruction of Credit Manual to prevent fraudulent practices but the same was not done.

The management vide office memorandum No. DPD/IU-III/LRKN (66, 70, 72) / 2022/69 dated 18.01.2022 imposed major penalty of dismissal from services on the accused, however an amount of Rs 31.294 million was recoverable on account of fraud and forgery.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 admitted that one of their employees remained involved in fraud and forgery. Audit stressed for recovery of involved loan amounts from the borrowers or from the accused employees of ZTBL.

No DAC meeting was arranged till finalization of this report.

Audit recommends to recover the amount from the involved employees, corrective measures may be taken to avoid such cases in future.

Para-24 (ZTBL-2021)

6.8.4.25 Un-justified return of acquired property to borrowers at cost under defective “Buy Back Policy”

According to para 1.1 Circular letter No. RD&SAM/02/2007 dated 22.05.2007 “The ex-borrower may be given an opportunity to buy back the assets acquired by the bank through auction on amount as per terms of decree or amount of auction against which the bank has purchased the assets”. The expenses incurred by the bank on maintenance of these assets (if any) shall also be deposited by the ex-borrower.

During audit of Zarai Taraqati Bank Ltd (ZTBL) for the year 2021, it was observed that against confiscated properties, borrowers had the option vide circular dated 22.05.2007 to either buy back their property according to terms of court decree or amount of auction. Later on, buy-back policy was changed vide circular dated 25.02.2013 and borrowers were given the option to either buy back

at the amount according to terms of court decree or by making payments equal to outstanding amount in the loan case(s) at the time of acquisition plus cost of funds and legal charges incurred by bank.

Audit was of the view that returning of properties to defaulter borrowers which were confiscated 10 to 20 years on the amount outstanding against loans (including cost of funds and legal charges) and not against market values resulted in a loss to the bank. Further, ZTBL management did not secure the interest of the bank and followed a defective buy back policy wherein it was allowed to buy back at outstanding amount only by allowing unlimited time to the defaulters. Audit also holds that the market value of the property was not ascertained on DC / market rates.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that disposal of acquired properties in satisfaction of loans were hard to dispose through open auction for non-possession, diminishing interest of the potential buyers due to social pressures, scattered blocks of land and political involvement. Thus, keeping in view the constraints due to Limitation Act, the bank devised a policy of buy back to dispose off such acquired properties by recovery of decreed amount and all others costs/ legal costs incurred by the bank, these acquired properties may not be held for business purposes/ gains as required under the Limitation Act. The reply of the management was not tenable because in revised policy bank sold out its property after retaining it for more then 10 years at equal to acquisition cost or at minimum profit. Further, Limitation Act did not restrict sale of property held in the Bank's name on market or DC/ local govt. rates.

No DAC meeting was arranged till finalization of this report.

Audit recommends to revisit the buyback policy and ensure interest of ZTBL is secured besides taking corrective measures to avoid such cases in future.

Para-25 (ZTBL-2021)

6.8.4.26 Establishment of business relations with politically exposed persons without approval resulting into penalty - Rs. 12.00 million

According to para 2.10.17 of ZTBL Credit Manual Vol-I "Prudential Regulations framed by the State Bank of Pakistan, as circulated from time to time

should be studied and strictly followed”. Further, according to Section 29 of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Regulations for Banks & DFIs (a) Implement appropriate internal policies, procedures and controls to determine if a customer or beneficial owner is a PEP. (b) Obtain approval from the bank’s senior management to establish or continue business relations where the customer or a beneficial owner is a PEP or subsequently becomes a PEP. (c) establish, by appropriate means, the sources of wealth or beneficial ownership of funds, as appropriate; including bank/DFI’s own assessment to this effect; and (d) conduct during the course of business relations, enhanced monitoring of business relations with the customer.

During audit of Zarai Taraqati Bank Ltd (ZTBL) for the year 2021, it was observed that the management of different branches opened 183 bank accounts/extended loans to PEPs (Politically Exposed Persons i.e. MNAs, MPAs and PS) contesting in general or by elections in the country without obtaining approval of the banks’ senior management as required under Prudential Regulations of State Bank of Pakistan.

Audit was of the view that ZTBL management did not follow the rules prescribed in Prudential Regulations and sustained loss of Rs. 12.00 million in the shape of penalty from State Bank of Pakistan.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 admitted that the penalty was imposed for not taking prior approval of senior management to commence relationship with PEPs. ZTBL account opening process and screening were decentralized. Resultantly, few branches were not able to adhere to due diligence requirements. Audit stressed for initiation of disciplinary proceedings against accused employees beside recovery.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter at Ministry level under intimation to audit, corrective measures may be taken to avoid such cases in future and take disciplinary action and initiate recovery from the employees held responsible.

Para-26 (ZTBL-2021)

6.8.4.27 Imprudent operations of branches resulting in losses of Rs 12,355.763 million & payment of bonuses to management of loss making branches - Rs. 17.257 million

According to Section 1.2 (1.2.2) of ZTBL Credit Manual “The Bank shall adopt as its guiding principle to provide finance and credit facilities primarily to small farmers and low-income households especially women. The finances and services shall only be on pure commercial basis”. Further according to Section 6.6 of HR Procedural Manual-2017 “The Board of Directors in its 84th meeting held on 21.10.2016 has decided to allow up to maximum four bonuses amounting to one month’s monetized salary each exclusive of other/special pay to Treasury Cadre employees (Front Office) which will be in addition to bonus or bonuses announced for other employees of the Bank. Furthermore, according to Rule 5(5) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall establish a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety.

During audit of ZTBL for the year 2021, it was observed that 151 branches across the country out of 502 reported losses for a consecutive period of three years amounting to Rs. 12,355.76 million from 2019 to 2021. Detail is as under:

	(Rs. in million)		
	2019	2020	2021
Loss per year	(3,342,613,473)	(5,055,867,377)	(3,957,282,617)
		Grand Total	(12,355,763,467)

It was further observed that the management of 19 loss making braches were given 1 bonus amounting to Rs. 1.482 million (Annex-72), while 82 branches got 2 bonuses (Annex-73) amounting to Rs. 15.774 million (equal to one and two month’s pay respectively). Operating profit position of the branches were demanded vide requisition No. 05 dated 08.11.2022 followed by verbal requests but was not entertained.

Audit was of the view that the continuous losses depict negligence of the management and that payment of bonuses to loss making branches was not according to best management practices. The organization was put into a loss of

Rs. 12,373.019 million (Rs. 12,355.763 million + Rs. 1.482 million +15.774 million).

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that in order to motivate employees for maximizing their efforts to recover outstanding agri loan, the Board of Directors approved Cash Bonus for employees to incentivize recovery. The reply of the management was not tenable because objected 55 branches continuously sustaining loss. Further, the management paid bonus to the employees of these branches without keeping in view their operative profit.

No DAC meeting was arranged till finalization of this report.

Audit recommends to state the reasons for continuous losses of the branches and grant of bonuses to management of loss making branches besides fixing responsibility and aligning rewards with performance of branches.

Para-27 (ZTBL-2021)

6.8.4.28 Unnecessary blockage of funds due to mis-utilization of loans - Rs. 2.03 million

According to para-5.25 of ZTBL Credit Manual Vol-I Checking of Utilization “As the loans for permissible items under the Pass Book System are sanctioned speedily, the utilization should be checked in all cases, as early as possible but within prescribed limit. In case of mis-utilization the loan should be recalled and other action according to standing instructions should be taken against the delinquent” Furthermore, according to para-11.1, Bank should require, and as far as possible, ensure that the loan is spent for the purpose(s) for which it is granted and if this requirement is not complied with by the borrower(s), the Bank may recall the entire loan forthwith. Further according to para-11.2.2, checking of utilization of development & production loans should be made within one & two months respectively after the disbursement of loan according to following schedule:

	ZM(R)	Manager	MCO	Auditors
Production loans	1%	1%	100%	2%
Dev. Loans	5%	10%	100%	5%

During audit of Zarai Taraqati Bank Ltd (ZTBL) Zonal Offices Lahore and Multan for the year 2021, it was observed that in 07 loan cases amounting to

Rs. 2.030 million of Kasur and Dhanot branches, loans were mis-utilized by the borrowers i.e. utilized for other purposes. Details are as under:

Zone	Branch	LC No.	Date	Purpose	Amount (Rs in million)
Lahore	Kasur	614566	30.11.21	Gur Making	370,000
		616050	18.03.22	-do-	275,000
		613697	23.09.21	-do-	191,000
	614315	16.11.21	-do-		399,000
	609287	26.11.21	Sugarcane inputs		300,000
		616164	30.03.21	Gur Making	385,000
Multan	Dhanot	117906	2021	Godown	110,000
					2,030,000

Audit was of the view that mis-utilization of loans has become a norm of ZTBL borrowers and leads to blockade of funds. Due to non-recalling of the mis-utilized loans timely led to blockade of funds amounting to Rs. 2.03 million.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that security in favor of Bank was intact and loan was secured. The reply of the management was not tenable because disbursed loan cases did not serve the intended purpose.

No DAC meeting was arranged till finalization of this report.

Audit recommends to state reasons for not ensuring proper utilization of loans, dig out all potential cases of mis-utilization by conducting a special audit and corrective measures may be taken to avoid such cases in future.

Para-28 (ZTBL-2021)

6.8.4.29 Non-reporting of fraud to SBP within prescribed time period amounting to Rs 159.146 million resulting in penalty of Rs. 10.00 million

According to para 2.10.17 of ZTBL Credit Manual Vol-I “Prudential Regulations framed by the State Bank of Pakistan, as circulated from time to time should be studied and strictly followed”. Further, according to provision 05 (a) of State Bank BPRD Circular No. 03 dated 20 February, 2014 addressed to all presidents/CEO of all banks “Banks/ MFBs/ DFIs are also advised to report to the BPRD all material incidents of frauds/ forgeries/ dacoities etc. of Rs.5 million and above on urgent basis as under a) Preliminary report within 2 working days

of the detection of such incident by mentioning the date of the incident and other information about the case as available at the time of such reporting; b) Detailed report within 15 working days of the detection of such incident”.

During audit of Zarai Taraqiati Bank Ltd (ZTBL) for the year 2021, it was observed that the management identified seven instances of fraud involving amount of Rs. 159.146 million in the year 2016 and 2017 and no preliminary report and detailed report was submitted to SBP within 02 days and 15 days respectively which is a requirement of State Bank. Due to violation of Prudential Regulations, SBP imposed penalty of Rs. 10.00 million on ZTBL.

Audit was of the view that ZTBL management did not follow the instructions contained in BPRD Circular No. 03 of 2014 and sustained loss of Rs. 10.00 million in the shape of penalty from State Bank of Pakistan.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that Fraud Risk Management System (FRMS)” had been developed for entry of fraud cases at Head Office and field offices. Training sessions had been conducted for the bank wise field offices/branches. The reply of the management was not tenable because objected cases of fraud were not intimated to SBP in due course of time, thus ZTBL sustained loss on account of payment of penalty. Audit stressed for initiation of disciplinary proceedings against accused employees beside recovery.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter under intimation to audit, corrective measures may be taken to avoid such cases in future and take disciplinary action and initiate recovery from the employees held responsible.

Para-29 (ZTBL-2021)

6.8.4.30 Loss due to non-completion of rent agreement - Rs 8.223 million

According to lease agreement between ZTBL and Pakistan Electronic Media Regulatory Authority executed on 1st December, 2015 for renting out extra space of 2800 Sq.ft covered area at mezzanine floor, ZTBL office building Peshawar “The lessor demise unto the lessee that demised premises i.e. space of

2800 Sq.ft at mezzanine floor of the building for a term of 05 years commencing from 1.12.2015 and ending on 03.11.2020 both days inclusive”.

During audit of Zarai Taraqiati Bank Ltd (ZTBL) Zonal Office Peshawar for the year 2021, it was observed that ZTBL entered into lease agreement with Pakistan Electronic Media Regulatory Authority (PEMRA) on 1st December, 2015 for renting out extra space of 2800 Sq.ft covered area at mezzanine floor ZTBL office building Peshawar for a term of 05 years commencing from 1.12.2015 and ending on 03.11.2020. Record revealed that PEMRA served a notice of vacation to ZTBL on 19.04.2016 on the basis of issues like breakdown in electricity, non-availability of generator facility etc. The floor was vacated on 31.07.2016 by PEMRA. Audit holds that simply accepting the notice without any efforts to retain the tenant amounts to a loss of rent.

Audit was of the view that management of Zonal Office Peshawar did not make any effort to address the issues of PEMRA to retain the lessee for long term as the case file was silent and only revealed that vacation notice was simply accepted.

Due to non- completion of rental agreement for remaining period of four years & four months, ZTBL sustained a loss of Rs. 8.223 million.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that according to terms and conditions agreed upon by both of the parties, each party had a right to terminate the agreement by serving prior notice as was done in the instant case and there is no such legal provision to enforce the agreement unilaterally. The reply of the management was not tenable because the management of local office did not address the issues of PEMRA in the interest of bank and allow them to vacate the building before completion of contract period.

No DAC meeting was arranged till finalization of this report.

Audit recommends to state reasons for not entertaining/resolving the issues and instead accepting the vacation notice straightaway and fix responsibility.

Para-30 (ZTBL-2021)

6.8.4.31 Loss due to time barred loan cases – Rs. 1,317.050 million & non-initiation of legal action against SAM defaulters - Rs. 2,367.009 million

According to Para-16.1 (ii) of ZTBL Credit Manual Vol-1 All the secured cases with a period of minimum 3 years default may be referred to respective Banking Courts for recovery of Bank's dues. Further, according to Para-14.11, Reference to Collector "If the borrowers do not repay the Bank's dues on due dates, reference is made to the Collector after meeting the formality of issuing the Demand Notice and Legal Notice procedurally". Moreover, according to para to 14.26 (ii) "in case of secured loans, the limitation period is 12 years from the date of default of the first installment of the loan and the decree for the loan given by the court must be enforced within 6 years."

During audit of the Zarai Taraqiati Bank Limited (ZTBL) Lahore, Okara, Jhang, Multan, Quetta and Sukkur Zones for the year 2021, it was observed that in 2,445 loan cases amounting to Rs. 1,317.050 million, ZTBL management took no legal action against defaulters even after lapse of 12 years period and the same cases became time barred. Accordingly, the management had lost its opportunity to recover such outstanding loans amount through legal action.

Audit was of the view that due to mis-management and weak internal control, ZTBL management missed the chance to file legal cases to recover the amounts outstanding and those cases became time barred. Moreover, against 3,860 SAM zero recovery cases amounting to Rs. 2,367.009 million (only considering amount of Rs. 200,000 and above), due to negligence, the management did not initiate legal action uptill now, even after lapse of more than three years.

Due to non-initiation of legal action in 12 years, the management has put ZTBL into a loss of Rs. 1,317.050 million with remote chances of recovery. Furthermore, the cases were just illustrative in the zones listed in the table and not exhaustive; therefore, the management may review all such cases across the country.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 admitted that objected loan cases had

been time barred and bank issued instructions for obtaining affidavit from borrowers to avoid limitation period. Further, audit stressed for decentralization of legal cases for affective recovery.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the causes of non-initiation of legal action against the loanees during limitation period, fix responsibility thereof and immediate and concrete steps may be taken to recover the huge bank fund through personnel means or through Law Enforcement Agencies to safeguard the Bank's interest and ensure implementation of Magistrate Powers for effective recovery to avoid litigation cases.

Para-31 (ZTBL-2021)

6.8.4.32 Defective utilization reports of loans Rs. 27,574.929 million and subsequent loss of tax revenue

According to para-11.1 of ZTBL Credit Manual, Bank should require, and as far as possible, ensure that the loan is spent for the purpose(s) for which it is granted and if this requirement is not complied with by the borrower(s), the Bank may recall the entire loan forthwith. Further, according to para-11.2.2, checking of utilization of development & production loans should be made within one & two months respectively after the disbursement of loan according to following percentages:

	ZM(R)	Manager	MCO	Auditors
Production loans	1%	1%	100%	2%
Dev. Loans	5%	10%	100%	5%

During audit of Zarai Taraqati Bank Ltd (ZTBL) Zonal Offices Peshawar, Lahore, Okara, Jhang, Multan, Quetta and Sukkur for the year 2021, it was observed that the management disbursed loans amounting to Rs. 27,574.929 million against 101,318 loan cases under production loans and development loans combined. Record of utilization reports available in loan case files revealed that Zonal Manager, Manager, MCO and Auditors simply filled the Performa with the words “properly utilized” without any supporting evidence such as valid purchase vouchers of production and development material/items.

Audit was of the view that proper utilization can only be ensured when the borrower produces valid purchase vouchers for the items for which the loan was granted. It is pertinent to mention here that the Credit Manual is silent about any requirement of demand and verification of valid purchase vouchers from the borrowers.

Due to absence of supporting valid purchase vouchers/tax invoices, the utilization of loans amounting to Rs. 27,574.929 million remains open to doubt and the government exchequer is deprived of the income tax/sales revenue and development of agriculture is compromised.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that according to Bank instructions there was no need to obtain purchase vouchers in loan cases

disbursed in cash. The reply of the management was not tenable because proper utilization of loans could not be insured without valid vouchers.

No DAC meeting was arranged till finalization of this report.

Audit recommends to state reasons for not supporting the utilization reports with valid payment vouchers from the loanees, fix responsibility and corrective measures may be taken to avoid such cases in future.

Para-32 (ZTBL-2021)

6.8.4.33 Loss due to cancellation of plot for construction of branch building at Lakki Marwat and unjustified payment of rent - Rs. 3.560 million

According to Rule – 4(3) of the Public Sector Companies (Corporate Governance) Rules, 2013, the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance. His 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. Furthermore, according to Rule 5(5) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall establish a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety.

During audit of Zarai Taraqiati Bank Ltd (ZTBL) for the year 2021, it was observed that ZTBL was allotted a plot of 4 Kanal by the local Government Lakki Marwat free of cost on 12.06.2006 in District Headquarters for construction of Branch building. The management executed a lease agreement with District Govt. Lakki Marwat on 25.11.2006 for acquisition of the plot. The management did not construct branch building on the plot until 28.10.2014. Subsequently, the Deputy Commissioner canceled the allotment vide letter dated 29.10.2014. It was further observed that the management hired bank branch building in the same area and paid rent amounting to Rs. 3.560 million (178

months w.e.f 01/2008 to 10/2022 * Rs. 20,000 per month rent) uptill 31st October, 2022.

Audit was of the view that due to inefficiency; management could not utilize the plot for construction of branch building even after lapse of eight years. Resultantly, the local management cancelled the plot and now the matter is in litigation. Audit observed that the management did not construct boundary wall around the plot to safeguard ZTBL's interest which also led to the cancellation of plot.

Due to non-possession and non-construction of branch building, ZTBL sustained loss of millions of rupees due to cancellation of free of cost allocated plot besides payment of rent of hired branch building Rs. 3.560 million.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that cancellation was declared as illegal by the court of law on 25.04.2018. Therefore, Bank Local Office approached concerned district admin office vide several letters followed by number of visits but no result. The reply of the management was not tenable because due to non-construction of bank building in due time ZTBL has lost the plot.

No DAC meeting was arranged till finalization of this report.

Audit recommends to state reasons for not obtaining possession of the plot soon after the lease agreement and non-construction of bank branch building, fix responsibility and corrective measures may be taken to avoid such cases in future.

Para-33 (ZTBL-2021)

6.8.4.34 Non-recovery of embezzled amount - Rs. 22.976 million

According to ZTBL Fraud Prevention Policy 2015, every employee of ZTBL including adhoc, temporary, contract, representative of vendors, suppliers, contractors, consultants, service provider or any other agency(ies) doing any type of business with ZTBL is expected and shall be responsible to ensure that there is no fraudulent act being committed in their areas of responsibility/control. As soon as it is learnt that a fraud or suspected fraud has taken or is likely to take

place they should immediately apprise the same to concerned quarter as per procedure.

During audit of Zarai Taraqiati Bank Ltd (ZTBL) for the year 2021, it was observed that loans and expenditure amounting to Rs. 22.976 million was disbursed by Mr. Muhammad Shafiq Awan (Manager), Mr. Muhammad Shabbir (AMO), Mr. Shafique (MCO) and Mr. Abdul Rashid (Teller) of Muzaffarabad branch by making fraudulent activities.

Due to non-recovery of embezzled amount from dismissed employees, the bank sustained a loss of Rs. 22.976 million. Audit was of the view that the employees had overridden the financial controls by scheming the embezzlement together and were dismissed from services but the chances of recovery were remote.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 admitted that employees of Muzaffarabad branch were involved in fraudulent activities. Audit stressed for recovery of involved loan cases from the borrowers or from the accused employees of ZTBL.

No DAC meeting was arranged till finalization of this report.

Audit recommends to make recoveries from the persons involved, fix responsibility and take disciplinary action and initiate recovery from the employees held responsible.

Para-34 (ZTBL-2021)

6.8.4.35 Loss due to non-recovery of surety bond amount and one month pay from absconding employees - Rs. 36.001 million

Para- 2 & 4 of the Surety Bond states that the employee binds himself / herself to continue his/her employment with bank for at least 03 years after joining. Further the employee and surety abide themselves jointly and severally to refund/return an amount of Rs. 300,000 if the employee resigns or in any case leaves the Bank before the prescribed period of three years.

During audit of Zarai Traqiati Bank Ltd (ZTBL) Islamabad for the year 2021, it was observed that the management appointed certain employees w.e.f.

2020 to 2022 on regular basis by obtaining surety bond at stamp paper of Rs. 300,000 (per employee) for serving the bank for at least three years. Record revealed that 115 employees did not honor their commitment and left the bank service prior to completion of the bond period and without payment of surety bond.

Due to non-recovery of surety bond amount and one-month salary in lieu of notice period, the bank sustained a loss of Rs. 36.001 million and was not able to take the benefit of the knowledge and skills of the qualified recruits. Audit was of the view that the main reason of employee's absconding the bank services at large scale is non-revision of salary package since 2014.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that condition of Surety Bond amount was not the approved policy of the Bank rather it was an administrative management decision to retain the services of the Bank. The reply of the management was not tenable because ZTBL obtained surety bond from absconding employees on stamp paper for serving in bank for at least three years which was not done, thus required recovery.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons for non-recovery of surety bond amount and one month pay from the absconding employees, and necessary steps be taken for early recovery of the said amount from the absconding employees to safe guard the Bank's interest under intimation to Audit.

Para-35 (ZTBL-2021)

6.8.4.36 Loss due to non-recovery of personal advances from dismissed/ terminated/ resigned staff - Rs. 28.046 million

According to Rule-4(3) of the Public Sector Companies (Corporate Governance) Rules, 2013, the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance. His 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.

During audit of Zarrai Taraqiati Bank Limited (ZTBL) Islamabad for the year 2021, it was observed that ZTBL extended personal loans on account of HBA and Conveyance to 25 employees amounting to Rs. 19.393 million who were dismissed from the bank's services due to several reasons i.e. embezzlement, irregular disbursement of loans etc. It was further observed that the management accepted the resign of two employees without recovery of their dues amounting to Rs. 8.653 million.

Due to non-recovery of the said advances after dismissal/ resign of the employees, loss amounting to Rs. 28.046 million was sustained by the bank. Audit was of the view that due to weak financial and administrative controls, the management failed to pursue recovery from the employees on account of advances during services.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 admitted that objected personal loans were outstanding from concerned employees. Audit stressed for early recovery of involved advances from the ex-employees of ZTBL.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons for non-recovery of loan from dismissed / terminated / resigned employees, fix responsibility thereof and make solid efforts to recover the dues from the ex-employees of ZTBL under intimation to audit.

Para-36&37 (ZTBL-2021)

6.8.4.37 Non-recovery of mark-up on disbursed loans from government of Punjab under e-credit loan scheme - Rs. 144.235 million

According to clause (f) of agreement dated 08, October, 2016 between ZTBL and Government of Punjab, Agriculture Department, for markup free/subsidized loan to small farmers "ZTBL has been selected as one of Participating Financial Institution to implement a mark-up free/subsidized e-credit loaning scheme for small farmers" According to clause 2.2 'GoPb shall

operate a scheme, pursuant to the terms of reference for a period of five years for Rabi and Kharif Crops starting from the year 2016-17 and lasting up to the year 2020-21. According to clause 2.11, ZTBL shall submit Performa Invoice to GoPb regarding its claims for markup subsidy and service charges on or after 15th March for Rabi and on or after 15th September for Kharif Disbursement. According to clause 2.10, GoPb shall appoint an independent third-party firm of Chartered Accountants for verification of at least 10 percent loans disbursed by ZTBL. In case, audit firm identifies Major or Minor Gaps, such gaps shall forthwith be communicated to ZTBL for resolution within 15 days upto the satisfaction of the audit firm. A review committee including representative of ZTBL shall make a final determination to accept or reject the amount.

During audit of Zarrai Taraqati Bank Limited (ZTBL) Provincial Headquarter Lahore for the year 2021, it was observed that ZTBL and Government of Punjab, Agriculture Department executive an agreement dated 08, October, 2016 for markup free/subsidized loan to small farmers under E-Credit scheme for a period of five years w.e.f 2016-17 to 2020-21 for Rabi and Kharif Crops. Under this scheme, ZTBL disbursed loan amounting to Rs. 20,099.020 million to 144,999 borrowers by giving them subsidy of Rs. 912.008 million. Record revealed that against the total subsidy, an amount of Rs.767.773 million has been received leaving a balance of Rs. 144.235 million.

Due to delayed/non-recovery of markup from Government of Punjab, funds amounting to Rs. 144.235 million are blocked. Audit was of the view that due to non-provision of customer account, documents, account statements to the audit firm, the cases were pending for a long time and funds were tied up with the Government of Punjab.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that figures will be finalized upon final settlement of Bank's claim by the Government of Punjab, who are being persuaded vigorously. The reply of the management was not tenable because a huge amount is still recoverable from Govt. of Punjab due to non-clearance of loan cases from third party i.e. auditors.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons for non-recovery of the said advances and necessary steps be taken for early recovery of the said amount under intimation to Audit.

Para-38 (ZTBL-2021)

6.8.4.38 Non-recovery of loans due to imprudent lending to family members of defaulter borrowers - Rs. 14.339 million

According to para-2.6 of ZTBL Credit Manual Vol-I “No loan shall be granted to family members i.e. husband, wives, sons and daughters (dependents) of a defaulter in any case. As regards other relatives, if any one produces definite proof to the effect that he/she has nothing to do with the defaulter and that his/her property is quite separate and is being managed by him/her quite independent of the defaulter, the Zonal Chief on receipt of evidence produced by the applicant duly recommended by the Manager with full justification in support thereof shall decide whether his/her application may be entertained or not”. Furthermore, according to 2.5.10 “It must be realized that too many loans to the same party or to the members of the same family, at the same time, are likely to lead to undesirable results, i.e. misuse of the loans and defaults in repayments. Such loans should be discouraged”.

During audit of Zarai Taraqiati Bank Ltd (ZTBL) Zonal Office Jhang for the year 2021, it was observed that loaning to the family members i.e. husband, wives, sons and daughters (dependents) of a defaulter in any case was not permitted but the management of Shah Jewana, Shorkot and Akrian Wala Branch of Jhang Zone granted loans of Rs. 14.339M to the members of an “existing defaulter” family in 13 loan cases.

Due to granting loans to close family member of a defaulter borrower, the management of the branch put ZTBL into a loss of Rs. 14.339 million. Audit was of the view that ZTBL branch management did not comply the relevant provision of the rules and negligently granted loans to a family member of an already defaulter borrower.

Matter was reported to the management vide letter dated 05.12.2022. The management in its reply dated 21.12.2022 stated that security of these loan cases was intact and loan was secured. The reply of the management was not tenable

because of disbursing subsequent loans to the family members of the defaulter loanees resulted in stuck-up recovery of previously defaulted loans.

No DAC meeting was arranged till finalization of this report.

Audit recommends to state reasons for extending loans negligently to family members of the defaulter, dig out all cases of same nature by fixing responsibility and corrective measures may be taken to avoid such cases in future.

Para-40 (ZTBL-2021)

6.9 Kissan Support Services (Pvt.) Limited

6.9.1 Introduction

Kissan Support Services is Private Limited Company established in 2006 as a subsidiary of ZTBL. The purpose of establishing this subsidiary was to provide support staff to ZTBL, undertake its non-core activities and carry out any business for its sustainability. The main objectives of this subsidiary are as under:

1. To carry on business of providing consultancy, advisory and other agency and support services on contractual basis or otherwise to ZTBL.
2. To provide all kind of support staff and ancillary services to the bank and marketing of Bank's products and services.
3. To provide quality products and services to ZTBL clients for efficient and improved farming including seeds, fertilizers, pesticides, Agri-machinery and technical services like irrigation & drainage system and repair and maintenance of agricultural machinery.
4. To provide welfare services to the employees of the Bank including education, vocational training, sports and recreation facilities.

6.9.2 Comments on Audited Accounts

6.9.2.1 The working results of the KSSL for the year 2021 in comparison of the previous years are given below:

(Rs in millions)					
Description	2021	% Inc/ (Dec)	2020	% Inc/ (Dec)	2019
Revenue	1,100.08	(3.29)	1,137.50	(7.79)	1,233.58
Cost of services	1,207.23	14.89	1,050.73	(4.77)	1,103.35
Gross profit/(loss)	(107.15)	-	86.78	(33.36)	130.23
Administrative expenses	54.34	(2.49)	55.73	38.15	40.34
Operating profit/(loss)	(161.50)	-	31.05	(65.46)	89.89
Other income	81.50	(36.83)	129.02	27.07	101.53
Financial charges	--	-	5.33	99.62	2.67
Profit/(loss) before taxation	(80.00)	-	160.07	(16.37)	191.41
Taxation	15.08	-	(36.82)	(41.85)	(63.32)
Profit/(loss) after tax	(64.92)	-	123.24	(3.79)	128.09
(Loss)/Earnings per share	(6.49)	-	12.32	(3.82)	12.81

(Source: Annual Audited Accounts)

The working results of the company show decreasing trend in revenue of the company by 3.29% in 2021 & 7.79% in 2020, whereas, on the other hand cost of service increased by 14.89% in 2021 i.e. from Rs 1,050.73 million in 2020 to Rs 1,207.23 million in 2021. The decrease in revenue was mainly due to decrease in re-imbursement of expenditure by the ZTBL and service charges. The decrease in revenue and increase in cost of services resulted in conversion of gross profit of Rs 86.78 million in 2020 to gross loss of Rs 107.15 million in 2021. After adding the financial charges for the year the operating loss was further increased to

Rs 151.50 million in 2021 against operating profit of Rs 31.05 million in preceding year. Efforts needs to be made to increase revenue and control the expenditure.

6.9.2.2 Administrative expenses of Rs 54.34 million for the year under review include certain type of expenses showing abnormal increase ranging 70% to 477% as detailed below:

Particulars	2016 (Rs)	2015 (Rs)	Percentage Increase
Travelling and conveyance	442,826	76,785	477%
Fuel Expenses	684,799	402,043	70%
Entertainment expenses	321,267	145,960	120%
Total: Rs	1,448,892	624,788	132%

Reasons for the abnormal increase in the above stated expenses need to be explained.

6.9.2.3 Advances & other receivables increased by 67.5% to Rs 12.955 million as on June 30, 2021 (2020 – Rs 7.733 million). The figure included receivable from employees on account of EOBI contribution. In normal practice the EOBI contribution is recovered from employees on monthly basis for its payment to the Institution but the position showed that the Company had made the payment of Rs 11.44 million in lump sum to the EOBI on behalf of employees. Payment of such a huge amount on behalf of employees in lump sum needs clarification.

6.9.2.4 Short term investment was increased by 1.76% to Rs 1,098.20 million as on June 30, 2021 (2020 – Rs 1,079.19 million). The figure included investment under term deposit receipt of Rs 1,037.84 million as on June 30, 2021 (2020 – Rs 976.27 million). Despite increase of 6.31% in investment under TDR

the interest income from investments decreased by 34% to Rs 79.41 million in 2021 from Rs 120.87 million in preceding year. The increase in investment in disproportionate to interest on investment, need to be justified.

6.9.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2013-14	05	01	04	6.7.4.2,6.7.4.3,6.7.4.4,6.7. 4.1	20
2016-17	08	0	08	6.6.2.5, (6.6.1 & 6.6.2,6.6.2.1,6.6.2.2,6.6.2.3,6.6.2.4,6.6.2.6,6.6.3)	-
2017-18	05	0	05	9.7.1, 9.7.2.1, 9.7.2.2, 9.7.2.3, 9.7.3	0
Total	18	01	17		

Overall compliance of PAC directives was very poor which needs immediate attention of PAO.

6.9.4 Audit Paras

6.9.4.1 Loss of millions of rupees due to non-achievement of objectives of the company

According to Memorandum of Association of the Kissan Support Service Private Limited (KSSL), the main objective of the Company was to provide all types of support services such as consultancy, advisory, agency, support staff, marketing of bank product, debt collection, training & education of formers, market information, insurance of crops & others, sport services to the bank employees, assisting formers in marketing of their products, storage facility such as warehousing & grain silos, liaison & establish contracts with agricultural research organization for development of appropriate technologies to improving output & value added products, hiring /acquiring / purchasing of quality products for efficient and improved farming i.e. seeds, fertilizers, pesticides, agricultural machinery and technical services like design of irrigation & drainage system, repair and maintenance of agricultural machinery on contractual basis or otherwise to ZTBL and other corporate sector as well.

During special audit of KSSL for the year 2016 to 2020, it was observed that the management was providing only three types of support services to Zarai Taraqiati Bank Limited (ZTBL) such as clerical & non-clerical staff, security

guards with their weapon's repair & maintenance and sport services to their employees since inception (2006) and receiving service charges from ZTBL at agreed rates. KSSL has been appointing employees on minimum wages as announced by the Federal Government from time to time and handed over their services to ZTBL on their demand.

To achieve the remaining objectives of the Company as mentioned above, KSSL did not take any kind of initiative since its establishment. ZTBL did not raise any kind of requisition for the achievement of the objectives of the Company other than mentioned above nor KSSL took initiative for enhancement of the business in Corporate Sector. Although the management earned sufficient service charges on these services yet failed to initiate other objectives of the company for which it was established. Main focus of the KSSL is to earn interest/profit from the surplus investments made as TDR's in different banks.

Thus, due to non-achievement of the objectives of the Company, viability of the company as going concern is at stake.

The matter was reported to the management on 26.08.2021 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the causes under which KSSL did not take any kind of initiative for achievement of its remaining objectives by providing services to ZTBL or Corporate Sector, fix responsibility on the person(s) at fault and to take steps to achieve the objectives of the Company.

(Para-4.1.1 of SAR, KSSL 2016-20)(AY-2020-21)

6.9.4.2 Loss of service charges / income due to withdrawal of support services from KSSL by the holding company i.e. ZTBL – Rs 4.050 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails 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 handling of public funds, assets, resources etc.

During special audit of KSSL for the year 2016 to 2020, it was observed that the management was providing different types of support services to Zarai Taraqiati Bank Limited (ZTBL) such as clerical & non-clerical staff, security guards with their weapon's repair & maintenance, sport services, photocopier services and janitorial services since inception (2006) and receiving service charges from ZTBL at agreed rates. ZTBL withdrew photocopier, janitorial services and sport services from October 2016 and January 2021 respectively (might be due to poor performance or inefficiency of KSSL hired staff) and started to acquire these services from open market directly instead of assigning jobs to KSSL. Only on one head i.e. janitorial services ZTBL incurred a handsome amount of Rs 40.497 million during the year 2020 resulting deprived off KSSL amounting to Rs 4.050 million as service charges/income. (Data derived from the trial balance of ZTBL for the year 2020). Had the figures of others services i.e. photocopier and sport services been added, the loss become manifold.

Audit was of the view that loss occurred due to non-serious behavior of the KSSL management towards business of the company as independent entity or poor performance/inefficiency of KSSL staff provided to ZTBL.

The matter was reported to the management on 26.08.2021 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the causes under which ZTBL acquired / hired / purchased the services and items directly from the market instead of assigning the jobs to KSSL to achieve the objectives of the subsidiary company, fix responsibility and take up the matter with holding company through BoD for future compliance.

(Para-4.1.2 of SAR, KSSL 2016-20)(AY-2020-21)

6.9.4.3 Irregular / non-transparent appointment of employees without advertisement - Rs 74.734 million

According to judgement of Supreme Court of Pakistan dated January 19, 1993 in human right case # 104 of 1992, recruitment, both adhoc and regular, without publicly and properly advertising the vacancies is violation of

fundamental rules. As such no post could be filled in without proper advertisement, even on adhoc or contract basis.

Further as per clause 6 (v) of KSSL staff regulations 2006, recruitment in the clerical and non-clerical cadres shall be made on merit, based on local requirements to be determined through interviews by a selection committee of the short listed candidates from the data base, maintained by KSSL through inviting application against advertisement.

During special audit of KSSL for the year 2016 to 2020, it was observed that management of the KSSL is/was being hiring various employees on contract basis on demand of ZTBL every year. Audit has checked some files as test check basis and found that mostly employees were appointed without advertisement of the posts. Appointments were made on simple applications of candidates which indicated that it was done on pick and choose basis without open competition. Thus salaries and allowances amounting to Rs 74.734 million paid to 43 employees considered irregular. Detail is given in Annex-74.

Audit was of the view that the action of the management for hiring of the employees by ignoring the provision of Supreme Court directives is considered irregular and non-transparent.

The matter was reported to the management on 26.08.2021 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the recruitment of employees in violation of Supreme Court's orders, fix responsibility thereof and calculate exact numbers of employees appointed without advertisement since inception and get their services regularized from competent Authority.

(Para-4.2.1 of SAR, KSSL 2016-20)(AY-2020-21)

6.9.4.4 Irregular appointment of sports players without framing eligibility criteria/codal formalities - Rs 16.744 million

According to clause 6 (v) of KSSL staff regulations 2006, recruitment in the clerical and non-clerical cadres shall be made on merit, based on local requirements to be determined through interviews by a selection committee of the

short listed candidates from the data base, maintained by KSSL through inviting application against advertisement.

The Govt. of Pakistan announced recruitment policy vide its OM No. F.53/1/2008-SP dated October 22, 2014 which was equally applicable on autonomous bodies, companies and corporations etc. according to clause (xv) administrative Ministries / Division shall ensure merit and transparency in recruitment process at all level. clause (v) of said OM, the initial appointment shall be made strictly in accordance with the provision contained in recruitment rules. In the absence of recruitment rules, the appointing bodies are required to frame recruitment rules and lay down the eligibility conditions for such appointments.

During special audit of KSSL for the year 2016 to 2020, it was observed that the management appointed players in different categories such as cricket, hockey, table tennis, shooting ball, squash etc. for national level games and paid in amount of Rs. 16.744 million. Following irregularities were observed in appointment of payers:

1. No criteria was set out for selection of players in different categories such as qualification, height, weight, participation certificate of school, college and district level games, certificate of relevant institutions i.e. Pakistan hockey Federation, trail test and interviews etc.
2. Appointment was made without press advertisement.
3. Players were appointed without any relevant sports criteria.
4. Curriculum Vitae and certificates, if any, provided were not got verified.
5. Some players had education of class-8 only.
6. In some cases, un-signed and photo copies certificate of Pakistan Hockey Federation were available in personal files which were not verified by the management.
7. After appointment of these players, the management posted them in their relevant districts where they cannot make practices.
8. No priority was given to international fame players or local prominent players.

Detail of players is given in Annex-75.

Thus, appointment of players without any proper procedure /criteria was considered as irregular.

The matter was reported to the management on 26.08.2021 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate reasons of appointment of players without criteria and codal formalities, fix responsibility on the person(s) at fault and prepare proper eligibility criteria / procedure /ToR's for appointment of players under intimation to Audit.

(Para-4.2.2 of SAR, KSSL 2016-20)(AY-2020-21)

6.9.4.5 Irregular appointment of Armed Services Personnel - Rs 19.144 million

According to Defence Division, Ministry of Defence u.o. No. F-2/24/0-24 cc-10/93 dated 20-12-95 Ministries/Divisions/Provincial Governments are required that before appointing any retired Armed Forces officer in civil, views/clearance of the Ministry of Defence (Defence Division) should invariably be obtained. According to u.o. No. F-3/50/D-24/99 dated 21.11.2000 Ministries/ Divisions/ Provincial Governments are required to report the vacancy showing desired qualification/ experience etc. to the Ministry of Defence who are to suggest/recommend a panel of officers in consultation with the concerned service Head quarter to the Ministry/ Division concerned for making selection.

During special audit of KSSL for the year 2016 to 2020, it was observed that following 4 army Officers were appointed without the approval/clearance of Ministry of Defence (Defence Division). Detail is given hereunder:-

S. #	Name of Officer	Designation	Date of appointment	Period of payment	Pay Per month (Rs)	Total payment (Rs)
1.	Rtd Col. Mohammad Imtiaz	Sr. Manager	12-11-20	To date	150,000	1,500,000
2.	Lt. Col. Qazi Manzoor Alim	GM	22-2-07	1-1-21	50,000	8,300,000
3.	Col Rtd Nauman Bukhari	GM	28-6-18	1-7-19	120,000	1,440,000
4.	Sub. Mohammad Raees	Manager	11-11-20	1-1-21	42,000	84,000
5.	Lt col. Naseem butt	Sr. Manager	10-9-18	Todate	120,000	4,32,0000
6.	Lt col Shahjahan Mir	Sr. Manager	1-8-19	Todate	140,000	3,500,000
Total						19,144,000

Audit was of the view that irregularity happened due to non-adherence of Govt. instructions in this regard.

Thus, appointment as well as payment of Rs 19.144 million made on account of pay and allowances to above officers was considered as irregular in Audit.

The matter was reported to the management on 26.08.2021 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate reasons for appointment of retired Army officers in violation of rules and fix responsibility thereof.

(Para-4.2.3 of SAR, KSSL 2016-20)(AY-2020-21)

6.9.4.6 Irregular / non-transparent appointment of CEO - Rs 11.100 million

According to SECP Notification dated March 03, 2015 regarding procedure for appointment of Chief Executive Officer of Public Sector Companies, the Board shall initiate the appointment process i.e. issue a public advertisement in the print media to invite applications from applicants, shortlist candidates on the basis of criteria specified for the position and evaluate shortlisted candidates. The Board shall conduct the interview of the candidates and recommend a minimum of three candidates to the line ministry for appointment to the position of Chief Executive officer. Upon concurrence of the competent authority, the Board shall appoint the Chief Executive Officer. He must possess demonstrated experience of not less than ten years (I). in governance or business administration or public administration or finance or commerce or marketing or any other field commensurate to the job in significant organizations with a commercial orientation, or (II). as chief executive or at a senior management level in similar organizations that have commercial attributes, or (III). at senior positions in relevant professional areas including, inter-alia, science, technology, finance, law, business, agriculture, social sciences, etc., or (IV). in community or professional organizations; or (V). at the level of member of governing body of a professional institute or as a head of department.

Moreover, according to Para-2 of Establishment Division, Cabinet Secretariat, OM No. 1/85/94-E.6 dated September 12, 1994, the appointment of CEO of the public sector autonomous/semi-autonomous bodies shall be considered/processed through the selection board headed by the Minister in-charge who will suggest a panel of at least three names for each vacancy and recommend a name out of this panel for the consideration and approval of the Prime Minister.

During special audit of KSSL for the year 2016 to 2020, it was observed that the management appointed Brig(R) Zaheer-ud-Din Ahmad as CEO/ Managing Director vide letter dated November 22, 2017. The officer at the time of appointment was 62 years having qualification of MA (political science). The officer concerned joined the KSSL on November 28, 2017. Audit noticed following irregularities in appointment of CEO/ Managing Director KSSL:

1. Criteria set out for CEO/MD was master Degree. Additional qualification in administration, law, HRM and logistic would be preferred. This criterial was very general. KSSL has business relating to agriculture sector but this field's specialization was ignored by the management. No specified education was mentioned in the setout criteria which tantamount to undue favor to a selected person.
2. Age limit was set out for appointment from 60 to 65 years. Only superannuated ex-employees could fulfill this criterion. This tantamount undue favor to a selected person.
3. 24 candidates applied for the post but only four candidates selected for further process. Two candidates at serial No. 11 and 21 (of the total list of candidates) named Arif Alauddin and Dr. Muhammad Ali having qualification MA and MSc respectively also fulfilled the criteria set out by the management but they were not shortlisted.
4. The four shortlisted candidates named M. Tariq Nasim, Ch. Bashir Ahmed, Syed M. Adil Shah and Brig® Zaheer-ud-Din Ahmad have qualification MBA, MSc, MA(Economics) and MA (Political Science) respectively. The most relevant candidate was Ch. Bashir Ahmed having 20 years' experience

of agriculture field and remained on senior post such as Zonal Manager and Director I & A in ZTBL.

5. Out of four candidates, Brig® Zaheer-ud-Din Ahmad was MA (Political Science) and last seven years' experience was of Civil side (risk consultancy & management) in DHA Lahore which is a private institution. His education and experience were not relevant.
6. Appointment of Brig(R) Zaheer-ud-Din Ahmad as CEO/ Managing Director was made without concurrence of concern Ministry as required under SECP rules.
7. Contrary to the Establishment Division's instructions approval of Prime Minister was not obtained.

In the light of above said violations, audit is of the view that appointment of Brig(R) Zaheer-ud-Din Ahmad as CEO/ Managing Director was considered irregular / non-transparent besides payment of salary of Rs. 11.100 million (Rs. 300,000 x 37 months).

The matter was reported to the management on 26.08.2021 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate reasons of violation of rules in appointment of CEO/ MD at Ministry level and fix responsibility thereof.

(Para-4.1.4 of SAR, KSSL 2016-20)(AY-2020-21)

6.9.4.7 Non-transparent hiring of staff due to ambiguous and irregular hiring process

The Govt. of Pakistan announce recruitment policy vide its OM No. F.53/1/2008-SP dated October 22, 2014 which was equally applicable on autonomous bodies, companies and corporations etc. according to clause (v) of said OM, the initial appointment shall be made strictly in accordance with the provision contained in recruitment rules. In the absence of recruitment rules, the appointing bodies are required to frame recruitment rules and lay down the eligibility conditions for such appointments. No recruitment shall be made in absence of approved recruitment rules. Further, as per clause (xv) administrative

Ministries / Division shall ensure merit and transparency in recruitment process at all level.

a. Non-determination of qualification/experience and age band in each grade / Tailor made advertisement

During special audit of KSSL for the year 2016 to 2020, it was observed that management of the company made appointments of different cadres during 2018-19. Further, scrutiny of the record revealed that these appointments were made on tailor made criteria and in non-transparent manners. KSSL has its own pay structure and recruitment (induction/promotion) rules different from Federal Government. These rules were not approved by the Govt. of Pakistan as required under Federal Government rules of business. These induction criteria given in KSSL rules was opened ended, complex and ambiguous which gives the right to management to hire any persons of their own choice. There is no determination of maximum and minimum qualification/experience and age band required for induction in each Grade under KSSL Grade system. Apparently it seems as advertisement was made on the basis of CVs of a preselected candidates who were later on selected by fulfilling other remaining codal formalities and ignore the merit consideration.

b. Backdoor channels of selections

The significant numbers of employees were inducted by using backdoor channels like appointments of KSSL employees. Apparently KSSL is a different entity but practically it work like a division of ZTBL, being 100% owned subsidiary of ZTBL, its Management fully comply the directions of higher management of ZTBL. It was housed in ZTBL building/housing society. On reviewing the current induction process of KSSL, it was observed that mostly retired employees from ZTBL were inducted in KSSL at Executive/Officer level without open competition.

C. Fixation of salary at higher stage

In normal circumstances the person appointed at each grade was offered minimum pay of that grade and his basic pay was fixed at first stage of that admissible grade. However, in KSSL the management advertised the desired experience along with minimum required qualification against posts of any grade

in KSSL. When the candidate selected against such posts, he was granted additional increments in his basic pay, on the basis of his past experience (Govt. and private employer experience was considered equally weightages). Thus the employees / candidate enjoyed benefit of additional increments in his basic pay due to additional credit points earned as a result of his past experience. Further last pay certificates from ex-employer were also not take into consideration while fixing his pay and allowances.

Audit was of the view that although the KSSL is a subsidiary company of ZTBL in Govt. Sector and its main strength are the employees of the entity, but granting undue favors in selection of employees, as stated above, leads to poor HR induction which may cause harmful / destruction for KSSL. This may also prove from the fact that a large numbers of employees were terminated after service in KSSL for a long time against which they lodged claims in different courts of law. Actually there were flaws in their appointments and in induction process/policy of KSSL which became reasons for their dismissal/termination and a handsome amount was also to be borne by KSSL on legal charges annually for courts perusal.

The matter was reported to the management on 26.08.2021 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to review induction and promotion policy of KSSL in line with Federal Govt. recruitment policy of 2014 in order to ensure merit based employment in KSSL, explain reasons for not seeking approval of HR rules from Establishment Division and justify the position with full facts and figures.

(Para-4.2.5 of SAR, KSSL 2016-20)(AY-2020-21)

6.9.4.8 Appointment of officers for serving in ZTBL against Service Level Agreement - Rs 20.944 million and un-justified retaining of officers released from ZTBL and non-claiming their salary - Rs 3.360 million

According to agreement dated December 2, 2014 (extended uptill now) executed between Zarai Taraqiati Bank Private Limited (ZTBL) and Kissan Support Services Private Limited (KSSL), KSSL will provide the services of

administrative, other support staff (clerical & non- clerical) and security personnel to ZTBL as per requirement against 20% service charges. KSSL will reimburse the actual salaries, allowances / benefits and other cost incurred thereon actually along with all applicable taxes through sales tax invoice of 25th of each month.

During special audit of KSSL for the year 2016 to 2020, it was observed that the company appointed twelve officers on contract basis to serve ZTBL in violation of agreement dated December 2, 2014 according to which management was liable to appoint only administrative, other support staff (clerical & non-clerical) and security personnel for ZTBL on requirement basis. ZTBL vide letter dated March 18, 2020 returned the services of these officers to KSSL, last paid upto 29.5.2020. KSSL relieved the services of these employees from 29.5.2020 and paid an amount of Rs. 20.944 million.

Further record revealed that on return of these officers as on 29.5.2020, following six officers out of twelve were retained by the KSSL for the same services for which already served to ZTBL. KSSL paid an amount of Rs. 3.360 million to these officer uptill December 31, 2020 out of its own budget.

Thus, appointment of 12 officers in violation of agreement and retention of 6 employees was considered as irregular.

Audit is a view that these six officers are still serving to ZTBL on different station, thus as per agreement dated December 2, 2014, their salaries on the head “other actual cost” may be recovered from the ZTBL or otherwise their services may be withdrawn. It is apprehended that it was done due to lack of coordination between holding company (ZTBL) and subsidiary company (KSSL).

The matter was reported to the management on 26.08.2021 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain reasons for irregular appointment of 12 officers for ZTBL and retention of six officers in KSSL and fix responsibility on the person(s) at fault. Besides, recover the salary of these officers from ZTBL

under the head actual cost on provision of services to ZTBL or relive the services of these officer under intimation to audit.

(Para-4.2.6 of SAR, KSSL 2016-20)(AY-2020-21)

6.9.4.9 Irregular appointment of Chief Internal Auditor violating illegibility criteria - Rs 3.420 million

According to rule 22(2) of Corporate Governance Rules 2013 “no person shall be appointed to the position of the chief internal auditor unless he is considered and approved as "fit and proper" for the position by the Audit Committee. No person shall be appointed as the Chief Internal Auditor of a Public Sector Company unless he has five years of relevant audit experience and is (a) member of a recognized body of professional accountants; or (b) certified internal auditor; or (c) certified fraud examiner; or (d) certified internal control auditor; or (e) person holding a master degree in finance from a university recognized by the Higher Education Commission.

During special audit of KSSL for the year 2016 to 2020, it was observed that the management appointed Mr. Sajjad Iftikhar Warraich as Senior Manager, Head of Internal Audit Department on 29-1-2016. The officer concerned enjoyed the status of Chief Internal Auditor of KSSL as during his service period regular Chief Internal Auditor was not appointed uptill 28-1-2019. Audit noticed that Mr. Sajjad Iftihar Warraich was simply BA (Economic) and has only 3 years' experience (instead of 5 year experience) as Audit Executive in Soneri Bank. Further he was not a member of recognized body of professional accountants, certified internal auditor, certified fraud examiner, certified internal control auditor, as required by Corporate Governance Rules.

Thus, appointment of Mr. Sajjad Iftikhar Warraich and payment of salary of Rs. 3.420 million (Rs. 95,000 PM Salary x 36 months) is held irregular in Audit.

The matter was reported to the management on 26.08.2021 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate reasons under which irregular appointment was not made and fix responsibility thereof.

(Para-4.2.7 of SAR, KSSL 2016-20)(AY-2020-21)

6.9.4.10 Irregular appointment of employees in-violation of Govt. instructions - Rs 54.226 million

Detail guidelines/mechanism to ensure merit based recruitment in the Ministries/Divisions/sub ordinate offices/Autonomous, Semi-Autonomous bodies/Corporation/ Companies /Authorities have been issued by Cabinet Secretariat, Establishment Division vide its memo No. F.53/1/2008-SP dated Jan 16, 2015. According to that:-

- a) The short listed applicants, as a result of screening test, would be interviewed after verification of academic/professional credentials and testimonial. The departmental selection committee (DSC) would adjudge the applicant on the following criteria for selection:-
 - Score in test would have 70% weightage.
 - The rest of 30% would be allocated by the members of the DSC.
- b) While considering suitability for particular jobs, objective type tests will be organized through testing agency with prior permission of the Establishment Division.

Further as per clause 5 (11) of Public Sector Companies (Corporate Governance rules 2013), the Board shall ensure compliance with policy directions received from Government from time to time.

During special audit of KSSL for the year 2016 to 2020, it was observed that management of the KSSL is/was being hired various employees on contract basis on demand of ZTBL every year. Audit has checked some files as test check basis and found that, contrary to the above criteria of Establishment Division, management of KSSL devised the criteria for appointment, qualification will carry 20 marks, experience/professional competencies 30 marks, interview/general competencies 50 marks and no provision was made for test etc. Scrutiny of CV's of neglected candidates revealed that there were a good numbers of candidates whose qualification and relevant experiences are/were better than the selected persons. However, these candidates declared failed in interview by giving lessor marks in general competency criteria. In this way selection committee violated the essence of transparency as well.

Thus appointment as well as pay of selected officers Rs 54.226 million was considered irregular. Detail is given in Annex-76.

Audit was of the view that appointments of employees were not made on transparent manners which tantamount to give undue favor to the selected persons at the cost of public exchequer.

The matter was reported to the management on 26.08.2021 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate reasons for irregular appointment in violation of rules, fix responsibility and calculate exact numbers of employees appointed without prescribed criteria since inception and get their services regularized from competent Authority.

(Para-4.2.8 of SAR, KSSL 2016-20)(AY-2020-21)

6.9.4.11 Irregular and unjustified purchase of vehicle by violating standing orders - Rs 17.854 million

According to para-01 of Austerity Measures for the Financial Year 2016 to 2020 issued vide OMs dated 29.07.2016, 26.07.2017, 03.12.2018, 21.08.2019 and 06.08.2020 respectively by Finance Division, Government of Pakistan there was ban on purchase of physical assets including all types of vehicles. Ban on purchase of vehicles was also applicable to development projects.

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails 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 handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During special audit of Kissan Support Services Limited (KSSL) for the year 2016 to 2020, it was observed that management purchased vehicles valuing

Rs 17.854 million in violation of above said policy. Therefore, procurement of vehicle was considered irregular. Detail is given below:-

Sr #	Year	Amount (Rs)
1	2016	9,572,814
2	2017	2,411,000
3	2019	3,776,324
4	2020	2,093,961
	Total	17,854,099

During discussion it was learnt that procurement was made with the approval of BoD/competent authority and allocated to the Executives as per approved car policy. Contention was not acceptable as Competent Authority is also held responsible to exercise due care and vigilance about spending of public money as per corporate governance rules.

The matter was reported to the management on 26.08.2021 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate reasons for non-compliance of Finance Division's instructions, investigate reasons for procurement of vehicles for already retired employees of ZTBL and fix responsibility thereof.

(Para-4.3.1 of SAR, KSSL 2016-20)(AY-2020-21)

6.9.4.12 Irregular investment of surplus funds - Rs 976.266 million and loss due to delay in investment of funds - Rs 1.141 million

According to rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails 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 handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

According to the instruction contained in Government of Pakistan, Finance Division (Budget Wing) memo No. F.4 (1)/2002-RB-II Dated: Jul 02, 2003, the management may assess its working limit and surplus funds may be considered for investment in profit earning scheme. The risk associated with

keeping deposits should be diversified. Therefore, in cases where total working balance of an enterprise exceeds Rs. 10 million, not more than 50% of such balance shall be kept with one bank;

During special audit of KSSL for the year 2016 to 2020, it was observed that the management invested its surplus funds amounting to Rs 976.266 million in ZTBL Bank. Audit has noticed following irregularities in investment of surplus funds:

1. Investment of surplus funds made without determining working capital requirement.
2. 100% surplus funds invested in ZTBL Bank from 2020 which is violation of Finance Division directives dated July 02, 2003.
3. Heavy amounts ranging from Rs 64.375 million to Rs 74.153 million (averagely) were invested by the KSSL management in Silk Bank which is below A+ rating.
4. On availability of sufficient funds or maturing of earlier invested TDRs, the management delayed in re-investment due to which Company sustained a loss of Rs. 1.141 million. Detail is as under:

(Rs in million)

S. No	Bank	Funds Received or TDRs Matured	Re- Investment TDR No & date	Mark-up Rate on Re-investment	Delay Period on Re-Investment	Difference
1	ZTBL	20.47 20.5.2016	A219884 31.5.2016	6.00%	11 days	0.037
2	-do-	27.00 23.8.2016	A218818 31.8.2016	6.50%	08 days	0.038
3	JS	56.33 28.9.2018	MM1827701504 Silk Bank 2.10.2018	9%	04 days	0.056
4	Silk	74.14 7.12.2018	PTDR 203 ZTBL 22.12.2018	10%	15 days Pre-mature encashment	0.133
6	ZTBL	26.00 21.12.2018	-do-	10%	03 days	0.021
7	-do-	35.00 7.8.2019	PTDR287 9.8.2019	13.20%	02 days	0.025
8	-do-	300.00 24.12.2019	IP2119123100001 HBL 30.12.2019	13.20%	06 days	0.651
9	HBL	308.48	PTDR338	10.65%	02 days	0.18

		30.3.2020	ZTBL 1.4.2020			
Total						1.141

Audit was of the view that loss was occurred due to weak monetary and internal control of the company.

The matter was reported to the management on 26.08.2021 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the causes for investment of surplus funds in violation of Govt. directives, fix responsibility on the person(s) at fault. Besides, explain the reasons for delay in re-investment of funds.

(Para-4.4.1 of SAR, KSSL 2016-20)(AY-2020-21)

6.9.4.13 Non-recovery of sports dues from ZTBL - Rs 101.409 million

According to clause-6 of agreement dated December 30, 2015 executed between Zarai Taraqati Bank Private Limited (ZTBL) and Kissan Support Services Private Limited (KSSL), ZTBL will reimburse the actual salaries, allowances and cost of liveries incurred on KSSL employees based on the debit note issued by the KSSL on monthly basis. KSSL will charge 20% service charges and all applicable taxes through sales tax invoice for the services provided under this agreement on monthly basis on 25th of each month.

During special audit of KSSL for the year 2016 to 2020, it was observed that the management provided sport services to ZTBL and raised bills for their reimbursement but an amount of Rs 101.409 million from December, 2018 to December, 2020 were outstanding uptill now. Reason of non- payment of these bills well known by the management. If the ZTBL paid these funds on due time, KSSL may invest and earn mark-up. Detail is given in Annex-77.

Audit was of the view that, due to non-pursuance from ZTBL for such violation of agreement, dues of the company piled up.

The matter was reported to the management on 26.08.2021 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate reasons for non- payment of outstanding dues by ZTBL and fix responsibility on the person(s) at fault. Besides, recover immediately the outstanding dues of the company through high-ups / BoD.

(Para-4.4.2 of SAR, KSSL 2016-20)(AY-2020-21)

Chapter-7

Ministry of Energy (Power Division)

Overview

The Ministry of Energy, Power Division is a Government's Federal level ministry created on August 4, 2017, after the merger of the Ministry of Petroleum and Natural Resources with the Power Division of the Ministry of Water and Power (now renamed Ministry of Water Resources), respectively. The ministry has two divisions - Petroleum and Power. The Petroleum Division is headed by the Petroleum Secretary and the Power Division is headed by the Power Secretary.

Aims & Objectives

To ensure availability and security of sustainable supply of power for economic development and strategic requirements of Pakistan, and to coordinate the development of natural resources.

Governing Laws and Policies

- Power Policy 2002
- National Policy for Power Co-Generation by Sugar Industry
- Guidelines for setting up private power projects
- Guidelines for determination of tariff for independent power producers.
- NEPRA Mechanism for Determination of Tariff for Hydro Power Projects
- National Power Policy 1994
- National Power Policy 1995
- National Power Policy 1998
- RE Policy for Development of Power Generation 2006

Sectoral Analysis

National Engineering Services Pakistan (Pvt.) Ltd (NESPAK) was incorporated in 1973. It is engaged in providing engineering consultancy services in Pakistan and abroad having offices at Masqat, Oman, Riyadh, Qatar and Kabul. There was decreasing trend in income of consultancy services outside Pakistan by 16.65% which showed that management failed to secure more

business in its overseas operations. After-tax profit of the company also decreased by 74.35%. Share of profit from associates of the company declined from Rs. 6.125 million in 2015-16 to loss of Rs. 2.514 million during 2017-18. It was observed that there were instances of irregularity and malpractices in appointments, financial management, procurement, contract management and overstaffing. There were issues of non-compliance of Public Sector Companies (Corporate Governance rules) for which a full pledge Thematic Audit was carried out and a Separate Thematic Audit Report was generated which is part of this report. Management also failed to submit annual audited accounts for the years 2018-19 to 2020-21 till Dec 31, 2021.

Audit Profile of Ministry of Energy (Power Division)

(Rs. in million)					
S. No.	Description	Total	Audited	Expenditure audited FY 2021-22	/Receipts audited FY 2021-22
1	Formations	1	01	7,587.679	8,056.799
2	Assignment Accounts (excluding FAP)				
3	Authorities /Autonomous Bodies etc. under the PAO	1	01		
4	Foreign Aided Projects (FAP)				

Classified Summary of Audit Observations

Audit observations amounting to Rs. 24,611.366 million were raised because of this audit. This amount also includes recoverable of Rs. 8,693.149 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Non-Production of record	756.904
2	Reported cases of fraud, embezzlement and misappropriation	0
3	Irregularities:	0
A	HR/Employees related irregularities	1,066.910
B	Procurement related irregularities	74.582
C	Management of accounts with Commercial Banks	0
4	Value for money and services delivery issues	2,879.815

5	Others	19,833.155

7.1 National Engineering Services Pakistan (Pvt.) Ltd.

7.1.1 Introduction

The Company was incorporated in 1973 under the Companies Act 1913 (now Companies Ord. 1984). The Government of Pakistan owns it and is engaged in providing engineering consultancy services through its Divisional Offices at Lahore, Islamabad, Karachi, Peshawar and Quetta in Pakistan and Masqat, Oman, Riyadh, Qatar and Kabul abroad.

7.1.2 Comments on Audited Accounts

7.1.2.1 The working results of the Company for the year 2018-19 as compared to previous years are tabulated below:

	(Rs in million)				
	2018-19	%Inc /(Dec)	2017-18	% Inc/ (Dec)	2016-17
Consultancy services in Pakistan	6,809.050	(14.568)	7,970.115	(2.189)	8,148.477
Consultancy services outside Pakistan	330.511	(4.389)	345.683	(16.646)	414.718
Other income	1,080.259	84.122	586.708	142.188	242.253
Total Income	8,219.820	(7.668)	8,902.506	1.102	8,805.448
Administrative, general and financial charges	8,162.711	1.542	8,038.755	7.688	7,464.869
Profit before taxation	57.109	(93.388)	863.751	(35.569)	1,340.579
Taxation	184.554	(70.218)	619.682	58.896	389.993
Profit/(loss) after taxation	(127.445)	-	244.069	(74.324)	950.586

(Source: Annual Audited Accounts)

The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts for the years 2019-20 to 2021-22 till December 31, 2022.

7.1.2.2 The income of consultancy services in Pakistan of NESPAK decreased from Rs 7,970.115 million in 2017-18 to Rs 6,809.050 million in 2018-19 registering a decrease of 14.568% which showed that management failed to get more business/jobs in Pakistan. Efforts need to be made to curtail cost and to fetch more business.

7.1.2.3 The income of consultancy services outside Pakistan also decreased from Rs 414.718 million in 2016-17 to Rs 345.683 million in 2017-18 and further decreased in 2018-19 to Rs 330.511 million registering a decrease of 16.646% and 4.389% in 2017-18 & 2018-19 respectively. It showed that management failed to acquire more business/jobs in its overseas operations. Efforts need to be made to curtail overseas cost and to fetch more overseas business.

7.1.2.4 Profit after taxation decreased from Rs 950.856 million in 2016-17 to Rs 244.069 million in 2017-18, registering a decrease of 74.324%. In 2018-19 it converted into loss of Rs 127.445 million. The main reasons for loss were decrease in consultancy incomes and increase in operating cost. Efforts need to be made to curtail unnecessary expenditures and increase income. Further, NESPAK mostly relies upon public sector projects and due to high operational cost, NESPAK failed to secure private sector projects within Pakistan. Step also need to be taken to compete and acquire private sector business/job by curtailing the cost estimates.

7.1.2.5 Operating expenses included allowance for expected credit loss of Rs 878.674 million during 2018-19 as against 387.261 million in 2017-18 registering an increase of 126.895%. The project wise detail and reasons for this expected loss need to be justified.

7.1.2.6 Sub-consultancy expenses incurred Rs 1,135.455 million against revenue of Rs 7,139.561 million during 2018-19 which had an impact @ 16%. It is pertinent to mention here that NESPAK itself is a professional entity therefore, an incurrence of huge expenditure on hiring of sub consultants need to be justified. It may also be explained that such in house expertise did not exist in NESPAK.

7.1.2.7 Long term loan & advances included advances to suppliers (unsecured) which increased from Rs 28.316 million in 2017-18 to Rs 40.678 million during 2018-19 registering an increase 43.66%. Non-adjustment of these advances needs to be justified.

7.1.2.8 Contract fee receivables were Rs 1,723.562 million and Rs 618.884 million as on June 30, 2019 which was due from subsidiaries LLC, Muscat Oman

and W.L.L- Doha, Qatar respectively. Reason for huge accumulation of receivable in foreign jobs need to be investigated through ministry level.

7.1.2.9 Allowances for expected credit loss stands Rs 3745.138 million as on June 30, 2019 against which a nominal amount of Rs 13.555 million was written off in 2018-19 as compared to Nil in 2017-18. It appears that management failed to satisfy the BoD about the basis and reasons of writing off such credit loss. Need for comprehensive review and analysis of this huge balance of credit loss is stressed upon the management in order to arrive at a factual position of the Company's affairs.

7.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1991-92	05	04	1	754	80
1995-96	06	04	2	252, 254	67
1998-99	01	0	01	295	-
2007-08	07	05	02	178, 178.1	71
2009-10	06	06	00	-	100
2010-11	21	15	06	25.1.2.1, 25.1.2.4, 25.1.4.1, 25.1.4.2, 25.1.4.3, 25.1.4.5	71
2011-12	15	0	15	25.1.1, 25.1.2.1, 25.1.2.2, 25.1.2.3, 25.1.2.4, 25.1.2.5, 25.1.2.6, 25.1.2.7, 25.1.3, 25.1.4.1, 25.1.4.2, 25.1.4.3, 25.1.4.4, 25.1.4.5, 25.1.4.6,	0
2013-14	22	07	15	18.1.2.2, 18.1.2.3, 18.1.2.4, 18.1.2.5, 18.1.4.1, 18.1.4.2, 18.1.4.4, 18.1.4.5, 18.1.4.6, 18.1.4.7, 18.1.4.8, 18.1.4.9, 18.1.4.10, 18.1.4.12, 18.1.4.14	32
2016-17	21	07	14	18.1.2.1, 18.1.2.2, 18.1.2.3, 18.1.3, 18.1.4.1, 18.1.4.2, 18.1.4.4, 18.1.4.5, 18.1.4.6, 18.1.4.7, 18.1.4.8, 18.1.4.9, 18.1.4.11, 18.1.4.12	33
2017-18	26	01	25	8.13.2.1, 8.13.2.3, 8.13.2.4, 8.13.2.5, 8.13.2.6, 8.13.3, 8.13.4.1, 8.13.4.2, 8.13.4.3, 8.13.4.4, 8.13.4.5, 8.13.4.6, 8.13.4.7, 8.13.4.8, 8.13.4.9, 8.13.4.10, 8.13.4.11, 8.13.4.12, 8.13.4.13, 8.13.4.14, 8.13.4.15, 8.13.4.16, 8.13.4.17, 8.13.4.18, 8.13.4.19	04
2018-19	32	05	27	7.1.2.1, 7.1.2.2, 7.1.3, 7.1.4.1, 7.1.4.2, 7.1.4.3, 7.1.4.4, 7.1.4.5, 7.1.4.6, 7.1.4.7, 7.1.4.9, 7.1.4.12, 7.1.4.13, 7.1.4.15, 7.1.4.16, 7.1.4.17, 7.1.4.18, 7.1.4.19, 7.1.4.20, 7.1.4.21, 7.1.4.22, 7.1.4.23, 7.1.4.24, 7.1.4.25, 7.1.4.26, 7.1.4.27, 7.1.4.28	16
Total	162	54	108		33

Overall compliance of PAC directives was not satisfactory which needs to be improved.

7.1.4 Audit Paras

7.1.4.1 Revenue loss due to non-recovery of consultancy fee - Rs. 736.446 million

According to Rule 5(5)(a) of Public Sector Companies (Corporate Governance) Rules, 2013 The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety, objectivity, integrity and honesty and relationship with the stakeholders.

During Audit of NESPAK for the year 2021-22 it was observed that different Engineering Design & Consultancy jobs were executed by NESPAK and its Divisions through various projects. Following 51 jobs showcasing huge consultancy fees amounting to Rs 997.356 million was receivables from different clients. According to aging statement of said receivables an amount of Rs 736.446 million was proposed for write off from the concerned Division and placed before BoM. Audit demanded the project execution files through several requisitions and two reminders to determine the reasons for proposed write off cases as well as accumulation of huge outstanding fee. Management failed to provide such record.

Due to weak financial and project management controls, receivables against consultancy fee were accumulated and management failed to recover consultancy fee well in time which resulted into write off valuing Rs 736.446 million. It is also suggested that management failed to achieve its deliverables which caused failure in recovery of consultancy fee.

Audit was of the view management sustained a revenue loss of Rs 736.446 million due to non-recovery of consultancy fee and later on converted the same into bad debts. Furthermore, a high proportion of bad debt affected the liquidity position of the company and raised its chance of insolvency.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reason for non-recovery of huge outstanding consultancy fee and its proposed writing off. Also, investigate the matter in view of fixing responsibility on person(s) at fault.

Para-01 (NESPAK-2021-22)

7.1.4.2 Revenue loss due to non-getting of tax payment receipts (CPR) from client - Rs 232.713 million

According to Rule 5(5)(a) of Public Sector Companies (Corporate Governance) Rules, 2013 The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders.

During Audit of NESPAK for the year 2021-22 it was observed that different Engineering Design & Consultancy jobs were executed by NESPAK and its Divisions through various projects. In the following 19 Jobs NESPAK failed to obtain Computerized Payment Certificates (CPR) from clients. The CPR is a certificate issued by FBR for evidence of tax payment.

Due to weak financial management, NESPAK failed to obtain CPR's valuing Rs 232.713 million from the clients on above mentioned projects. Absence of CPRs indicated that the tax amount had not been deposited into Government treasury which needs justification.

Audit was of the view that non-payment of tax into govt. treasury resulted into revenue loss of Rs 232.713 million to the Public exchequer. It showed no due diligence was exercised by the management for obtaining CPRs from the client in time.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reason for non-getting CPR from client in time resulting into loss to the Govt. exchequer and fix responsibility for such

revenue loss and recover the same from the person(s) held responsible. Take steps for early deposit of tax amount into Govt. treasury.

Para-02 (NESPAK-2021-22)

7.1.4.3 Revenue loss due to impairment in receivables in two foreign offices – Rs 576.249 million

According to Rule 5(5)(a) of Public Sector Companies (Corporate Governance) Rules, 2013 The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders.

During Audit of NESPAK for the year 2021-22, it was observed that NESPAK established its overseas office at Muscat, Oman in 1980 and Qatar in 2004. The financial statement for the year 2020-21 of both foreign offices presented negative balance of equity due to huge accumulated loss valuing QAR 22.125 million and OMR 1.839 million. Further, it was also observed that both offices had long outstanding receivables and instead of making efforts for recovery management introduced heavy provision for expected credit loss/impairment in the book of accounts. It resulted into revenue loss amounting to Rs 576.249 million (1.356 * Rs 392 & 0.912*Rs 49.01) as detailed below:

	Overseas Qatar Office Currency in QAR		Overseas Muscat, Oman Office Currency in OMR	
Particulars	2020-21	2019-20	2020-21	2019-20
Receivables	0.589	0.589	2.090	2.154
Less Provision for expected credit losses/ impairment	0.456	0.456	0.678	0.678
Closing Balance of receivables	0.133	0.129	1.412	1.476

Due to weak financial and project management controls, NESPAK's failure to recover receivables pertains to above mentioned foreign offices. Furthermore, a symmetrical amount charging as impairment/expected credit loss in the book of accounts gradually decrease in receivables despite recovery. Continuous loss, negative equity and non-recovery of receivables also raised a question on the viability and continuity of above two foreign offices.

Audit was of the view that management sustained a revenue loss amounting to Rs 576.249 million due to inclusion of impairment/expected credit loss in the book of accounts and failure to initiate recovery. Furthermore, accumulated loss and negative equity projected negligence on the part of the management.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reasons for continuous loss in the above two foreign offices and fix responsibility for such revenue loss and recover the same from the person held responsible. Take steps to make the foreign office viable.

Para-04 (NESPAK-2021-22)

7.1.4.4 Purchase of IT equipment and its supplies in piecemeal in violation of procurement rules – Rs 8.132 million

According to rule-12(1) Public Procurement Rules 2004, “Procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani Rupees shall be advertised on the Authority’s website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency”. Rule-12(2) stated that, “all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During Audit of NESPAK for the year 2021-22 it was observed that management purchased desktop computers valuing Rs. 3.639 million, laptops valuing Rs. 2.197 million and printer toners for Rs. 2.296 million into piecemeal from few selected suppliers through quotations and without press advertisement.

Due to weak administrative controls, management purchased IT equipment and supplies into piece meal through quotations in violation of PPRA rules was held irregular.

Audit was of the view that payment of Rs 8.132 million paid to the few selected in violation of PPRA rules indicated negligence on the part of the management and needs justification.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reason(s) for purchases of IT equipment into piece meal in violation of PP rules and fix responsibility on the person(s) at fault and take remedial measures to avoid such instances in future.

Para-05 (NESPAK-2021-22)

7.1.4.5 Revenue loss due to non-recovery of disputed consultancy fee – Rs 676.798 million

According to Rule 5(5)(a) of Public Sector Companies (Corporate Governance) Rules, 2013 The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders.

During Audit of NESPAK for the year 2021-22 it was observed that different Engineering Design & Consultancy jobs were executed by NESPAK and its Divisions through various projects. In the following 14 Jobs NESPAK failed to recover outstanding consultancy fee which was converted into dispute. Audit demanded the project executed files through several requisitions & reminders but management failed to provide such record.

Due to weak financial and project management NESPAK could not recover consultancy fee and failure in delivery to the client which caused dispute. Non-recovery and non-settlement of dispute from client need to be justified.

Audit was of the view that NESPAK sustained a revenue loss of Rs 676.798 million due to disputed work. Furthermore, non-settlement of dispute with clients indicated non-assurance of recovery of consultancy fee which also affected good will and financial position of the organization.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reasons for non-recovery of huge outstanding consultancy fee converted into dispute. Also justify the reasons for non-provision of record to Audit. Fix responsibility for such loss and recover the same from the person held responsible.

Para-06 (NESPAK-2021-22)

7.1.4.6 Unjustified appointment of engineers having CGPS less than 3.00 – Rs 9.448 million

Most of the advertisement for the post Senior Engineer and Junior Engineer the required qualification was BSc Civil Engineering with minimum CGPA of 3.0 or above. According to Rule 5(5)(a) of Public Sector Companies (Corporate Governance) Rules, 2013 The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders.

During Audit of NESPAK for the year 2021-22 it was observed that NESPAK management appointed six Senior Engineers of grade 09, three Junior Engineer of grade 8(a) and one IT Infrastructure Specialist of grade 8(b). These employees have CGPA less than 3.00 in violation of rules.

Furthermore, it was observed that in the advertisement for the above-mentioned posts, the criteria of CGPA were missed/deleted by the management while another advertisement for the same post and same grades quoted/required 3.00 CGPA. It indicated that tailor-made advertisements were specially made and published for the above-mentioned appointments and an undue favour was granted. It needs to be justified.

Audit was of the view that an undue favour was granted to the selected ones and were paid salary of Rs 9.448 million against above unjustified

appointments. It showed negligence on the part of the management and needs investigation.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends justifying the reason(s) for ignoring the qualification criteria of 3.00 CGPA. Investigate the matter through Administrative Ministry to fix responsibility. Take remedial measures to avoid such instances in future.

Para-08 (NESPAK-2021-22)

7.1.4.7 Unjustified payment of adhoc allowances (2016, 2017 & 2018) to newly appointed employees – Rs 3.715 million

According to Rule 5(5)(a) of Public Sector Companies (Corporate Governance) Rules, 2013 The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders.

During Audit of NESPAK for the year 2021-22, it was observed that NESPAK management appointed 85 officers consisting into different grades. Two officers in grade 10, thirty seven in grade 09, forty five in grade 8(a) and 1 in grade 8(b). In the previous years, NESPAK management got approval of ad-hoc allowances for the year 2016, 2017 & 2018 from BoD on the same analogy of inflation impact as approved for the Govt. employees.

These ad-hoc allowances should be paid to those employees who rendered their services on the same period instead of newly appoint employees in 2021. Management paid remuneration amounting to Rs 3.751 million to the newly appointed employees of previous years. Thus, ad-hoc relief allowance was considered unjustified by Audit.

Audit was of the view that due to weak administrative control, undue favor was granted to the newly appointed employees. It resulted into payment of

past period allowances to employees when they did not serve in the company at that time.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reason(s) for payment of previous year adhoc allowances to the newly appointed employees and fix responsibility on persons at fault. Also take remedial measures to avoid such instances in future.

Para-09 (NESPAK-2021-22)

7.1.4.8 Revenue loss due to non-recovery of long outstanding consultancy fee - Rs 260.905 million

According to Rule 5(5)(a) of Public Sector Companies (Corporate Governance) Rules, 2013 The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders.

During Audit of NESPAK for the year 2021-22, it was observed that different Engineering Design & Consultancy jobs were executed by NESPAK and its Divisions through various projects. In 23 Jobs NESPAK management failed to recover outstanding consultancy fee amounting to Rs 260.905 million even after lapse of five years.

Due to weak debt recovery mechanism, a huge receivable sum amounting to Rs 260.905 million was accumulated. Non-recovery also effected liquidity position as well as day to day operations of the entity.

Audit was of the view that non-recovery of accumulated receivables having a period of 60 months resultant a revenue loss of Rs 260.905 million. Furthermore, with a passage of time the assurance of recovery went into doubtful therefore, management should take steps for an earlier recovery.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reason for non-recovery of long outstanding consultancy fee from the clients and fix responsibility for such revenue loss and recover the amount from the person(s) held responsible.

Para-10 (NESPAK-2021-22)

7.1.4.9 Non-transparent appointment of engineers and unjustified payment – Rs 10.050 million

According to Rule 5(5)(a) of Public Sector Companies (Corporate Governance) Rules, 2013 The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders,

During Audit of NESPAK for the year 2021-22, it was observed that during the year NESPAK appointed 41 Junior Engineers and 35 Senior Engineers through advertisement. During scrutiny of their personal files following discrepancies were observed by audit.

1. Six Candidates having higher qualification & higher experience were ignored at the time of preparation of merit list and management did not issue interview letters.
2. Three Candidates of grade 9 were awarded higher qualifying points against the actual qualification & experience they possessed.
3. Eleven Candidates were appointed by ignoring the Candidates having Higher qualification & higher experience but they were not recommended by the interview committee.
4. No referral Check of the experience letter was conducted/made by the management.
5. Most of the Candidates did not provide their experience letters at the time of interview/appointment and they were awarded marks on the basis of CV.

6. Tailor made advertisements were made and published according to the eligibility/capacity of the selected candidates.

Due to weak administrative control, the above discrepancies appeared during hiring of 18 candidates which caused a non-transparent hiring. Management paid salaries amounting to Rs 10.050 million against non-transparent hiring which needs justification.

Audit was of the view that more suitable candidates were ignored and an undue favour was granted to the selected ones therefore, these hiring were considered non-transparent and payment of salaries Rs 10.050 million needs justification.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reason(s) for ignoring highly qualified and experienced candidates than selected and investigate the matter through Administrative Ministry and fix responsibility accordingly. Take remedial measures to avoid such instances in future.

Para-12 (NESPAK-2021-22)

7.1.4.10 Loss due to non-recovery of retention money – Rs 32.964 million

According to Rule 5(5)(a) of Public Sector Companies (Corporate Governance) Rules, 2013 The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders.

During Audit of NESPAK for the year 2021-22 it was observed that in a few completed and closed jobs, client was subjected to deduction as retention money in each bill. The completed projects had even achieved its defect liability period while the close jobs were surrendered since 2019 and their revival has not confirmed. In both cases an amount of Rs 32.964 million as retention money was still yet retained by the client.

Due to weak project and financial management NESPAK failed to recover its retention money which was deducted by the client from interim payment certificates. In time non-recovery increased chances of retention money going into doubtful which needs to be justified.

Audit was of the view that management did not recover retention money from client which resulted into revenue loss of Rs 32.964 million. An early recovery needed to be effected.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reason for non-recovery of retention money on completed and closed project. Also, fix responsibility for such loss and recover the amount from the person(s) held responsible. Take measures to recover the amount at the earliest.

Para-14 (NESPAK-2021-22)

7.1.4.11 Un-necessary delay in appointment of regular Managing Director banking

According to the SECP Guideline, 2015 Rule 7(2), “It shall be ensured that the appointment of chief executive is finalized at least thirty days before the date of expiry of the term of the incumbent chief executive so that appointment is made by the board within the period stipulated under sections 198 and 199 of the Ordinance”.

During Audit of NESPAK for the year 2021-22, it was observed that in the HR Committee meeting held on March 17, 2021 that the three-year tenure of the present MD ended on July 12, 2021. In the same meeting it was also decided that the post of MD shall be advertised to appoint a regular Managing Director with approval of the BoD. In the BoD meeting held on 25th October 2021 the MD informed the BoD that nominations of 3 shortlisted candidates had been sent for selection.

In the BoD meeting held on 8th January 2022 the incumbent MD informed the BoD that nominations sent earlier had been returned with the remarks that “the quality of panel as a whole, leaves something to be desired”.

No clarification on this was sought and no remedial measures were taken resultantly. After a lapse of more than one year no regular MD could be appointed in clear violation of SECP guide lines.

Due to weak managerial control, a regular Managing Director could not be appointed even a lapse of stipulated time and in violation of SECP guidelines. The ex-MD (whose period expired in July 2021) still remains in-charge which needs justification.

Audit was of the view that appointment of regular Managing Director should be made on immediate basis because during time gap arrangement effective decision making could not be exercised at higher level and to avoid further breach of SECP guidelines.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reason(s) for non-appointment of regular MD even after a lapse of 1 year in violation of SECP rules and make efforts to complete the process at the earliest.

Para-15 (NESPAK-2021-22)

7.1.4.12 Loss due to retention of idle staff - Rs. 237.813 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails 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 handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During Audit of NESPAK for the year 2021-22, it was observed that the services of various professionals (grade 12 to grade 07) in the Regional Offices

Peshawar, Islamabad, Disaster Management Resource and Karachi office were not utilized, they remained idle and kept on leave for considerable period of time.

Sr. No.	Office	No. of Employees	Amount (Rs.)
1	Islamabad Office	26	38.618
2	Disaster Management Resource Office	51	72.489
3	Peshawar Office	47	60.503
4	Karachi Office	33	66.201
Total			237.811

On the other hand, it was also revealed that 85 new inductions in grade 07, 08 & 09 were made as well as services of professionals & para professionals were also acquired from subsidiaries/associate companies (NESPAK Foundation & TurkPak) instead of utilizing the services of employees who kept idle which needs justification.

Due to poor human resource management, undue favor was granted to the idle employees through new appointments and hiring experts from subsidiaries instead of utilizing the existing employees. Idle employees resulted in an undue burden on the organization.

Audit was of the view that due to non-charging of professional employees to jobs NESPAK sustained a loss of Rs 237.813 million. Loss was sustained due to negligence of the management as they failed to mobilize their surplus staff and caused loss to the organization. Idle staff also indicated that management failed to optimum utilization of the human resource by exploring of new business/jobs.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility for the retention of the surplus staff and their non-charging to any specific job. Also take effective steps and optimize the utilization of idle employees' services.

Para-16 (NESPAK-2021-22)

7.1.4.13 Weak project management resulting into net loss – Rs 355.026 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails 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 handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During Audit of NESPAK for the year 2021-22, it was observed that management entered into agreements with various clients for the design, construction and supervision of the respective projects. The project was under taken after ensuring the minimum 10% profit as contained in the control estimates of each job. Review of profit & loss summaries, it was observed that as on June 30, 2022 NESPAK sustained huge loss of Rs 355.026 million on different jobs due to excess cost incurred on salary than receipts.

Due to weak financial control, management failed to assess the actual cost to be incurred and their control estimates were based on wrong estimates. Furthermore, over spending of Rs 355.026 million than receipts directly targeted the financial position of the entity.

Audit was of the view that due to over spending, wrong estimation, delay in completion and excess charging of staff on the jobs, NESPAK sustained a loss of Rs 355.026 million.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reasons of over expenditures incurred on salaries from the billing/receipts amount. Besides, investigate the matter in view of fixing responsibility and take remedial measures to avoid such loss on running projects.

Para-17 (NESPAK-2021-22)

7.1.4.14 Irregular payment of salary to dismissed employee for 16 months - Rs 1.654 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails 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 handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During audit of NESPAK for the year 2021-22, it was observed that an officer of GM rank was posted in A&P Karachi regional office and was suspended in October 2020 under the charge of bribe and undue incentives received from the Contractor. The charge was proved & BoD in its 157th meeting held on 24th December 2020 dismissed and removed the services of said employee without benefit or privileges. But management continuously paid monthly salary amounting to Rs 103,410 to the dismissed employee till June 2022 for a period of 16 months after the decision of BoD which needs to be justified.

Due to weak administrative control and granted undue favor by to the accused employee. Furthermore, management did not comply with the BoD direction and made continuous payment of salary Rs 1.654 million to the dismissed employee under the charge of bribe.

Audit was of the view that when the bribe charge was proved and BoD dismissed the employee even than continuous payment of salary of Rs 1.654 million resulted into irregular payment. It needed to be investigated at the Ministry level.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reason(s) for payment of salary for unjustified period and fix responsibility on persons at fault and take remedial measures to avoid such instances in future.

Para-18 (NESPAK-2021-22)

7.1.4.15 Non-submission of corporate compliance report to SECP for the years 2019-20 to 2021-22

According to Clause-3 of Rule-1 of Corporate Governance Rules 2013 “these rules shall apply to all Public Sector Companies”.

During Audit of NESPAK for the year 2021-22, it was observed that management failed to submit its compliance report for the year 2019-20, 2020-21 & 2021-22 to SECP till close of audit. On demand, management provided the last submitted compliance report for the year 2018-19 in which non-compliance rules were reported. The detail of rules which were not complied is detailed at Annex-78.

Due to weak managerial controls, NESPAK could not comply with SECP guidelines. Furthermore, non-submission of annual compliance report to the SECP leaded to concealment of true facts and position to the regulatory body.

Audit was of the view that NESPAK was registered under Companies ordinance with SECP and no Public Sector Company was exempted from the compliance of Corporate Governance Rule 2013. Non-submission and non-compliance of above rules is a serious lapse at the part of management.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reason(s) for non-compliance and submission of Corporate Governance compliance report besides ensuring compliance of said rules.

Para-19 (NESPAK-2021-22)

7.1.4.16 Loss due to weak operational planning - Rs. 53.860 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails 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 handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During Audit of NESPAK for the year 2021-22 it was observed that the services of various professionals (grade 11 to grade 07) in Head Office and its allied Divisions in Lahore remained idle for more than 50% time during the year. NESPAK paid Rs 53.860 million against salary to these employees at idle capacity which needs to be justified.

Sr. No.	Office	No. of Employees	Idle Hours	Total Hours	Amount (Rs. In million)
1	CM Division	10	13,207	17,640	11.083
2	H&TE	11	14,411	19,404	10.033
3	M&QC	02	2,063	3,528	1.446
4	NVD	02	2,483	3,528	1.750
5	P&M	05	6,631	8,820	6.489
6	W&A	13	17,410	22,932	23.057
	Total				53.860

Poor human resource management resulted in undue favour to the idle employees through new appointments and hiring experts from subsidiaries instead of utilizing the existing employees. Idle employees resultant an undue burden on the organization.

Audit was of the view that the salary paid to the employees at idle capacity indicated negligence on the part of the management. Management should take steps for optimum utilization of employees by obtaining new projects.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fixing responsibility for retention of the surplus staff and payment of salary at idle capacity. Take effective steps and optimize the utilization of idle employees.

Para-20 (NESPAK-2021-22)

7.1.4.17 Poor execution and construction supervision resulting into cost overrun - Rs 134.10 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails 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 handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During Audit of NESPAK (Karachi Regional Office) for the year 2021-22, it was observed that a consultancy agreement between NESPAK (Consultant) & Karachi Shipyard & Engineering (Client) was signed on December 08, 2017 for design review and preparation of bidding documents and construction supervision of shipyard under job No. 3950. The scope of work was divided into two parts. Part-I contained services of design review & preparation of bidding documents with 08 months completion period and remuneration of 33.800 million. Part-II contained construction supervision services with an expiry period of 30 calendar months and remuneration was agreed on man month billing rates. During further scrutiny it was observed that further 02 amendments were signed, amendment-I was signed on December 26, 2018 and a monthly payment of Rs 4.757 million was decided/agreed under part-II services of construction supervision for 30 calendar months w.e.f. December 01, 2018. After amendment-I completion period of said job was May 30, 2021.

During scrutiny of project files, agreement and cash flow statement it was observed that the progress of work was very slow and in this context client (M/s Karachi Shipyard & Engineering Works) showed its concern on unsatisfactory performance/status of work vide its letter dated September 08, 2021. A displeasure dated October 11, 2021 was also issued by client with remarks that performance of consultant and Contractor caused severe embarrassment to client

in front of international customer. Furthermore, On January 31, 2022 another amendment (Amendment-II) on the said job was signed for extension of time period from July 2021 to December 2021 with a total remuneration of Rs 15.00 million. It was also decided in the same amendment that the role of consultant had to be converted into top supervision services on the basis of as and when required. It indicated the failure in achievement of deliverables.

Due to weak project management and poor performance in execution of work, client showed its displeasure which needed to be justified. Furthermore, cash flow statement presented an amount of total expenditure of Rs 303.857 million (including salary of Rs 295.263 million) against receipts of Rs 169.757.

Audit was of the view that poor execution of work, undue delay in completion resulted into overspending/net loss of Rs 134.10 million. It indicated negligence on the part of the management and needed investigation.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reason(s) for non-completion of work and cost overrun resulting into net loss and investigate the matter for fixing responsibility. Take remedial measures to avoid such loss on running projects.

Para-22 (NESPAK-2021-22)

7.1.4.18 Loss due to non-recovery of consultancy fee from communication & works department since 2018 – Rs 23.489 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails 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 handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During Audit of NESPAK (Peshawar Regional Office) for the year 2021-22 it was observed that a consultancy agreement between NESPAK (Consultant)

&Communication & Works Department KP (Client) was signed in January 2018 for Feasibility Study Planning Designing and Construction Supervision of Central Prison Peshawar (Phase-II) under job No. 3970. The scope of work included construction supervision with remuneration of Rs 30.135 million and expiry period was of 36 months i.e. December 2020. No further extension/amendment was signed.

Due to weak project and financial management NESPAK incurred an expenditure of Rs 23.489 million (including salary of Rs 22.361 million) against zero receipts till the expiry of completion period. It showed no due diligence was exercised by the management.

Audit was of the view that zero receipt in consultancy fee against expenditure incurred Rs 23.489 million indicated negligence on the part of the management and needs investigation.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reasons for zero receipt and investigate the matter in view of fixing responsibility and take remedial measures to avoid such loss on running projects.

Para-25 (NESPAK-2021-22)

7.1.4.19 Expected loss due to non-installation of solar setup at NESPAK house – Rs 21.610 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails 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 handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During Audit of NESPAK for the year 2021-22 it was observed that in 161stBoD meeting held on October 25, 2021 under agenda 2.3 the Board

approved 498kW solar setup at NESPAK House to meet the energy crisis and produce economical electricity with a cost of Rs 55.00 million with allowed increase of 10% to cover any difference due to exchange rate. In the same meeting a special direction was also passed by the Board that project should be undertaken at the earliest.

Management could only complete the bidding process till close of audit and a lowest bid in USD 357,000 was received. Due to delay and according to calculation of audit the bidding cost reached to Rs 82.110 million (USD 357000 * Rs230/per USD) (approx.) which is 36% higher than the approved cost which resulted into expected loss of Rs 21.610 million. Detail is as below: -

Sr. No.	Description	USD	Avg. exchange rate	Amount (Rs in million)
1	Approved cost (As on 25-10-2021)	343,750	160	55.00+5.500 (Approved cost +10% increase due to exchange rate) 60.500
2	Bidding cost received	357,000	230	82.110
	Expected Loss			21.610

Due to delay in compliance of BoD directives and fluctuation in foreign exchange rate cost of solarization in NESPAK house was reached to 82.110 million against approved cost Rs. 60.500 million. It resulted an extra burden and also leads towards non-viability.

Audit was of the view that management failed to comply with BoD directions which resulted into expected loss of Rs 21.610 million. Furthermore, non-implementation of solarization at NESPAK house, management lost an opportunity of controlling huge electricity expenses.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reason(s) for non- installation of solar setup at NESPAK house and investigate the matter in view of fixing the responsibility.

Para-26 (NESPAK-2021-22)

7.1.4.20 Unjustified promotion of vice presidents without evaluation and awarding of APRs point by the Managing Director

On the recommendation of 5th HR Committee, the Board approved the criteria for the promotion to the post of Vice presidents as under: -

1. The Post of Vice president will purely be a selection post.
2. The candidates must possess a minimum of 25 years of experience.
3. The candidate must be within the senior most 25% of the overall as well as the Divisional seniority list.
4. The candidate must have served a minimum of 2 years as GM.
5. The candidate must have at least 24 credit points in the last five years APRs.

During Audit of NESPAK for the year 2021-22 it was revealed that employee can only be considered for promotion as Vice president after evaluation and awarding the APRs points by the then Managing Director. In the 156th BoD meeting it was discussed that APRs points of few officers were missing and not signed/awarded by the then Managing Director. The Board expressed its serious concerns and directed to the current Managing Director to request the former MD to complete the missing APRs at the earliest.

The direction of Board was not followed and a new criterion was introduced that missing APRs were to be written by a senior most officer (senior most EVP/VP) which may be countersigned by another senior officer (another EVP). The new criteria was not acceptable as the then MD was the reporting/commanding officer, therefore the APRs must have been signed and evaluated by him.

By adaptation of a new criteria, 09 officers were promoted as VPs without getting performance evaluation and recommendations by the then MD. Promotion on incomplete APRs considered unjustified.

Audit was of the view that the APRs of above officer should have been signed by the then Managing Director after completion of each calendar year. But the same was not done and unjustified promotion was granted to 09 vice presidents by ignoring the evaluation of APRs from true/authorized person (the then Managing Director).

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reason for non-signing and evaluating the APRs by the Concerned Managing Director in time. Also justify to initiate promotion without awarding of APRs point by the former MD. Further justify the non-provision of complete case to audit and fix responsibility.

Para-27 (NESPAK-2021-22)

7.1.4.21 Loss due to inordinate delay in execution of design & construction supervision of Baacha Khan airport (project) – Rs 40.76 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails 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 handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During Audit of NESPAK for the year 2021-22 it was observed that a consultancy agreement between NESPAK (consultant) & Civil Aviation Authority (Client) was signed on July 02, 2008 for design and construction supervision of Baacha Khan Air Port Project under job No. 3041. The scope of work was divided into two parts. Part-I contained services of Design and Field Design Support Services with 04 months completion period and remuneration was of 27.60 million (1000*2.76%). Part-II contained construction supervision services with an expiry period of 24 months and remuneration was agreed on man month billing rates. Later on further 02 amendments were signed, amendment-I

was signed on December 11, 2014 and amendment-II was signed on June 11, 2019 in which planning & design services were extended till June 30, 2020.

Construction work was awarded to the contractor M/s Qavi Engineers (Pvt.) Ltd on March 11, 2016 which indicates that management of NESPAK took 08 years for the completion of design work which was to be completed in 04 months. Furthermore, actual completion was made on March 18, 2020.

Due to inordinate delay of 12 years (From 2008 to 2020), cash flow statement indicated that NESPAK management got a receipt of Rs 258.968 million from client against expenditure incurred of Rs 299.728 million which resultant cost overrun/net loss of Rs 40.76 million which needs to be justified.

Audit was of the view that inordinate delay in completion of project resulted into loss of Rs 40.76 million. Continuous losses affected the financial and liquidity position of the entity and day to day operations also suffered.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reason for inordinate delay resulting into net loss and investigate the matter in view of fixing responsibility. Also take remedial measures to avoid such loss on running projects.

Para-28 (NESPAK-2021-22)

7.1.4.22 Irregular procurement in violation of PP rules – Rs 6.654 million

According to rule 12(2) all procurements over three million rupees should be on the authority's website 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 the other in Urdu. Further as per rule 12(3) in case where the procuring agency has its own website it may also post all advertisements on that website as well. According to PPRA rules 2004, clause 4 procuring agencies while engaging in procurement, shall ensure that the procurement are conducted in fair and transparent manner, the object of the procurement brings value for money to the agency and the procurement process is efficient and economical.

During Audit of NESPAK for the year 2021-22 it was revealed that purchase order was awarded to M/s Shirazi Trading Company dated August 3, 2021 for supply of IT equipment/plotter & scanners amounting to Rs 6.654 million. The procurement from a single supplier without press advertisement in violation of PPRA rules is considered irregular by audit.

Due to weak administrative control management did not observe the PP rules which resulted irregular and non-transparent procurement.

Audit was of the view that contract was awarded to a single bidder in violation of PP rules and due to non-transparency, procurement amounting to Rs 6.654 million considered as irregular.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reason for non-observance of PPRA Rules and investigate the matter in view of fixing responsibility. Also take remedial measures to avoid such incidents in future.

Para-29 (NESPAK-2021-22)

7.1.4.23 Irregular expenditure on legal charges – Rs 13.853 million

The Ministry of Law, Justice & Human Rights vide letter dated June 03, 2015 clarified to Corporation/authorities and Government Controlled organization that in case legal fee exceeded Rs 300,000 approval of law Ministry should be sought before the payment made.

During Audit of NESPAK for the year 2021-22 it was revealed that the management hired the services of several legal advisors for dealing with different cases in the Court of law. The management paid an amount of Rs 13.853 million but the necessary approval from Ministry of Law, Justice & Human Rights in case of legal fee exceeding Rs 300,000 was not obtained.

Due to weak administrative control NESPAK management did not observe Government instructions. It also indicated that no due diligence was exercised by the management to follow Government policies in true letter and spirit.

Audit was of the view that management spent a huge amount of Rs 13.853 million on account of legal charges without getting the approval of Ministry of Law & Justice just to extend undue favor to selected legal counsels/firms, thus it was held irregular in audit.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify non-obtaining approval from Law & Justice Division for hiring of legal services at huge cost and investigate the matter in view of fixing responsibility. Also, take remedial measures to avoid such incidents in future.

Para-30 (NESPAK-2021-22)

7.1.4.24 Irrational advance payment to associates (M/s NESPAK foundation & M/s Turk Pak) – Rs 56.00 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails 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 handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During Audit of NESPAK for the year 2021-22 it was revealed that NESPAK paid advances to its two associate companies amounting to Rs 56.00 million (NESPAK Foundation Rs 46.00 million & TURK Pak Rs 10.00 million). These advances were paid in June 2022 for the months of December 2021, January 2022 and February 2022 which had already been passed. Furthermore, neither the requisition of supplier/Associate nor any supporting document was found with vouchers.

Due to weak internal control the advances were considered irrational as advances always be paid for a future operation rather than for past period which needed to be justified.

Audit was of the view that advances of Rs 56.00 million paid for expired/past period raised a question on the authenticity and genuineness of actual expenditure incurred.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify advance paid to Associates for expired/past period and investigate the matter in view of fixing responsibility. Also, take remedial measures to avoid such incidents in future.

Para-31 (NESPAK-2021-22)

7.1.4.25 Unjustified promotion of officers from grade 10 to 11 & grade 11 to 12

According to Appointment, Promotion and Transfer Manual of Establishment Division at SL No.2 under the heading minimum length of service for eligibility for promotion to posts in various grades, the president is pleased to decide that the minimum length of service for promotion to various grades shall be as follows:

Grade	Criteria for Promotion
BPS 18	05 years in grade 17
BPS 19	12 years in grade 17 (07 years in grade 18)
BPS 20	17 years in grade 17 (12 years in grade 18 and 05 years in grade 19)

During Audit of NESPAK for the year 2021-22 it was revealed that the NESPAK grades equivalent to National pay scales in the following manners:

NESPAK Grades	NPS
Grade10/11	19
Grade12	20
VP	21

During scrutiny of promotion case of officers, no proper policy was found/implemented in NESPAK for minimum stay in a current grade before promotion to the next grade. Six (06) officers were promoted to the next grade after 1 or 2 years from the date of their appointment. The detail is as given at Annex-79.

Due to weak human resource management and granting of undue favour promotion of above officers without observing the criteria for minimum stay in current grade was held irregular and need to be investigated.

Audit was of the view that promotion policy of NESPAK should have been aligned with the Government policies but the same was not observed and resulted into unjustified promotion.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify accelerated promotion without observing the minimum stay in a current grade and investigate the matter for fixing responsibility. Also take remedial measures to avoid such incidents in future.

Para-32 (NESPAK-2021-22)

7.1.4.26 Cost overrun due to incurring extra expenditure on salary - Rs 80.106 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails 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 handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During Audit of NESPAK (Peshawar Regional Office) for the year 2021-22 it was observed that a consultancy agreement between NESPAK (as consultant) & Communication & Works Department Abbottabad (Client) was signed in July 2017 for Feasibility Study, Design and Construction Supervision of By-pass road at Abbottabad under job No. 3914. The scope of work includes Design review and construction supervision with completion period of 730 days i.e., August 2019. According to agreement at appendix B, the consultant was bound to submit monthly progress report and detailed quarterly reports. Audit demanded the said activity reports along with project correspondence files and Job completion report with consultant but management failed to provide such

record. Due to absence of such progress activity reports and project the progress achievement could not be determined. Furthermore, according to agreement the project had already expired its completion period in August 2019.

Due to over staff on the job resultant negative equilibrium in receipts and expenditures. According to cash flow statement NESPAK management incurred an expenditure of Rs 138.752 million (including salary of Rs 121.389 million) against receipts of Rs 58.646 million which resulted into net loss of Rs 80.106 million. The salary cost reached to 152% of the receipt which needs to be justified.

Audit was of the view that over staffing in the project resulted in a net loss of Rs 80.106 million. It indicated negligence on the part of the management and needed to be investigated.

The matter was reported to the management on 07.11.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify huge net loss of Rs 80.106 million and over spending on salary cost and investigate the matter for fixing responsibility. Also take remedial measures to avoid such loss on running projects.

Para-33 (NESPAK-2021-22)

7.1.4.27 Irregular appointment of Consultant – Rs 700.59 million

According to Establishment Division OM No. 4/2/90-R-1-1 dated Dec 05, 1990 and subsequent instructions issued vide letters dated May 26, 1999 and Dec 04, 2007 the re-employment after the age of superannuation in the government, autonomous and semi-autonomous bodies was required to be made by obtaining the approval of Prime Minister.

During audit of NESPAK for 2009-14, it was observed that management hired the services of 159 superannuated employees through its subsidiary companies

M/s NESPAK Foundation, Lahore, M/s TECHRED, Lahore and M/s Turkpak International (Pvt.), Ltd. Lahore and paid Rs 700.59 million against the

government instructions. It shows that NESPAK has failed to have proper succession plan to replace the senior engineers / non-professional staff which needs justification with full facts and figures. Moreover, undue favour was granted to the subsidiary companies by hiring its employees and paying heavy overheads, whereas the services of these employees could be hired directly.

Audit was of the view that management made irregular appointments.

The matter was brought to the notice of management and PAO on January 09, 2015. The management in its replies dated December 10, 2014 and August 10, 2016 intimated that for the execution of its projects it needs highly qualified and experienced personnel. NESPAK does not hire its employee after their retirement from Company service. Presently there was however, no employee of M/s Techred working for NESPAK since December 16, 2013.

The DAC in its meeting held on May 24, 2016 directed the management to discontinue the hiring of staff through subsidiary companies after superannuation. The DAC also directed to submit revised reply and provide the copy of enquiry report to audit.

No further progress was intimated till finalization of this report.

Audit stressed implementation of DAC directive, besides fixing responsibility for irregular appointments after superannuation. Justify non-existence of proper succession plan to replace the retiring senior engineers.

(Para 4.1.1 of SAR NESPAK 2009-14)(AY-2013-14)

7.1.4.28 Irregular appointments on fake documents – Rs 34.03 million

According to Establishment Division letter No.DO.No.6 (28) 2011-DG-II dated March 08, 2011 the Prime Minister directed that measures should be taken to authenticate degrees / certificate of all Federal Government employees of the respective Ministries / Divisions, their attached departments, subordinate offices and autonomous bodies under their administrative control.

During special audit of NESPAK for 2008-09 to 2013-14 it was observed that 16 employees were appointed on daily wages / one year contract basis in different departments but their Certificates, Diplomas, Degrees or CNIC was

found bogus. Furthermore, management did not finalize the process of complete verification of degrees of their employees till November 05, 2015.

Audit was of the view that management was responsible for non-verification of degrees, delay in finalization of disciplinary action and non-recovery of salaries.

The matter was brought to the notice of PAO on January 09, 2015. The management in its replies dated December 10, 2014 and August 10, 2016 intimated that in certain cases the employees have got stay orders from the labour courts and verification of degrees was still in progress.

The DAC in its meeting held on May 24, 2016 directed the management to initiate criminal cases by lodging FIRs against the employees who got employment on fake degrees and complete the degrees / certificates verification process within 60 days.

No further progress was intimated till finalization of this report.

Audit recommended implementation of DAC directive besides fixing responsibility for irregular appointments and delay in verification of testimonials.

(Para 4.1.4 of SAR NESPAK 2009-14)(AY-2013-14)

7.1.4.29 Irregular grant of Managing Director allowance and purchase / retention of vehicle/accommodation after retirement - Rs 15.75 million

According to clause 5 of Public Sector Companies (Corporate Governance) Rules, 2013, explains the Responsibilities, powers and functions of the Board. According to clause 5(1) of *ibid*, the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company. The sub clause 5(1) (b) explain that misconduct includes ‘using the funds, assets and resources of the Public Sector Company without due diligence and care.’

During special audit of NESPAK for 2009-14 it was observed that Managing Director (MD) of NESPAK was appointed for a period of three years w.e.f. April 06, 2009 but the detailed terms and condition of his service were not available in his personal file. Previously the MD NESPAK was being granted the

facilities of MP-II officer and as per their terms & conditions the Ministry of Water and Power and BoD could not allow pay and perquisite of MD without the clearance of Establishment/ Finance Division. NESPAK BoD vide agenda Item-6 of 128th meeting held on October 08, 2009 allowed the Managing Director to draw two time of house rent previously receivable as VP and 50% of basic pay as MD allowance. In very next BoD 129th meeting, held on January 28, 2010 vide agenda item 6, the MD allowance was further enhanced to two time of basic pay. Thus, the MD had been allowed the additional payments of Rs 7.334 million as MD allowance @ 200% of his basic pay from 2009-10 to 2012-13.

It was further noticed that the present MD was allowed to purchase a car four years old Corolla Xli car as VP at book value as special case approved by BoD as agenda item No.7 of 128th meeting held on October 08, 2009, whereas as per car policy of NESPAK the officer can purchase only five years old car. Thus undue favour was being extended to the MD on state's expense. The Ex-MD was not a Professional Engineer within the meaning of Bylaws 3(4) of PEC conduct and practice of the consulting engineers, Bylaws 1986 hence his position was challenged in Islamabad High Court (IHC) by ex-employee of NESPAK. The Islamabad High Court vide its orders dated June 16, 2013 restrained Mr. I.A Khan from holding the post of MD, NESPAK and acting in that capacity in any manner. Again, IHC vide its orders Sept. 06, 2013 refused to grant any relief sought for continuation of him as MD and orders of BoD of NESPAK to adjust in some subsidiary organization were suspended till final decision of writ petition. Later on the said petition was dismissed vide Honorable Supreme Court decision dated November 06, 2013. Accordingly, the NESPAK management asked officer to return the vehicles and vacate the MD House but he refused to do so, neither he vacated the MD House nor returned the official vehicles up till November 2014 which resulted into undue benefits of Rs 8,445,000.

Audit was of the view that as the MD was being appointed by Establishment Division after approval of the Prime Minister, hence, his pay and allowances were also to be finalized by the Establishment / Finance Division as per previous practice. Pay and allowances paid to MD over and above the

entitlement of MP-II and retention of accommodation / vehicles after retirement were considered irregular.

The matter was brought to the notice of management and PAO on January 09, 2015. The management in its replies dated December 10, 2014 and August 10, 2016 intimated that NESPAK was a Private Limited Company registered under Companies Ordinance, 1984 hence its Board of Directors was the competent authority for approval of the remuneration of the Managing Director and sale of the car thereto.

The DAC in its meeting held on May 24, 2016 directed to submit revised reply alongwith copy of appointment letter of ex-MD (to verify the term and conditions) but no further progress was intimated by NESPAK till finalization of the report.

Audit recommends implementation of DAC directives and also directives of Honorable Court besides fixing responsibility for irregular payments.

(Para 4.2.2 of SAR NESPAK 2009-14)(AY-2013-14)

7.1.4.30 Irregular purchase of computers - Rs 30.07 million

According to Rule 12 (1) of PP Rules 2004, all procurement over one hundred thousand rupees and up to the two thousands rupees shall be advertised on the authorities' website. These procurement opportunities may also be advertised in print media. Further as per Rule 12 (2) of PPR 2004 over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During the special audit of NESPAK for 2008-09 to 2013-14 it was observed that NESPAK has that management placed repeated purchase orders for supply of Computers without advertisement on PPRA web site and in the newspaper as required under the PPR rules 2004 referred to above. The audit is of the view that Purchase Orders on the same suppliers without open competition to grant undue favor to the supplier.

The matter was brought to the notice of management and PAO on January 09, 2015. The management in its replies dated December 10, 2014 and August

10, 2016 intimated that NESPAK was a project based organization; we received purchase requisition against different projects from different Divisions time by time. The committee approved the purchases in different meetings after obtaining approval from the Managing Director where required i.e. in case of purchase above Rs. 100,000. Quotations were received from the listed vendors and purchase orders were issued to the lowest suppliers for such purchases for various divisions as per PPRA rules. NESPAK has taken a special approval from “Public Procurement Regulatory Authority” of Rs 500,000 for application of PPRA rules.

The reply was not tenable as the purchase in each year was exceeding 500,000 it was the case of splitting hence the responsibility for violation of PP rules needed to be fixed.

The DAC in its meeting held on May 24, 2016 could not discuss the para due to paucity of time.

Audit recommends fixing of responsibility for violation of PPRA rules.

(Para 4.3.3 of SAR NESPAK 2009-14)(AY-2013-14)

7.1.4.31 Irregular purchase of Laptops - Rs 15.873 million

According to Rule 12 (1) of PP Rules 2004, all procurement over one hundred thousand rupees and up to the two thousands rupees shall be advertised on the authorities’ website. These procurement opportunities may also be advertised in print media. Further as per Rule 12 (2) of PPR 2004 over two million rupees should be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During the special audit of NESPAK for 2008-09 to 2013-14 it was observed that NESPAK that management placed repeated purchase orders for supply of Laptops without advertisement on PPRA web site and in the newspaper as required under the PP rules 2004 referred to above. The audit is of the view that purchase orders were placed on the same suppliers for Rs 15.872 million without open competition to grant undue favor to the supplier.

The matter was brought to the notice of management and PAO on January 09, 2015. The management in its replies dated December 10, 2014 and August

10, 2016 intimated that this regards it was stated that requisitions for purchase of equipment's were received on different dates from different divisions against various projects on case to case basis. The committee approved the purchases in different meetings after obtaining approval from the Managing Director where required i.e. in case of purchase above Rs 100,000. Purchase Orders were issued to the suppliers for purchase of equipment's for various divisions within the limit of Rs 500,000 but PPRA rules were applied in 2008 on NESPAK so the equipment which were purchased in year 2008 were according to NESPAK purchase procedures & open competition. The reply was not tenable as the purchase in each year was exceeding Rs. 500,000 was the case of splitting hence the responsibility for violation of PP rules needs to be fixed.

The DAC in its meeting held on May 24, 2016 could not discuss the para due to paucity of time.

Audit recommends fixing of responsibility for violation of PPRA rules.

(Para 4.3.5 of SAR NESPAK 2009-14)(AY-2013-14)

7.1.4.32 Unjustified inclusion of Parado in BOQ through Variation Order for Rs 12.005 million and Irregular expense from NESPAK Account – Rs 1.31 million

According to clause 3.1 of the agreement dated October 30, 2006 with M/s PRIMCO for planning, design & construction supervision of office building, sector G-7/4, Islamabad. The Consultant shall perform the services and carry out their obligation with all due diligence, efficiency and economy. The consultant shall always act in respect of any matter relating to this contract or to the services as faithful advisers to the client and shall at all time support and safeguard the clients legitimate interest in any dealing sub consultants or third parties.

During the special audit of NESPAK, A&P Division, Karachi for 2009-14, it was observed that it was observed that NESPAK entered into an agreement on job No. 2863 with M/s Pakistan Real Estate Investment & Management Company (Pvt.) Ltd (PREIMACO) a subsidiary of M/s EOBI for consultancy services for Planning Design and Construction Supervision of EOBI Office at G-10/4, Islamabad. M/s PRIMCO instructed M/s NESPAK (the consultants) for preparation of VO

for procurement of vehicle vide letter dated April 21, 2010. The Parado vehicle model number TRJ150R-GKMEK was recommended / selected by the PREIMCO vide their letter dated June 15, 2010.

The FIA Anti-corruption Cell, Islamabad initiated investigation by involving NESPAK Senior Professionals in the enquiry i.e. GM (Head) A&P, Karachi;

GM-BD, A&P Karachi and Ex-GM (Head), A&P Karachi. It was noticed that management of NESPAK Islamabad has paid an amount of Rs 300,000 and Rs 1,005,000 to be deposited in the court as surety @ Rs 400,000 per head for bail confirmation of the said officers. The said payment was made on the plea that the same would be adjusted later on from their GP balances but the applications from the concerned officers regarding grant of advances from their GP fund were not found on record moreover, no internal enquiry was conducted to verify the plea of FIA officials and involvement of the said officers in the case.

The matter was brought to the notice of management and PAO on January 09, 2015. The management in its replies dated December 10, 2014 and August 10, 2016 intimated that expense of Rs 1.305 Million was incurred for company's employees who were providing their services on behalf of the company. The matter was sub-judice and further action could only be taken after the court's verdict in this regard.

Audit was of view that reply was not tenable as the inclusion of the purchase of the said vehicle through variation order was illegal as the use of said vehicles was not justified for the project directly it was recommended only on the consent of client just to oblige them at state's expense and later on the public exchequer was being used for their bails' surety which needs justification.

The DAC in its meeting held on May 24, 2016 could not discuss the para due to paucity of time.

Audit recommends that responsibility for inclusion of PARADO through variation to be fixed.

(Para 4.4.6 of SAR NESPAK 2009-14)(AY-2013-14)

7.1.4.33 Piling Up of receivables and Liquidity Crunch

NESPAK provides consultancy services to various clients on man-hour charge basis or on fixed fee basis. Monthly fee bills on account of man-hour utilized were billed to the clients. Client was bound to pay the same within fifteen days.

Management failed to realize their claims on due dates due to one or the other pretext. Receivables of NESPAK were piling up rapidly during the last five years as per details given below:

Sr. No.	Year	Debtor (Rs in million)	% increase
1	2008-2009	2,811.567	N.A
2	2009-2010	3,719.982	32
3	2010-2011	4,865.052	30
4	2011-2012	5,540.058	14
5	2012-2013	6,403.147	15
6	2013-2014	6,045.851	N.A
7	2014-2015	7,033.029	16
8	2015-2016	8,138.486	15.70
9	2016-2017	9,163.031	12.59
10	2017-2018	9,956.944	8.66

Receivables of NESPAK stood at Rs 6,045.851 million as of June 30, 2014 as against Rs. 9,956.944 million as of June 30, 2018 registering an increase of 64.70%. A cumulative provision for doubtful debts of Rs 1,855.019 million stood against those as on June 30, 2018. The piling up of receivables created liquidity crunch for the company as the company was not in a position to meet its current liability.

NESPAK Board in its 130th meeting held on August 09, 2010 instructed Managing Director to keep its receivables at the minimum level.

Furthermore, receivables of Rs. 178.451 million were written off during the years 2014 without any investigation. NESPAK BOD, stressed upon the management to investigate the matter and make efforts for the early recovery of outstanding amount. Project Managers review reports revealed that the projects had been closed since long and due amount be written off. Furthermore, Rs 54.973 million was also written off during the year 2009-10 without any investigation.

Divisional Heads failed to recover Rs 9,956.944 million as on June 30, 2018 which was predominantly due to over billing. The management failed to

investigate the matter of overbilling and identify persons responsible for over billing.

The matter was reported to the management and PAO on March 14, 2014, the management in its reply dated February 02, 2015 stated that the services were mostly provided to Federal and Provincial Governments and that some projects stood closed hence, the recovery could not be made.

The reply was not tenable as the Divisional Heads failed to recover Rs 9,956.944 million as on June 30, 2018 which was predominantly due to over billing. The management failed to investigate the matter of over billing and identify persons responsible for over billing.

No DAC meeting was arranged despite requests vide letters dated 14.03.2014, 19.05.2015, 12.08.2015, 22.12.2015 & 23.02.2016.

Audit recommends making efforts at Ministry level to expedite recovery of outstanding receivables. Besides, management may reconcile its bills with relevant clients to settle disputes hindering the recovery efforts. Lastly, stringent and concrete steps may be taken by the BOD of NESPAK to ensure that a system is put in place whereby adjustment/finalization of pending receivables is made a part of future contract with any client and any exceptions and penalized.

(Para 5.1.3 of PAR NESPAK 2014-18)(AY-2017-18)

7.1.4.34 Non-recovery of receivables along with Provision for Doubtful Debts as on June 30, 2018 – Rs 11,808.645 million

The provision for bad debts refers to the balance sheet account also known as the Allowance for Bad Debts. Provision for Bad Debts is a contra asset account (an asset account with a credit balance).

The status of receivable and provision for bad debts as on June 30, 2018 is as under:

(Rs in million)	
Period	Aging
Upto 6 months	5,924.984
More than 6 months less than one year	1,440.286
More than one year	4,443.375
Total	11,808.645
Provision for bad debts`	2,042.280

Net Receivable	9,766.365

(Source: Annual Audited Accounts)

From the above details it was clear that receivables of NESPAK as on June 30,2018 were Rs. 11,808.645 million out of which Rs 2,042.28 million (provision) were fully provided. No efforts were made by management to recover the outstanding receivables during the execution and completion of the projects / jobs. In addition, an amount of Rs. 35 million (provision) was also provided for the expected non-recovery of dues from WAPDA against overhead of staff hired through NESPAK foundation.

Further analysis showed that in certain regions/divisions like RO Peshawar, A&P Karachi, A&P Lahore, and Structure Division Lahore the %age of provision for doubtful debts to receivables was 56%, 42%, 56%, 53% respectively.

No DAC meeting was arranged despite requests vide letters dated 14.03.2014, 19.05.2015, 12.08.2015, 22.12.2015 & 23.02.2016.

Audit recommends to fix responsibility for accumulation of receivables.

(Para 5.1.4 of PAR NESPAK 2014-18)(AY-2017-18)

7.1.4.35 Loss due to non-charging of Mark Up on delayed payments – Rs. 5,381.05 million

According to the standard agreement, NESPAK billed their clients on monthly basis. The clients were bound to make payment to NESPAK within sixty days from the issuance of invoices. In case of delay, the company would charge markup at the prevailing bank rate for the unpaid period.

During the last five years, the average collection period ranged from 353 days in 2014 to 431 days in 2018 against the maximum of sixty days as per detail given below:

(Rs in million)

Years	CFR/ACSF*365	No. of Days	Net Receivables after provision for doubtful debts	Mark up income
2008-2009	2,357.787/4,331.690*365	199	2,358	282.96
2009-2010	3,179.235/5,058.097*365	229	3,179	381.48
2010-2011	4,163.493/5,442.839*365	279	4,163	499.56
2011-2012	4,640.395/5,944.938*365	285	4,640	556.80
2012-2013	5,292.359/6,023.336*365	321	5,292	635.04
2013-2014	6,045.851/ 6,253.700*365	353	6,046	453.45
2014-2015	7,033.029/ 7,747.780*365	332	7,033	527.48
2015-2016	8,138.486/ 6,912.193*365	430	8,138	610.35
2016-2017	9,163.031/8,563.195*365	391	9,163	687.23
2017-2018	9,956.944/ 8,439.145*365	431	9,956	746.70
Total				5,381.05

ACP= Contract fee Receivable/Annul Consultancy Services Fee*365 days
(Source: Annual Audited Accounts)

The management of NESPAK neither calculated nor charged the markup to their clients. Had the company exercised due care and vigilance, revenue income of Rs. 5,381.05 million at average rate of 7.5% could have been earned.

The Divisional Heads failed to recover the amount as the number of days for receivables had increased to 353 days as on June 30, 2014 as compared to 431 days as on June 30, 2018. It was due to over billing and lack of interest in the relevant project.

No DAC meeting was arranged despite requests vide letters dated 14.03.2014, 19.05.2015, 12.08.2015, 22.12.2015 & 23.02.2016.

Audit recommends investigating the matter for fixing responsibility and taking remedial measures.

(Para 5.1.5 of PAR NESPAK 2014-18)(AY-2017-18)

7.1.4.36 Non-Recovery of long outstanding dues from closed Foreign offices - Rs. 130.618 million and non-collection of outstanding dues from foreign offices - Rs. 2,187.325 million

During performance audit of NESPAK for the year 2014-18, it was observed that an amount of Rs. 130.618 million was lying unrecovered as on June 30, 2018 from the foreign offices who had closed their operations since long. Detail is as under:

Sr. No.	Name of Foreign Office	Amount receivable (Rs in million)	Reasons for not recovery
1.	Kabul office, Afghanistan	118.831	Due to Security Reasons office closed in 2018
2.	Abu Dhabi Office	1.174	Office closed due to closure of business
3.	NESPAK Iran office	10.613	Office closed due to closure of business
Total		130.618	

Further, an amount of Rs. 2,187.325 million as on June 30, 2018 was also shown under the head receivable from foreign offices. Whereas no recovery had been effected from these foreign offices. Detail is as under:

(Rs in million)

Sr. No.	Name of Subsidiary	Outstanding amount
1	LLC, Muscat	1577.412
2	NESPAK Saudia Aribia	148.571
3	NESPAK UK	8.145
4	NESPAK Qater	453.197
Total		2,187.325

From the above data, it was evident that Rs 2,187.325 million was receivable by NESPAK from international clients as on June 30, 2018. The management of NESPAK Head Office neither took any action against the concerned project managers who failed to recover their project dues during the execution of the project nor took up the matter with their foreign clients for early recovery.

No DAC meeting was arranged despite requests vide letters dated 14.03.2014, 19.05.2015, 12.08.2015, 22.12.2015 & 23.02.2016.

Audit recommends recovering long outstanding receivables.

(Para 5.2.2 of PAR NESPAK 2014-18)(AY-2017-18)

7.1.4.37 Increase in non-professional human resource

The services of professional and para professional staff of NESPAK were directly charged to the client whereas all the non-professional staff was charged to company overhead. During the years 2014-2020, the percentage of professional and para professionals decreased whereas the percentage of non-professional staff increased, which indicated that unproductive staff was hired

which adversely effected profitability and liquidity of the company as per details given below:

Year	% Professional	% Para Professional	% non-Professional
2009	46	38	16
2010	42	38	20
2011	42	38	20
2012	40	38	22
2013	40	37	23
2014	38	40	22
2015	37	38	25
2016	44	33	23
2017	38	35	27
2018	36	30	34

(Source: NESMAN 2009-2018)

The %age of non-professional was 22% as on June 30, 2014 which increased to 34% as June 30, 2018. NESPAK was no longer able to attract new/upcoming professionals due to its current HR policies.

The matter was reported to management and PAO on March 14, 2014, the management in its reply dated February 02, 2015 stated that decrease in %age of professional and para-professional was due to a large turnover of the employees. The increase in %age of non-professional staff was due to conversion of already working daily wage basis staff in to contract basis in Grade-1 to 7.

The reply was not tenable as company could not retain the professional staff due to poor HR management who failed to retain the fresh engineers. Further the management had failed to adopt proper HR policy as per company requirements which resulted into unnecessary increase in non-professional employees and decrease in professionals which were backbone for an engineering company like NESPAK.

No DAC meeting was arranged despite requests vide letters dated 14.03.2014, 19.05.2015, 12.08.2015, 22.12.2015 & 23.02.2016.

Audit recommends rationalizing the No. of professional, para-professional and nonprofessional human resource.

(Para 5.4.2 of PAR NESPAK 2014-18)(AY-2017-18)

7.1.4.38 Abnormal increase in idle cost during last five years – Rs. 721.755 million (2013-2018)

Idle time of employees in NESPAK was an hourly cost of professional, para professional and non-professional employees who remained idle during the specific period due to lack of work.

During the year 2013-14, the idle cost was Rs 108.719 million, which increased to Rs. 168.456 million in 2017-18 by 54.95% during the period of five years. Details were:

(Rs in million)

Year	Idle cost
2008-09	11.750
2009-10	12.757
2010-11	39.298
2011-12	39.236
2012-13	77.678
2013-14	108.719
2014-15	128.288
2015-16	153.946
2016-17	162.346
2017-18	168.456
Total	721.755

(Source: NESMAN 2009-2018)

Examination of record revealed that majority of the idle staff was in grade 10 and above. During the period 2013-2014 to 2017-2018 excessive inductions of 394 employees were made in grade 8(a) and above. According to the NESPAK manpower utilization & cost reports majority of top and middle management remained idle either due to non-availability of jobs or due to unnecessary induction without any requirement. All these factors contributed to increase idle cost of company.

The matter was reported to management and PAO on March 14, 2014, the management in its reply dated February 02, 2015 stated that the company would not afford the dispensation of the employees due to fluctuation of business activities in the company as they were the real asset of the company.

The reply was not tenable as increase in non-professional employees instead of professional staff showed that the company had no effective HR policy, causing 24% idle staff and corresponding increase in idle costs.

No DAC meeting was arranged despite requests vide letters dated 14.03.2014, 19.05.2015, 12.08.2015, 22.12.2015 & 23.02.2016.

Audit recommends justifying the abnormal increase in idle cost besides taking steps for its further reduction in future.

(Para 5.4.3 of PAR NESPAK 2014-18)(AY-2017-18)

Chapter-8

Ministry of Federal Education and Professional Training

Overview

Ministry of Federal Education and Professional Training was established in July 2011 in the wake of the 18th Amendment. Some of the Departments / Organizations previously under MOLM and MOE were placed under this Ministry. Supreme Court of Pakistan in its Judgment dated November 25, 2011, directed that because of insertion of Article 25-A in the Constitution, the Federal Government cannot absolve itself from the responsibility of providing education to its citizens.

In the light of Supreme Court Judgment, a Summary was moved to Prime Minister of Pakistan who was pleased to approve the renaming of Ministry as “Ministry of Education and Training” which was duly notified by the Cabinet Division on July 24, 2012. Subsequently, the Council of Common Interest (CCI) in its meeting held on November 8, 2012, endorsed the renaming of Ministry and approved its functioning with the subjects already assigned to it.

On the reorganization of Federal Secretariat, the Ministry renamed as Ministry of Education, Trainings & Standards in Higher Education vide Cabinet Division’s notification No. 4-8/2013-Min-I dated 07th June, 2013.

On June 19, 2014, Ministry has now renamed as Ministry of Federal Education and Professional Training vide Cabinet Division’s notification No. 4-10/2011-Min-I dated 19th June, 2014.

Aims & Objectives

- National cohesion on education policies and reforms, and focusing national attention on education issues
- Lead Educational Standard setting
- Leading programs of national importance to ensure equity and cohesion
- Leading international cooperation and coordination on education matters
- Integration of Religious Educational Institutions

- Collect, analyze and disseminate information on key education indicators including student learning assessments and education financing
- Manage, supervise and implement formal education in schools and colleges under ICT through the Federal Directorate of Education
- Registration & regulation of Private Educational Institutions in ICT and enforcement of relevant rules & regulations on the private education sector
- Lead coordination of academic evaluation across Pakistan, especially for quality in large scale student exams through the Inter Board Committee of Chairmen (IBCC).

Governing Laws and Policies

- Rule of Business 1973

Audit Profile of Ministry of Federal Education and Professional Training

(Rs. in million)					
S. No.	Description	Total	Audited	Expenditure audited FY 2021-22	Revenue /Receipts audited FY 2021-22
1	Formations	5	01	336.5482	796.009
2	Assignment Accounts (excluding FAP)				
3	Authorities /Autonomous Bodies etc. under the PAO		01		
4	Foreign Aided Projects (FAP)				

Audit observations amounting to Rs. 604.930* million were raised because of this audit. Summary of the audit observation classified by nature is as under:

Overview of the Audit Observations

S. No.	Classification	Amount (Rs. in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities:	
A	HR/Employees related irregularities	9.362
B	Procurement related irregularities	26.422
C	Management of accounts with Commercial Banks	-

4	Value for money and services delivery issues	523.396
5	Others	45.750
		604.93

*

Expenditure pertaining to previous years is included

8.1 National Textile University Faisalabad

8.1.1 Introduction

The Government of Punjab with the help of leading textile industrialists formed an Institute of Textile Technology at Faisalabad in 1954. It was affiliated with University of Engineering and Technology, Lahore in 1965. Federal Government took over the administrative control of Pakistan Institute of Textile Technology, Faisalabad on July 01, 1976. It was renamed as “National College of Textile Engineering” in 1983. The management of the College was transferred to All Pakistan Textile Mills Association (APTMA) in September 1993. The College was upgraded as National Textile University (NTU) under National Textile University Ordinance, 2002 on November 15, 2002. It is controlled by the Board of Governors consisting of 17 members, 7 from APTMA, Vice-Chancellors LUMS and UET, Secretary Ministry of Textile Industry, Textile Commissioner, a representative from Government of Punjab, Khyber Pakhtunkhwa (KP) and Higher Education Commission.

The main purpose of the University is the promotion and dissemination of knowledge and technology in the textile sector, and to provide for instruction, training, research, demonstration and service in the said areas of learning. The Faisalabad Campus of the university is situated at Main Sheikhpura Road Manawala, Faisalabad and the Karachi Campus is situated at Street 2/1, Sector 30, Korangi Industrial Area Karachi.

8.1.2 Comments on Audited Accounts

8.1.2.1 The working results of the University for the year 2020-21 as compared to previous years are as under:

(Rs. in million)					
	2021-22	% Inc. / (Dec)	2020-21	% Inc. / (Dec)	2019-20
Income from grants:					
The grant from the Higher Education Commission (HEC) for recurring	267.663	(3)	274.791	25	219.12
Grant from HEC for Tenure Track Faculty	69.991	194	23.791	4	22.92
Textile Cess for recurring	6.006	(14)	6.955	61	4.31
Total grants	343.661	12	305.537	24	246.35
Income from own sources:					
Fee from students	464.697	32	352.811	4	339.38
Income from sample testing and research projects	27.374	64	16.684	27	13.13
ORIC Performance overhead	6.501		0		0
Other income	62.235	65	37.724	(11)	42.37
Total income from own Sources	560.808	38	407.220	3	394.89
Grants amortized during the year	217.932	(14)	253.195	12	226.30
Total income	1,122.403	16	965.953	11	867.54
Expenditure:					
Salaries, wages and other benefits	561.949	39	404.554	17	346.15
Employees retirement benefits	180.080	23	146.453	(6)	155.34
Repair and maintenance	28.684	14	25.180	16	21.68
Communication	14.837	(16)	17.674	46	12.11
Utilities	21.996	(35)	33.755	(2)	34.45
Travelling and transportation	15.278	128	6.708	(39)	10.99
Printing and stationery	3.551	(17)	4.277	(32)	6.33
Remuneration to part-time / visiting teachers	12.673	3	12.326	(22)	15.78
Merit scholarships and gold medals	14.759	19	12.451	6	11.70
HEC need based financial assistance	11.785	(8)	12.836		0
Others	77.340	137	32.629	33	48.59
Amortization of Development Grant	217.932	(14)	253.195	12	226.30
Total Expenditure	1,160.866	21	962.038	8	889.42
Surplus / (deficit) before depreciation	(38.463)	(1083)	3.914	(118)	(21.88)
Depreciation	37.408	4	35.981	(6)	38.15
Surplus / (deficit) after depreciation	(76.744)	134	(32.794)	(45)	(60.02)
Other comprehensive income/(loss)					(14.63)
Total Surplus/(deficit) for the year	(108.184)	62	(66.766)	(11)	(74.65)

(Source: Annual Audited Accounts)

8.1.2.2 The university refunded grant of Rs. 37.630 million during the year 2022. The specific terms and condition of grant and the reasons for non-utilization of grant may be shared with audit.

8.1.2.3 The university received HEC special fund for revenue enhancement and funds generation for establishment of university development office and creation of specific endowment fund Rs. 53.900 million. The grant was invested in TDR. The specific terms and condition and objectives of the grants may be shared with audit.

8.1.2.4 The university received COVID-19 grant of Rs. 30.066 million from HEC in 2020-21. The funds were placed in PLS account. The specific terms and condition and objectives of the grants may be shared with audit.

8.1.2.5 Funds of Rs. 185.900 million were invested in Term Deposit Receipts for short term period during the year 2022. Copy of investment policy, and relevant investment documents may be shared with audit.

8.1.2.6 Capital work in progress worth Rs 241.602 million was capitalized during 2022. Relevant documentary evidence of the work in progress capitalized during the year may be shared with audit.

8.1.2.7 Retention and tender money worth Rs. 58.173 million are payable as on June 30, 2022. Detailed break-up of the payable along with aging may be shared with Audit.

8.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras #	% of compliance
2007-08	02	01	01	172.2	50
2008-09	08	07	01	221.5	87
2009-10	06	05	01	233.5	83
2010-11	08	06	02	23.1.2.4, 23.1.3	75
2011-12	17	12	05	24.1.2.5, 24.1.2.6, 24.1.3, 24.1.4.1, 24.1.4.2	71
2012-13	04	03	01	24.1.3	75
2013-14	07	03	04	17.1.2.1, 17.1.2.3, 17.1.2.4, 17.1.3	43
2015-16	07	03	04	18.1.2.1, 18.1.2.2, 18.1.2.5, 18.1.3	43
2016-17	12	05	07	17.1.2, 17.1.2.1, 17.1.2.2, 17.1.2.3, 17.1.3, 17.1.4.1, 17.1.4.4	42
2017-18	18	12	06	4.6.3, 4.6.4.2, 4.6.4.3, 4.6.4.5, 4.6.4.6, 4.6.4.8	67
Total	89	57	32		64

The compliance of the PAC directives was not satisfactory which needs immediate attention of the PAO.

8.2 NFC Institute of Engineering and Fertilizer Research, Faisalabad

8.2.1 Introduction

The Company was incorporated on June 26, 1984 as a private limited company under the name “Fertilizer Research and Development Institute (Pvt.) Limited”. Subsequently, the name of the Company was changed to NFC Institute of Engineering and Fertilizer Research (Pvt.) Limited on January 15, 1998. The Company is engaged in educational programs leading to higher degree in the field of Chemical Engineering since 1998. Later on, it started disciplines of Electrical Engineering, Mechanical Engineering and Computer Sciences in 2003, 2004 and 2007 respectively. It is affiliated with the University of Engineering and Technology Lahore. The Company is also engaged in research and development activities with reference to fertilizer industry.

8.2.2 Comments on Audited Accounts

8.2.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the years 2019-20 to 2021-22 till December 31, 2022.

Audit recommends that the annual audited accounts for the year 2019-20 to 2021-22 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*Annex-2*).

8.2.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2006-07	04	04	00	-	100
2010-11	05	03	02	11.15.2.2,11.15.4.1	60
2013-14	04	03	01	8.24.2.2	75
2015-16	01	0	01	8.25.4.1	0
2018-19	06	05	01	9.1.3	83
Total	20	15	5		75

The compliance of the PAC directives was not satisfactory which needs immediate attention of the PAO.

8.2.4 Audit Paras

8.2.4.1 Irregular maintenance of gratuity fund Rs. 172.882 million and payment of Rs. 11.631 million thereof

According to Government of Pakistan Finance Division letter dated Jan, 21, 2015, it was again clarified and directed that payment of gratuity in addition to Contributory Provident Fund shall not be allowed to their employees on their qualifying service

During the audit of NFC-Institute of Engineering and Fertilizer Research (Pvt.) LTD, Faisalabad for the year 2019-2021, it was observed that the management unlawfully maintained Gratuity fund in addition to CP-Fund in violation of Finance Division instruction referred above. Although the management has stopped recovery of the gratuity fund but the institute is still paying gratuity share into the fund the assets of which has piled up to Rs.172.882 million in 2020 (Rs.144.371 million in 2019).

Audit was of the view that after issuing of the above instructions from the Finance Division maintenance of Gratuity funds was unlawful and hence the management irregularly maintained funds valuing Rs.172.882 million.

The matter was reported to the management on 26.04.2022. Management replied that being subsidiary of the National Fertilizer Corporation, the institute had to follow their rules and regulations. Reply was not tenable as Finance Divisions' instructions were applicable for all commercial entities working under the control of the ministries.

DAC in its meeting held on 15.02.2023 directed to refer the case to the Finance Division for their decision in light of their instructions dated 21.01.2015.

Audit recommends to investigate the matter of non-adherence to Govt. instructions, fix responsibility thereof, recover any payment made from gratuity from the recipients and seek advice of Finance Division for deciding fate of the funds.

Para-14 (NFC IEFR, Fbd – 2019-21)

8.2.4.2 Unauthorized capital expenditure - Rs. 16.664 million

According to Schedule of Delegation of Authority of Director/General Manager/In-Charge) clause 24 Purchase of Capital Items, the Director is authorized up to Rs. 500,000/- (within the sanction budget subject to fulfillment of prescribed procedure) and beyond Rs. 500,000/- (within the sanctioned budget and with approval of Finance & Planning Committee strictly in accordance with PPRA Rules).

During the audit of NFC-Institute of Engineering and Fertilizer Research (Pvt.) LTD, Faisalabad for the year 2019-2021, Management of NFC IE&FR has paid an amount of Rs. 15 million to purchase four 1 room bed apartments having area of 900 Sft. in NFC Residencia, Lahore. On scrutiny, it was revealed that neither management got approval of the Board of Directors (BoD) nor the Finance and Planning Committee to purchase the Apartments in NFC Residencia, Lahore.

Audit was of the view that all payments which have been made for booking of apartments as well as utility expenses without getting approval of the competent authority were irregular.

Hence audit holds that expenditure of Rs. 16.664 million was to unauthorized.

The matter was reported to the management on 26.04.2022. Management replied that NFC allotted 04 apartment to the IEFR on 24. 04.2020. After completion of the installation process of electricity, these apartments were rented out at monthly rate of Rs. 100,000. Reply was not tenable as the management did not obtain the approval from the competent forum for incurrence of expenditure on its repair and maintenance.

DAC in its meeting held on 15.02.2023 directed the management to produce relevant record i.e. approval of the competent forum to audit for verification within a week.

Audit recommends to state reasons for making payment without getting approval of the competent authority and fix responsibility on person (s) at fault.

Para-22 (NFC IEFR, Fbd – 2019-21)

8.2.4.3 Irregular appointment without advertisement - Rs. 21.161 million

According to section 6.1.4 of Management Manual Vol-I “on receipt of requisition under the preceding sub paragraph, the Personnel Department shall in consultation with the concerned Departmental Head shall invite through press advertisement in newspapers through PID or receipt of a proposal by the Personnel Department giving following details: a. Description of the post giving reference to the approved organogram. b. Full justification for filling up the proposed posts. c. Qualifications, experience, age and other special conditions, if any, attached to the post. d. Brief job description for each post. Furthermore, according to 6.1.5 “Such advertisement shall be released by NFC-IEFR Personnel Department.” According to 6.1.6 “The applications received in response to the advertisement shall be shortlisted/ scrutinized by the Scrutiny and Short-listing Committee, with a representation of suitable rank from concerned department keeping in view the prescribed qualifications, experience and age. Test may be conducted to shortlist the candidates in case of higher number of applicants on the recommendations of Scrutiny & Short-listing Committee. If the response is good, five applicants per vacancy shall be shortlisted by weeding out comparatively less qualified and less experienced applicants. NFC-IEFR Personnel Department shall issue interview call notices to shortlisted applicants”.

During the audit of NFC-Institute of Engineering and Fertilizer Research (Pvt.) LTD, Faisalabad for the year 2019-2021, it was observed that the following officers/officials were hired without advertisement on direct recommendation of the previous parent company National Fertilizer Corporation, Lahore. The Details of the employees are as under:

Name	Designation	Amount paid (Rs)
Mr. Muhammad Imran	Lab Engineer	8,725,063
Mr. Usama Iftikhar	Assist. Manager Admin	3,795,863
Mr. Qamar-uddin	Lecturer	13,640,674
Total		26,161,600

Audit was of the view that hiring of the staff without any advertisement was irregular. Resultantly the payment of Rs. 26.161 was also irregular.

The matter was reported to the management on 26.04.2022. Management replied that CEO/Chairman Board of NFC-IEFR was the appointing authority of Gas -III as per clause 10.1.2 of the Management Manual Vol-1. The appointment case of

Mr. Muhammad Imran had already been settled in the DAC meeting against Audit Para No. 7.22.4.3 of ARPSE, 2016-17. Recruitment process was done by the NFC headquarter in 2012 after fulfilling the codal formalities.

DAC in its meeting held on 15.02.2023 directed the management to share the inquiry report of the administrative department and directives of previous DAC with the Audit besides providing rules / regulations for appointment of officers to decide the fate of the Para.

Audit recommends compliance of the DAC's directives.

Para-28 (NFC IEFER, Fbd – 2019-21)

8.2.4.4 Loss due to delay in procurement of high voltage lab equipment - Rs. 22.211 million and unauthorized spending over and above approved budget - Rs. 4.211 million

According to rule 2(A) of Public Sector Companies (Corporate Governance) Rules, 2013, for the purposes of these rules, the following shall be the criteria for sound and prudent management of a Public Sector Company, which shall be bound to comply with it at all times namely: (a) the business of the Public Sector Company is carried on with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities.

During the audit of NFC-Institute of Engineering and Fertilizer Research (Pvt.) LTD, Faisalabad for the year 2019-2021, it was observed that the management planned to procure High Voltage Lab Equipment in the year 2016-17 at a total budget of Rs.17.00 million which has been carried forward every financial year up-to 2020-21. The items were budgeted at Rs.35 million in 2020-21 and finally the procurement was made at Rs.39.211 million (USD 207,999 custom value) in 2020-21. Thus, a loss of Rs.22.211 million (Rs.39.211-Rs.17.000) was suffered. The management informed verbally that tender has been initiated two times but no written record was produced till close of audit. Furthermore, the management has spent Rs.4.211 million (Rs.39.211-Rs.35.00) over and above the approved budget of Rs.35 million. No approval of the extra budget was shown to audit.

Due to overspending in violation of sound and prudent financial management, NFC-IEFR violated corporate Governance Rules, 2013.

Audit was of the view that inordinate delay in purchase of an item from international market led to loss of Rs.22.211 million.

The matter was reported to the management on 26.04.2022. Management replied that due to lack of budget, single stage high voltage Lab could not be procured in 2916-17 and double stage latest Model of high voltage Lab was procured as per approval of the competent authority. Increase in the cost was due to drawal of exemption of 17% by the Govt.

DAC in its meeting held on 15.02.2023 directed the management to state the reasons for non-procurement of the equipment in the relevant year and approval of the competent forum for change of specification.

Audit recommends compliance of the DAC's directives.

Para-26 (NFC IEFRR, Fbd – 2019-21)

8.2.4.5 Irregular re-appointment/promotion without following HR rules - Rs. 9.362 million

According to section 18.10 of Management Manual Vol-I "Conversion of Service, 18.10.1 Contractual employees who have served at least for 05 years are considered for regularization up to Grade G-II, keeping in view their performance, conduct and availability of posts. Section 18.10.2 states that daily wages employees who have served at least for 05 years on purely temporary basis with satisfactory/good performance are considered for company contract against available posts.

During the audit of NFC-Institute of Engineering and Fertilizer Research (Pvt.) LTD, Faisalabad for the year 2019-2021, it was observed that the following officers/officials were promoted without following the set rules of the institute as stated above.

The Details of the employees are as under:

Name	Appointment as and date	Re-appointed/ Promoted as and date	Regularized as and date	Amount paid (Rs.)
Muhammad Adeel Safdar	Lab Assistant 08 th May, 2009 on contract basis	Re-appointed as Lab Engineer (Computer Science) on 03 rd July, 2009, on contract basis	Lecturer comp.sc on 1 st , December, 2011	7,065,371
Miqdad Bin Masood	Assistant lecturer on 31 st August, 2016 on temporary contract	NIL	Lecturer Chem. Eng. 20 th , January, 2020	2,296,880
Total				9,362,251

It is pertinent to mention that appointment and re-appointment of Mr. Adeel Safdar was also without advertisement on direct recommendation of NFC Lahore. Subsequent regularization of the officer was made without verification of degrees and completion of 05 years' service. The same officer is posted as Deputy Manager Personnel & Administration in deviation of the promotional channel.

Audit holds the view that re-appointment / promotion without following HR rules and payment of Rs. 9.362 was irregular.

The matter was reported to the management on 26.04.2022. Management replied that Mr. Muhammad Adeel Safdar was appointed after advertisement and Hafiz Miqdad Bin Masood was appointed on lump sum contract in 2016 as Assistant Lecturer on 01.09.2016 and later on his services were regularized by the NFC head office in grade III with effect from 01.01.2020.

DAC in its meeting held on 15.02.2023 directed the management to verify the copy of the advertisement for appointment of the officers and rules for appointment and promotion of the daily wage employees from the audit.

Audit recommends compliance of the DAC's directives.

Para-29 (NFC IEFER, Fbd – 2019-21)

8.3 NFC Institute of Engineering and Technological Training (Pvt.) Limited, Multan

8.3.1 Introduction

The company was incorporated on June 26, 1984 as a Private Limited Company under the name “NFC Technical Training Centre (Pvt.) Limited”. Subsequently the name of the Company was changed to “NFC Institute of Engineering and Technological Training (Pvt.) Limited” on August 30, 1994. Later on, all assets, properties, rights and interests of whatever kind, used, enjoyed possessed, owned or vested in or held in trust by and liabilities legally against the company were transferred to NFC Institute of Engineering and Technology. This transfer was done in accordance with the provisions of NFC Institute of Engineering and Technology Multan Act, 2012 passed by the National Assembly on 8th October 2009 and by the Majlis-e-Shoora (Parliament) in its joint sitting on 5th April 2012 which was published in “The Gazette of Pakistan” on 8th May 2012 and recognized as Degree Awarding Institute. The Institute is engaged in educational and training programs leading to higher degree in the field of Engineering.

8.3.2 Comments on Audited Accounts

8.3.2.1 The working results of the Institute for the year 2021-22 as compared to the previous years are given below:

	(Rs. in million)						
	2021-22	% Inc. / (Dec)	2020-21	% Inc. / (Dec)	2019-20	% Inc. / (Dec)	2018-19
Income							
Tuition & training fee and other income	584.819	(2.57)	600.217		538.39	1.86	528.58
Expenditure							
Teaching	415.136	(0.89)	418.859	11.56	375.46	12.33	334.24
Training	6.68	(0.89)	7.901	(28.17)	11	(29.62)	15.63
Admin & general	107.512	(15.45)	112.56	11.30	101.13	18.93	85.03
Bank charges	0.352	(4.48)	0.26	13.04	0.23	4.55	0.22
Total Expenditure:-	529.68	35.38	539.58	10.61	487.82	12.11	435.12
Excess of income over expenditure	55.139	(1.83)	60.637	19.88	50.58	(45.88)	93.46

(Source: Annual Audited Accounts)

Tuition fee under engineering head has decreased from Rs. 300.517 million in 2020-21 to Rs. 269.636 million in 2021-22 registering a decrease of 10.14%. The University is delivering engineering education and decrease of income under this head is not healthy trend and needs justification.

8.3.2.2 Current ratio of the company stands at (14.17:1) against a standard of 2:1 which means company failed to utilize its assets efficiently and blocked its funds in short term deposit. Management needs to revisit its current asset and meet the standard of (2:1) by diversification of its portfolio to earn good return on its assets.

8.3.2.3 The income of the institute decreased by 2.57% from Rs. 600.217 million in 2020-21 to Rs. 584.819 million in 2021-22 while its total employees increased from 396 in 2020-21 to 405 million in 2021-22 which needs justification.

8.3.2.4 The overall business of the institute decreased in 2021-22 while expenditure under non-productive heads such as Heat and lighting increased from Rs. 13.714 million in 2020-21 to Rs. 16.446 million in 2021-22 registering an increase of 19.92% and expenses on entertainment increased from 0.990 million in 2020-21 to Rs. 1.019 million in 2021-22 registering an increase of 2.98%. Management needs to cut short its non-productive expenses and correlate it with the company's business.

8.3.2.5 Capital work in process showed addition of civil work of Rs. 53.017 million and transfer/adjustment of Rs. 34.978 million in 2021-22. While as per schedule of assets, nominal addition of Rs. 0.239 million under the head of building was shown. The adjustment in civil works with reference to addition in building need explanation.

8.3.2.6 The head work in progress regarding plant & machinery indicated a balance of Rs. 43.947 million as on 30.06.2022. This amount represented the payment of LC for import of plant & machinery. Status of the receipt and erection of plant & machinery against such LC needs to be explained.

8.3.2.7 The head of development fund showed an amount of Rs. 1,050.00 million as on 30.06.2022. No movement in this fund was observed as compared to last year which needs explanation.

8.3.2.8 Assets valuing Rs. 22.879 million was transferred to NFC-IET from Ministry of Science and Technology against coal and research center grant. Management is using this grant for teaching, training and administrative expenses. Detailed justification with actual objectives and achievements of coal research center grant need to be explained.

8.3.2.9 As per Balance Sheet income tax recoverable increased by 44.36% from Rs. 16.288 million in the year 2020-21 to Rs. 23.514 million in the year 2021-22. Proper pursuance to Tax Department for timely finalization of pending tax issues is stressed upon the management.

8.3.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	%of compliance
2011-12	10	01	09	9.5.2.1, 9.5.2.2, 9.5.2.3, 9.5.2.4, 9.5.2.5, 9.5.2.6, 9.5.2.7, 9.5.2.8, 9.5.3	10
2012-13	06	01	05	9.4.2.1, 9.4.2.2, 9.4.2.3, 9.4.3, 9.4.4.1	17
2013-14	05	04	01	8.23.2.3	80
2014-15	09	07	02	9.25.3, 9.25.4.1	78
2015-16	11	10	01	8.24.3	91
2016-17	05	03	02	7.21.3, 7.21.4.2	40
2017-18	06	0	06	10.20.1, 10.20.2.1, 10.20.2.2, 10.20.2.3, 10.20.2.4, 10.20.3	0
2018-19	07	05	02	9.20.2.1, 9.20.2.5	71
Total	59	31	28		53

The compliance of the PAC directives was not satisfactory which needs immediate attention of the PAO.

8.4 National Book Foundation

8.4.1 Introduction

National Book Foundation (NBF) is an autonomous body established under an Act of Parliament, 1972. National Book Council of Pakistan (NBCP) was merged with National Book Foundation on July 01, 1994. Accordingly, all the assets and liabilities of former NBCP on that date were incorporated in the books of NBF. National Book Foundation is engaged in the promotion of literacy by developing, printing and trading of books and other activities related thereto.

8.4.2 Comments on Audited Accounts

8.4.2.1 Working results of the Foundation for the year 2020-21 as compared with those of the previous years are as under:

(Rs in million)					
Particulars	2020-21	%age Inc / (Dec)	2019-20	%age Inc / (Dec)	2018
Sales	381.16	54.42	246.84	12.72	218.99
Cost of sales	247.14	49.33	165.50	(1.29)	167.66
Gross profit	134.02	64.77	81.34	58.48	51.32
Admn. & General Expenses	210.97	(16.56)	252.85	6.18	238.13
Finance Charges	0.074	(38.33)	0.12	(59.32)	0.29
Operating Profit / (Loss)	(77.03)	(55.12)	(171.63)	(8.27)	(187.10)
Government Grants	184.72	2.95	179.42	4.12	172.32
Other income	49.84	(7.74)	54.02	22.25	44.19
Profit/ (Loss) before tax	157.54	154.88	61.81	110.21	29.41
Provision for Taxation	45.74	282.76	11.95	241.59	3.50
Net Profit/ (Loss) after tax	111.79	124.21	49.86	92.46	25.91

(Source: Annual Audited Accounts)

The sales of the Foundation increased by 54.42% to Rs 381.16 million in 2020-21

(2019 - 20 – Rs. 246.84 million), whereas, the cost of sales was increased by 49.33% to Rs. 247.14 million in 2020-21 (2019-20 – Rs. 165.50 million). Although, the sales of the foundation increased during the year but Foundation sustained operating loss of Rs. 77.03 million during the year under review against operating loss of Rs. 171.63 million of previous year. The foundation is not a self-sustaining unit and relying on government grants, during the year under review grant of Rs 184.72 million was received (201-20 - Rs 179.420 million). After excluding said grant, the formation sustained net loss of Rs 72.93 million. Efforts need to be made to make the foundation a self-sustaining entity in the years to come.

8.4.2.2 The sale of the Foundation was increased by 54.42% to Rs 381.16 million in 2020-21 (2019 - 20 – Rs. 246.84 million). The sales included sales of two types of books i.e. general books and text books. The figure of sale is silent with regard to the sale of general books and text books. Position needs clarification.

8.4.2.3 Other income included profit on investment Rs 20.34 million in 2020-21 against profit of Rs 26.72 million in 2018-19. On the other hand the balance sheet showed increase in long term investment by 31% to Rs 296.64 million in 2020-21 (2019-20 – Rs 226.45 million). Position, with reference to decrease in interest income during the year despite increase in long term investment, needs explanation.

8.4.2.4 Current liabilities increased by 438% to Rs 125.68 million as on 30-6-2021 (2019-20 – Rs 23.37 million). The abnormal increase in liabilities was under the heads of trade creditors & other payables i.e. by 453% and 279% respectively. The abnormal increase under the said heads needs clarification and early clearance of liabilities is stressed upon the management.

8.4.2.5 Stock in Trade – Books increased by 43% to Rs. 159.01 million as on June 30, 2021 (2019-20 – Rs. 112.13 million). The figure included a provision of slow moving stock of Rs. 4.69 million as on June 30, 2021 (2019-20 – Rs 4.28 million). Continuous increase in stock in trade resulted in blockade of capital, efforts be made to curtail the stock in trade through sales. Reasons for making provisions and increase in slow moving stock needs to be elaborated. Further, the detail of damaged books included in slow moving stock needs to be separated.

8.4.2.6 Although trade debts decreased by 44.27% to Rs 42.48 million as on June 30, 2021 (2019-20 – Rs 76.23 million). But a provision for doubtful debts of Rs 6.70 million as on June 30, 2021 (2019-20 – Rs 1.41 million) was created by the management. Reasons of making said provision along with detail of parties and efforts made for the recovery of said amount needs to be elaborated.

8.4.2.7 Although, advances, deposits and prepayments decreased by 27.70% to Rs. 5.95 million as on June 30, 2021 (2018-19 – Rs. 8.23 million), yet it included receivable from employees of Rs. 4.69 million as on June 30, 2021. Efforts needs to be made for early recovery of said amount and detail of employees and aging analysis of said receivables needs to be made available to Audit.

8.4.2.8 Cash & bank balances increased by 99.80% to Rs. 303.22 million as on June 30, 2021 (2019-20 – Rs. 151.76 million). The figure included current account balance of Rs. 266.46 million and PLS Saving account balance of Rs. 36.01million. Keeping the huge amount in current or PLS saving account is not a prudent financial management. The management may determine its working balance limit as directed by Finance Division in July 2003 and surplus fund needs to be invested in prudent manners in some profit earning schemes.

8.4.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Para No.	%age of compliance
2003-04	04	0	04	34&34.1,34.2,34.3,34.4	-
2009-10	02	02	02	-	100
2010-11	07	04	03	5.1.2.1, 5.1.2.2, 5.1.4.1	57
2011-12	12	06	06	2.1.2.2, 2.1.2.5, 2.1.2.7, 2.1.2.8, 2.1.4.1, 2.1.4.2	50
2013-14	08	03	05	3.1.2.1, 3.1.2.2, 3.1.2.3, 3.1.2.4, 3.1.2.5	38
2014-15	07	01	06	2.1.2.1, 2.1.2.2, 2.1.2.3, 2.1.2.4, 2.1.2.5, 2.1.2.6	14
2015-16	09	02	07	13.1.2.1, 13.1.2.2,13.1.2.3, 13.1.2.5, 13.1.2.6, 13.1.2.7, 13.1.3	22
2017-18	08	01	07	11.2.2.1,11.2.2.2,11.2.2.3, 11.2.2.4, 11.2.2.5, 11.2.2.6, 11.2.3	13
2018-19	12	10	02	10.3.2.7, 10.3.3	83
Total	69	29	42		42

Overall compliance of PAC directives was poor which needs immediate attention of PAO.

Chapter-9

Ministry of Industries and Production

Overview

Ministry of Industries & Production (MOI&P)'s role is that of a facilitator in creating an enabling environment for industrial growth in the country.

Aims & Objectives

The objectives of MOI&P are to achieve efficient, sustainable and inclusive Industrial Development and to play the role of facilitator in industrial development and entrepreneurship through policy intervention, setting up Industrial Parks and Export Processing Zones for investors, skill development of human resource for industrial sector and socio-economic development of country with particular focus on SME development and promotion of traditional crafts of Pakistan.

Governing Laws and Policies

- Rule of Business 1973
- SME Policy, 2007
- Auto Development Policy 2016-21
- Fertilizer Policy, 2001
- Auto Industry Development Programme

Sectoral Analysis

Utility Stores Corporation (Pvt.) Limited was incorporated on September 3, 1971 as a private company under the Companies Act, 1913. (Now the Companies Act, 2017). The USC has its registered office at Plot 2039-F-7, G/7 Blue Area Islamabad. The Company has paid up capital of Rs. 737.73 million fully owned by the Government of Pakistan. The Company is working under administrative control of Ministry of Industries and Production.

The entity comprises of its Head Office at Islamabad, and 09 Zonal Offices at Islamabad, Lahore, Gujrat, Multan, Sargodha, Karachi, Sukkur, Peshawar, Abbottabad and Quetta, headed by Zonal Managers and 64 Regional Offices are operating under the Zonal Managers throughout the country headed by Regional Managers to control the operational activities of 3,989 utility stores operating at union council level in the country.

Sales of the Corporation increased by 406.55% i.e. from Rs. 9,310.06 million during 2018-19 to 47,160.37 million during 2019-20 whereas Selling & Distribution expenses only decreased by 1.36%. Also, administrative expenses increased by 8.57% i.e. from Rs. 437.45 million during 2018-19 to Rs. 474.96 million during 2019-20. Disproportionate decrease/increase in Selling & Distribution expenses and Administrative expenses with respect to sales needs explanation.

The Corporation has loss after taxation amounting to Rs. 1,418.346 million during the year 2019-20 which resulted in increase in accumulated losses to Rs. 15,513.126 million. The Company has positive cash flows from operations amounting to Rs. 3,223.627 million this is just because of Government subsidy.

Audit Profile of Ministry of Industries & Production

(Rs. in million)					
S. No.	Description	Total	Audited	Expenditure audited FY 2021-22	Revenue /Receipts audited FY 2021-22
1	Formations		6	12,320.500	143,863.073
2	Assignment Accounts (excluding FAP)				-
3	Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs. 79,131.520 million were raised as a result of this audit. This amount also includes recoverable of Rs. 5,268.972 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Non-Production of record	94.800
2	Reported cases of fraud, embezzlement and misappropriation	146.904
3	Irregularities:	0
A	HR/Employees related irregularities	2,027.667
B	Procurement related irregularities	8,989.292
C	Management of accounts with Commercial Banks	10,741.405
4	Value for money and services delivery issues	36,349.123
5	Others	20,782.329
		79,131.52

9.1 Export Processing Zones Authority

9.1.1 Introduction

The Export Processing Zones Authority (hereinafter referred to as “EPZA / the Authority”) was established by the Government of Pakistan on Feb 06, 1980 through Export Processing Zones Authority Ordinance, 1980. The main objective of the Authority is to plan, develop, manage and operate Export Processing Zones (EPZs) in Pakistan in order to invite / help foreign investors.

9.1.2 Comments on Audited Accounts

9.1.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 2010-11 to 2021-22 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2010-11 to 2021-22 be provided immediately and timely finalization be ensured in future, besides, fixing responsibility for non-finalization of annual audited accounts (*Annex-2*).

9.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% of compliance
2000-01	1		1	194	-
2009-10	8	7	1	96	88%
2010-11	8	4	4	11.1.4.1, 11.1.4.2, 11.1.4.3, 11.1.4.5	50%
2014-15	22	1	21	9.1.4.2, 9.1.4.8, 9.1.4.11, 9.1.2.1, 9.1.2.2, 9.1.2.3, 9.1.3, 9.1.4.3, 9.1.4.4, 9.1.4.5, 9.1.4.6, 9.1.4.7, 9.1.4.9, 9.1.4.10, 9.1.4.12, 9.1.4.13, 9.1.4.14	5%
2015-16	3	1	2	8.1.2.1, 8.1.3	33%
2019-20	6	5	1	7.1.4.1, 7.1.4.2, 7.1.4.3, 7.1.4.4, 7.1.4.5	83%
Total	48	18	30		38%

The overall compliance of PAC directives needs improvement.

9.1.4 Audit Paras

9.1.4.1 Non-achievement of committed exports - US\$ 120.971 million equivalent to Rs. 24,799.055 million

According to clause 42 of license agreement, the investor application, undertaking annual export of his products worth US\$... million per annum, the sanction / approval letter of the license is and shall be treated as integral part of this license agreement.

According to part H of Export Projections for five years of Application form of investors for setting up an industrial/ trading unit an investor is required to mention committed annual export which must be maintained. The investors are bound to follow their commitments in case they retain the allocated land.

During audit of Export Processing Zones Authority, Karachi for the years 2021-22, it was observed that the following units failed to achieve committed exports: (Annex-80)

				Amount in US\$
No of units	Committed Exports	Actual Exports	Variation	Achievement (%)
63	135,609,590	14,638,134	(120,971,459)	10.79
(Source: Export Processing Zones Authority)				

Audit was of the view that management did not scrutinize the units with respect to their performance against their committed exports which resulted in loss of foreign exchange of Rs. 24,799.055 million.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 27, 2023. The management informed that non-achievement of set targets was due to weak monitoring mechanism which has been addressed accordingly. DAC directed the management to provide detail of the cases which have not achieved the minimum target of committed annual export. DAC further directed the management to share with audit checks and balances / initiatives and take necessary steps for cancellation of license accordingly. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.1.4.2 Loss due to higher imports than exports - US\$ 24.027 million equivalent to Rs.4,925.585 million

The main objective of the EPZA is to increase the foreign exchange earnings of the country by export of value-added items.

According to clause 42 of license agreement, the investor application, undertaking annual export of his products worth US\$... million per annum, the sanction / approval letter of the license is and shall be treated as integral part of this license agreement.

According to Rule 9-A of Export Processing Zones Authority Rules, 1981, if in the opinion of the Authority an investor has failed to carry out the purpose for which, or has not fulfilled the conditions of, the sanction accorded to him under sub-section (1) of section 11 of the Ordinance, it may, after giving him notice to show cause, cancel, revoke or withdraw the sanction.

During audit of Export Processing Zones Authority (EPZA), Karachi for the year 2021-22, it was observed that 60 units of KEPZ showed imports higher than the exports of US\$ 24.027 million against the objectives of Zone. Summary of these units is as under: -

(Amount in US \$)			
Units	Import of Raw Material	Exports	Difference
60	96,252,467	72,225,221	24,027,246
Equivalent to Rs.4,925.585 million (US\$24.027 x Rs.205)			
<i>(Source: Export Processing Zones Authority)</i>			

Audit was of the view that the management failed to maintain check and balance on EPZA Units which resulted in a loss due to less export than import.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 27, 2023. DAC directed the management to takes necessary actions accordingly. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.1.4.3 Non-recovery of outstanding dues – Rs.324.497 million

According to Clause 30 of license agreement, upon failure of the investor to pay the said ground rent within the scheduled dates, they shall be liable to pay late payment surcharge at the rate of US\$ 12% per month of the amount in default and would also entitle the Authority to revoke the license for consecutive default of two years. The security deposit shall be adjusted toward the period of default. Similarly, the utilities bills were also to be recovered on due dates and in case of non-payment of two or three consecutive bills the utility services would have to be suspended in order to recover the outstanding balances and to avoid their heavy accumulation.

According to Clause 05 of contract of canteen, all the charges of the utilities shall be paid by the second Party (M/s. Q.S.S Enterprises), on actual consumption before due date of each bill and submit the paid copies to the Manager (Admn) EPZA regularly. These revised rates / billing will retrospect be effective from 1st July, 2015.

During audit of Export Processing Zones Authority (EPZA), Karachi for the year 2021-22, it was observed that an amount of Rs.324.497 million was lying outstanding against investors / canteen contractor and others (Annex-81).

Audit was of the view that the management failed to recover outstanding dues which reflected inefficiency and poor recovery mechanism.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023.

1. DAC directed the management to pursue the court case accordingly.
2. The management informed that an amount of US\$3,033.80 has been recovered on accounts of water charges and US\$5,625.40 has been recovered on account of electricity. DAC directed the management to provide relevant documents to audit on recovery and pursue the leftover amount.

However, no record was produced by the management till finalization of this report.

Audit recommends expediting the recovery of outstanding amount.

9.1.4.4 Loss of remittance due to zero exports - US\$ 1.487 million equivalent to Rs.304.835 million

The main objective of the EPZA is to increase the foreign exchange earnings of the country by export of value-added items.

According to Rule 9-A of Export Processing Zones Authority Rules, 1981, if in the opinion of the Authority an investor has failed to carry out the purpose for which, or has not fulfilled the conditions of, the sanction accorded to him under sub-section (1) of section 11 of the Ordinance, it may, after giving him notice to show cause, cancel, revoke or withdraw the sanction.

During audit of Export Processing Zones Authority (EPZA), Karachi for the year 2021-22, it was observed that 13 units of KEPZ made no exports during last five years i.e. 2017-18 to 2021-22 against imported items valuing US\$ 1.487 million equivalent to Rs.304.835 million (Annex-82).

Audit was of the view that the management neither imposed any penalty nor took any legal action against the investors having zero exports.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 27, 2023. The management informed that non-achievement of set targets was due to weak monitoring mechanism which has been addressed accordingly. DAC directed the management to provide detail of the cases which have not achieved the minimum target of committed annual export. DAC further directed the management to share with audit checks and balances / initiatives and take necessary steps for cancellation of license accordingly. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.1.4.5 Irregular renting out of premises - US\$ 1.450 million equivalent to Rs.297.250 million

According to circular No. Inv-11-111 dated November 09, 2020, this rental permission is not a regular feature / arrangement under EPZA Rules and regulations. In special cases, where zone investor faces shortage of space for the

time being, their request for acquiring temporary spaces in special condition would be considered; maximum for a period of six (06) months. No further extension in rental period will be allowed, in any case.

During audit of Export Processing Zones Authority (EPZA), Karachi for the years 2021-22, it was observed that the management approved 12 cases of KEPZ premises on rental basis amounting to US\$ 1.450 million equivalent to Rs.297.250 million continuously for more than 06 months in violation of above circular.

Audit was of the view that the management failed to maintain check and balance on the rental premises, which was irregular and unjustified.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 27, 2023. DAC directed the management to place the matter before BOD for its consideration. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.1.4.6 Loss of tax and service charges on sick units - US\$ 1.027 million equivalent to Rs.210.535 million per annum

According to clause 26 of License Agreement of Export Processing Zones Authority (EPZA), upon failure of the investor to utilize the plot(s) by suspending all material operations and activities of the unit or keeping the said unit idle for more than a period of nine to twelve months, the Authority shall be entitled to revoke this license and takeover the possession of the plot(s).

According to Rule 9-A of Export Processing Zones Authority Rules, 1981, if in the opinion of the Authority an investor has failed to carry out the purpose for which, or has not fulfilled the conditions of, the sanction accorded to him under sub-section (1) of section 11 of the Ordinance, it may, after giving him notice to show cause, cancel, revoke or withdraw the sanction

During audit of Export Processing Zones Authority (EPZA), Karachi for the year 2021-22, it was observed that 46 units of KEPZ were closed / non-functional for last many years. The committed export of these units was

mentioned as US\$ 68,437 million per annum, but the achievement of these units remained zero. Hence, the management sustained recurring loss of presumptive tax and service charges US\$ 1.027 million equivalent to Rs.210.535 million per annum.

Audit was of the view that the management failed to take over the sick units which reflected inefficiency and negligence.

The matter was reported to the management in November, 2022. The management informed that non-achievement of set targets was due to weak monitoring mechanism which has been addressed accordingly. DAC directed the management to provide detail of the cases which have not achieved the minimum target of committed annual export. DAC further directed the management to share with audit checks and balances / initiatives and take necessary steps for cancellation of license accordingly. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.1.4.7 Irregular renting of premises for Used Textile Clothing during ban period - US\$ 1.008 million equivalent to Rs.206.640 million

According to 121st Board of Director's Meeting held on January 11, 2019, it was decided that:

- i. To restrict the activity, no fresh permission / license should be given to worn (used) clothing.
- ii. No Sale / Purchase / Transfer to be allowed to existing units of worn (used) clothing retrospectively effective from 3rd January 2019; thus, ratifying the Chairman's decision.

According to circular No. Inv-11-111 dated November 09, 2020 stated that this rental permission is not a regular feature / arrangement under EPZA Rules and regulations. In special cases, where zone investor faces shortage of space for the time being, their request for acquiring temporary spaces in special condition would be considered; maximum for a period of six (06) months. No further extension in rental period will be allowed, in any case.

During audit of Export Processing Zones Authority (EPZA), Karachi for the year 2021-22, it was observed that the management rented out following units for Used Textile Clothing (UTC) in ban period in violation of BoD directives.

Owner	Tenant	Tenancy period		Amount (US\$)
		From	To	
M/s. Amar & Sons Industries (Pvt.) Limited	M/s. Al- Wadaq Industries	01.01.2019	30.11.2019	227,125
	M/s. Galaxy Rags	11.6.2020	30.04.2021	454,250
	Galaxy Rags	01.05.2021	31.10.2021	176,981
M/s. MY Textile	M/s. Noble Impex	28.07.2019	27.06.2020	149,530
Total				1,007,886

(Source: Export Processing Zones Authority)

Audit was of the view that the premises of KEPZ should not have been rented out to UTC during ban period.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 27, 2023. The management contended that the ban was applicable from October, 2019 not from January, 2019. DAC directed the management to provide relevant documents to audit reflecting that the decision of renting-out and extension was in accordance with the approved policy. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.1.4.8 Non-imposition of penalties for non-construction of open plots – US\$531,512 equivalent to Rs.108.960 million

According to 110th Minutes of the BoD meeting held on April 23, 2015, it is proposed to BoD by the management to amend the existing clause 10 of license agreement to the extent that penalty may be imposed US\$ 3,000/- per annum instead of US\$ 5/- per sq. meter per month in addition to applicable amount of AGR. Board approved the proposal.

During audit of Export Processing Zones Authority (EPZA), Karachi for the year 2021-22, it was observed that 10 units failed to start the construction work despite lapse of 2 to 22 years. Moreover, 13 units also failed to complete the construction work despite lapse of 01 to 05 years against the allowed period of 18 months. Despite the above, the management did not impose penalty of US\$ 531,512 to the aforesaid units.

Audit was of the view that the management failed to impose penalty of US\$ 3,000 per annum in violation of BoD directives which resulted in a loss of Rs.108.960 million.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 27, 2023. DAC directed the management to conduct survey on identical cases (non-construction after defined timelines) and share the results with audit for examination. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.1.4.9 Loss due to sale of items in local market instead of exports - Rs.72.560 million

According to Rule 9-A of Export Processing Zones Authority Rules, 1981, if in the opinion of the Authority an investor has failed to carry out the purpose for which, or has not fulfilled the conditions of, the sanction accorded to him under sub-section (1) of section 11 of the Ordinance, it may, after giving him notice to show cause, cancel, revoke or withdraw the sanction.

During audit of Export Processing Zones Authority (EPZA), Karachi for the years 2021-22, it was observed that various FIRs were lodged against the various units by Custom Authority, Karachi. Such units import duty free items for processing these at zone for subsequent export but instead of exporting, they consumed these in local market, causing huge revenue loss to exchequer of leviable duty and taxes Rs.72.560 million.

Audit was of the view that due to sale of items in local market instead of exports the exchequera sustained loss in terms of leviable duty and taxes of Rs.72.560 million due to weak internal controls and lack of proper monitoring mechanism.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 27, 2023. DAC directed the management to pursue the court case. Internal controls may be strengthened and remedial measures may be taken accordingly. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.1.4.10 Involvement of investor in unlawful activities - Rs. 53.657 million

According to Rule 9-A of Export Processing Zones Authority Rules, 1981, if in the opinion of the Authority an investor has failed to carry out the purpose for which, or has not fulfilled the conditions of, the sanction accorded to him under sub-section (1) of section 11 of the Ordinance, it may, after giving him notice to show cause, cancel, revoke or withdraw the sanction.

During audit of Export Processing Zones Authority (EPZA), Karachi for the years 2021-22, it was observed that the Collectorate of Custom Export has lodged an FIR on October 08, 2021 for 'Mis-declaration' of goods against M/s. AAA Packages (SMC) Pvt limited and recoverable duties and taxes. The total amount of detected fraud was Rs.26.438 million. Besides above, another FIR lodged in January 19, 2017 on the complaint of KEPZ Security Division for missing of 03 containers for goods valuing US\$ 49,599/- (equivalent to Rs. 5.188 million) and recoverable duties and taxes was Rs.2.731 million. Later on, 04 more missing containers added in the respective FIR by the Customs. It was also observed that M/s. AAA Packages (SMC) Pvt. limited has been continuously involved in illegal and unlawful activities of smuggling.

Furthermore, another FIR was lodged against M/s. SAS (Pvt.) Limited by the Custom Authority on January16,2021 on the basis that some persons are engaged in the smuggling of foreign origin cloth by concealing for foreign origin Betel (Areca) Nuts, in the foreign origin clothing. These valuing was Rs.19.300 million. It was also observed from the report of IO / Complainant that the importer M/s. SAS (Pvt.) limited of KEPZ and others involved in the illegally removal of imported goods meant for KEPZ.

Audit was of the view that the involvement of investor in illegal & unlawful activities resulted in a loss of revenue amounting to Rs.53.667 million.

The matter was reported to the management in November. The irregularity was discussed in the DAC meeting held on January 27, 2023.

1. The management informed that the unit has duly been taken-over, license canceled and recovery made. DAC directed the management to pursue the case accordingly.

2. DAC directed the management to pursue the case accordingly.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.756 & 761)

9.1.4.11 Irregular payment of Eid assistance - Rs.35.316 million

According to PAC directives on observation raised by the Commercials Auditors in 2005, the management was required to obtain concurrence of Finance Division, in the matter of payment of Eid Assistance to EPZA employees / officers.

During audit of Export Processing Zones Authority (EPZA) for the year 2021-220, it was observed that the management had incurred an expenditure amounting to Rs.35.316 million on account of Eid Assistance to the employees in May and July 2022 without the prior approval of Board and Finance Division. The details are given below:

S#	Description	Date	Amount (Rs)	S#	Description	Date	Amount (Rs)
1	Eid-Ul-Fitr	14.04.2022	17,694,555	2	Eid-ul-Azha	30.06.2022	17,621,899
Total							35,316,454
(Source: Export Processing Zones Authority)							

Audit was of the view that payment of Eid Assistance amounting to Rs. 35.316 million to the employees without approval was irregular and unjustified.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 27, 2023. DAC directed the management to place the matter before BOD for its consideration. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.1.4.12 Irregular award of contract to the 2nd lowest bidder – Rs.31.117 million

According to Rule 38 of PPRA Rules, 2004, the bidder with the most advantageous bid shall be awarded the procurement contract, within the original or extended period of bid validity.

During audit of Export Processing Zone Authority (EPZA) Karachi for the year 2021-22, it was observed that the management awarded the contract for consultancy services for KEPZ Phase-III for commercial feasibility study, detailed designing and planning / Master planning of the Infrastructure Development Work to 2nd lowest bidder M/s. NESPAK without giving any cogent reason. Detail is as under: -

S#	Name of bidder	(Rs. in million)			
		Transaction Advisory Phase-I	Transaction Negotiation & Financial Close Phase-II	Construction supervision Phase-III	Total
1.	NESPAK	34.565	4.226	55.429	94.220
2.	International Consulting (ICONSLT)	110.000	30.000	60.000	200.000
3.	IQ Capital Plus	51.620	5.736	5.747	63.103

(Source: Export Processing Zones Authority)

Audit was of the view that the management extended undue favor by awarding the contract to second lowest bidder which resulted in excess payment of Rs. 31.117 million.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 27, 2023. DAC directed the management to provide relevant documents to audit reflecting justification for 80% weightage to technical and 20% to the financial evaluation. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.1.4.13 Non-obtaining of performance guarantees – Rs.9.422 million

According to clause 10.1 of bidding document of contract, the Contractor shall provide Performance Security to the Employer in the prescribed form. The said Security shall be furnished or caused to be furnished by the Contractor within 28 days after the receipt of the Letter of Acceptance. The Performance Security shall be of an amount equal to 10% of the Contract Price stated in the Letter of Acceptance. Such Security shall, at the option of the bidder, be in the form of either (a) bank guarantee from any Scheduled Bank in Pakistan or (b) bank guarantee from a bank located outside Pakistan duly counter-guaranteed by a Scheduled Bank in Pakistan or (c) an insurance company having at least AA rating from PACRA/JCR.

During audit of Export Processing Zones Authority (EPZA) Karachi for the year 2021-22, it was observed that the management awarded a work to M/s. NESPAK on May 24, 2022 for consultancy services for KEPZ Phase-III for commercial feasibility study, detailed designing and planning / Master planning of the Infrastructure Development Work as Engineer amounting to Rs.94.221 million, however no performance securities / bank guarantees equal to 10% of contract price Rs. 9.422 million was not obtained.

Audit was of the view that the management failed to obtain performance security of Rs.9.422 million which reflected undue favor.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 27, 2023. The management informed that the performance guarantee is available. DAC directed the management to provide relevant document to Audit for verification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.1.4.14 Loss of foreign exchange due to inordinate delay in auctioning / re-allotment of taken over units - US\$ 45,000 equivalent to Rs.9.000 million per annum

The main objective of the EPZA is to increase the foreign exchange earnings of the country by export of value-added items.

According to Rule 9-A of Export Processing Zones Authority Rules, 1981, if in the opinion of the Authority an investor has failed to carry out the purpose for which, or has not fulfilled the conditions of, the sanction accorded to him under sub-section (1) of section 11 of the Ordinance, it may, after giving him notice to show cause, cancel, revoke or withdraw the sanction.

During audit of Export Processing Zones Authority (EPZA), Karachi for the year 2021-22, it was observed that three units of KEPZ had been taken over by the management in the year 2021-22, but no auction was made till now. Resultantly, the management sustained a loss on account of presumptive tax and service charges as detailed below:

(Amount in US\$)				
S#	Taken Over Units	No. of Years	Acquired Land in Meters	Committed Export per annum
1	Cedar Conifer	07	2,000	2,000,000
2	MOC Industries	07	1,000	1,000,000
3	Crescent Chemical	06	1,000	1,000,000
	Total		4,000	3,000,000
Presumptive tax (3,000,000 x 1%)				30,000
and service charges (15,526,000 x 0.5%)				<u>15,000</u>
Total US\$				<u>45,000</u>
Equivalent to Rs.45,000 x 200 =				9,000,000
(Source: Export Processing Zones Authority)				

Audit was of the view that the management failed to auction the units taken over timely which resulted in a revenue loss of Rs.9.000 million.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 27, 2023. The management informed that the units have been taken-over by the Authority. DAC directed the management to take necessary actions accordingly. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.1.4.15 Loss of foreign exchange due to renewal of license of underperforming investor – US\$ 39,795 equivalent to Rs.8.158 million

The main objective of the EPZA is to increase the foreign exchange earnings of the country by export of value-added items.

According to Rule 9-A of Export Processing Zones Authority Rules, 1981, if in the opinion of the Authority an investor has failed to carry out the purpose for which, or has not fulfilled the conditions of, the sanction accorded to him under sub-section (1) of section 11 of the Ordinance, it may, after giving him notice to show cause, cancel, revoke or withdraw the sanction.

During audit of Export Processing Zones Authority, Karachi for the years 2021-22, it was observed that the management renewed the license agreement of 03 plots of M/s. Polytek International on August 31, 2020 for next thirty (30) years without taking into account of its past performance as the unit consistently failed to achieve 10% of committed annual export (Annex-83). The detail of performance before renewal is hereunder:

(Amount in US\$ in million)			
From Year 2001-2020	Total Export	Total Import	Difference Export & Import
Total	4.104	4.641	-0.537

The details of performance after renewal of license is hereunder:

(Amount in US\$ in million)					
Committed Export per annum	Export		Total Export	Total Import	Difference Export & Import
	Tariff area	Abroad			
3.000	0.063	0.284	0.347	0.374	(0.027)
Committed Export					3,000,000
Less; Actual Export					- 347,000
Loss of committed export					<u>2,653,000</u>
Loss of 1% presumptive tax and 0.5% service charges (2,653,000 x 1.5%)					<u>39,795</u>
Equivalent to Rs. (39,795 x 205)					<u>8,157,975</u>
(Source: Export Processing Zones Authority)					

Audit was of the view that the management failed to maintain check and balance required for renewal of license for next 30 years resulting in loss of Rs. 8.158 million.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 27, 2023. The management informed that non-achievement of set targets was due to weak monitoring mechanism which has been addressed accordingly. DAC directed the management to provide detail of the cases which have not achieved the minimum target of committed annual export. DAC further directed the management to share with audit checks and balances / initiatives and take necessary steps for cancellation of license accordingly. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.1.4.16 Loss due to exports in tariff area beyond permissible limit - US\$ 31,039 equivalent to Rs.6.300 million

According to Rule 228 (5) of Custom Rules, 2001, the units established in the Export processing Zone shall export only up to twenty percent of their total production to tariff area in Pakistan while eighty percent shall be exported to other countries.

During audit of Export Processing Zones Authority, Karachi for the years 2021-22, it was observed that contrary to above, the investors exported more than 20% of export in tariff area. The detail is as under:

Units	Export			(Amount in US\$)	
	Tariff Area	Abroad	Total	20% Allowed in Tariff Area	Excess Export in Tariff Area
New Techno Plastic Ind.	80,017	210,800	290,817	58,163	21,854
Perfect Packaging	15,364	39,223	54,587	10,917	4,447
So Safe International	14,529	45,310	59,839	11,968	2,561
International Industrial	39,880	148,631	188,511	37,702	2,178
Total	149,790	443,964	593,754	118,751	31,039
US \$ 31,039 x Rs.203 = Rs.6,300,917					
<i>(Source: Export Processing Zones Authority)</i>					

Audit was of the view that foreign exchange loss due to exports in tariff area beyond permissible limit indicated weak internal controls.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 27, 2023. The

management informed that total excess is of US\$ 14,635. DAC directed the management to reconcile the amount with audit and take necessary actions accordingly. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.1.4.17 Unauthorized regularization of illegal construction - US\$ 9,048 equivalent to Rs.1.855 million

According to Rule C-1 to C-3 of Guidelines / Building By-laws for the construction of building in EPZA, the built-up area shall not exceed 72% of the total area of a plot. It is in the interest of investors to have adequate foundations to cater for expansion in the vertical direction from basement to upper three floors. All buildings, except those allowed within the compulsory vacant strips, should have permanent open spaces, 04 meters from road side i.e. front, 1.5 meter from any one side and 3 meters from other side.

During audit of Export Processing Zones Authority (EPZA), Karachi for the year 2021-22, it was observed that various investors constructed industrial units in violation of building by-laws. The management imposed the penalties instead of demolishing the construction. Detail are as under: -

(Amount in US\$)			
S#	Name of unit	Un-authorized construction in (sft)	Amount of penalty
1	M/s. WTC	196.00	586.95
2	Noble Impex	456.65	2,280.61
3	H & M Textile	162.00	486.98
4	Salwa International	640.00	3,196.51
5	Al-Wadaq Industries	500.00	2,497.23
Total		1,954.65	US\$ 9,048.28
US\$ 9,048.28 * Rs.205 =Rs.1,854,897			
<i>(Source: Export Processing Zones Authority)</i>			

Audit was of the view that the management extended undue favor to the investors which reflected favoritism.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 27, 2023. DAC directed the management to provide relevant documents to audit reflecting that

the regularization was in accordance with relevant policy / rules. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.1.4.18 Non-finalization of annual accounts

According to AGP letter dated August 02, 2007, the compliance of PAC directives be made by PAO in letter & spirit. The accounts should be prepared. The preparation of accounts is mandatory requirement and it could not be condoned by any authority forum.

During audit of Export Processing Zones Authority (EPZA), Karachi for the year 2021-22, it was observed that the annual accounts for the years 2010-11 to 2021-22 have not been prepared.

Audit was of the view that the management failed to finalize the accounts.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 27, 2023. DAC directed the management to ensure finalization of accounts by March, 2023. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.1.4.19 Non-verification of degrees / certificates of officers / officials

Establishment Division, OM No. 6/1/92-R.2 dated March 25, 1992 states that "immediately on initial appointment a verification roll verifying the character and antecedents of the employees shall be issued to the relevant authorities. In case of mis-statement and concealment of facts were proved consequent to inquiries conducted by the concerned agencies the employees is liable for dismissal from service, which debars such a person" from Government Service".

During audit of Export Processing Zones Authority (EPZA) for the year 2021-2022, it was observed that the management did not verify the degrees / certificates of 19 officers / officials (Annex-84).

Audit was of the view that and undue favor was extended by not carrying out verification at the time of recruitment of nineteen officers.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 27, 2023. The management informed that degrees in three cases have been verified. DAC directed the management to provide relevant documents to audit for verification and pursue leftover cases accordingly. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.1.4.20 Irregular award of canteen contract without tender

Rule 04 of PPRA Rules, 2004, states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of Export Processing Zones Authority (EPZA), Karachi for the year 2021-22, it was observed that the management awarded canteen contract to M/s. Q.S.S Enterprises for the period of one-year w.e.f. 01.05.2010 to 30.04.2011. However, since then the contract was extended multiple times without any competitive process.

Audit was of the view that the management extended undue favor to the contractor by avoiding open tender process.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 27, 2023. DAC directed the management to share inquiry report already conducted, take necessary action, effect recovery and finalize the canteen contract in accordance with procurement rules. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.1.4.21 Irregular deputation of officers / officials

According to Section-7 (c)-ii, Chapter-II of Employees Service Rules of EPZA, “No employee of the Authority shall be allowed to proceed on deputation to the Federal Government or a Provincial Government or any Autonomous and Semi-Autonomous Body or the Corporation without the approval of the Board.”

During audit of Export Processing Zones Authority (EPZA) for the year 2021-22, it was observed that following 11 officers / officials were sent to deputation from EPZA to Federal Government and Provincial Governments without approval of the Board in violation of rules.

S#	Name	Designation	Deputation to
1	Syed Mehboob Ali Bukhari	DGM	Ministry of Religious affairs, Islamabad
2	Asghar Ali Mangrio	Manager	Housing Foundation of Pakistan
3	Muhammad Naveed Khan	Manager	National Vocational Technical Training Com. (NAVTC)
4	Jawad Imtiaz	Dy. Manager	Pakistan Industrial Development Corporation
5	Syed Mudassir Hassan	Asst. Manager	Federal Gov.t Employees Islamabad
6	Ms. Farzana Imam	Asst. Manager	Ministry of Religious Affairs
(Source: Export Processing Zones Authority)			

Audit was of the view that the management extended favor to the officers / officials which reflected negligence.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 27, 2023. The management informed that the deputations were made with approval of BOD. DAC directed the management to place the matter before BOD for its consideration. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.1.4.22 Appointment of officials with nil experience / qualification

According to Establishment Division, OM No. 6/1/92-R.2 dated March 25, 1992 states that “immediately on initial appointment a verification roll verifying the character and antecedents of the employees shall be issued to the relevant authorities. In case of mis-statement and concealment of facts were proved consequent to inquiries conducted by the concerned agencies the employees is liable for dismissal from service, which debars such a person” from Government Service”. Further, Cabinet Secretariat, Establishment Division (Management Service Wing) DO No 6(28)2001-DG-II, dated March 08.2011 states that "It will be the responsibility of the concerned Secretary & Head of the Department/ Organization to verify the degrees/certificates and furnish to the Establishment Division within forty-five (45) days of issue of these instructions".

During audit of Export Processing Zones Authority (EPZA) for the year 2021-2022, it was observed that the management appointed following officers / officials against different posts without requisite qualification and experience (Annex-85).

Furthermore, EPZA service rules were also not notified and approved from quarter concerned yet despite of the fact that management should not hire inappropriate and incapable person on experienced post and such deviation can badly effect on the productivity of the organization. It was also found in FIA enquiry that employees concerned have nil experience and irrelevant qualification. FIA clearly directed to management for taking legal action against intimation of such employee concerned but management deliberately continued the services of employees yet.

Audit was of the view that employees in question have unlawfully been appointed in violation of EPZA Service Rules without observing their appropriate experience and relevant qualification required for the post. Hence, management extended undue favor to employees concerned.

The matter was reported to the management in of November, 2022. The irregularity was discussed in the DAC meeting held on January 27, 2023. DAC directed the management to pursue the case accordingly. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.1.4.23 Irregular promotion of Assistant Manager to Deputy Manager

According to EPZA's Employee Service Rules, the promotion criteria for next post are as under:-

Grade	Duration of Service
From S-V to E-I (Assistant Manager)	04 years' service in S-V cadre
From Assistant Manager to Deputy Manager	04 Years' service as Assistant Manager
From Deputy Manager to Manager	05 years' service as Deputy Manager
Manager to Dy. General Manager	07 years' service as Manager
Dy. Gen. Manager to General Manager	10 years' service as Deputy Gen. Manager

During audit of Export Processing Zones Authority (EPZA) for the year 2021-2022, it was observed the management appointed Mr. Obaid Ahmed

Farooqi as Assistant on 21-05-1990. Afterwards, he was promoted to Assistant Manager on 30-06-2010 and further promoted as Deputy Manager on 17-04-2013 having 2 years and 9 months which was less than the requisite period i.e. 4 years.

Audit was of the view that the management extended undue favor to the officer at time of promotions which was irregular and unjustified.

The matter was reported to the management in November, 2022. The irregularity was discussed in the DAC meeting held on January 27, 2023. DAC directed the management to provide revised reply reflecting justification/eligibility for promotion in accordance with standing orders. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2 Pakistan Industrial Development Corporation

9.2.1 Introduction

Pakistan Industrial Development Corporation (Private) Limited (PIDC) was incorporated on January 01, 1985 under the Companies Ordinance 1984, now the Company's Act 2017. Pursuant to an order of Federal Government, the business, project properties and all the shares held by ex-Pakistan Industrial Development Corporation in the capital of the managed companies and subsidiaries were transferred from April 01, 1985. The primary aim of establishment of PIDC was to set up industries in such fields where the private sector was shy 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.

9.2.2 Comments on Audited Accounts

9.2.2.1 The working results of the Corporation for the year ended June 30, 2021 as compared to the previous years are given as follows:

(Rs.in million)					
Description	2020-21	% Inc / (Dec)	2019-20	% Inc / (Dec)	2018-19
Interest income	480.149	(32.91)	715.633	75	409.318
Property income	263.799	12.17	235.181	9	216.566
Dividend income	141.094	11.15	126.938	(53)	269.181
Total income	885.042	(17.88)	1,077.75	20.41	895.065
Expenses	(270.917)	4.73	-258.681	(13.17)	(297.929)
Operating profit/(loss)	614.125	(25.02)	819.071	37.17	597.136
Other charges	(106.493)	1,173.23	(8.364)	(97.79)	(378.559)
Profit/(loss) before taxation	718.687	(12.32)	819.666	274.73	218.735
Taxation	(205.205)	(2.67)	(210.828)	(16.72)	(253.158)
Profit/(loss)after taxation	513.482	(15.66)	608.838	-	(34.423)

(Source: Annual Audited Accounts)

9.2.2.2 Total income decreases from Rs. 1,077.75 million in the year 2019-20 to Rs. 885.042 million in the year 2020-21, registering increase by 17.88 %. Major contribution in declining total income is fall of interest income which decreases from Rs. 715.633 in the year 2019-20 to Rs. 480.149 in the year 2020-21, registering decrease by 32.91%, which needed explanation.

9.2.2.3 Total expenses increases from Rs.258.681 million in the year 2019-20 to Rs. 270.917 million in the year 2020-21, registering increase by 4.73 %. Rising trend of Total expenses is caused by rising salary expense by 9.94% from Rs. 157.78 million in the year 2019-20 to Rs. 173.460 million in the year 2020-21, which needed justification.

9.2.2.4 Other charges increases from Rs.8.364 million in the year 2019-20 to Rs.106.493 million in the year 2020-21, registering increase by 1,173.23%.The alarming rising tendency of other charges is brought about by impairment of investment in subsidiaries and AHAN stock write off with Rs.104.37 million and Rs 0.977 million respectively in the year 2020-21. Increase in other charges along with heavy cost of impairment and AHAN stock write off which needed justification.

9.2.2.5 Profit / (loss) after taxation decreases from Rs. 608.838 million in the year 2019-20 to Rs. 513.482 million in the year 2020-21, registering decrease by 15.66%, which needed justification.

9.2.2.6 Current liability increases from Rs.373.44 million in the year 2019-20 to Rs.910.531 million in the year 2020-21, registering increase by 143.83%, which needed justification.

9.2.2.7 The current ratio is reflecting satisfactory level of 5.64 for the year 2020-21but it also highlights declining trend of current ratio as compare to preceding year. i.e. 14.1 in the year 2019-20, which needed explanation.

9.2.2.8 Debt ratio is 08% in the year 2020-21 as against 3.57% in the year 2019-20, reflecting rising obligation to asset pattern which needed to be explained, which needed explanation.

9.2.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1994-95	74	71	3	67, 69, 70	96%
1997-98	74	73	1	180	99%
1998-99	20	17	3	137,138,141	85%
2006-07	5	4	1	94	80%
2007-08	-				
2008-09	4	3	1	104	75%
2010-11	6	6			100%
2013-14	4	1	3	8.1.2.1, 8.1.2.2, 8.1.3	25%
2015-16	8	1	7	8.2.4.1, 8.2.2.1, 8.2.2.2, 8.2.2.3, 8.2.2.4, 8.2.3, 8.2.4.2	13%
2019-20	4	2	2	7.2.4.1, 7.2.4.2,	50%
Total	199	178	21		

The overall compliance of PAC directives needed improvement.

9.2.4 Audit Paras

9.2.4.1 Non-compliance of investment guidelines - Rs.4,963.570 million

Memorandum issued by Finance Division, Government of Pakistan dated 02 July 2013 States: Sr. No. 3 (b) “The process of selection of bank/(s) should be transparent. The selection of the bank/(s) as well as the terms of deposits will be approved by the concerned Board of Directors/Governing Body on the basis of competitive bids from at least three independent banks.” Sr. No. 3(e) “The working balance limit of each organization should be determined with the approval of the administrative ministry in consultation with Finance Division. The account of this working balance may be maintained in a current or savings bank account”.

During audit of Pakistan Industrial Development Corporation (PIDC), Karachi for the year 2020-21 it was observed that an amount of Rs. 4,963.579 million was invested in TDRs, T. Bills and COI’s in June 2021 but following lapses were noted in placing investment.

1. Non-Existence of Formal and approved Policy document of investment.
2. Non-availability of approval regarding working balance limit from administrative ministry of PIDC in concurrence with Finance Division.

3. Non-Existence of in-house professional treasury management functions as to streamline investment.
4. There is no mechanism for “Transactions above the approval authority of the IC will be subject to approval of the Board of Directors or an equivalent forum”.
5. PIDC has no any mechanism for “The Investment Committee (IC) should be assisted by an Investment Management Unit employing qualified staff with at least 3-5 years of experience of managing investment in debt/equity instruments”, as per Federal Govt. directives.
6. Non issuance of certificate from the Chief Executive Officer of PIDC regarding compliance of instructions in respect of working balance and surplus funds of PIDC.

Audit was of the view that placing fund without complying Federal Government directives rendered the investment irregular and unjustified.

The matter was reported to the management on May 6, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management informed that all the decisions relating to investments are made by the Board of Directors through a formal investment policy as per the provisions of companies and finance division memorandum therefore the specific guidelines for obtaining the ministry’s approval for determination of surplus will create contradictions. DAC directed to share the facts and get them verified from audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.2 Non-completion of project / construction in violation of terms & conditions of allotment - Rs.3,646.730 million

According to Terms and Conditions for construction at plot of land of Bin Qasim Industrial Park (BQIP) the project shall be completed in all respects and commissioned into operation within twenty four months from the date of execution of License Agreement. The project shall be deemed to be completed in terms of the above as and when NIP approves of work done and issues a Certificate of Completion in respect of the project to the allottee/occupant of the

allotted plot of land. Should project not be completed in 24 months and a certificate of completion is not granted, the License Agreement may at the discretion of NIP/PSM stand cancelled.

During audit of Pakistan Industrial Development Corporation (PIDC), Karachi, for the year 2020-21, it was observed that National Industrial Park allotted 171.447 acres of Land to six companies who could not even start construction activity despite expiry of 3-7 years. The detail of such allotment is as under:

BQIP-STATUS REPORT-As on June 3-,2021					
(Amount in Rs.)					
S #	Name of Allottee	Allotment Date	Plot Area (Acres)	Selling Price Per Acre	Total Sale Value
1	DE Automotive Pvt. Ltd.	21-Sep-15	3.27	13,500,000	44,145,000
2	Gasco Engineering Pvt. Ltd.	21-Sep-15	2	13,500,000	27,000,000
3	Central Ventilation System Pakistan Pvt. Ltd.	21-Sep-15	3.467	13,500,000	46,804,500
4	Lucky Motor Corporation Ltd.	17-May-19	5	36,000,000	180,000,000
5	Pinnacle Biotech Pvt. Ltd.	22-Mar-17	10	18,000,000	180,000,000
6	Master Auto Engineering SMC - Pvt. Ltd.	20-Dec-17	12	35,000,000	420,000,000
7	Master Auto Engineering SMC - Pvt. Ltd.	20-Apr-18	3	35,000,000	105,000,000
Total			171.447	271,500,000	3,646,729,500
<i>(Source: Pakistan Industrial Development Corporation)</i>					

Audit was of the view that non-initiation of construction activity on industrial plot of BQIP resulted in blocking the industrial land which was a serious concern for the success of BQIP project.

The matter was reported to the management on May 6, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. DAC directed the management to share the progress with audit and verify the facts. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.3 Irregular investment in excess of prescribed limit - Rs.1,894.870 million

Rule No. f (ii) of PIDC investment policy states that Surplus funds of Public Sector Enterprise can be invested in non-government securities/TFC/Shares up to the extent of 20% (lesser allowed) of the total funds under the management of the PSE while rest 80% (greater allowed) has to be invested in any of the following government securities which includes PIBs, TB and GoP Ijarah Sukuk.

During audit of Pakistan Industrial Development Company (PIDC) for the year 2020-21, it was observed that contrary to above, the management made investment of surplus fund in non-government securities in excess of 20% of total funds. The detail is hereunder:

(Amount in Rs.)		
Rule for Investment in Non-Govt. Securities	Short Term in Non-Government	Long Term in Non-Government
Investment required as per rule	992,715,000	2,612,323,000
Investment as per accounts (actual)	1,075,000,000	799,741,000
Excess Investment	82,285,000	1,812,582,000
Variation in Excess (%)	8.3%	60%
(Source: Pakistan Industrial Development Corporation)		

Audit was of the view that the management invested an amount of Rs. 1,894.870 million in violation of prescribed rule.

The matter was reported to the management in April, 2022. The management in its reply stated that the facts are not reconciled with financial statements. The reply was not tenable as investment was made beyond permissible limits.

Audit recommends that the management may bring the investment in accordance with the existing rules and strengthen the controls accordingly.

9.2.4.4 Non-recovery from allottees of industrial projects - Rs. 851.195 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Industrial Development Corporation (PIDC) Karachi, for the year 2020-21, it was observed that an amount of Rs. 851.195 million was outstanding against three (03) different industrial parks (Annex-86). The detail is hereunder:

Rs. in million)			
S#	Description	Number of parties	Amount
01	Bin Qasim Industrial Park	06	520.755
02	Rachna Industrial Park	11	227.19
03	Korangi Industrial Park	04	103.25
Total		21	851.195

(Source: Pakistan Industrial Development Corporation)

Audit was of the view that long outstanding dues against reported allottees reflected poor monitoring and control over financial affairs.

The matter was reported to the management on May 6, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management informed that: -

As regarding the outstanding amount from allottees of Bin Qasim Industrial Park all the amount as mentioned in the list has been recovered. DAC directed to verify recoveries from Audit.

As regarding the outstanding amount from allottees Rachna Industrial Park of the outstanding amount from all of the allottees as given in the list, except M/s Interwood Mobel (Pvt.) Ltd. is received. The reply was not tenable as outstanding amount including non-imposition of penalty on late payment exist. DAC directed to verify the recoveries and vigorously pursue the outstanding of Rs. 180 million from Ms. Interwood Mobel Pvt. Ltd.

As regarding the outstanding amount from allottees of Korangi Industrial Park, an amount of Rs. 20,049,000 is recovered leaving outstanding balance of Rs. 83,200,000. DAC directed to verify the recoveries and vigorously pursue the outstanding amounts.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.480, 310 & 315)

9.2.4.5 Loss due to non-receipt of shares. – Rs.789.074 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Industrial Development Corporation (PIDC), Karachi, for the year 2020-21, it was observed that the management paid advances against equity to its subsidiaries worth Rs.789.074 million but in return could not get due shares. Details are as under:-

			(Rs. in million)
S#	Name of Subsidiary	Advance against Equity released (2020-21)	Shares Not Received
1	Furniture Pakistan	1,045.33	717.55
2	Pakistan Hunting and sporting arms	281.61	39.92
3	Southern Punjab Embroidery Industries	26.604	26.604
4	Skilltech Centre, Karachi	5	5
Total		1,358.54	789.074

(Source: Pakistan Industrial Development Corporation)

Audit was of the view that due to non-receipt of due shares; the management should have replaced advance against equity to loan account to safeguard its claim against subsidiary assets and charge interest accordingly.

The matter was reported to the management on May 6, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management informed that they had been making efforts to receive the shares against outstanding amounts. Rs.722.55 million out of Rs.789.074 million has already been adjusted during the year 2021-22, leaving only Rs.66.500 million for which PIDC management is aggressively pursuing the issuance of shares. DAC directed to verify the facts in respect of non-receipt of equity shares. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.6 Abnormal delay in completion of projects – Rs.708.350 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Industrial Development Corporation (PIDC) Head Office Karachi, for the year 2020-21, it was observed that the management of PIDC Subsidiary-National Industrial Park started various industrial development projects at Korangi Creek Industrial Park in the year 2007. Despite lapse of 15 years, the project work was not completed. The details of pending works are as under:

S #	Description (s) of future commitments	Estimated cost (Rs)
1	ETP	495,000,000
2	Telecommunication	50,000,000
3	Contingencies	39,350,666
4	Admin Office, Fire Station and others	124,000,000
Total		708,350,666

(Source: Pakistan Industrial Development Corporation)

Audit was of the view that management failed to complete the planned development work at project sites which reflects non-completion of agreed work. Further, the factor of cost overrun against the estimated cost of future commitment could not be ruled out. Resultantly, heavy loss would be added against the KCIP project.

The matter was reported to the management on April 05, 2022. The irregularity was discussed in the DAC meeting held on June 23, 2022. DAC directed the management to get the record verified from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(Para no.4.4.5 of PAR of NIP 2018-19 & 2019-20)

9.2.4.7 Wasteful expenditure on Noshero Feroz Industrial Park - Rs. 439.110 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Industrial Development Corporation (PIDC) Head Office Karachi, for the year 2020-21, it was observed that the Project of Noshehro Feroz Industrial Park was commenced in August 2017 with project cost of Rs. 439.110 million. The record reveals some serious nature reservation regarding initiating project as reflected in the letter of Special Economic Zone Management Company-Sindh dated December 05,2019 as detailed below: -

- 1 The complete SEZ area is water logged, therefore seems not viable for industries.
- 2 High Tension Wire crossing the proposed location across the entire length of SEZ thereby not viable to construct industry under high tension wires
- 3 Right of way issue as a passage through the SEZ leads to village.
- 4 Location adjacent to a Housing Society, which may adversely impact the life of civil society due to possible noise and air pollution.
- 5 NOC from SEPA is not available.

Audit was of the view that the project of NFIP was initiated without having feasibility report and due assessment of ground realities with environmental issues which resulted in highlighting significant threat for project completion and its survival.

The matter was reported to the management on May 6, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management informed that the para is already reported in performance audit of NIP for financial year-2018-19 & 2019-20 as Para No.4.4.3. DAC convened on June 23, 2022 where DAC considered management response satisfactory and directed management to get NOCs from the Environmental Protection Agency and SEZMC. DAC directed to verify the Board's approval and share NOC from SEPA. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.8 Low returns from investment in property - Rs.371.135 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Industrial Development Company (PIDC), Karachi for the year 2020-21, it was observed that despite owing such lucrative properties rental revenue were not fruitful. Rental income was Rs. 263.799 million against the property valuing Rs. 9,074.224 million which was merely 2.91%. It had been seen that return from property was relatively lower than other return like, PIBs, TDRs etc. which was above 7%. Monetary element of difference in return was very huge worked as $(7\% - 2.91\%) \times 9074.224 \text{ million} = 371.135 \text{ million}$. It means PIDC had the opportunity to earn more revenue by Rs.371.135 million.

Audit was of the view that the management should rationalized rental revenue as per market rate against investments in property.

The matter was reported to the management on May 6, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management informed that they are currently conducting a survey to determine the market rentals to set the benchmark for the existing rental rates being charged to tenants. DAC directed to share market survey of rental rates along with actual. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.9 Poor monitoring and control of contractor work - Rs. 264.850 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Industrial Development Corporation (PIDC) Head Office Karachi, for the year 2020-21, it was observed that the construction contract of infrastructure and allied works (Phase-I) at Naushehro Feroz

Industrial Park was awarded to M/s Gul Construction. on July 27, 2017 with completion date of August 09, 2018. The work was commenced on August 10, 2017 but could not be completed despite expiry of 05 years. Further, negligence on the part of Contractor also came to the notice.

Audit was of the view that poor monitoring and control was evident on the part of management which resulted in delayed performance and eventually non completion of the project despite expiry of 05 years.

The matter was reported to the management on May 06, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management informed that project could not be completed not only due to contractor performance but some other factors like Land issues / encroachment of land, late receipt of construction drawings, long holidays, heavy rain, Covid 19 etc. DAC directed to initiate the inquiry & verify all actions taken by the management against contractor & consultant including recovery, blacklisting, monetary loss. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.10 Non-utilization of development budget – Rs. 196.670 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, the total cost of the project is Rs. 434 million which is proposed to be borne by PIDC.

During audit of Pakistan Industrial Development Corporation (PIDC), Karachi, for the year 2020-21, it was observed that an amount of Rs.196.670 million disbursed for establishing 132 KV grid station at BQIP but could not be utilized and resulted in zero progress on approved development project.

It appeared from the record that a project of 132 KV grid station at BQIP was approved in CDWP meeting 3rd to 09th June 2020. The commencement date of project was August 20, 2021 with completion date of August 19, 2023. An amount of Rs 300 million allocated in the Budget of 2020-21 where an amount of Rs 196.67 million disbursed for establishing the grid station. But management

remained unable to utilize a single penny for the development of Grid station and resultantly released amount is surrendered.

Audit was of the view that non-utilization of released development Budget reflected poor performance on the part of management which deprives the country from attaining timely and economic development.

The matter was reported to the management on May 6, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management informed that following the issuance of Administrative Approval, coordination with KE was initiated in order to finalize the Terms and Conditions of the Contract Agreement and to ensure the smooth execution of the project. Several meetings (virtual and physical) were held between NIP and KE but the contract terms and conditions were not finalized. Therefore, NIP surrendered funds amounting to Rs.196.67 million. DAC directed to verify the facts regarding the release and surrender of PSDP funding. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.11 Wasteful expenditure due to failure of sustainability initiative- Rs.134.510 million

TORs-Institutional Development Fund states that Institutional Support Fund, referred as “Fund” approved in the 117th meeting of Board of Directors of PIDC aims at providing financial assistance to its subsidiaries in order to make the, self-reliant and sustainable.

During audit of Pakistan Industrial Development Corporation (PIDC) Head Office Karachi, for the year 2020-21, it was observed that the management created institutional support fund of Rs. 500 million to make its five subsidiaries sustainable but could not attain sustainability of any single project. The details are as follows:

(Rs. in million)			
S#	Name of subsidiary	Approved amount	Released amount
1	Aik Hunar Aik Nagar	67.50	33.49
2	Peshawar Gunsmith Skill Development Center	148.32	24.83
3	Technological Up-Gradation & Skill	120.32	24.83

	Development Company		
4	Pakistan Stone Development Company	100	07
5	Development Projects of Gems & Jewellery Development company	52.29	44.36
Total		488.43	134.51
<i>(Source: Pakistan Industrial Development Corporation)</i>			

Audit was of the view that the management initiative to make its subsidiaries sustainable and self-reliant could not be executed in productive manner which resulted in wasteful expenditure of Rs.134.51 million along with closure of subsidiary's own existence.

The matter was reported to the management on May 06, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management informed that in pursuance to the objectives of industrialization and sector development, PIDC released funds to various subsidiaries against equity. The funds were disbursed in accordance with their approved business plan and financial requirements but subsequently the subsidiary companies did not show any progress on the plan. DAC directed the management to verify due diligence & process, Approved Business Plan, BoD approval, Performance of work and current sustainability status from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.12 Non-operational water tank – Rs. 95.448 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi, for the year 2020-21, it was observed that an underground water tank was non-operational since its construction at cost of Rs.95.448 million at Bin Qasim Industrial Park. The work was started at site on 28th April, 2014, and completed on 31st January, 2016.

Audit was of the view that non-operationalization of water tank despite a lapse of period of 06 years reflects poor planning, execution and monitoring on

the part of management which resulted in wasteful expenditure of Rs.95.448 million.

The matter was reported to the management on April 05, 2022. The irregularity was discussed in the DAC meeting held on June 23, 2022. DAC directed the management to operationalize the water tank and to get the record verified from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(Para No.4.3.3 of PAR of NIP 2018-19 & 2019-20)

9.2.4.13 Cost overrun at Bin Qasim Industrial Park Phase-II – Rs. 58.194 million

As per Rule 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2017, the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. He is responsible for 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.

During audit of Pakistan Industrial Development Corporation (PIDC) Karachi, for the year 2020-21, it was observed that the management's subsidiary, National Industrial Park, awarded a contract to M/s Kazi Nisar Ahmed & Shangrilla for construction of main roads, culverts, surface drainage system, street lights & allied works at BQIP. The contract was awarded on 26th April, 2019 and initial date of completion was 28th October, 2019 which was further extended up to 28th December, 2021. The detail of the contract amount is under:

(Amount in Rs.)				
S#	Estimated Cost	Actual cost	Cost overrun	In terms of percentage
1	494,786,277.75	552,980,516	58,194,239	11%

(Source: Pakistan Industrial Development Corporation)

Audit was of the view that poor execution, monitoring and control resulted in extra financial burden of Rs.58.194 million.

The matter was reported to the management on May 6, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management in its reply dated October 07, 2022 stated that the DAC convened on June 23, 2022 to discuss the performance audit report of NIP (Now PIDC) and directed the management that to get verify the record from audit. DAC directed the management to verify the facts from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.14 Undue favour granted to Consultant at Bin Qasim Industrial Park - Rs. 44.916 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Industrial Development Corporation (PIDC) Karachi, for the years 2020-21, it was observed that a contract of consultancy Services for Infrastructure Development Works (Phase-II) of Bin Qasim Industrial Project was awarded to M/s Zaheeruddin Consultants (Pvt.) Limited at a cost of Rs.44.916 million but the services of consultant was substandard and poor.

Audit was of the view that despite non-compliance of agreed standard terms by the contractor, management granted undue favour and avoided due action which resulted in non-completion of mega project despite elapsing 05 years as well as poor supply of services for the completed work.

The matter was reported to the management on May 06, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management informed that in 73rd Board of Directors meeting on June 11, 2021, PIDC management informed the board of directors about the serious issues encountered by M/s ZCL. According to the Board's directives, M/s ZCL's contract was not extended beyond June 28, 2021, and a new Consultant firm was hired to complete the remaining project work. DAC directed the management to

initiate the inquiry at Ministry level. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.15 Loss on account of imprudent investment - Rs. 39.090 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Industrial Development Corporation (PIDC) Head Office Karachi, for the year 2020-21, it was observed that the management made an investment in quoted companies but not receiving due rerun or dividend for last 05 years. Non-receipt of dividend renders the investment as imprudent.

(Amount in Rs.)			
S#	Organization	Cost of investment	Dividend in last 05 years
1	Crescent Jute Product Limited	4,892,000	NIL
2	Sui Southern Gas Company Ltd	31,316,000	NIL
3	Saleem Sugar Mills	2,885,000	NIL
Total		39,093,000	NIL

(Source: Pakistan Industrial Development Corporation)

The detail of imprudent investment is as under:

Audit was of the view that management could not exercise due diligence and professionalism in placing and holding investment in quoted company which resulted in non-receipt of dividend to the corporation.

The matter was reported to the management on April 30, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management informed that PIDC has held all of the listed securities for many years. Further, the Government of Pakistan holds majority shares in many listed firms as a strategic investment; selling the shares would result in the loss of management control over these listed companies. Hence PIDC is not authorized to dispose of these shares without the approval of the Federal Govt. DAC

directed the management to place the matter before Board. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.16 Irregular/unjustified reorganization of staff - Rs. 33.786 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Industrial Development Corporation (PIDC) Karachi, for the year 2020-21, it was observed that the management decided to reorganize the available strength of officers / officials. For rationalization/ downsizing of staff, management asked from each section to provide required manpower. Here, the Management ignored the assessment of staff based on qualification, ACRs, experience and necessary expertise to perform duty but allowed the section in-charges to choose / pick staff of their choice. Moreover, management selected 41 numbers of the officers / officials and asked for voluntarily resignations with package of golden handshake / Ex-Gratia along with normal dues. In normal due course, the employees are allowed to choose for a golden hand shake. Further, it was revealed that officials / officers who did not opt option of early retirement, management created a pool and declared them on special assignment. Some of them were near to retire. The management has put them as idle and not utilizing the human resources and paying regular salaries and benefits for Rs.33.786 million (Annex-87).

Audit was of the view that management did not exercise due diligence to reorganize the required staff and placing them as idle was highly unjustified despite the fact that they were drawing salaries. This also showed nepotism and favoritism.

The matter was reported to the management on May 06, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management informed that the CBA Union has filed an application with NIRC which has issued notices to Company's management to maintain status quo and stop any corrosive action against employees until final decision. DAC directed to

pend the para and directed the management to provide justification regarding re-organization of staff to Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.17 Submission of fake bank guarantee by consultant and contractor – Rs. 26.480 million

According to Clause 16.1 of Integrity Pact, if the Contractor, or any of his Sub-Contractors, agents or servants is found to have violated or involved in violation of the Integrity Pact signed by the Contractor as Schedule-F to his Bid, then the Employer shall be entitled to:

(a) recover from the Contractor an amount equivalent to ten times the sum of any commission, gratification, bribe, finder's fee or kickback given by the Contractor or any of his Sub-Contractors, agents or servants; (b) terminate the Contract; and (c) recover from the Contractor any loss or damage to the Employer as a result of such termination or of any other corrupt business practices of the Contractor or any of his Sub-Contractors, agents or servants.

During audit of Pakistan Industrial Development Corporation (PIDC) Karachi, for the years 2020-21, it was observed that the management's subsidiary National Industrial Park & Management Company could not exercise its power under the integrity pact to recover loss or damage suffered by company as a result of termination of contract on account of fraudulent act of Contractor and consultant of NFIP Project. The construction contract of infrastructure and allied works (Phase-I) at Naushero Feroz Industrial Park was awarded to M/s Gul Construction with commencement date August 10, 2017. The performance and mobilization guarantees submitted by the contractor, for NFIP work were expired and required to be validated for completion of remaining work. In this regard, the contractor submitted Bank Guarantee for performance security amounting Rs 26,484,746 from Bank of Khyber dated 04-09-2020. The guarantee was got verified by the consultant vide their letter dated Oct 12, 2020 which later proved fake. This guarantee was also verified by NIP.

Audit was of the view that the consultant in association with contractor had submitted false verification of Bank Guarantee which was a serious fraud.

Therefore, besides, terminating contracts of consultant and contractor, recover the loss from consultant and contractor.

The matter was reported to the management on May 06, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management in its reply dated Oct 7, 2022 stated that the para is already reported in performance audit report of NIP for financial year-2018-19 & 2019-20. The DAC convened on June 23, 2022 directed the management to get the facts verified from Audit and with direction that it must be ensured that the contractor must not be awarded any work in future. DAC directed the management to verify the facts from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.18 Loss due to investments on lower rates - Rs.23.118 million

According to the investment policy “investment in equities should be restricted to only those companies where expected dividend yield is at least 8% per annum”.

During audit of Pakistan Industrial Development Company (PIDC), Karachi for the year 2020-21, it was observed that average investments in Term Deposit Certificates remained amounting to Rs.2 to 2.5 billion during the year. During the year 2020-21, interest rates were drastically changed from 13% during Jan-May to 7% in June-Dec. Due to very Short term maturity period PIDC could not benefited the higher rates prevailing in previous periods. Below is the effect of investments at lower rates.

(Rs. in million)				
Bank Name	Investment Amount	Interest Rate of Last Investment	Applied Interest Rate	Loss due to less holding period
Soneri Bank	275	10.80%	6.35%	6.118
National Bank	500	13.70%	6.90%	17.00
Total				23.118

(Source: Pakistan Industrial Development Corporation)

One-year rate of return was higher and investments made for one year during the same period could have fetched Rs.23.118 million more.

Audit was of the view that despite clarity of reduction in interest rates during April-June 2020, management went on investing for shorter periods and reinvest the same amounts at lesser rates.

The matter was reported to the management on May 6, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management stated in its reply that when the above investments were made, the KIBOR was lower due to the economic slowdown caused by COVID-19. DAC directed the management to verify the facts from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.19 Excess expenditure on non-operational business venture - Rs.21.625 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Industrial Development Company (PIDC), Karachi for the year 2020-21, it was observed that associate company named Furniture Pakistan Pvt. Ltd. has not been operational since its inception i.e., 2015. PIDC is regularly paying its expenses on account of non-operational project, during the current year PIDC has paid Rs.21.625 million.

Audit was of the view that paying expenditures on sick and non-operational units was a question mark on the management's ability to complete executed projects into successful and profitable industrial units. This was also against the moto of PIDC that their projects are not operationalized.

The matter was reported to the management on May 06, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management informed that M/s Furniture Pakistan began its operational activities, i.e. common facility services, manufacturing, and trainings, in 2015-2016. DAC directed to share the revival plan and operational performance of Furniture Pakistan. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.20 Non-revision of sale price of land at KCIP – Rs. 19.080 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Industrial Development Corporation (PIDC) Head Office Karachi, for the year 2020-21, it was observed that due to non-revision of selling price per acre from 2010 to 2011, the management could not

recover an amount of Rs.19.080 million which reflected loss of potential income. The detail of allotment and potential loss of revenue is as follows:

(Amount in Rs.)					
S#	Customer Name	Date of Allotment	Plot Area (Acres)	Selling Price Per Acre	Total Sale Value
1	Mulla Ebrahimji Karimbhoy	3-Aug-11	0.473	24,500,000	11,588,500
2	Al-Rehman Lubricants (Pvt.) Ltd.	3-Aug-11	0.473	24,500,000	11,588,500
3	MAL Pakistan Ltd	3-Aug-11	3.937	24,500,000	96,456,500
4	Palpex Pharma	3-Aug-11	0.515	24,500,000	12,617,500
5	Mediplas Innovations Pvt Ltd	1-Jul-11	1.042	24,500,000	25,529,000
6	So-Safe Water Technologies	1-Jul-11	0.857	24,500,000	20,996,500
7	AQMAR Pharma	3-Aug-11	0.494	24,500,000	12,103,000
	Total		7.791		190,879,500
Revenue Loss		190,879,500 X 10%			19,087,950
(Source: Pakistan Industrial Development Corporation)					

Audit was of the view that due non-revision of per acre price of the land on time, non-realization of revenue was evident to the extent of Rs.19.080 million which reflected slackness on the part of management.

The matter was reported to the management on May 6, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management informed that primary objective of PIDC is to promote industrialization. Therefore, land in its projects (i.e. industrial parks/estates) is sold on subsidized rate as planned and approved by all the stakeholders. DAC directed to share approved rates and get the facts verified from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.21 Release of payment without valid bank guarantee- Rs. 10.820 million

Letter of award Condition Point 3-b states that the contractor is bound to submit Performance security, 10% of contract price against a bank guarantee from a schedule bank of Pakistan.

During audit of Pakistan Industrial Development Corporation (PIDC) Karachi, for the years 2020-21, it was observed that the management's subsidiary

National Industrial Park & Management Company released an amount of Rs. 10.820 million to the contractor in the absence of valid Bank Guarantee. The construction contract of infrastructure and allied works (Phase-I) at Naushehro Feroz Industrial Park was awarded to M/s Gul Construction. The management granted favour and released an amount of Rs 10.280 million in the absence of valid performance Guarantee. The details of irregular payment are as follows:

(Amount in Rs.)							
Date	IPC No	Cheque#	Amount Paid	Date	IPC No	Cheque#	Amount Paid
29.11.2018	5	41	4,000,000	17.12.2018	5	46	2,820,173
6/12/2018	5	44	4,000,000		Total		10,820,173

(Source: Pakistan Industrial Development Corporation)

Audit was of the view that the release of payment in the absence of valid Bank Guarantee reflected undue favour to the contractor and exposed the company to potential loss.

The matter was reported to the management on May 06, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management informed that IPC No. 5 submitted by the contractor on 15 October 2018 was not released by NIP management due to the lack of a valid bank guarantee. Contractor requested the release of IPC No. 5, but it was not granted, so NIP management decided to approach Consultant M/s Arch Vision for the submission of a valid bank guarantee from the contractor. IPC No. 5 was released following the contractor's assurance/s. DAC directed to verify management's contention that bank guarantee was valid at the time of bill processing. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.22 Unjustified expenditure on consultancy contract – Rs. 8.200 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Industrial Development Corporation (PIDC) Karachi, for the years 2020-21, it was observed that the management's subsidiary

National Industrial Park & Management Company Re-award the consultancy contract of NFIP Project which resulted in bearing excess expenditure of Rs.8.200 million. It appeared from the record that the consultancy contract of infrastructure and allied works (Phase-I) at Naushehro Feroz Industrial Park was awarded to M/s Arch Vision Consulting Engineers Environmental & Architects at contractual cost of Rs 14.35 million. The management terminated the service contract of M/s Arch Vision due to verifying fake guarantee of contractor. M/s Arch Vision got Rs 10.37 million for the completed work. After termination of M/s ARCH vision, the services of Asian Consulting Engineers (Pvt.) Ltd were hired at cost of Rs 12.19 million resulting in excess cost amounting to Rs. 8.198 million.

Audit was of the view that bearing extra expenditure for left over work was unjustified and irregular.

The matter was reported to the management on May 06, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management in its reply dated Oct 07, 2022 stated that the para is already reported in performance audit of NIP for financial year-2018-19 & 2019-20. The DAC held on June 23, 2022 directed the management to get verified the extra work and additional cost from audit. DAC directed to verify the payments along with scope of work. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.23 Loss due to renting out the premises at lower rates - Rs. 7.720 million

According to Section 8 (1) (a) of the Sind Rented Premises Ordinance, 1979 states that the Controller shall on application by the tenant or landlord determine fair rent of the premises after taking into consideration that the rent of similar premises situated in the similar circumstances, in the same or adjoining locality.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2020-21, it was observed that the management rented out its premises at PIDC Building at lesser rates to the companies as compared to other tenants

which resulted into a loss of Rs.7.720 million to the Corporation every year. It is relevant to mention that management has rented the rentable property on higher rate per sq. ft. as compared to other tenants on same floor. Further, there is huge difference of rate among the tenants (Annex-88).

Audit was of the view that the management did not charge rates against the tenants as per market rate and rather charged less as compared to other tenants at same floor of building which resulted into a loss of Rs.7.720 million to the Corporation.

The matter was reported to the management on May 6, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management informed that they are charging rent on historical basis in different cases with standard rise. DAC directed to verify existing rent of PIDC tenants as per market. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.24 Irregular procurement of vehicles during ban period – Rs. 7.043 million

According to the Finance Division (Expenditure Wing) office memo No.F.7(1) Exp-IV/2016-540 dated 26th July, 2017 states that “there will be complete ban on purchase of all types of vehicles both for current as well as development expenditure except operational vehicles of law enforcing agencies for which NOC from Finance Division would be required.

During audit of Pakistan Industrial Development Corporation (PIDC), Karachi, for the year 2020-21, it was observed that the management purchased two vehicles without observing directives of the Finance Division (Expenditure Wing) for Austerity Measures. The details are as under:

(Amount in Rs.)			
S#	Vehicle Description	Registration#	Amount
1.	Toyota Yaris Super white	GPB-118	2,801,050
2.	Honda Civic Lunar Silver	GAH-777	4,241,600
Total			7,042,650
<i>(Source: Pakistan Industrial Development Corporation)</i>			

Audit was of view that procurement of vehicles tantamount to a gross violation of the Finance Division order. Thus, the procured vehicles amounting to Rs. 7.043 million were held irregular / unjustified.

The matter was reported to the management on May 6, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management informed that the Board had approved the purchase of vehicles. The reply of the management was not tenable that the company purchases vehicles from self-generated resources. The Government owns the company and has invested ample amount of capital as investment. The funds for setting up the venture allow raising questions as to why public money is wasted. Further, it has been observed that the company has formulated a buy back policy for vehicles which allows the employee to purchase the vehicle under use at residual price. This practice initiates purchasing vehicles for handing over to employees on annual basis. DAC directed the management to verify the facts from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.25 Wasteful expenditure on procurement of water pumps – Rs. 7.000 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Industrial Development Corporation (PIDC) Head Office Karachi, for the year 2020-21, it was revealed that two water suction pumps having capacity of the 100 HP were kept un-operational at KCIP site. The same pumps were procured in the year 2007.

Audit was of the view that management utilized the fund of Rs.7.000 million for procuring two heavy suction water pumps but was lying idle at the sites without usage.

The matter was reported to the management on April 05, 2022. The irregularity was discussed in the DAC meeting held on June 23, 2022. DAC

directed the management to initiate internal inquiry and fix the responsibility. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(Para no.4.4.1 of PAR of NIP 2018-19 & 2019-20)

9.2.4.26 Irregular appointment & payment of pay and allowances to Chief Executive Officer - Rs.5.818 million

The advertisement detailing the vacant position of C.E.O at P.I.D.C states that “the candidate must have minimum experience of at-least 15 years at senior most management position, in a reputable large company/organization, having expertise in any of the following fields: Industrialization, Industrial Policy Management, Industrial Finance, Industrial Estates Development & Management, Public Finance Management.”

Finance Division’s O.M No 3(2)R-4/2011 dated 13-12-2016 “Revision of Management Position Scales (MP-I, MP-II, MP-III)” has provided the basis for salary structure of Management Pay Scales and Establishment Division O.M No. 1/3/2020/E-6 dated 16.09.2020 has clarified the initial recruitment process, contract extension, other miscellaneous policies along with performance evaluation and equivalency in Basic Pay Scales.

The Finance Division Letter No. F.3 (2)R-4/2011 dated 12th July 2017 approved the revision in salary package with break-ups of pay, house rent and utilities along with minimum, maximum and increment. The package entails Rs 33,000 per year to be effectively implemented till date.

During audit of Pakistan Industrial Development Corporation (PIDC) Karachi, for the year 2020-21, it was observed that:

1. The Chief Executive Officer (CEO) was appointed irregularly as he had nine months experience in NIP and six years’ experience in Estate Marketing of Railways. The rest of his services rendered were in the areas of sales and marketing.
2. After the initial recruitment process, the CEO PIDC was offered the same terms and conditions of pay and allowances as admissible in NIP. A Chief

Executive Officer appointment in a Public Sector Organization is bound by the rules stated by the Finance Division and Establishment Division and could not carry his previous employment terms and conditions. Further, the advertisement for the post had explicitly stated that “PIDC offers a congenial professional environment and an excellent remuneration package in MP-I scale along with allied perquisites/facilities”. Further, the management of PIDC had paid total pay and allowance amounting to Rs. 18,405,000 during the period from January 2020 to June 2021 as against entitled of Rs. 12,586,500 (Maximum pay of MP1). Thus an excess amount of Rs. 5,818,500 was paid to him which is irregular and unjustified.

Audit was of the view that the appointment of CEO on terms and conditions hired by NIP and then in PIDC were irregular and had caused huge loss of Rs. 5.818 million to the national exchequer as the salary package was very high (comparison of the pay allowances is attached at Annex-89). Besides, CEO did not have the required experience in the field of management and industrialization in policy management, finance and estate development and public finance management as mentioned in the advertisement. Hence, the appointment & payment of CEO was irregular and unjustified.

The matter was reported to the management on May 6, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management informed that:

1. The incumbent has various experiences in other institutes or entities. DAC directed to share the details with Audit.
2. Board of Directors is the competent authority to negotiate and fix the salary and other benefits of the Chief Executives of Public Sector companies while keeping in view the market value and credentials of the successful candidate. Therefore, the MP scale mentioned in this case was only indicative and could not be legally applied. DAC directed the management to get the facts verified from Audit.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.27 Unjustified expenditure on travelling and hotel accommodation of the Board members - Rs. 2.077 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Industrial Development Corporation (PIDC) Karachi, for the year 2020-21, it was observed that the management had incurred an expenditure of Rs.2.077 million on the Board members' travelling and accommodation, besides, paying them fee for attending the Board's meetings.

Audit was of the view that expenditure of Rs.2.077 million incurred in lieu of hotel accommodation and travelling on Board members was irregular as the Board members were separately paid fees for attending the Board meetings.

The matter was reported to the management on May 6, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management replied that the hotel accommodation and travel expenses are approved by Board and are compulsory to Board meetings. DAC directed the management to verify the facts from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.28 Loss due to theft incidents - Rs.1.751 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Industrial Development Corporation (PIDC) Head Office Karachi, for the year 2020-21, it was observed that a loss of Rs.1.751 million occurred due to theft of electricity wire at Rachna Industrial Park. It is apparent from the record that a PIDC project in the name of Rachna Industrial Park is under execution at Shaikhupura through PIDC Subsidiary-

National Industrial Park. At the location of the project, an incident occurred which involves theft of electricity wires measuring 3000 meters from 15 poles of under construction 3MW transmission line of Rachna Industrial Park. The incident resulted in bearing loss of Rs. 1.751 million.

Audit was of the view that despite having services of hired security service agency at Rachna Project, reported theft incidents reflected poor monitoring and control and raised concerns about the security measures at the project for safeguard of projects assets.

The matter was reported to the management on May 6, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management in its reply dated Oct 07, 2022 stated that an amount of Rs. 1,203,904/- was deducted from the invoices of M/s. Safety and Security Services Pvt. Ltd. (security service provider) to make good the loss incurred. DAC directed the management to get the facts verified from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.29 Non-completion of sub lease requirements in KCIP Project

According to Terms and Conditions for plot of land at Korangi Creek Industrial Park, Clause 8.6, “On execution of the Sub-lease deed, 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, “In the event of any delay in any payment, a late payment surcharge @ 2 % per month shall be payable by the Allottee to NIP or its Estate Management Company on the unpaid due amount.

During audit of Pakistan Industrial Development Corporation (PIDC), Karachi, for the year 2020-21, it was observed that NIP in Korangi Creek Industrial Park sold out 126.92 acres of land to the industrialist/ allottees against total saleable area of 138 acres. The sale was executed to 126 customers during 2010 to 2021 but the management of NIP could not recover Annual Ground Rent from allottees due to non-completion of Sub Lease formalities.

Audit was of the view that non-completion of Sub Lease formalities against each allottee reflected slackness and poor management of business affairs which deprived the company from earning potential Revenue.

The matter was reported to the management on May 6, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management informed that mere execution of License Agreement doesn't qualify an allottee to execute the Sub-Lease deed with PIDC. Commencement of commercial operation after completion of construction is mandatory. DAC directed the management to get the facts verified from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.30 Irregular change of pay structure without approval / concurrence of Finance Division

Finance Division (Regulation Wing)'s letter No, F.4 (2) R-4/05 dated Aug.13, 2005 clearly directed that the public sector corporations shall make the revision in the existing pay scales and allowances of the employees with the concurrence of Finance Division after recommendation by the respective Board of Directors.

During audit of Pakistan Industrial Development Corporation (PIDC), Karachi, for the year 2020-21, it was observed that the salary structure was revised from the existing pay structure of Basic Pay Scale (BPS) admissible and run in Government organizations to the new pay scales which include basic pay, house rent and utilities. The allowances in the form of ad-hoc and others were discontinued. The BPS Scale includes an amount of increment for next stage whereas the scales in P.I.D.C's increments are determined on performances evaluation which is entirely dependent on the judgment of appraisers.

The new pay scale namely the simplified pay structure has been taken the components from the previous scale and the appraisal remarks have determined the new increment percentage. The pay structure revision exercise which has been done in P.I.D.C is for every individual employee and does not carry uniformity or a rule which becomes a guideline for future appointments and employees of the same position. Every employee revised salary is a separate case

and is shown in their personal files. This showed biasness, prejudice and nepotism on part of management to favoring some and having unjust behavior for some. The pay structure after revision had been implemented into the Corporation but still not approved from the Ministry.

Audit was of the view that the salary could not be approved and disbursed in the corporations without the concurrence of the Ministry of Finance.

The matter was reported to the management on May 6, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management replied that a representative from MO Finance and Industries and Production serve on the Board and decisions are made unanimously with the consent of Govt. of Pakistan representatives. DAC directed to seek opinion from Finance Division and share with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.31 Irregular payment of Voluntary Separation Scheme (VSS)

The post of Chief Executive Post is a tenure post and the person acquiring this post could not avail Voluntary Separation Scheme (VSS). VSS is a scheme meant for employees holding permanent charge in a company and is voluntarily leaving the job before reaching superannuation.

The Ministry had appointed Mr. Abdul Bari Khan General Manager (F/A)/Company Secretary, as Chief Executive Officer of PIDC with effect from January 06, 2005 until further orders.

During audit of Pakistan Industrial Development Corporation (PIDC), Karachi for the year 2020-21, it was observed that the incumbent continued to work as CEO PIDC till September 2009, wherein an order dated 30th September 2009 "Release from Service" stated that the Prime Minister has not approved the Ministry's proposal for grant of extension in the tenure of posting as Chief Executive Officer, Pakistan Industrial Corporation Pakistan from 07-01-2008 until your date of superannuation i.e., 11-05-2011. The two letters clearly state that the incumbent's post was approved from the ministry and termed as a contractual post where tenures were extended. Further, the record revealed that the after the ministry's decision, the incumbent decided to be relieved from

service with immediate effect on September 29th. He had however, already given a resignation letter in April 2009. The previous letter was approved but put on hold due to many important issues. The Voluntary Separation Scheme (VSS) was effective from March 2001 till May 2001 under the signature of the incumbent himself.

Audit was of the view that the incumbent had illegally opted VSS and the payment was by all means irregular due to the following reasons:

- The letter from Ministry had stated that the extension in tenure could not be granted from 7th January 2008. The period from January 2008 to September 2009 for the post of CEO is irregular.
- The incumbent had applied for release under VSS on 13th April 2009 as a back-up so his age would not extend beyond 58 years. But he left his service in September 2009 at the age of 58 years and 4 months.
- VSS scheme was not effective in 2009 and could not be used for calculating the VSS amount. The matter was reported to the management on May 6, 2022. The management replied that the Board Audit Committee has taken actions to resolve the matter but could not ascertain the possibility of recovery as the matter is quite old.

The matter was reported to the management on May 6, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. DAC directed the management to verify recoveries from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.2.4.32 Not changing of Chairman and Board of Directors since 2014

According to Clause 3 (A) (1) of Public Sector Companies (Corporate Governance) Rules, 2013, Terms of Office and Removal of Directors, (1) A director, once appointed or elected under section 161 or section 159 of the Ordinance, shall hold office for a period of three years, unless he resigns or is removed in accordance with the provisions of the Ordinance.

During audit of Pakistan Industrial Development Corporation (PIDC) Karachi, for the year 2020-21, it was observed that the recent composition of the

Board of Directors (BoD) for Pakistan Industrial Development Corporation (PIDC) was made on 22nd May, 2014. Since then, the same Board of Directors (BoD) were working for the company which was clear violation of the Public Sector Companies (Corporate Governance) Rules, 2013 (3A). Term of office and removal of Directors.

Audit was of the view that the same Corporation's Board was working since 2014 who had the same composition of Non-Executive Directors since the last eight years. Their work policies were all redundant and the team needed to be renewed.

The matter was reported to the management on May 06, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. The management informed that the members can continue to hold office until the nominating body removes them. DAC directed to share the progress with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.3 Pakistan Institute of Management

9.3.1 Introduction

Pakistan Institute of the Management (PIM) was established in 1954 by Pakistan Industrial Development Corporation (PIDC) under the Ministry of Industries, Government of Pakistan. In Dec 1975, it was transferred to the Ministry of Industries and Production, Government of Pakistan and subsequently through SRO dated Nov 15th, 1976 an autonomous Board of Governors was constituted to promote management development in the country. Its primary mission is to serve the growing and complex need of organizational managers to achieve managerial excellence. Toward this end, PIM seeks to contribute to the enhancement of the managerial skills through training consultancy and research.

9.3.2 Comments on Audited Accounts

9.3.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 2012-13 to 2021-22 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2012-13 to 2021-22 be provided immediately and timely finalization be ensured in future, besides, fixing responsibility for non-finalization of annual audited accounts (**Annex-2**).

9.3.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% of compliance
2009-10	8	-	8	Annex-I Item-09, 94, 94.1, 94.2, 94.3, 94.4, 95, 96	-
2010-11	-				
2013-14	7	4	3	8.6.2.1, 8.6.3, 8.6.4.1	57%
2015-16	3	2	1	8.8.2.1	67%
Total	18	6	12		

The overall compliance of PAC directives was satisfactory.

9.3.4 Audit Paras

9.3.4.1 Non-deposit of funds in Gratuity Fund Account - Rs. 141.181 million

According to Clause 218 of Companies Act, 2017 Employees' provident funds, contributory retirement funds and securities deposited with a company by its employees in pursuance of their contracts of service with the company shall be kept or deposited by the company within fifteen days from the date of deposit in a special account to be opened by the company for the purpose in a scheduled bank or in the National Saving Scheme.

During audit of Pakistan Institute of Management (PIM) for the year 2020-21, it was observed that the management has made provision for gratuity to Employees as per detail given below:

Qualifying Service	Rate of Gratuity
05 to 10 Years	One Month's Basic Salary for the completed year of Service
10 to 15 Years	One & Half Month's Basic Salary for the completed year of Service
15 Years and above	Two Month's Basic Salary for the completed year of Service

Provision for the total accrued liability for gratuity is made in the accounts amounting to Rs. 141.181 million up to June 30, 2020.

Audit was of the view that the management had not deposited the Gratuity in Gratuity Fund Account, which was required to be maintained separately.

The matter was reported to the management in March, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. The management informed that due to shortage of funds the amount was not deposited. DAC pended the Para till clearance of liability. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.3.4.2 Loss of revenue due to non-achievement of targets - Rs. 121.790 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of a public sector company for its procedures in financial and other matters, subject to

the oversight and direction of the Board, with the ordinance, responsibilities of CEO include implementation of strategies and policies approved by the Board, making appropriate arrangement to ensure that funds and resources properly safeguard and used economically, efficiently and in advance with all statutory obligations.

During audit of Pakistan Institute of Management (PIM) for the year 2020-21, it was observed that the management planned to conduct 577 trainings / courses out of which only 140 courses were scheduled and remaining 437 courses were cancelled. Furthermore, the management also targeted to train 8,076 trainees, however only 1,588 trainees got trained in the scheduled courses. The target revenue was estimated at Rs.160.320 million, out of which target of Rs.38.530 million was achieved, leaving a short fall of revenue amounting to Rs.121.79 million. It has been further been observed that courses wise training cost / record has not been maintained, thus, the feasibility and the breakeven analysis of training courses could not be determined.

Audit was of the view that non-achievement of targets regarding courses and trainees reflected inefficiency and negligence on the part of management.

The matter was reported to the management in March, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. The management informed that targets in respect of morning schedule could not be achieved due to Covid situation. DAC directed the management for provision of following record to audit for verification:

- i. Training Schedule
- ii. Achievement made w.r.t. COVID impact.
- iii. Comparison of training with last year.
- iv. Overall achievements against the set targets.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.3.4.3 Non-recovery from various parties - Rs. 11.586 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Institute of Management (PIM) for the year 2020-21, it was observed that an amount of Rs.11,586,580 was recoverable from different parties as on June 30, 2021 as detailed below:

(Amount in Rs.)		
S#	Name of Party	Amount
1.	Asian Continental (Pvt.) Ltd	27,000
2.	Artistic Milliners (Pvt.) Ltd	32,400
3.	Adamjee Dura Built (Pvt.) Ltd	21,000
4.	Brainchild Communication (Pvt.) Ltd	39,000
5.	Captain & Company	49,000
6.	Enar Petroleum Refining facility	42,000
7.	FESF H (Ltd)	179,200
8.	Hi-Tech Lubricants Ltd	212,250
9.	International Steels Limited	60,000
10.	Institute of Chartered Accountant of Pakistan	105,000
11.	Ignite National Technology Fund	21,000
12.	Infrastructure Development Authority of Punjab	42,000
13.	International Zusammenarbeit (GIZ) GMBH	21,000
14.	JS Bank	10,736,000
Total		11,586,580
<i>(Source: Pakistan Institute of Management)</i>		

Audit was of the view that non-recovery of Rs.11.586 million showed negligence on the part of management.

The matter was reported to the management in March, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. The management informed that the amounts have been recovered. DAC directed the management for provision of following record to audit for verification:

- i. Bank Statements.
- ii. Copies of cheques along with deposit slip.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.3.4.4 Non-adjustment of advances against expenses - Rs. 1.294 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of a public sector company for its procedures in financial and other matters, subject to the oversight and direction of the Board, with the ordinance, responsibilities of CEO include implementation of strategies and policies approved by the Board, making appropriate arrangement to ensure that funds and resources properly safeguard and used economically, efficiently and in advance with all statutory obligations.

During audit of Pakistan Institute of Management (PIM) for the year 2020-21, it was observed that advances of Rs. 1,294,169 were outstanding against the various parties as on June 30, 2021 which were not adjusted / recovered.

Audit was of the view that the management failed to make serious efforts to adjust / recover the outstanding amount which reflected inefficiency and weak financial management.

The matter was reported to the management in March, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. The management apprised that adjustment of advances had already been made. DAC directed the management to provide detail of adjustments to Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.3.4.5 Non-finalization of annual accounts

According to Section 233 of the Companies Act 2017, the company should finalize its annual accounts within four months after closing date of accounts for the year. These accounts were to be provided to audit for review.

During audit of Pakistan Institute of Management (PIM), Karachi for the year 2020-21, it was observed that the annual accounts for the year 2020-21 has not been finalized.

Audit was of the view that annual accounts possess a vital importance for assessing the operational as well as financial stability of the entity and gave an idea for its future prospectus.

The matter was reported to the management in March, 2022. The irregularity was discussed in the DAC meeting held on January 25, 2023. DAC pended the para till finalization of account for FY 2020-21 and approval of account FY 2018-19 & 2019-20 by the BOD. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4 Pakistan Steel Mills Corporation (Pvt.) Limited

9.4.1 Introduction

Pakistan Steel Mills Corporation (Pvt.) Limited (PSM) was incorporated on July 02, 1968 as a Private Limited Company and is wholly owned by the Government of Pakistan. The Corporation was engaged in the manufacturing and sale of iron and steel products. Pakistan Steel Mills is the Country's largest Steel Industrial undertaking, now its operations have closed for the last four years.

9.4.2 Comments on Audited Accounts

9.4.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 2020-21 to 2021-22 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2020-21 to 2021-22 be provided immediately and timely finalization be ensured in future, besides, fixing responsibility for non-finalization of annual audited accounts (***Annex-2***).

9.4.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1990-91	6	5	1	700	83%
1992-93	25	19	6	136, 137, 138, 140, 143, 145	76%
1994-95	12	9	3	118, 120, 126	75%
1995-96	28	26	2	121, 122	93%
1996-97	36	11	25	100, 101, 111, 112, 113, 114, 117, 118, 123, 1.1, 1.3, 1.5, 1.8, 1.9, 1.10, 2.2, 2.3, 2.7, 2.8, 2.9, 2.10, 2.11, 2.13, 2.15, 3.1	31%
1997-98	10	7	3	209, 210, 215	70%
1999-00	10	9	1	219	90%
2000-01	10	6	4	216, 218, 220, 224	60%
2003-04	12	9	3	92.5, 92.6, 92.7	75%
2004-05	8	5	3	65, 66, 70	63%
2005-06	28	24	4	117.8, 118, 122, 124	86%
2008-09	16	13	3	107, 108, 110	81%
2009-10	19	12	7	98.1, 99, 100, 104, 105, 109, 110	63%
2010-11	10	9	1	11.3.4.6	90%
2013-14	15	2	13	8.7.1, 8.7.2.1, 8.7.2.2, 8.7.2.3, 8.7.2.4, 8.7.2.5, 8.7.2.7, 8.7.3, 8.7.4.2, 8.7.4.3, 8.7.4.4, 8.7.4.5, 8.7.4.6 (PAC referred for DAC level)	13%
2015-16	18	1	17	8.9.4.5, 8.9.4.8, 8.9.2.1, 8.9.2.2, 8.9.2.3, 8.9.2.4, 8.9.2.5, 8.9.2.6, 8.9.2.7, 8.9.3, 8.9.4.1, 8.9.4.2, 8.9.4.3, 8.9.4.4, 8.9.4.6, 8.9.4.7, 8.9.4.9	6%
2019-20	3	-	3	7.9.4.1, 7.9.4.2, 7.9.4.3	0%
Total	266	167	99		63%

The overall compliance of PAC directives needs improvement.

9.4.4 Audit Paras

9.4.4.1 Loss due to encroachment of land - Rs.5,393.600 million

Rules 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance.

During audit of Pakistan Steel Mills (PSM) for the year 2021-22, it was observed that approximately 269.68 acres PSM Township land was under encroachment. Now, as per afresh measurement/survey, carried out by CDB Survey Team, and Development Cell up to January,2022. The detail of encroached land is as under:

(Rs. in million)				
S#	Description/Name	Area (Acres)	Per Acre	Total
1	Near Bari Textile Mill-Pir Sirhindi Goth	15.93	20	318.6
2	Mian Khan Jokhio Goth	28.9	20	578
3	Photo Goth	65.09	20	1301.8
4	Ali Akbar Goth/Christian Colony	19.52	20	390.4
5	Abbasia Society	100	20	2000
6	Near KDA Colony, Filter Plant	1.99	20	39.8
7	Northern side of Cadet College/Near Security Check Post No.15	0.89	20	17.8
8	In between Usman Farm & Sui Gas Line Deh Kotirero	26	20	520
9	Illegal Water Line and Electric Cable laid down by Bari Textile Mills	0.82	20	16.4
10	Ghulshan-e- Hadeed Phase- III	35.29	20	705.8
Total		294.43	20	5,888.6

(Source: Pakistan Steel Mills)

Audit was of the view that management failed to remove the encroachment from its land. Moreover, there was a significant rise in encroachment of Land by Bari Textile Mills who illegally obtained water supply line and electric cables were laid down in his mills at 0.82 acres.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. DAC directed the management to share the documents regarding efforts already made

for removal of encroachments to audit for verification. DAC further directed the management to make efforts for retrieval of land and provide details to audit on acquisition of 40 acres or so of the land procured from private parties. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.2 Non-payment of loan along with markup - Rs.4,818.000 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Steel Mill (PSM), Karachi for the year 2021-22, it was observed that management obtained loan of Rs.4,818 million from 2015 to 2021 in seven (07) trenches, which is still liable to pay back. The detail of outstanding loan along with principal amount & mark-up is given as below:

Force Payment Against Documents					
(Amount in Rs.)					
S#	From	To	Outstanding Principal	Markup Amount	Total
1	18-May-15	30-09-2021	607,685,813	565,877,029	1,173,562,842
2	29-June-15	30-09-2021	35,530,078	32,488,703	68,018,781
3	29-June-15	30-09-2021	357,572,553,	326,964,342	684,536,895
4	29-June-15	30-09-2021	607,341,735,	555,353,282	1,162,695,017
5	30-July-15	30-09-2021	579,949,179	523,114,159	1,103,063,338
6	05-Oct-15	30-09-2021	25,042,372	21,917,084	46,959,456
7	05-Oct-15	30-09-2021	309,310,258	270,708,338	580,018,596
Total			2,522,431,988	2,296,422,937	4,818,854,925

(Source: Pakistan Steel Mills)

Audit was of the view that the management failed to repay agreed principal amount along with applicable mark up on due dates which raised serious concern.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. The management informed the DAC that markup amount of Rs.2,296 million has been waived off by NBP. DAC directed the management to provide following documents to the audit:

- i. Documents of payment already made.
- ii. Waive off interest amount by the bank.

DAC further directed the management to make payment of remaining loan. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.3 Non-recovery of outstanding dues from various clients - Rs.3,826.550 million

Rule 7 of Public Sector Companies (Corporate Governance) Rules, 2013, stipulates that the Board shall establish appropriate arrangements to ensure to enable it to carry out its role effectively. (2) For the purpose of sub-rule (1), significant issues shall, inter-cilia, include the following, namely: - (L) failure to recover material amounts of loans, advances, and deposits made by the Public Sector Company, including trade debts and inter corporate finances.

During audit of Pakistan Steel Mills (PSM), for the year 2021-22, it was observed that an amount of Rs.3,826.550 million was lying outstanding against various customers as on June 30, 2022 as detailed below:

(Rs. in million)		
S#	Description	Amount
1.	Recovery of bulk water supply charges	506.360
2.	Outstanding dues on supply and erection of metal beam guard rail barriers	39.989
3.	Recovery dues of rent from PSO Petrol Pumps	16.146
4.	Recovery of rent and utilities charges	160.877
5.	Recovery from the residential colony and crush plant	9.837
6.	Recovery from Education Department	40.642
7.	Recovery of outstanding dues of electricity	237.469
8.	Recovery of outstanding dues from downstream industrial units	57.792
9.	Recovery of 1377.06 acres PSM township land from Government of Sindh	2,754.000
10.	Recovery from M/s Multipole Industries Ltd	3.438
Total		3,826.550
<i>(Source: Pakistan Steel Mills)</i>		

Audit was of the view that the management failed to recover the huge amount of Rs. 3,826.550 million from various customers / Department which showed negligence and weak recovery mechanism.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023.

1. DAC directed the management to provide following documents to the audit i.e. Documents of recovered amount Rs.6.496 million and reconcile figures with audit regarding recoverable amount whether it is Rs.506.364 million or Rs.218.91 million. DAC further directed the management to make efforts for recovery of remaining amount and pursue the legal cases accordingly.
2. DAC reduced the Draft Para to the extent of recovered amount subject to verification of record i.e.22.804 million. DAC further directed the management to make efforts for recovery of remaining amount.
3. The management apprised the DAC that full amount has already been recovered. DAC directed the management for provision of following record to audit for verification i.e. Bank Statements andCopies of cheques along with deposit slip.
4. The management informed that in amount of Rs.9.740 million has been recovered. DAC directed the management to provide relevant documents to audit on the recovery, and make efforts for recovery of remaining advances and pursue legal cases.
5. DAC directed the management to provide detail of expenditure made to audit for comments.
6. DAC pended the Para till final recovery/ book adjustment.
7. DAC directed the management to provide following documents to the audit:
 - i. Documents of recovery already made -Rs.26.334 million.
 - ii. Reconcile figure with audit whether the amount in question is Rs.237.469 million or Rs.200.743 million. DAC further directed the management to make efforts for recovery of remaining amount.
8. DAC directed the management to provide following documents to the audit i.e. Documents of recovery already made amounting to Rs. 385,584. DAC further directed the management to make efforts for recovery of remaining amount and pursue the court cases vigorously.
9. DAC pended the Draft Para and directed the management to pursue the court case vigorously.

10. The management informed the DAC that there is decree in the case in favor of PSM. DAC pended the Draft Para with the direction to management to place the matter before BOD for its consideration.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.911, 913,915,928,932,933,949, 950,954 & 955)

9.4.4.4 Non-payment of loan long with mark up to commercial banks - Rs. 3,767.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for 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.

During audit of Pakistan Steel Mills for the year 2021-22, it was observed that the management restructured the loan in the year 2000 and amount of Rs. 3,500.000 million was paid in Nov-Dec 2007 leaving a balance of Rs. 4,267.000 million. Furthermore, during 2021-22 management repaid an amount of Rs. 500.000 million against consortium loan. However, an amount of Rs. 3,767.000 million is still payable as detailed below:

(Rs. in million)			
Name of the Bank	Loan Amount	Current Payment	Balance as on June 2022
Habib Bank Limited	1,066.000	125.000	941.000
National Bank of Pakistan	1,067.000	125.000	942.000
United Bank Limited	1,067.000	125.000	942.000
MCB Limited	640.000	75.000	565.000
Allied Bank Limited	427.000	50.000	377.000
Total	4,267.000	500.000	3,767.000
<i>(Source: Pakistan Steel Mills)</i>			

Audit was of the view as per agreement the amount of loan was payable in 07 equal installments (Rs. 1,109.581 million per year) from 2013 to 2019 but the management failed to pay the balance amount of the loan.

The matter was reported to the management in September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. The management informed the DAC that it was a syndicate loan meant for restructuring of PSM. DAC pended the Para till payment of loan and further directed the management to provide following documents to the audit for verification i.e. Restructuring / deliverables and schedule of re-payment along with documentary evidences. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.5 Loss due to cancellation of contract - US \$ 8,814,094.52 equivalent to Rs. 1,965.543 million

Rule 4 (3) of Public Sector Companies (Corporate Governance), Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance.

During audit of Pakistan Steel Mills (PSM), for the year 2021-22, it was observed that the management entered into a contract of affreightment with M/s Coniston Ltd. Hong Kong on August 20, 2008 to load and discharge a total quantity of 750,000 MT Coal (+/- 10% more or less Charterers Option from Port Gladstone, Port Newcastle (Australia) and Port Roberts Bank (Canada) during the period from August 20, 2008 to August 31, 2009. In spite of all efforts, Pakistan Steel was only able to lift a total quantity of 538,865 MT coal out of the total 750,000 MT Coal from Port Gladstone, Port Newcastle (Australia) and Port Roberts Bank (Canada). After cancellation of the contract of affreightment, M/s Coniston invoked the arbitration clause and preferred claim of US \$ of 26.262 million.

Two arbitrators each nominated by the respective side delivered interim award issue "A" i.e., 10% balance freight valuing US\$ 2,542,440.96 that was

subsequently affirmed by the Umpire and was thereafter made rule of the court by Hon'ble High Court of Sindh. A decree to this effect was issued against PSM on February 17, 2020 for US \$ 2.542 million. PSM filed an appeal in High Court against said decree. Meanwhile PSM contacted the claimant's Counsel in Pakistan and offered for out of court settlement of the dispute. Upon the counsel's advice PSM on December 30, 2020 put up a formal offer of US\$3.0 million as full and final settlement to the claimants through respective counsels. The claimants in response through letter dated January 25, 2021 gave their counter offer of US\$ 10.0 million in reply to which PSM on February 25, 2021 put up its revised offer of US\$ 4.0 million while the claimant's response to PSM's revised offer was yet awaited. PSM received another notice from the learned Umpire for joining the proceeding and payment of his professional Honorarium. PSM made submission that negotiations between the parties for out of court settlement were in progress. Therefore, till outcome of the same the proceedings might be kept in abeyance. Surprisingly in reply to above submission the learned Umpire conveyed that in response to his query the claimants had denied any ongoing negotiations between the parties for out of court settlement. PSM received an email dated April 22, 2021 from the office of the learned Umpire PSM collected the copy of the award on dated April 23, 2021 delivered by the learned Umpire in which the PSM was directed to pay US \$ 6.272 million.

Audit was of the view that management did not follow the contract clauses and create heavy financial burden. Thus the corporation had to sustain a net loss of US \$ 8.814 million equivalents to Rs.1,965.543 million as the amount already decreed and the claim granted in Umpire's award become US \$ 8,814,094.52 (US \$ 2,542,440.96 million + US \$ 6,271653.56 million).

The matter was reported to the management in September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. DAC directed the management to pursue court case vigorously. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

**9.4.4.6 Loss due to non-lifting of Contract of Affreightment (CoA)
US\$ 7,738,716.00 equivalent to Rs.1,729.603 million**

Rule 43 of PPRA, 2004 stated that on account payments, all procuring agencies shall make prompt payments to suppliers and contractors against their invoices or running bills within the time given in the conditions of the contract, which shall not exceed thirty days.

During audit of Pakistan Steel Mills (PSM) for the year 2021-22, it was observed that M/s. Emirates Trading Agency (ETA) and Pakistan Steel Mill, entered into a contract of affreightment (COA) and as per the terms of COA, PSM agreed to perform 03 shipments of coal to be lifted in bulk of 50000 MT+10% more or less owners' option per shipment. As per clause 56 of COA, PSM were bound to make every effort to lift the entire COA Tonnage i.e., 15000 MT by the end of COA period i.e., August 31, 2009. PSM failed to lift the CoA Tonnage despite all efforts. M/s ETA filed a claim filed for payment of US\$7,775,675. M/s ETA served arbitration notice to PSM on August 25, 2009. Therefore, both the parties i.e., PSM and M/s ETA appointed their arbitrators. After cross examination of witness on June 29, 2015 both parties considered to appoint an Umpire in accordance with clause 55 of the COA. The Umpire Mr. Justice Attaur Rehman after hearing both parties at length have passed award against PSM amounting to US\$ 7,738.716 along with interest/markup at the @ 15% per annum on October 25, 2016. As per Court proceeding the Umpire filed the award in the Hon'ble High Court of Sindh for making rule of the Court by way of Suit No.2413/2016.

Audit was of the view that the management should make all efforts to uplift the Quantity as per contract but management failed to complete the contract of affreightment Thus PSM had to sustain a net loss of US \$ 7.738716 along with interest/markup at the @ 15% per annum as the Umpire had passed award against Pakistan Steel Mills.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. DAC directed the management to pursue court case vigorously. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.7 Loss due to irregular/unjustified payment of house rent allowance and inclusion of HRA in payment of one-month pay to retrenched employees – Rs. 1,230.542 million

Rule 5 (1) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

PAC in its meeting held on 28-04-2010 directed that the payment of House Rent Allowance to the officers and employees of PSM residing in Corporation's residence was unjustified and illegal.

During special audit regarding retrenchment of employees of Pakistan Steel Mills (PSM) for the year 2019-21, it was observed that the Human Resource Committee of Board, in its meeting held on 12-04-2011 considered various reasons for allowing allowance to the employees who are residing in Steel Town and were shifted from city to the Steel Town accommodation to facilitate smooth operation of the mill. They were of the view that employees residing in Steel Town accommodations need to be compensated to meet the extra financial burden of transportation being incurred by them on their children studying in various professional colleges / universities located in Karachi city. The Committee recommended BoD that keeping in view the previous precedents and to redress the extra financial burden being faced by the residents of Steel Town, 25% "Dislocation" Allowance on their basic pay may be allowed to them. The Board's HR Committee also desired that this aspect may be negotiated with the CBA during the ongoing CBA agreement so as to maintain uniformity for both officers & workers as part of the overall package being negotiated. The Committee further recommended that above recommendations of BHRC is subject to the condition that case filed by the Officers Associations in the Court of law is withdrawn and is to be implemented subsequently after ensuring withdrawal of case from the court. The BoD in its meeting held on 23-04-2011 had approved the recommendation of BHRC.

The irregularity regarding payment of house rent allowance in addition to official accommodation was also communicated to PAC (ARPSE-1995-96), the Sub Committee of PAC and PAC in its meeting held on 28-04-2010 directed that the payment of House Rent Allowance to the officers and employees of PSM residing in Corporation 's residence was unjustified and illegal. The management had earlier paid to the officers/staff of PSM as House Rent Allowance a sum of Rs. 1,222.196 million during the period 1985 to December 2021 even they were provided official accommodation in Pakistan Steel town.

The PAC showed extreme displeasure of the above situation and observed that anybody having official accommodation should neither be entitled to house rent nor should be allowed to occupy a second house. The Committee directed all Ministries/Divisions/Departments, Attached Departments, Corporations and Autonomous Bodies to ensure that this practice should be stopped forthwith. Any incident brought to the notice of the PAC, subsequently, will be taken seriously and the concerned Principal Accounting Officers will be held personally responsible for the offences further observing that necessary amendments may be made in the relevant rules to guard against this practice with a report to PAC within one month. The PAC further directed to submit a comprehensive report within 7 days containing the information when this practice was started and its financial implications, so far.

Audit was of the view that despite such clear instructions/directives issued by the Public Accounts Committee, the continuation of the payment of house rent allowance in addition to official accommodation was irregular and unjustified.

The matter was reported to the management in January, 2022. The matter was discussed in DAC meeting held on 24th June, 2022. The DAC was informed that the employees residing in Steel Town have been paid house rent allowance in the shape of dislocation allowance in pursuance of BoD approval vide its meeting dated 28th June, 2011. DAC directed the management to furnish the minutes of PAC meetings to audit for examination. The matter was again discussed in DAC meeting held on 7th October 2022. DAC directed the management to provide copy of High Court Decision, CBA agreement and PAC minutes for further verification to the Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives, besides, fixing of responsibility against the person(s) at fault for irregular/unjustified payment of house rent allowance.

9.4.4.8 Loss due to payment of late surcharge - Rs. 408.713 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for 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.

During audit of Pakistan Steel Mill for the year 2021-22, it was observed that the management did not paid the water charges resultantly penalty being charged as late payment surcharge (LPS) payable to KW&SB against monthly raw water charges on bulk water supply from September, 2013 to September 2021 as detailed below:

(Amount in Rs.)				
Current Bill up to November, 2021	Amount paid to KW & SB	Balance	Late Payment Surcharge	Net balance Outstanding
5,826,614,889	1,868,440,055	3,958,133,720	408,713,928	4,366,847,637
(Source: Pakistan Steel Mills)				

Audit was of the view that the management did not pay the charges in time which resulted in LPS.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. DAC pended the para till final settlement. DAC directed the management to take necessary steps on subject matter. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.9 Loss due to undue favour extended to Contractor - Rs.400.206 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Steel Mills (PSM) for the year 2021-22, it was observed that on July 6, 2004, a contract was signed between Pakistan Steel and M/s Besrock Pvt. Ltd. for the supply of 1,12,000 MTN local Iron Ore from Dilband, Balochistan @ Rs.1,300 MTN having minimum 40% Iron content. The period of contract was 18 months reckoning from the date of signing of the contract. The supply was to be started regularly within 05 months from signing of contract i.e. by December 6, 2004 and its schedule was 10,000 MTN (*10% but not less than 9000 MTN) per month. In case of short supply, the penalty was to be imposed. Due to cancellation of mining license of M/s Besrock Pvt. Ltd by Mines & Minerals Department of Balochistan during 2000 to 2007, M/s Besrock was unable to supply Iron Ore to PSM. PSM served a notice to company for termination of contract on August 31, 2005. M/s Besrock Pvt. Ltd sent a notice on September 12, 2005 for payment of damages of Rs. 404.158 million wherein Mr. Tariq Saeed as Arbitrator on behalf of M/s Besrock and Mr. Justice (R) Atta-ur-Rehman was nominated by Pakistan Steel. Due to the difference in the awards of Arbitrators, the matter was referred to Umpire Mr. Justice (R) Nasir Aslam Zahid for final decision. The Umpire granted the relief to the claimant M/s Besrock and awarded an amount of Rs. 78.000 million (Rupees seventy-eight million only) by wrongly calculating the price of Iron ore as Rs. 13,000 per ton instead of Rs.1,300 per ton. PSM also filed application for rectification of clerical error in the Umpire's award Upon mutual consent Mr. Justice (Rtd) Amanullah Yasin Zai was appointed as a new Umpire by Sindh High Court on October 17, 2017. The case was awarded in favor of M/s Besrock on December 22, 2017 and retained the decision of their arbitrator. He wrote that I concur and agree with the damages given by the Arbitrator to the tune of Rs. 400,206 million. The case is in court and M/s Besrock offered for out of court settlement vide its letter dated 13-08-2022.

Audit was of the view that why not the codal provisions/ measurement made like to check the license for supply of the Besrock issues from authority from Mines & minerals Department, Government of Balochistan before execution of the agreement. Why the notice issued late to M/s Besrock on 31-08-2005 for termination of contract. It seemed that the managements had the malafide intention and undue favor was extended to M/s Besrock. In presence of

law department why the award amount exceeded Rs. 13,000/- per ton instead of Rs.1300/- per ton. Management failed to follow the rules and regulations.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. DAC pended the Para till final decision of Sindh High Court and further directed the management for provision of relevant record i.e. fitness of work award and details on miscalculation of the amount in the Award. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.10 Irregular and unjustified payment of advances to employees - Rs. 298.177 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Steel Mill (PSM) for the year 2021-22, it was observed that the management started retrenchment scheme process of employees with effect from Nov-27, 2020. PSM management communicated to MoIP with following financial impact:

(Rs. in million)					
S#	Cadre	No of Employees	Basic Salary per month in million (approx.)	Gross Salary per month in million (approx.)	Financial impact 100% (1 salary +PF+Gratuity)
01	Officers	2118	96.934	128.493	10,569.616
02	Workers	6503	121.109	223.012	9,086.597
Total		8,621	218.044	351.505	19,656.213

Economic Coordination Committee approved an amount of Rs.19,656 million in the month of May 2020 on account of Gratuity, Provident Fund and one month salary (in lieu of notice period) for retrenchment of 8,621 employees up to 27-11-2020. However, the management paid the advances to 587 employees amounting to Rs.298.177 million, despite of the fact that the management was working on retrenchment process. Thus the payment of advance to the above employees was unjustified

Audit was of the view that management had formulated the retrenchment scheme and advances payment are held irregular. This caused inconvenience not only to retrenched employees as well as retiring employees.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. The management informed that an amount of Rs.73.801 million has been adjusted / recovered. DAC directed the management to provide documents of recovery already made i.e. Rs.73.801 million. DAC further directed the management to make efforts for recovery of remaining advances and in future no such payment shall be made. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.11 Loss on payment to gas bill charges instead of consumers - Rs. 261.535 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Steel Mills (PSM) for the year 2021-22, it was observed that an amount of Rs.261.535 million was paid by the management against the gas charges supplied to Steel Town and Pakistan Steel Hospital instead of consumer during the period from July, 2020 to June, 2022. The supply made to the houses and Pakistan Steel Hospital (100 Beds) without charging the bill and no meter are installed to the consumer house and sui gas bill charges are monthly paid by the PSM and consumer freely using the Sui Gas, furthermore to mention that Pakistan Steel Hospital is non-functional except OPD and emergency since long period, however the PSM operation is closed since June, 2015 and on bailout package and management created extra burden over the mill. The detail is given below:

S#	Description	(Amount in Rs)
1.	Steel Town	258,490,690
2.	Pakistan Steel Hospital	3,045,190
Total		261,535,880
<i>(Source: Pakistan Steel Mills)</i>		

Audit was of the view that non-recovery of outstanding dues from allotted consumer and Pakistan Steel Hospital was held irregular which reflected proper financial management.

The matter was reported to the management in October, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. DAC pended the Draft Para with the direction to management to provide following documents to the audit i.e. CBA agreement & Documents regarding efforts made. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.12 Loss due to rejection of offer and return unused Iron Ore - Rs. 217.012 million

Rule 4 (3) of Public Sector Companies (Corporate Governance), Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance.

During audit of Pakistan Steel Mill (PSM), Karachi for the year 2021-22, it was observed that the M/s Siddique Sons Ltd. supplied 20,498.155 MT of Iron Ore lump per MV Ocean Star (B/L dated 30-06-2015, which was received in 1st week of July 2015. The payment against the last shipment is delayed due to financial crunch faced by PSM as its production was stopped in June 2015 due to sudden decrease in natural gas pressure by SSGC. M/s Siddique Sons wrote a letter to PSM on 23-06-2021 to return their iron ore lying at PSM and to settle the SHC recovery suit # 1849/2017 out of court.

Pakistan Steel communicated to M/s Siddique Sons & copy to M/o Industries and Production on August 09, 2021 on the subject matter. In response, M/s of Industries & Production in its letter dated 1st September 2021 PSM was

advised to place the matter in the upcoming Board meeting for an early resolution of the dispute. Management PSM failed to provide the iron ore unused and payment has been done. It is the malafide intention of management to handed over unused iron ore despite of payment.

Audit was of the view that as to why the offer of M/s Siddique Sons was not accepted and a huge amount of rupees had been paid to M/s Siddique Sons. The matter should had been placed before BoD for early resolution of the dispute as per directives of MoI&P. It seemed that the management deliberately paid the amount with malafide intention due to which Iron Ore was still lying in dump position.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. The management informed that the value of the unused iron ore increased subsequently and the matter of non-returning the iron ore was decided by BOD. DAC directed the management to provide following record to audit for verification i.e. Approval of Board of Directors (BOD) and Cost-benefit analysis. DAC further directed the management to make arrangement for physical verification of iron ore by Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.13 Irregular payment of loan without interest - Rs.140.059 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for 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.

During audit of Pakistan Steel Mills (PSM) for the year 2021-22, it was observed that management granted a loan amounting to Rs.140.059 million without interest to its subsidiary Pakistan Steel Fabricating Company Limited (PSFCL) for the purpose of Retrenchment of employees. However, management itself obtained the loan amount along with interest form Federal Government,

how the management grant the loan to Pakistan Steel Fabricating Company limited without interest.

Audit was of view that the PSFCL was running its own business and had its own resources to generate/operate its plant to generate its own resources. Thus loan of Rs.140.059 million without charging interest was held irregular.

The matter was reported to the management in September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. The management informed that an amount of Rs.80.000 million had been recovered. DAC directed the management to provide the relevant record on recovery to audit and make efforts for recovery of remaining loan. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.14 Loss due to fraudulent payment - US\$ 582,792.77, equivalent to Rs. 93.247 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Steel Mill (PSM), Karachi for the year 2021-22, it was observed that the PSM entered into a contract with M/s Oceanwide Shipping Services GmbH, Germany for lifting coal from the ports of Australia and Canada in Sept 2010. The contract was valid for one year i.e., from Sept 2010 to Aug 2011. As per procedure 90% freight of the ship has to be paid immediately on start of the voyage and remaining 10% is to be paid after mutual settlement.

PSM could not pay the balance 10% freight of last three vessels amounting to US \$ 582,792.77 to M/s Oceanwide in 2011-12 M/s Oceanwide filed a suit in Sindh High Court in Feb 2015 for recovery of the said amount along with interest/markup. The case was lastly fixed on February 4, 2020. For resolving the subject matter, a meeting was held on July 13, 2020 in Ministry of Finance. A settlement agreement was signed between Pakistan Steel and M/s Oceanwide Shipping Services on November 30, 2020, wherein both parties

agreed amicably for the payment /receiving of amount \$ 582,797.77 regarding unpaid freight as full and final settlement before December 31, 2020. MOI&P apprised PSM on January 18, 2021 that Finance Division is ready to release Rs.93.247 million (Equivalent \$ 582,797,.77) to PSM as a loan. Letter of credit (LC) No.1033LCS58914/2021 of US\$582,792.77 was established in favor of M/s Oceanwide Shipping Services GmbH, Dusseldore, Germany on May 26, 2021 with expiry date of July 20, 2021. On June 10, 2021 Bank Al Habib informed PSM that according to National Bank of Pakistan, Frankfurt Branch, Germany, the beneficiary company had been closed and the funds of 90 million was withheld with NBP Germany. Later on M/s Oceanwide o Shipping Services UG submitted an attested copy of Commercial Registry of Duisburg, confirming that the Company had changed in Oceanwide Shipping Services GmbH “dated July 14, 2021”. The legal advisor of PSM also cleared the beneficiary company’s registration documents. Accordingly, PSM management requested Bank Al Habib Limited to intimate M/s NBP Frankfurt Branch, Germany to release funds to the beneficiary.

Audit was of the view that why the payment made to Oceanwide Shipping Services UG, Muelheim, Germany instead of M/s Oceanwide Services GMBH Dusseldore, Germany. As per settlement agreement made on 30th November 2020, vide para-3, the Owners willl permanently discontinue all the legal proceedings immediately on receipt of payment within stipulated period upon signing of this agreement. However, the suit/case was still pending in court of law, which seemed that the payment was received fraudently by M/s Oceanwide Shipping Services UG Muelheim, Germany instead of M/s Oceanwide Shipping Services GmbH, Duesselborf.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. The management informed the DAC that the payment was made accordingly. DAC directed the management to provide following record to Audit:

- i. Re-name of company
- ii. Court settlement
- iii. Transaction completed

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.15 Non-settlement of Advance Tax - Rs.85.893 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Steel Mill (PSM) for the year 2021-22, it was observed that the management failed to recover the tax refundable amount of Rs. 85.894 million from the tax authorities.

Audit was of the view that such amount of balances receivable were lying adjustable between PSM and tax authority which showed incompetency of the management for non-compliance of refund / recovery rules and its further accumulation.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. DAC pended the Para with the direction to management to pursue the case with tax authorities for refund of amounts. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.16 Irregular appointment of security guards on daily wages - Rs. 76.196 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for 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.

During audit of Pakistan Steel Mills (PSM) for the year 2021-22, it was observed that the management appointed 200 Security Guards on contract and daily wages @ Rs. 250,000 to Rs. 834 per month/per day and an amounting to Rs. 76.196 million has been spent on security (Annex-90). The management retrenched the security guards and newly appointed 200 security personnel which is the doubtful action of the management, it depicted the managements has the malafide intention, although PSM should not retrench the security personnel's and control the theft and other security issues.

Audit was of the view that the management extended undue favor by appointing security guards which reflected poor financial management.

The matter was reported to the management in October, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. DAC directed the management to ensure that hiring on daily wages is reduced to bare minimum and the same may be made if unavoidable / essential and justification in instant cases may be provided to audit for further comments. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.17 Irregular /unjustified payment to laboratories & medical stores - Rs.62.944 million

Rule 20 of PPRA Rules, 2004 stipulates that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During audit of Pakistan Steel Mill (PSM) for the year 2021-22, it was observed that the management paid amounting to Rs.62.944 million to different laboratories and medical stores during the year 2021-22. Pakistan Steel Hospital is working and has full fledge facilities, like lab and others, the management paid irregular and unjustified payment of Rs.62.945 million to medical stores and laboratories by violating PPRA rules.. The details of total payment are given below:

S#	Description	Total Rs.	S#	Description	Total (Rs)
1	Medical Stores	56,174,076	2	Laboratories	6,770,637
Total					62,944,713
<i>(Source: Pakistan Steel Mills)</i>					

Audit was of the view that in the presence of full fledged hospital and medical facilities the reimbursement of expenditures on account of medical charges on laboratories and others were held irregular / unjustified.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. The management informed that an amount of Rs.62.944 million was paid on account on previous liability of medical bills. DAC directed the management to provide the following details to audit for further audit comments i.e. Empanelment of Medical Store and Laboratories and detail of total payment made. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.18 Doubtful payment of special advances to various departments - Rs. 62.238 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Steel Mills (PSM) for the year 2021-22, it was observed that the management allocated the special advances to the various departments amounting to Rs.62.238 million without justification. Furthermore, management failed to provide the adjustment of such advances and its justification. The allocation of special advances amounts seems doubtful as the PSM's operations are closed since June, 2015 and PSM is running in loss since 2010. Presently PSM is working on retrenchment of its employees.

Audit was of the view that management awarded special advances to the various departments which was doubtful and irregular as its adjustment and details were not provided to audit.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. DAC directed the management to provide following documents of recovery stated to have already been made i.e. Rs.56.000 million. DAC further directed the

management to make efforts for recovery of remaining advances. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.19 Loss due to sale of material at less rate than reserve price - Rs. 62.000 million

Pakistan Steel (Administration & Personnel) letter dated A&P-04-13/39(P&C/2305 dated November 23, 2004 for SOP for disposal of scrap/condemned/surplus material through tender/auction by Stores Department in pursuance of their letter of even No. dated 31-03-2004. Para-C (v) Note: - In case of Highest Competitive Price for a lot received on lesser side than that of approved reserved price, TEC be authorized to go for competitive re-bidding through sealed envelopes amongst all of the tender participants. In order to achieve some improvements in the bid price, failing which the committee may recommend the disposal of the material on the basis of outcomes what so ever achieved through re-bidding even on lower side by 5-0% than that of reserve price for its concurrence to be obtained afresh from Director (Finance) before final approval of the competent authority.

During audit of Pakistan Steel Mill (PSM) for the year 2021-22, it was observed that the management floated tender on January 23, 2022 and the reserve price was fixed as Rs.137.000 million (exclusive of taxes) with 10% margin of concession in reserve. The Highest bid received was Rs.18.000 million against reserve price so the management decided to retendering the process. Another tender was floated on April 3, 2022 with low circulated newspaper (Pakistan Today). Management opening date was fixed on 20-04-2022, wherein M/s Faraz Enterprises offered highest price of Rs.75, 000,000/- which was accepted/approved by the management by extending undue favor to compromises the reserve price up to 40% and corporation sustained a loss of Rs.62.000 million.

Audit was of the view that why the management granted 40% margin to vendor and material sold out on less price than the reserved price which showed undue favor extended to the bidder.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. The

management informed that to sell under or over 10% of reserve price is permissible under the rules and the matter was decided with approval of CEO. DAC directed the management to provide the relevant documents including CEO approval. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.20 Irregular /unjustified auction of vehicles - Rs. 61.138 million

Rule 20 of PPRA Rules, 2004 stipulates that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works and Rule 04 states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of Pakistan Steel Mill (PSM) for the year 2021-22, it was observed that the management published a tender for auction of 59 vehicles, in low circulated newspapers, Daily Tribune and Roznama Jahan Pakistan Karachi, instead of widely circulated leading dailies of the Country. The management deliberately selected the local newspaper which is gross violation of rules. Furthermore, out of 59 vehicles, 15 were sold below the reserve price.

Audit was of the view that the tender published in local newspaper which had low circulation, resulted the auction process doubtful and undue favor was extended to the parties

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. DAC directed the management to provide relevant documents to audit on sale of the vehicles including letters addressed to PID / advertisement made by PID, auction policy / process, and approval of CEO. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.21 Irregular and unjustified hiring of 369 employees on daily wages - Rs. 54.495 million

Chief Justice of Pakistan during proceeding of Civil Petition No. 326-K and 513-K has issued an order dated 12-03-2020, quoted hereunder: -“We are unable to understand how when the Steel Mills itself is not operating and producing anything why the employees are employed there and from where the payments are being paid to them by way of their emoluments and other benefits. All these affairs have to be attended to immediately by the Federal Government. The learned Attorney General states that he will obtain instruction and place the same before Court”

Rule 5 (1) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

Economic Coordination Committee (ECC) approved an amount of Rs.19,656 million in the month of May, 2020 for retrenchment of 100% employees of Pakistan Steel up to 30-06-2020.

During audit of Pakistan Steel Mills for the period 2019 - 2021, it was observed that the management engaged 369 employees w.e.f September 2019 to December 2021 on different posts for 89 days on daily wage basis with perpetual extensions. The expenditure incurred in this regard is Rs. 54,494,818 (Annex-91).

Audit was of the view that the management had made unnecessary expenditure on the hiring of officers/staff on daily wages despite the fact that production of Pakistan Steel was zero since 2015. Thus, management made wasteful expenditure on pay and allowances of these employees.

The matter was reported to the management in January, 2022. The matter was discussed in DAC meeting held on 24th June, 2022. The DAC was informed that at present from a strength of 8620 Employees in August 2020 to December 2021 PSM has 3131 Employees on its roll to take care of its entire responsibilities

in line with instructions and directions of Privatization Commission and MoI&P. The DAC was not satisfied with the explanation of the management and directed the management to justify the recruitment/hiring of officers/officials in the next meeting of DAC. The matter was again discussed in DAC meeting held on 07-10-2022, DAC directed the management to provide detailed record of hiring of employees, reflecting essentiality / justification, to audit for examination. The Chair strictly directed the management to hire bare minimum staff. Moreover, every-time new person may be hired so that he / she may not become a source of permanent liability. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives, besides, fixing of responsibility on the person(s) for unjustified hiring of employees on daily waged on continuous extensions granted to them.

(SAR Para # 4.1.18 2019-21)

9.4.4.22 Doubtful sale of scarting cinder - Rs. 32.205 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Steel Mill (PSM), Karachi for the year 2021-22. It was observed from the record of ISMD computerized generated sheet of scarting cinder for the July, 2021 to May, 2022, amounting to Rs. 32,205,760. However, it is the doubtful sale of the scarting cinder which did not reflect in the Books of accounts during the period. The management did not provide record vide Requisition No.80 dated 19-09-2022.

Audit was of the view that the audit failed to ascertain the factual physical existence of scarting cinder. The sale of scarting cinder was held doubtful. Despite of the requisition and verbal request management did not clarify the factual sale position and it was not reflected in the books of accounts.

The matter was reported to the management on September 30, 2022. The management apprised that sale of Scarfing Cinder amounting to Rs.64 million

has been made and reflected in books of accounts. DAC directed the management to provide relevant record to the audit for scrutiny. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.23 Irregular/unjustified renovation of guest house - Rs.10.735 million

Rule 04 of PPRA Rules, 2004, states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Rule 20 of PPRA Rules, 2004, stipulates that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During audit of Pakistan Steel Mill (PSM) for the year 2021-22, it was observed that management allocated special advances for renovation of Guest House and procured number of items from local supplier without inviting open tender, in violation of PPRA Rule.

Audit was of the view that the management procured number of items from local suppliers without tenders and quotations on account of renovation of Guest House and special advances were being misused.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. DAC pended the Para and directed the management to provide detailed recorded to audit for verification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.24 Loss due to theft of two vehicles – Rs. 5.000 million

Rule 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules.

During audit of Pakistan Steel Mills (PSM), for the year 2021-22, it was observed that 02 vehicles of GLI/Toyota Corolla having Regd. No.AJM-698 and, Regd. No.AJM-697 were missing/stolen which were under the use of CBA Officials. The investigation proceeding was started on April 29, 2022 however,

no report was provided to the audit which show that no action was taken by the management, even management failed to lodge FIR.

Audit was of the view that due to theft of vehicles PSM / national exchequer suffered a loss of Rs.5.000 million. Further enquiry committee did not finalize the enquiry report despite lapse of considerable time which seemed that undue favour was extended to the officials of CBA.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. DAC directed the management to provide following documents to Audit i.e. Inquiry Committee report and Copy of FIR. DAC further directed to implement the recommendation of the inquiry committee and pursue the court case vigorously. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.25 Irregular promotion from Assistant Managers to Deputy Managers – Rs. 4.827 million

In the Honorable Supreme Court of Pakistan (appellant Jurisdiction) vide Civil Petitions No. 326/K& 513/K of 2018 stated in the Judgement by Honorable Gulzar Ahmed Chief Justice that” The Steel Mill is lying closed since June, 2015 but its employees are still employed in the Steel Mill and or claiming all sorts of Benefits including increments , promotion and other perks and privileges. The impugned judgment challenged in the present CPLA is also one of the examples where promotions have been allowed to the respondents who are 76 in numbers. It seems that period to the said order, the learned High Court has passed other orders in CP No. D-5326 of 2013 & CP No. D-842 of 2014, where similar promotions have been granted. We are unable to understand how when the Steel Mills itself is not operating and producing anything why the employees are employed there and from where the payments are being paid to them by way of their emoluments and other benefits as noted above. All these officers have to be attended in immediately by the Federal Government, particularly, the secretary, MoI&P Islamabad. The learned attorney General states that he will obtain instruction and place the same before this court. In the mean time we grant leave

to appeal in this case and at the same time suspend the operations of the impugned judgment”.

During audit of Pakistan Steel Mill (PSM) for the year 2021-22, it was observed that the management promoted Mr. Zardard Abbasi from Assistant Manager to Deputy Manager along with 76 other employees, on the basis of judgment order of Sindh High Court Karachi (Annex-92). Later on, the management challenged the promotion order in Honorable Supreme court. The Honorable Supreme Court dismissed the decision of promotion case of Mr. Zardard Abbasi along with 76. However, the management did not revert Mr. Zardard Abbasi and others officers at their original posts.

Audit was of the view that the management should comply the orders of Honorable Supreme court of Pakistan and revert Mr. Zardard Abbasi and others from DM to AM and also recover the differential amount of salary (calculation of salary difference before and after promotion is attached) effected to be made w.e.f orders of Supreme court.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. DAC pended the Para till final decision of Supreme Court. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.26 Un-justified increase in salary of officer - Rs. 4.800 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Steel Mill (PSM) for the year 2021-22, it was observed that the management increased the salary of GM Finance, Mr. Muhammad Arif Shaikh, on account of extensions in contract period. The incumbent was given an extension on his contract period for one-year w.e.f 25-01-2021 to 24-01-2022 with enhanced salary of Rs. 350,000. Once again in 2022 his contract period was extended for further period of one-year w.e.f 25-01-2022 to 24-01-2023 with rise of salary of Rs. 400,000. However, the permanent

employees of PSM did not get rise of salaries since 2010-2011 to date but contract employees are getting every year considerable increase in salary.

Audit was of the view that the management extended undue favour to the incumbent multiple times by rise in salary, which was irregular and unjustified.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. DAC directed the management to provide to audit relevant documents, BOD minutes / decisions as the salary increased with the approval of Board. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.27 Loss due to fire incident in bus - Rs. 3.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules.

During audit of Pakistan Steel Mill for the year 2021-22, it was observed that PSM management sustained a loss due to burning of bus vide Token No.1950. The value of such bus was Rs. 3,000,000 The incident was occurred on 26-05-2022 near CP-II Steel Town. The management constituted enquiry committee on 27-5-2022 in the convenorship of Mr. Muhammad Younis Abro.

Audit was of the view that despite having a full-fledged fire department and security department, fire tender (vehicles) the burning of buss of PSM reflected poor monitoring and control which resulted in heavy financial loss to Corporation.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. DAC pended the Draft Para with the direction to management to finalize /share the finding of de-novo inquiry with audit and take actions accordingly. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.28 Loss due to theft of various items - Rs. 2.127 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan Steel Mills (PSM), for the year 2021-22, it was observed that management sustained a loss of Rs.2.127 million due to theft incidents of various items. Detail is given below: -

S#	Case#	Description	Occurrence Date	Value Rs.
1	-	Theft of Conductor of 132KV line TTP-2	25-07-2021	1,672,500
2	FIR NO392/21 Dated 18-09-2021	Incident occurred at Billet Mills, HSM and CRM	6/9/2021	266,915
3	-	Theft of Battery (12v 27) vehicle No .KD -165	8/7/2021	25,000
4	-	Theft incident occurred at CB Stores (II & III)	19-09-2021	117,615
5	-	Theft of material/equipment at 110 MGR of BWSD	22-01-2022	44,600
6	FIR NO.159/22 Dated 26-04-2022	Theft of scrap material at skull breaking yard	29-04-2022	--
7		Theft of condemned platinum crucibles from PSM's Process Lab.	13-06-2022	-
Total				2,126,630
(Source: Pakistan Steel Mills)				

Audit was of the view that despite having a full-fledged security department having officers and guards, the theft of reported valuable assets of PSM reflected poor monitoring and control which resulted in heavy financial loss to Corporation.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. DAC directed the management for provision of following record to audit i.e. Copy of FIR and Copy of inquiry/investigation already made. DAC further directed the management to review security arrangements and pursue court cases. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.29 Irregular award of contract for procurement of high-pressure lamps - Rs. 1.998 million

Rule 20 of PPRA Rules, 2004, states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During audit of Pakistan Steel Mills (PSM) for the year 2021-22, it was observed that the management purchased 961 No's of High-pressure Lamps in year 2015 at cost of Rs.1.998 million from M/s Danish Internationals. The above items were purchased on single offer bid without Tender / Quotations in violations of PPRA Rules 2004. Payment has been made in financial year of 2021-2022 instead of 2015-2016 years which reflected the malafide intention of management and undue favor extended to the supplier by awarding the contract on single offer.

Audit was of the view that management violated the PPRA rules and purchased lamp without fulfillment the codal requiemments and competative rates/tender process which was irregular and unjustified.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. The management informed that procurement process was duly followed. DAC directed the management for provision of following record to audit for further audit comments i.e. Tender documents i.e. Advertisement, Bids received, Bids analysis (Technical & Financial) and Rate analysis. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.30 Non-production of auditable record

Section 14(1)d. & (3) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, the officer in charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition. Any person or authority hindering the auditorial functions of the Auditor General regarding inspection of accounts

shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

During audit of Pakistan Steel Mills (PSM) for the year 2021-22, it was observed that the management failed to produce the auditable record despite reminders and several verbal requests (Annex-93).

Audit was of the view that due to non-production of requisite record and restricting access to audit evidence, audit team was unable to assess and examine the material area of working as well as 10 billion theft of material from stores (as reported in press and electronic media) which had limited the scope of audit coverage.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. DAC pended the Draft Para with the direction to management to provide requisite record to audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.4.4.31 Non-preparation of annual accounts

Rule 10 of Public Sector Companies (Corporate Governance) Rules, 2013, states that every Public Sector shall, within one month of the close of first, second and third quarter of its year of account, prepare a profit and loss account for, and balance sheet as at the end of that quarter, whether audited or otherwise, for the Board's approval.

During audit of Pakistan Steel Mills (PSM) for the year 2021-22, it was observed that the annual accounts for the year 2021-22 has not been prepared so far. In fact, the management is far behind from timely preparation of accounts required as per schedule as no accounts were published & prepared.

Audit was of the view that due to weaknesses in underlying accounting system caused delay in timely preparation and completion of accounts.

The matter was reported to the management on September 30, 2022. The irregularity was discussed in the DAC meeting held on January 26, 2023. DAC

pended the Draft Para with the direction to management to prepare annual audited accounts and share the same with audit after approval of the Board. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

9.5 National Fertilizer Corporation (Pvt.) Limited

9.5.1 Introduction

National Fertilizer Corporation of Pakistan (Pvt.) Limited (NFC), is a Private Limited Company incorporated in Pakistan on 11th August, 1973 under the Companies Act, 1912, (now the Companies Act, 2017). The Company is wholly owned by the Government of Pakistan. The Company's main source of income includes dividend from investment in subsidiary companies and return on bank deposits and other investments.

Registered office of the Company is situated at 1st Floor, Alfalah Building Shahrah-e-Quaid-e-Azam, Lahore.

9.5.2 Comments on Audited Accounts

9.5.2.1 The working results of the National Fertilizer Corporation of Pakistan (Pvt.) Limited for the year 2021-22 as compared to the previous years are given below:

(Rs. in million)

	2021-22	% Inc / (Dec)	2020-21	% Inc / (Dec)	2019-20	% Inc / (Dec)	2018-19
Income:							
Dividend	7.702	48.34	5.192	-15.2	6.123	-26.37	8.316
Profit on bank deposits	500.912	24.85	401.195	-37.16	638.421	46.55	435.632
Other Income	0.507	-99.40	83.869	357.48	18.333	-20.44	23.044
Total Income	509.121	3.85	490.257	-26.04	662.878	41.94	466.993
Expenses							
Administrative Expenses	138.692	1.65	136.436	-7.98	148.272	-24.14	195.45
Financial Charges	0.031	0.00	0.031	-44.64	0.056	-18.84	0.069
Total Expenses	138.723	1.65	136.467	-8	148.328	-24.136	195.519
Profit before taxation	370.398	19.95	308.789	-39.99	514.549	89.54	271.473
Taxation	106.152	19.25	89.02	-40.02	148.416	90.172	78.043
Profit after taxation	264.246	20.24	219.769	-39.98	366.133	89.29	193.43

Source: (Annual Audited Accounts)

9.5.2.2 The management recorded the investment in Pak China Fertilizers Limited of Rs. 18.800 million at cost instead of at fair value which is in contravention of IFRS-9 "Financial Statement". Recording of investment at cost

in Pak China Fertilizers needs to be revalued at fair market value to depict true picture of the investment.

9.5.2.3 The company current ratio stands at (134:1) against a standard of (2:1) which means company failed to utilize its assets efficiently and blocked its funds in short term deposit. Huge cash balance was retained to earn profits on bank investments/deposits which was not the primary objective of the company. The management needs to revisit its current asset and meet the standard of (2:1). Audit stresses that the management may prepare a business plan and present it to the BOD for efficient utilization of company assets and cash resources.

9.5.2.4 No income has been generated through any operational activity as NFC has closed down its operations for last many years. Audit emphasizes that the management may take-up the matter with Government for assigning some functions to the Company or otherwise liquidate the company.

9.5.2.5 The management has charged a loss of Rs 45.00 million on disposal of subsidiaries in operational expenditure resulting into overstatement of expenditure in 2020-21. Management needs to depict true picture of the affairs of the company. The losses other than operational activities should be set off against other income.

9.5.2.6 The actual operational expenditure has increased from Rs 136.436 million in 2020-21 to Rs 138.692 million in 2021-22. In the absence of any operational activity, the management needs to slash its operational expenditure. Presently 64 employees are working without any ongoing business plan. The management needs to rationalize the strength of the staff according to its operational activities.

9.5.2.7 Under Note-10, the management has shown staff's retirement benefits which constitute Pension Fund and Gratuity Fund. Audit has noted that Pension Fund has reduced from Rs 32.696 in 2020-21 to Rs 16.043 million in 2021-22 showing a decreased of 50.91%. Likewise Gratuity Fund has reduced from Rs 2.176 million in 2020-21 to Rs 1.326 million in 2021-22 showing a decrease of 39.06%. Audit suggests the management to justify these decreases and utilization of funds.

9.5.2.8 The Management has shown the provident funds under Note-28 which decreased from Rs 41.557 million to Rs 38.509 million in the year 2021-22. The management has given note that investments out of provident fund have been made in accordance with the provision of the Section-218 of the Companies Act 2017 and the rules formulated for this purpose. Audit suggests that the management should justify the decrease and also provide details of investments made under said rules.

9.5.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1995-96	36	35	1	36	97
1999-00	28	27	1	294	96
2000-01	35	33	2	271,273	94
2001-02	17	16	1	286	94
2010-11	08	06	02	11.3.1, 11.13.2.5	75
2013-14	04	03	01	8.22.2.2,	75
2019-20	04	01	03	7.16.4.1, 7.16.4.2, 7.16.4.3,	25
Total	132	121	11		92

The compliance of the PAC directives was satisfactory; efforts need to be made for 100% compliance.

9.5.4 Audit Paras

9.5.4.1 Non-utilization of assets of associated company M/s Corporation House (Pvt.) Limited - Rs 1,054.425 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails 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 handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During the audit of National Fertilizer Corporation (NFC), Lahore for the year 2019-20 to 2021-22, it was observed that NFC owned 25% shares in its associated company namely M/s Corporation House (Pvt.) Limited (CHL) which was incorporated as a private limited company on April 27, 1976. Other three

shareholders also 25% shares each which are M/s Pakistan Industrial Development Corporation (PIDC), M/s Pak-Arab Refinery Limited (PARCO) and M/s National Engineering Services Pakistan (NESPAK). The paid-up Capital of Corporation House Limited is Rs.8.00 million (800,000 ordinary shares of Rs.10 each).The Corporation House (Pvt.) Limited owned a piece of land, measuring 14 Kanal, 1 Marla & 42 sq.ft. (14.059 kanal).The plot was situated at13-Egerton Road, Lahore opposite to Faletti's Hotel and surrounded by Avari Hotel, PIA House & Transport House Building. The revaluation of the land of CHL was carried out in March 2016. The evaluator had assessed the financial value of land as Rs. 1,054.425 million (Rs.75 million per Kanal). NFC has never received any dividends on its investment in Corporation House (Pvt.) Limited.

Due to weak assets management this precious land had been lying vacant for the last 46 years without any utilization.

Audit was of the view that non-utilization of land resulted into revenue losses which could have been generated by productive use of land. NFC Head Office was located nearby in rented building for which huge rent expenses were paid. This land could be used for construction of office building where rent income could also be generated. NFC management having 25% representation in BOD of CHL, failed to take any imitative for utilization of land.

The matter was reported to the management on November 01, 2022. During DAC meeting held on January 20, 2023, the management agreed with Audit point of view and explained that NFC was holding 25% shares and NOC from Archeology Department was needed. DAC directed the management for assessment of value of land and preparation of business plan for its utilization.

Audit recommends compliance of DAC directives.

Para-1 (NFC – 2019-21)

9.5.4.2 Avoidable unproductive expenditure - Rs. 615.159 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails 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 handling of public funds, assets, resources and

confidential information by directors, executives and employees and claiming of expenses.

According to Clause-III of Memorandum of Association of the NFC, the corporation has to carry out the business of manufacturing, buying, selling, exporting and importing all type of chemicals and fertilizers.

During audit of National Fertilizer Corporation (NFC), Lahore for the years 2019-20 to 2021-22, it was observed that all the manufacturing units of NFC had been privatized by the Privatization Commission from 1992 to 2008. Further, Cabinet Division vide its notification dated December 23, 2019 approved the merger of National Fertilizer Marketing Limited (NFML) with TCP and transferred of Institute of Engineering & Fertilizer Research, Faisalabad and Institute of Engineering, Multan from Ministry of Industries & Production to Federal Education & Professional Training Division (FE&PTD). In this scenario, NFC had not been involved in any operational activities. An expenditure of Rs.615.159 million during 2018-19 to 2021-22 was incurred as administrative and general expenses without any operations.

Due to weak financial management and non-rationalizing the staff strengths according to reduced operations, NFC had to bear heavy administrative expenses.

Audit was of view that the Corporation's operations had been closed after 2008 but the management did not rationalize its staff costs according to its current operational needs which resulted into unjustified and wasteful expenditure of Rs. 615.159 million.

The matter was reported to the management on November 01, 2022. During DAC meeting held on January 20, 2023, the management agreed with Audit point of view. DAC directed the management to rationalize the staff strength.

Audit recommends compliance of DAC directives.

Para-3 (NFC – 2019-21)

9.5.4.3 Irregular sales of shares of Sanofi Aventis – Rs 867.264 million

According to Rule 5(7)(h) of the Public Sector Companies Corporate Governance Rules 2013, the Board shall be responsible to formulate significant policies regarding acquisition or disposal of fixed assets and investments.

According to Rule 4(3) of Public Sector Companies Corporate Governance Rules 2013, “The chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Act and these rules. His 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

During the audit of NFC for the period 2019-22, it was noted that total 1080,000 shares were transferred to NFC on liquidation of Federal Chemicals & Ceramics Corporation Pvt. Limited in June 2003. In August 2011, a private broker

M/s Dossani approached Chairman NFC and offered to purchase of shares of Sanofi Aventis held by NFC. Ministry of Industries also intervened and directed to sale out the shares held by NFC. On these directions, a resolution was passed through circulation to BOD and out of total 1080000 shares, the management of NFC sold 824,300 shares at rate of Rs 160 per share to M/s Dossani Securities Pvt. Limited. It is pertinent to mention here that Chairman NFC Board approached through a DO letter to the Ministry of Industries vide its letter No. NFC/ DO/ 614/ 15 dated 24.08.2011 for clearance of sale of said shares bypassing the BoD. Later on the share value of Sanofi Aventis was appreciated as the shares were being traded in stock market at the rate of Rs 1,068 per share in June 2022. Similar kind of offer was received in 2022 from a private company, but the BOD refused to sale the current holding of 255,700 shares of Sanofi Aventis on the plea that the company had been paying heavy dividends. Due to lack of independent decision making, a very lucrative investment held by NFC was sold through a private transaction with a broker company instead of through some competitive process.

Audit was of the view that the management did not exercise due care and diligence which resulted into loss to the company. The capital gain loss was

assessed to be Rs 748.464 million (Rs 160 share sale price less Rs 1068 per share current market price in June 2022 = Rs 908 x 824300 shares sold = Rs 748.464 million). Sanofi Aventis had been paying high dividends. In 2011 when shares were disinvested, Sanofi Aventis gave a dividend of Rs 10.800 million. Loss assessed on account of dividend receipts was Rs 118.800 million (10.800 million per year x 11 years since 2011 = 118.800 million). Total loss assessed was Rs 867.264 million (Rs 748.464 + Rs 118.800). Audit asked for policy to sale of investments held by NFC in 2011, but nothing was available thus sale of shares of Sanofi Aventis was held irregular and without due diligence resulting into heavy losses to NFC.

The matter was reported to the management on November 01, 2022. During DAC meeting held on January 20, 2023, the management explained that decision was taken by BOD. Audit explained that no justification was provided for sale of directorship shares through a transaction with a private broker without any competitive process to ensure transparency. DAC directed to hold an inquiry at ministry level.

Audit recommends compliance of DAC directives.

Para-6 (NFC – 2019-21)

9.5.4.4 Loss due to procurement of water logged land in Naushero Feroz – Rs 39.526 million

According to Rule 2A of Public Sector Companies Corporate Governance Rules 2013, “For the purposes of these rules, the following shall be the criteria for sound and prudent management of a Public Sector Company, which shall be bound to comply with it at all times namely: -(a) the business of the Public Sector Company is carried on with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities;

During the audit of NFC for the years 2019-22, it was observed that company had purchased a piece of land of 51 acres with a total cost of Rs 39.526 million on March 14, 2016 in the name of NFC Institute of Engineering and Technology Naushero Feroz sub campus of NFC-IET Multan. Scrutiny of relevant file revealed that the said land was 2 Km away from the National Highway and land was marshy/water logged normally flooded with water in rainy

season. UET although declared this land constructible but with special treatment and methods. Six years has been elapsed and proposal to construct sub-campus of Multan institute has been cancelled.

Due to weak internal controls and poor business planning company purchased useless land.

Audit was of the view that land was procured without due diligence and care which resulted into wastage of resources.

The matter was reported to the management on November 01, 2022. During DAC meeting held on January 20, 2023, the management explained that at the time of procurement, land was not water logged but later on it was severely affected by water logging. Audit explained that after procurement of land in 2016, a team of NFC visited the site and reported that land was marshy and water logged. DAC after detailed deliberations ordered to hold an inquiry at ministry level.

Audit recommends compliance of DAC directives.

Para-8 (NFC – 2019-21)

9.5.4.5 Un-utilized reserves appearing in the books for last many years – Rs 850.182 million

According to Section-73 of the Companies Act 2017, (1) The directors may, before recommending any dividend, set aside out of the profits of the company such sums as they think proper as a reserve or reserves which shall, at the discretion of the directors, be applicable for meeting contingencies, or for equalizing dividends, or for any other purpose to which the profits of the company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of company or be invested in such investments (other than shares of the company) as the directors may, subject to the provisions of the Act, from time to time think fit.

During the audit of NFC for the years 2019-22, it was noted that the management had been showing an amount of Rs 850.182 million in its reserves. This include Capital Redemption Reserve Fund Rs 490.170 million, Reserve on acquisition

Rs 54.012 million and Reserve for issuance of bonus shares Rs 306.00 million.

These reserved funds were kept pending in books of accounts just to retain cash in the business which resulted into low dividends payments to the Government. Due to weak financial management and poor decision making, huge funds were established which were not utilized for desired objectives of the fund creation.

Audit was of the view that these reserves have been kept in the books of accounts for last many years without any purpose which resulted into blockage of funds.

The matter was reported to the management on November 01, 2022. During DAC meeting held on January 20, 2023, the management agreed with the audit observation. DAC directed the management to place the matter before BOD for closure of unutilized funds according to relevant accounting standards.

Audit recommends compliance of DAC directives.

Para-11 (NFC – 2019-21)

9.5.4.6 Expected loss due to non-recovery of share of land and not making attempts for disposal of shares – Rs 2.235 billion

According to Rule 5 of the Public Sector Companies Corporate Governance Rules 2013, The directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company. This provision shall apply to all directors, including ex officio directors.

During the audit of NFC for the years 2019-22, it was observed that the company owned 1,880,000 shares of Rs 10 each relating to Pak China Fertilizers Ltd (PCFL) as long term investments. Further scrutiny revealed that 90% of PCFL were sold to M/s Schon Group by the Privatization Commission in May 1992 and 10% shares were retained by NFC which were appearing in the books of accounts. Privatization Commission on an inquiry of NFC, informed through its letter dated 26.02.2021 that due to default of purchaser i.e. M/s Schon Group, the matter was sub judice and NFC was advised to safeguard its own interest. M/s Schon Group tried to purchase the 10% shareholding of NFC through its letter dated 15.03.2021 at Rs 28 per share. The factual position was that PCFL owned

land about 2,400 kanal at Haripur in KP province along motorway having value of Rs 22.357 billion as per evaluation done by the Schon Group i.e. owner of PCFL. The share of land of NFC was amounted to Rs 2.235 billion and M/s Schon Group offered to purchase shares only for 52.640 million i.e. Rs 28 per share. It is pertinent to mention here that M/s Schon Group vide its letter dated 09.03.2022 requested NFC to take over the physical possession of company assets as various assets of company were being illegally disposed off by local authorities in KP province. Due to weak internal controls and poor decision making, NFC may sustain huge loss on its investment /shareholding in PCFL.

Audit was of the view that the BOD had not fulfilled its fiduciary duties and not acted in best interest of the company. NFC had ownership claim on all the moveable/immoveable including land held by Pak China Fertilizers were lying unutilized and attempts were made for illegal disposal. Management of NFC should claim its share without further loss of time.

The matter was reported to the management on November 01, 2022. During DAC meeting held on January 20, 2023, the management explained that SECP had initiated the inquiry and the matter was also taken up with local administration. Audit explained that current aspects highlighted by Audit were not raised before and NFC would have to follow up the matter for final outcome. DAC directed the management to pursue the case with SECP and take all steps to safeguard the interests of NFC.

Audit recommends compliance of DAC directives.

Para-13 (NFC – 2019-21)

9.6 Pakistan Stone Development Company

9.6.1 Introduction

Pakistan Stone Development Company (PASDEC) is a public company limited by guarantee incorporated under Companies Ordinance 1984 (now Companies Act 2017). The Company is a subsidiary of Pakistan Industrial Development Corporation (Pvt.) Limited (PIDC). The registered office of the Company is situated at Islamabad Chamber of Commerce building, 2nd floor, G-8/1 Mauve Area, Islamabad.

The objective of the Company is to upgrade the supply of marble and granite in Pakistan through improved quarrying practices and support infrastructure. This involves introduction of new technologies and techniques and establishment of model quarries, up gradation of existing quarries, establishment of industrial cities and establishment of Rock Mining Training Institutes to impart quarrying skills in Pakistan.

9.6.2 Comments on Audited Accounts

9.6.2.1 The working results of the Company for the year 2021-22 as compared to previous years are given below:

(Rs. in million)

	2021-22	% Inc / (Dec)	2020-21	% Inc / (Dec)	2019-20
Description					
Revenue	85.888	15	74.834	(23.35)	97.628
Cost of Sales	(74.036)	11	(66.956)	(6.58)	(71.673)
Gross Income/(Loss)	11.885	51	7.878	(69.65)	25.955
Administrative expense	(80.064)	8	(74.466)	(10.05)	(82.784)
Provision for doubtful debts	(0.687)	92	(8.270)	(53.80)	(17.899)
Impairment on receivable from projects	6.124	113	(46.819)	(56.28)	(107.089)
Reversal on impairment on receivable from MCR	19.385	0	-	-	-
Programme expense	0	0	(0.187)	(63.90)	(0.518)
Other income	16.245	0	16.210	(36.00)	25.303
Net profit/(Loss)	(27.146)	74	(105.654)		(157.032)

(Source Annual Audited Accounts)

The core functions of the company are establishment and support of model quarries, up gradation of existing quarries and establishment of industrial cities. However, the company failed to generate revenue from their core functions which needs justifications.

9.6.2.2 Administrative expenses Rs. 80.064 million is 93% of the gross revenue of the company. The management failed to effectively manage human resource of the company. The huge administrative cost leads to continuously losses of the company. This needs justification.

9.6.2.3 The company invested Rs. 583.561 million in quarry projects during the year 2008-14 in line with objectives of the company to demonstrate mechanized mining techniques through establishment of model quarries and up gradation of existing quarries. The investment was recoverable from the venture certain amount per ton from production of stone. However, the company failed to effectively manage their investment and booked impairment loss of Rs. 558.900 million due to slow moving of available stock of these discontinued projects. This need justification.

9.6.2.4 Capital work in progress of Rs. 26.759 million is appearing the accounts since last two years. Detailed break up and reasons for non-completion of civil may be provided to audit. Moreover, retention money of Rs. 13.652 million is payable since last two years, which needs to be explained.

9.6.2.5 Trade debts Rs. 66.709 million is declared doubtful which is 79% of the total Trade Debts Rs. 84.486 million. The non-recovery of trade debts needs to be justified.

9.6.2.6 Advances from allottees against development preparation Rs. 693.529 million was showing at note-12 of the annual accounts, however, possession certificates have not been issued to the allottees despite passing more than 10 years. This need to be justified.

9.6.2.7 Rs. 44.72 million has been incurred on purchase of land from KP-EZDMC but title of the land has not been transferred in the name of PASDEC which need to be justified.

9.6.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
2013-14	06	0	06	8.16.1, 8.16.2.1, 8.16.2.2, 8.16.2.3, 8.16.2.4, 8.16.2.5, 8.16.4.1	0
2015-16	03	0	03	8.17.1, 8.17.2, 8.17.4.1	0
Total	09	0	09		0

Compliance of the PAC directives was very poor which requires immediate attention of the PAO.

9.6.4 Audit Paras

9.6.4.1 Impairment loss due to dis-continuation of quarries projects - Rs. 405.036 million

Rule 02-A (03) of the public sector companies (corporate governance) rules, 2013, states that Public Sector Company shall not be regarded as conducting its business in a sound and prudent manner if it fails to conduct its business with due regard to the legitimate policy objectives and development targets of the Government.

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

During audit of the PASDEC for the year 2019-20 and 2020-21, it was observed that According to the PC-1 of the project “Development of Marble & Granite Sector” duly approved by the competent forum, PASDEC incurred Rs. 340.431 million on the establishment / up-gradation of different quarries in all around the country.

Audit observed that due to failure of the joint venture partners, the activities on these projects were discontinued during the year 2012 to 2014. Actual loss of Rs. 627.999 million was occurred, out of which Rs. 222.962 million was considered as recoverable with a balance of Rs. 405.037 million as irrecoverable

as on 30.06.2016 hence treated as impairment loss by the BoD and shown in the financial accounts for the year 2020-21.

Audit observed the following:

1. The technical expert Mr. Rashid Haider, Assistant Director Geological Survey of Pakistan had pointed out in his report that reports of GSP departments did not recommend the sites for mining operations at Model Quarry Chitral and Nawagai, but management approved the sites by giving undue benefit to the lease holder.
2. M/s Baker Tilly Mehmood Idrees Qamar in his performance report also pointed out that impairment loss was occurred due to Ineffective marketing and sale promotion strategy, Unrealistic terms with JV partner, Lack of forecasting and planning, non-monitoring and performance evaluation and non- compliance with benchmarks set by experts.
3. Immediate action was not taken by the Board of Directors for revival of the projects.
4. Responsibility was not fixed on any individual for sustaining loss to the Govt. by the Board of Directors.
5. As PSDP funds were involved, the PASDEC should reported to the federal government for sustaining loss in light of the govt. rules.
6. As all the projects have sustained loss therefore it seems that proper feasibility of the projects was not carried out and the works were executed in hurry to favour some contractors.
7. Project staff was also not hired for the execution of the projects causing loss to the company.
8. Board of directors in their decision has clearly stated that loss was occurred due to negligence of the management but disciplinary action against the concerned officers was taken.

The irregularity occurred due to lack of planning and financial control of the management.

In DAC meeting held on 18.01.2023, management replied that the quarry sites were selected on the basis of prospecting reports of technical team including Geologist and Mining Engineer and approved by the Board.

DAC directed the management to submit a comprehensive report regarding failure of the projects and management involved in the selection of wrong sites for joint venture projects besides fixing responsibility on the individual's held responsible.

Audit recommends compliance of the DAC directives.

Para-2 (PASDEC – 2019-21)

9.6.4.2 Non-recovery of PASDEC share of income from joint venture partners - Rs. 199.783 million and non-imposition of penalty - Rs. 19.978 million

According to Para 08 of the GFR Vol-1, subject to such general or specific rule, Revenue or Administrative Department concerned to see that the dues of Government are correctly and promptly assessed, collected and paid into the treasury.

According to agreements executed with the Joint venture firms, no distribution of profit will be made till the loss if any is adjusted /absorbed. up to the time repaid the entire investment provided by PASDEC, all the withdrawals by the JV from the accounts of joint venture would require due approval by CEO of the PASDEC.

During audit of the PASDEC for the year 2019-20 and 2020-21, it was observed that 05 contract agreements were executed with different joint venture firms for production of the export quality dimensional stone square blocks by developing the quarries all around the country. The quantity of blocks produced were required to be sell out for recovery of the PASDEC share of investment and then distribution of the net profit/ loss between both parties.

Audit observed that out of total sale of the marble blocks, the share of PASDEC up to March 2022 was Rs. 70,159,510, out of which Rs. 19,376,300 has been recovered with an outstanding recoverable amount of Rs. 199,783,210 causing loss to the company. Audit also observed that penalty clause was not included in any contract agreement and thus J/V partners were benefited at the cost of the PASDEC. Audit therefore holds that penalty @ maximum 10 % of the delayed payments amounting to Rs. 19,978,319 may be recovered from the contractor and deposited in to the PASDEC bank amount.

The irregularity occurred due to lack of internal and financial control.

DAC meeting was held on 18.01.2023. Management replied that those projects did not report any profit hence, no distribution of profit was made. The projects were again handed over on per ton basis and not on profit basis sharing. PASDEC had recovered Rs. 1.575 million from M/s Azad. Neither provision for penalty was available in the main contract nor would J/V partners pay it.

DAC directed the management to recover the amount from the contractors and verify from audit.

Audit recommends implementation of the directives of DAC.

Para-3 (PASDEC – 2019-21)

9.6.4.3 Loss due to non-selling of old stock of blocks at quarries - Rs. 92.914 million

According to rule 5 (5) of the Corporate Governance Rules 2013, the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders, in the following manner, namely:- the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage.

Under the head “Model Quarries” of the approved PC-1 of the project” Development of marble & granite Sector” greater value per metric ton of stone will be achieved in the local market. Currently, rough boulders fetch an average of Rs. 1200/ton as opposed to 4,000/ton, the projected value of square blocks.

During audit of the PASDEC for 2019-20, it was observed that According to the agreements executed with different joint ventures of the quarry's firms, the blocks produced by the quarries were required to be sold and its auction amount be credited in to the PASDEC bank account. However, it was observed from the physical stock taking conducted by the internal committee on 30.06.2021, that a quantity of 27,294 of the old stock of blocks approximate valuing Rs. 92,914,100 was lying in different quarries (Annex-94). Audit observed that management of

the PASDEC did not sell out the blocks in their year of production i.e. 2013-14 to 2019 and thus the average sale rate of blocks has decreased from the PC-1 rates ranging from Rs. 1,500 to Rs. 4,000 to Rs. 500 to Rs. 1,800 (According to physical stock taking report) in different queries causing a loss of Rs. 49.835 million to the company. Further, a quantity of 6,940 at the enhanced rates valuing Rs. 43.079 million was also not sold which will reduced its value in the future.

Audit was of the view that due to lack of internal control of the management, company has sustained an overall loss of Rs. 92.914 million due to non- selling of the old stock of blocks immediately after its production (detail attached) therefore held irregular and requires justification.

The irregularity occurred due to lack of internal and financial control.

DAC meeting was held on 18.01.2023. Management replied that advertisements were floated for sale of leftover material. Since the leftover material was not at par therefore could not attract desired price in the PC-1 for management estimates. The entire stock of MQ Khuzdar, warehouse Gaddani etc. had now been sold.

DAC directed to dispose of the available material at competitive rates and approve from the BoD and justify the reasons for non-sale of stocks in time.

Audit recommends implementation of the directives of DAC.

Para-5 (PASDEC – 2019-21)

9.6.4.4 Loss due to non-execution of promissory note and personal guarantee - Rs. 114.114 million

According to Para 04 of the 1st addendum dated 14th July 2016 and Para 03 of the addendum dated April 2013, executed between the PASDEC joint venture partner Mr. Javed Khan of M/s Javed Khan Mining Company and Mr. Rahim Shah, the lease holders shall execute a promissory note and a continuing personal guarantee in favour of the PASDEC to the tune of an amount equal to the investment, made by the PASDEC in the project.

During audit of the PASDEC for the year 2019-20 and 2020-21, it was observed that PASDEC invested Rs. 58.155 million and Rs. 55.959 million with their joint venture partners Mr. Javed Khan M/s Buner and Mr. Rahim Shah the lease holders of dimensional quarries to develop/upgrade a quarry in the marble

and granite sector of Pakistan. According to above agreement's Paras, both Joint venture partners were required to execute a promissory note and a continuing personal guarantee, equal to their investment with the PASDEC Company but management of the PASDEC failed to obtain the same from the contractors and thus were benefited at the cost of the company.

Audit was of the view that due to non-obtaining the promissory note and personal guarantee, neither the contractors met their obligations for return of the PASDEC share of investment nor PASDEC was able to recover his share from the contractors therefore it was held irregular and violation of the agreement.

The irregularity occurred due to lack of internal and financial controls of the company.

DAC meeting was held on 18.01.2023. Management replied that the joint venture partners had signed an agreement where they promised to make payment against the PASDEC's investment. The contractor was regularly being pursued for recovery.

DAC directed the management to take promissory note from the concerned contractor as per addendum.

Audit recommends implementation of the directives of DAC.

Para-8 & 9 (PASDEC – 2019-21)

9.6.4.5 Loss due to non-recovery of rent of machinery from contractor - Rs. 12.712 million and non-imposition of penalty on contractor - Rs. 1.271 million

According to clause 04 (I) of the agreement with M/s Abbasi Mining, Mansehra Quarry owner and PASDEC dated. 20.02.2015, the monthly rent of the machinery/equipment shall be paid in advance at the rate mentioned in schedule-A per month, beginning on the day of delivery to site and on the first day of each succeeding month throughout on the basis of 208 working hours per month the term thereof, at the PASDEC's designated bank account .Any installment /payment not made by the fifth day of the month shall be considered overdue and in addition to other remedies, PASDEC may levy a late payment surcharge equal to one percent (1.0 %) per month on any overdue amount. Rent for any partial month shall be prorated.

Clause 04(v) of the said agreement states that in case of default on account of quarry owner (delay in payment/non- payment) the machinery from the quarry will be removed immediately and security amount shall be forfeited & legal action According to law will be taken against the quarry owner.

During audit of the PASDEC for the year 2019-20 and 2020-21, it was observed that PASDEC entered in to a contract with M/s Attaullah Abbasi mines for providing machinery on rental basis vide contract agreement dated. 20.02.2015. The said agreement was further extended for another 04 years period w.e.f. 01-10-2017 to 30-09-2021 but contractor failed to give the rent and a sum of Rs. 12.712 million was outstanding as on 30.06.2021

Audit observed the following:

1. PASDEC failed to retrieve the machinery and contractor was benefited at the cost of company.
2. Clause for performance security was not included in the agreement to recover the loss in case of failure of the contractor.
3. Post dated cheques were not presented to the bank for encashment which were found dishonored by the bank but FIR was not lodged against the contractor.
4. Security amount of the contractor was not forfeited.
5. Contractor was allowed to get repair of machinery on behalf of the PASDEC which was violation of the agreement and PPRA 2004.
6. Penalty @ Rs. 1.0 % was not imposed on the contractor and thus benefited Rs. 1.271million.

The irregularity occurred due to lack of internal and financial control.

In DAC meeting was held on 18.01.2023, the management explained that out of total rent of Rs. 12.772 million as on 30th June 2021, an amount of Rs. 11.242 million had been recovered till December 2022.

DAC directed to verify the recovery from the Audit besides recovery of the penalty as per contract agreement clause.

Audit recommends implementation of the directives of DAC.

Para-11 (PASDEC – 2019-21)

9.6.4.6 Loss due to non-billing to contractor Rs. 12.325 million and non-recovery of Rs. 3.405 million of rent of machinery

According to clause 06 of the contract agreement No. Nil dated. 01.01.2019 signed between the PASDEC and M/s Shah Khalid of M/s Safi Marble Mining Company Yarakhel Distt. Mohmand, party two also agrees that in case of non- payment within due date (10th of every month) and services of final notice, party one will stop the machines and will start process of retrieval of the machinery. Party two shall be liable to make payment of transit insurance and transportation expenses in lieu thereof. In case of non- payment, party one will complete the process and expenses shall be billed to party two which it shall be liable to pay. According to PASDEC final notice for payment of outstanding dues vide letter No. PASDEC/MP/23831 dated. 27.01.2021, the contractor had agreed for the safe return of machinery and settle the outstanding payment.

During audit of the PASDEC for the year 2019-20 and 2020-21, it was observed that PASDEC entered in to a contract with M/s Shah Khalid for providing pool machinery on rental basis on 01.01.2019. Machinery was handed over to the firm vide issue voucher No. IV/MPR/2019 dated. 29.04.2019, 30.04.2019 and on 07.05.2019, PASDEC has made actual billing of Rs. 13,816,360 from January 2019 to June 2020 with a receivable balance of Rs. 3,405,950 as on 30.06.2020.

Audit also observed that Para 01 of the Arbitration proceeding held between PASDEC and M/s Shah Khalid Mining dated 04.11.2020 and final notice issued to the contractor vide letter dated. 27.01.2021 also shows that machinery was under the possession of the contractor up to 12.08.2021 for which no billing was made by the PASDEC. Audit therefore was of the view that PASDEC has also sustained a loss of Rs. 12.325 million (Annex-95) due to illegal utilization of the machinery by the contractor which may also be recovered from the contractor in addition to the outstanding balance of Rs. 3.406 million.

The irregularity occurred due to lack of internal and financial control.

In DAC meeting was held on 18.01.2023, the management replied that FIR was lodged against the contractor for presenting the dis-honoured cheques. An amount of Rs. 10.20 million was recovered from the contractor from 2018 to

June 2020 whereas an amount of Rs. 3.5 million was receivable from the M/s Shah Khalid.

DAC directed to share the log book of the machineries and verify the recovered amount from Audit besides making efforts for the recovery of the remaining amount from the contractor.

Audit recommends implementation of the directives of DAC.

Para-13 (PASDEC – 2019-21)

9.6.4.7 Non-recovery of outstanding rent, cost of repair and transportation charges - Rs. 12.108 million and loss due to non-imposition of penalty on contractor - Rs. 0.987 million

According to clause 17 of the contract agreement No. Nil dated. 01.08.2016 signed between the PASDEC (party one) and M/s Pak International Marble Mining Mohmand Agency (Party two), the rented machinery will be kept by the party two for a maximum period of 180 days after which it has to be returned to PASDEC machinery pool (exception might apply but will have to be with consensus of party one). And Clause 15 of the said agreement states that PASDEC may take any action in case of default or in breach of this agreement by party two like lodging of FIR, filling legal suit against party two or any other action suitable to party one to safeguard its interest.

According to clause 08 of the contract agreement No. Nil dated. 09.02.2016 signed between the PASDEC (party one) and M/s Pak International Marble Mining Mohmand Agency (Party two), party one will pay be responsible to conduct routine repair and maintenance of machines.

Clause 10 of the agreement states that party two will pay the transportation charges for both sides and clause 13 of the agreement provides that party two will born the cost of transit insurance.

During audit of the PASDEC for the year 2019-20 and 2020-21, it was observed that PASDEC entered in to a contract with Mr. Imran Khan of M/s Pak international Shah Khalid for providing pool machinery on rental basis w.e.f. 01.08.2016. PASDEC has made actual billing of Rs. 10.316 million from 08.02.2016 to 31.12.2017, against which only Rs. 1.656 million had been paid with an outstanding balance of Rs. 8.660 million up to 31.12.2017. Further, rent

for the period 01.01.2018 to 30.06.2018 amounting to Rs. 1.201 million was also outstanding against the contractor. Moreover, an amount of Rs 2.247 million on account of repair and transportation expenses of machines and excavator were charged but failed to recover the same from contractor. Thus, due to non-payment of rent, transportation expenses and repair, the company sustained a loss of Rs. 12.108 million (Rs 8,660,140 + Rs 1,201,200 + Rs 2,246,574).

Audit observed the following:

1. PASDEC failed to retrieve the machinery According to agreement despite of the fact that contractor was not paying the rent to the company.
2. Agreement was not renewed after the termination of the 1st agreement and thus the machinery was utilized without approved contract agreement.
3. Performance security clause was not included in the agreement therefore the contractor was free from any obligation in case of default.
4. FIR was not lodged on the contractor for breach of contract agreement in time which was violation of the clause 15 of the agreement.
5. Security amount of the contractor was not forfeited in the favour of the PASDEC which was violation of the agreement.
6. Contractor was allowed to get repair on behalf of the PASDEC which was violation of the agreement and PPRA 2004.
7. Penalty clause for delay in payment of rent was not included in the contract agreement and thus company sustained a loss of Rs. 986,134 (9,861,340 x 10% maximum)
8. Original log books of the machinery provided to the contractor were not available on record except copy of some pages.
9. Copies of the log book shows that monthly summary was not prepared and signed by the manger concerned.
10. Exact date of return of the machinery was also not known to the audit as no inward and outward register of the machinery was maintained by the company.

The irregularity occurred due to lack of internal and financial control of the management.

In DAC meeting was held on 18.01.2023, the management apprised that court case for recovery of overdue amount along-with damages was decided in favor of PASDEC and its execution was being filed.

DAC directed to recover the amount from the contractor and verify from Audit.

Audit recommends implementation of the directives of DAC.

Para-14 & 19 (PASDEC – 2019-21)

9.6.4.8 Loss due to irregular payment of adjustments by PASDEC to contractor - Rs. 12.415 million

Clause 06 (i) of the rental agreement between PASDEC and M/s Abbasi Mining contractor dated. 20.02.2015 states that repair of machinery, beyond reasons attributable to quarry owner/bailee/lease owner, will be the responsibility of the PASDEC and Clause 10 of the rental agreement between PASDEC and M/s Abbasi Mining contractor dated. 02.10.2017 states that party one will perform repairs only for engine work, hydraulic system and electronic system of equipment/machinery. All other repair work shall be the responsibility of party two who will ensure that all repair work is carried out in presence of Party One's designated staff and preferably by OEM dealer recommended by Party one. And clause 11 states that party one has discretion to reduce monthly rent by a maximum of 5 days or 20 hours against those bread downs for which the party two is responsible to rectify.

During audit of the PASDEC for the year 2019-20 and 2020-21 and checking the ledger of M/s Abbasi Mining, it was observed that management allowed adjustments of Rs. 12,415,265 in the years 2015-16 to 2019-20 to the contractor on account of repair of machinery, break downs and payment of salaries to the staff of the company.

Audit observed that repair of work of the machineries beyond reasons attributable to quarry owner/bailee/lease owner, was the responsibility of the PASDEC. Similarly, payment of salaries to the staff was also the responsibility of the owner of the quarry and was not covered in both the agreements executed with the contractor in 2015 and 2017. Further no prior approval for the repair work or payment of salaries was taken from the company by the contractor.

Repair work was done without codal formalities causing violations of the PPRA 2004 as well as loss of due taxes to the Govt. Audit therefore was of the view that adjustments of Rs. 12.415million was made in violation of the agreements made with the contractor therefore held irregular and undue favour to the contractor.

In DAC meeting held on 18.012023, the management replied that contractor was paying salaries to ten operators and was requested to release their salaries. PASDEC had adjusted the routine repair cleaning and ancillary maintenance amount.

DAC directed to share SOPs in light of the agreement made with the contractor and recover the adjusted amount besides disciplinary action against the individuals held responsible for violation of the agreement.

Audit recommends implementation of the directives of DAC.

Para-16 (PASDEC – 2019-21)

9.6.4.9 Non-transfer of ownership title of 100 acres land to PASDEC - Rs. 45.49 million

Para 16 of the agreement between SDA and PASDEC dated 26.12.2006 requires that consequent PASDEC upon the payment of full cost of land all the interest of the SDA except for the responsibility for any defects whatsoever arising in the title of the land or dispute hereto, shall stand fully divested with all the rights and powers stand therein automatically conferred upon the PASDEC exclusively.

Para 04 of the letter No. SDDA/D(P & I)/M.City/1413 dated. 02/07/2008 states that prior approval of the Chief Minister NWFP will be solicited if M/s PASDEC requests for transfer of 100 acres land on permanent/owner basis, instead of lease.

During audit of the PASDEC for the year 2019-20 and 2020-21, it was observed that management of the PASDEC made payment of Rs. 84.156 million to the Sarhad Development Authority (SDA) now called KP-EZDMC for transfer of 185 acres of land. Accordingly, KPEZDMC transferred title of the ownership of 85 acres of land in favour of the PASDEC up to 2011 but the title of the remaining 100 acres of land costing Rs. 45.49 million has not yet been transferred till date of audit.

Audit observed that that management of the PASDEC did not make efforts for transfer of the title ownership in the name of PASDEC till date of audit, despite payment of all the dues of the KP-EZDMC up to 2011-12.

Audit was of the view that due to non- transfer of the ownership in the name of the PASDEC, the company was unable to further transfer the title of the owner ship in the name of the allottees which has badly affected the activities of the industrialists in the industrial estate at Risalpur therefore held irregular.

The irregularity occurred due to lack of internal and financial control.

DAC in its meeting held on 18.012023 directed to share the inquiry report of the Ministry with Audit and make efforts for obtaining the ownership of the 85 Acres of land from KP-EZDMC.

Audit recommends implementation of the recommendations of the DAC.

Para-25 (PASDEC – 2019-21)

9.6.4.10 Irregular payment of salaries to staff without third party validation and consultation with Finance Division - Rs. 162.621 million

According to 49th BOD meeting dated 26.04.2018, the board directed to appraise and revise the existing human resource policy through engagement of a consultant, According to Action required of the 34th HR committee in its meeting held on 26th April 2018.

During audit of the PASDEC for the year 2019-20 and 2020-21, it was observed that an expenditure of Rs. 162.621 million (Rs. 84.196 million and Rs. 78.425 million) was incurred on the payment of pay and allowances of the officers and staff respectively in above years. According to above decision of the board, the management hired the services of M/s Baker Tilly and awarded the work for Rs. 245,000 vide letter No. PASDEC /Proc /19953 dated. 03.10.2018. The firm submitted 03 drafts of HR policy but turned down by the management vide email dated. 22.05.2019.

Management approved and revised the first HR policy of the company from the board in the 25th meeting dated 06.08.2014 and then revised in 43rd meeting dated. 23.12.2016 and 25th June 2020. The pay structure and other fringe

benefits of the staff of the company were approved accordingly in each HR policy.

Audit observed the following:

1. Pay structure and HR policy of the company was not was revived by the third party which was against the board decision.
2. Consultant's required action was not followed in letter and spirit which seems that the report was against the interest of the management.
3. Being public sector entity Company, consultation from the finance division was not obtained for revision of the HR policy.
4. All appointments were being made on one year contract basis and extension is being granted for another year on the basis of their performance. This shows that employees are not regular hence payment of the gratuity and leave encashment to the contract staff was not authorized.
5. Pay structure of the employees was not approved up to 2020 and appointments were at the discretion of the CEO /Board of Directors which is against the rules.

The irregularity occurred due to lack of interest of the management in the affairs of the company and not following the directions of the BoD

In DAC meeting held on 18.01.2023, the management explained that during execution of the task it was observed that consultant had limited knowledge of government entities and on the other hand the quoted rates of other bidders were higher than the financial capacity of the PASDEC.

DAC directed the management to share the draft reports of the consultant with Audit and refer the case to the Finance and Establishment Division for their decision on the approval of the HR policy by the BoD without their consents and approval.

Audit recommends to intimate the reasons for non-vetting of the HR policy from Finance Division and consultant besides justifying payment of gratuity and leave encashment to the contract staff and pay structure may be revived in light of the fresh govt. orders for the autonomous bodies.

Para-29 (PASDEC – 2019-21)

9.6.4.11 Wasteful expenditure on procurement of machinery and loss due to non-utilization of machinery - Rs. 71.407 million

Rule 02-A (03) of the public sector companies (corporate governance) rules, 2013, states that Public Sector Company shall not be regarded as conducting its business in a sound and prudent manner if it fails to conduct its business with due regard to the legitimate policy objectives and development targets of the Government.

According to the revised PC-1 of the project “Development of Marble & Granite Sector” duly approved by the CDWP vide Ministry of Industries & Production letter No. F. 3(24)/2007- Projects dated 03. 03. 2011 requires the construction of the CFT and ware house.

During audit of the PASDEC for the year 2019-20 and 2020-21, it was observed that according to revised PC-1 of the above project, an allocation of Rs. 460.30 million and Rs. 140 million was made for the establishment of the Community facility and training Centre (CFTC) for ware house respectively. Audit observed that 02 Gang Saw machines (made in Italy) and gantry crane machine costing Rs. 62.348 million (@ Rs. 31,173,893 each) and Rs. 9.059 million total Rs. 71.407 million were procured on 29.12.2012 and 30.06.2012 respectively for operationalization of the Community Facility and Training Centre and Ware House in Risalpur and Gaddani. Both the machineries are lying un-installed and without inspection by the technical team in the machinery yards at Risalpur and Gaddani since its procurement. The value of the machinery of Gang Saw and Gantry Crain after depreciation cost up to 2020-21 comes to Rs. 23.077 million(Rs 11.538 million x 02) each and Rs. 716.592 million respectively.

Audit was of the view that due to lack of interest of the management in the affairs of the company, Govt. not only sustained a huge loss of Rs. 71.407 million but the purpose and aim of the establishment of the CFTC. Further, providing training facilities to the community was also not achieved therefore held irregular and violation of the PC-1.

Matter was reported to the management on 19.06.2021 and 22.12.2022 but no response was received.

In DAC meeting held on 18.01.2023, the management was directed to conduct a fact finding inquiry to fix responsibility for non-operationalizing the

CFTC and warehouse despite lapse of more than 10 years period. Further it was also directed to know whether the warranty period of the machineries has expired or not.

Audit recommends implementation of the recommendations of the DAC.

Para-30 (PASDEC – 2019-21)

9.6.4.12 Irregular appointment of the Chief Executive Officer - Rs. 43.056 million

According to advertisement dated 13.01.2015 issued for vacant position for the post of CEO requires that experience of 10 to 15 years (minimum) at corporate level of which preferably 03 to 05 years minimum relevant experience in marble and granite sector at top management position. Further knowledge of supply chain in marble and granite industry of Pakistan preferably its linkages at international level will be added advantage.

During audit of the PASDEC for the year 2019-20 and 2020-21 it was observed that Mr. Zahid Maqsood was appointed as Chief Executive Officer in PASDEC vide office order No. 1395/DA dated 25.09.2015 for a period of three years Further office order for appointment was issued on 25.09.2015 whereas the officer joined the company on 10.08.2015 vide Para A of the appointment letter.

Audit observed that the officer had an experience of 15 years and 04 months in the investment banks like Trust Investment Bank, Delta Shipping Ltd. and crescent standard Investment banks and that too in lower position.

Audit was of the view that the officer had no experience of marble and granite sector as well as top level management and international exposure due to which the company did not achieve its basic objectives of promoting the mechanized mining of marble and granite in the country and the company sustained a regular loss due to stoppage of the quarries established up to 2011-12.

Audit therefore was of the view that due to appointment of the CEO in violation of the above rules and relevant experience, the company was put in to a loss, thus the Pay & allowances amounting to Rs. 43.057 million (672,758 x 64 months) paid to the officer was held irregular.

The irregularity occurred due to lack of internal control of the management.

In DAC meeting held on 18.01.2023, the management stated that the officer was qualifying the mandatory criteria of 10 to 15 years at corporate level while background from marble & granite sector was not mandatory.

DAC directed to justify the position before PAC.

Audit recommends implementation of the recommendations of the DAC.

Para-31 (PASDEC – 2019-21)

9.6.4.13 Irregular appointment of Chief Finance Officer without advertisement and competition - Rs. 6.566 million

According to Para 4.3 of the HR policy recommended in the 25th HR committee meeting held on Aug 06, 2014 and approved by the BOD that:

- all vacant or new positions shall be advertised
- In general positions for professional employees shall be advertised in at least one national English language newspaper and may also be placed on the web.

Para 4.1 of the HR policy 2014 and 7.1 & 7.3 of HR policy 2016 states that PASDEC will appoint the qualified candidate on all positions whether the applicant is internal or external.

According to Annexure–I of the HR policy recommended in the 25th HR committee meeting held on Aug 06, 2014 and approved by the BOD, the required qualification for appointment to the post of level II officers is master degree duly recognized by the HEC in management sciences or engineering or financial management/CA/ ACMA /ACCA with 12 years' post qualification, relevant experience.

During audit of the PASDEC for the year 2019-20 and 2020-21 it was observed that Mr. Shahzad Basharat was appointed as Chief Finance Officer (CFO) vide office order No. PASDEC/ISB/6935 dated 14.01.2016 without open competition by advertisement of the post in the daily newspapers in violation of the above criteria. The officer was paid salaries amounting to Rs. 6,566,424 (273,601 p.m. x 24) up to March 2022. The officer had only experience of 07

years and 09 months as Finance and management officer till date of appointment as CFO. HR rules were silent about the required experience for the post of CFO. Audit observed that appointment policy of the PASDEC was not According to H.R. policy 2014 and appointment of the officer was made directly by the Board without competition which was violation of the said policy therefore held irregular and violation of the rules. Audit further observed that the officer has not claimed the benefit of the previous services at the time of fresh appointment as CFO therefore will definitely claim the gratuity and leave encashment at the higher rates for the whole services including lower grade services as Management and accounts officer in PASDEC.

Audit therefore was of the view that appointment of the CFO without open and healthy competition and having low professional experience in executive grades was held irregular and violations of the HR policy of the company as well as government instructions.

The irregularity occurred due to lack of internal control of the management.

DAC in its meeting held on 18.01.2023 directed to conduct a fact finding inquiry at Ministry level for appointment of the officer without advertisement, competition and approved criteria in violation of the HR Policy. It was also decided to advertise the post within 30 days through open competition in light of the HR Policy of the company and prevailing government rules.

Audit recommends implementation of the recommendations of the DAC.

Para-32 (PASDEC – 2019-21)

9.6.4.14 Irregular promotion to higher grades and appointment as company secretary without advertisement / competition - Rs. 3.75 million

According to Para 4.3 of the HR policy recommended in the 25th HR committee meeting held on Aug 06, 2014 and approved by the BOD and Para 7.3 of the HR policy 2016,

- all vacant or new positions shall be advertised

- In general positions for professional employees shall be advertised in at least one national English language newspaper and may also be placed on the web.

Para 4.1 of the HR policy 2014 and Para 7.1 of the HR policy 2016 states that PASDEC will appoint the qualified candidate on all positions whether the applicant is internal or external.

During audit of the PASDEC for the year 2019-20 and 2020-21 it was observed that Miss. Rukhsana Iqbal was appointed as Management Associate vide office order No. PASDEC/ISB/HR& T/38/007 dated 23.02.2007 on a monthly gross salary of Rs.20000 per month. The officer has been paid salaries amounting to Rs. 3,754,440 (156,435 PM x 24) for the year 2019-20 and 2020-21 (upto March 2022) for the post of Company Secretary.

Audit observed the following:

1. The officer was promoted as senior management associate vide office order No. PASDEC/IBD/07/1097 dated. 22.09.2007 and pay fixed as Rs. 21,000 P.M. after 07 months of her initial appointment without any solid reason by the management which was violations of the company rules and government instructions.
2. The officer was further granted promotion to the post of Assistant Manager in level IV of the company on monthly gross pay of Rs. 29,265 P.M. vide office order No. PASDEC/IBD/08/ dated 30.07.2008 i.e. after 10 months of her 2nd promotion which was undue favour to the officer by the management.
3. The officer was again promoted as Manager Procurement in level EL-1 vide office order No. PASDEC/IBD/HR-16/10620 dated. December 2016 without open competition which was violation of the HR policy 2014.
4. The officer was again appointed as Company Secretary at a gross salary of Rs. 150,000 P.M. vide officer order No. PASDEC/CEO/10912 dated 11.02.2019 without open competition by advertisement in the two newspapers and without having the required professional experience which was violation of the HR policy of the company and government instructions.

5. As the officer has been appointed in the higher grade as company secretary therefore will definitely claim the gratuity and leave encashment of the lower grades service which is against the HR policy and financial rules therefore audit recommends to pay the gratuity and leave encashment According to her pay in the lower grades to avoid overpayment in future.

In light of above, audit was of the view that officer was promoted without fulfilling the required length of service and appointed in higher grades without open completion and required length of service for the subject post therefore held irregular, violations of the HR policy and undue favour at the cost of the company.

The irregularity occurred due to lack of internal and managerial control.

DAC in its meeting held on 18.01.2023 directed to conduct a fact finding inquiry at Ministry level for fixing responsibility on the individuals held responsible for frequent promotions to the higher grade in violation of the approved HR Policy of the company. It was also decided to advertise the post within 30 days by adopting open competition in light of the HR Policy of the company and prevailing government rules.

Audit recommends implementation of the recommendations of the DAC.

Para-33 (PASDEC – 2019-21)

9.6.4.15 Mis-appropriation of funds - Rs. 89.90 million and loss due to non-recovery of interest - Rs. 4.9 million

Para 05 (5) of the corporate governance rules states that the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders, in the following manner, namely:-

The principle shall be adhered to, especially with respect to the following, namely:-

- handling of public funds, assets, resources and confidential information by directors, executives and employees;

Para 23 of the General Financial Rules Vol-1, requires that every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

During audit of the PASDEC for the year 2019-20 and 2020-21, it was observed that cheques worth Rs. 89.900 million were drawn from different bank accounts of the company without pre-audit and retained as pay orders in the name of the PASDEC without any lawful authority. Funds were re-deposited up to September 2019 in to the relevant bank accounts. Audit further observed that drawl of the funds and retention for more than 10 months period has led to misappropriation of the funds by the CEO and other joint signatories of the bank accounts (all contractual staff) therefore considered as irregular and violations of the financial rules and public funds management. It was further revealed that either the drawl of funds from the bank accounts were not known to the chartered accountant's firm or mis-represented in the financial statements for the year ended on 30th June 2020 as no disclaimer statement was issued to the company.

Audit was of the view that due to drawl and retention of funds from bank accounts, the company had also sustained an interest loss of Rs. 4.924 million which may also be recovered from the concerned officers.

The irregularity occurred due to lack of internal and financial control.

DAC in its meeting held on 18.01.2023, directed to conduct inquiry at the Ministry level for fixing responsibility on the individuals held responsible for drawl of the amount from banks besides recovery of the interest amount from the concerned officers.

Audit recommends implementation of the recommendations of the DAC.

Para-34 (PASDEC – 2019-21)

9.6.4.16 Irregular payment of salaries to casual / daily wage staff - Rs. 41.761 million

According to HR policy of the PASDEC duly approved by the board of directors on 25th June 2020, Company may hire a person in case of emergency on casual basis for a period of three months. In exceptional cases such employees may be retained for longer period, subject to need of the company/project. Such employee will be entitled for lump sum salary only. And company and projects may hire employee on daily wage basis for maximum period of 75 days.

During audit of the PASDEC for the year 2019-20 and 2020-21, it was observed that management has hired 61 casual staff/ daily wage and internee employees in different departments and expenditure of Rs. 41.761 million had been incurred on their pay in above two years. The staff had been hired since long and still working without any solid reason in support thereof which is against the above policy of the company. Casual staff was regularly working without any gap in their service therefore may claim all their service benefits in future. The management had no clear policy for fixing the pay for casual staff and different employees had been paid according to the will and wish of the authority.

Audit further observed that some casual staff appointed against different closed projects / non- functional projects, therefore retention of the casual staff without requirements against such projects is a burden on the company. Similarly, the management had retained the casual staff in the Gaddani office which was almost non-functional since 2019 therefore considered as giving undue benefit to the dear ones at the cost of the company.

Audit therefore was of the view that retention of the casual staff after 03 month and daily wage employees after 75 days was considered as irregular and violation of the HR policy.

The irregularity occurred due to lack of internal and financial control.

DAC in its meeting held on 18.01.2023 directed to conduct a fact finding inquiry at Ministry level for fixing responsibility for retention of the casual / daily wage staff above the maximum period of 75 days in violation of the HR Policy.

Audit recommends implementation of the recommendations of the DAC.

Para-35 (PASDEC – 2019-21)

9.6.4.17 Loss due to non-investment of funds - Rs. 151.862 million

According to Para 07 and 08 the Finance Division notification No. F.4(1)/2000-BR-II dated. 02.07.2003, the Principal Accounting Officer of the ministry concerned will be responsible for the implementation of the instructions regarding investment of the surplus funds by the PSEs/local/autonomous bodies under his control. The Chief Executive of PSE/Local/Autonomous body will be required to issue a certificate on annually basis that the above instructions are being followed in respect of the working balance and surplus funds of the organization.

Para 08 states that all the PSEs/local/autonomous bodies under the administrative control of the PAO may please be directed to keep their working balances and invest their surplus funds in accordance with the above-mentioned policy instructions.

During audit of the PASDEC for the year 2019-20 and 2020-21, it was observed that surplus funds to the tune of Rs. 60.815 million and Rs. 91.047 million were available in the different bank accounts of the company on 30.06.2019 and 30.06.2020 respectively (Annex-96) total Rs. 151.862 million but management failed in proper planning of the determining the working balances for the year and investment of the surplus funds in different banks According to Finance Division investment policy to earn a higher profit on the funds available with the company. The company has sustained an interest loss of Rs. 11.122 million in above two years

Due to poor financial management, company was deprived of the expected higher income of Rs. 11.122 million therefore held irregular and violations of the Govt. instructions.

The irregularity occurred due to lack of internal and financial control.

DAC in its meeting held on 18.01.2023 directed to inquire the matter for non-investment of the surplus funds and sustaining loss to the company.

Audit recommends implementation of the recommendations of the DAC.

Para-36 (PASDEC – 2019-21)

9.6.4.18 Irregular expenditure on marble city without approval of competent forum - Rs. 655.303 million

According to clause 3(3.3) of the guidelines for project management dated August 2008, it is mandatory that the projects of Infrastructure Sector and Production Sector costing Rs. 300.00 million and above should undertake proper feasibility studies before the submission of PC-I. According to Clause 3.7 of the guidelines:

Approving Authority	Cost Limit Departmental Development
Working Party (DDWP)	Up to Rs.40 million
Central Development Working Party (CDWP)	Up to Rs.500 million
Executive Committee of National Economic Council (ECNEC)	More than Rs.500 million
Provincial Development Corporations and Autonomous Bodies/CDA Working Party (PDWP)	Rs.5000 million
Corporations and Autonomous Bodies/CDA	No Limit *

*with 100% self-financing with no government guarantee and involving less than 25% foreign exchange/foreign assistance.

Clause 3(3.11) states that the autonomous organizations whether commercial or non-commercial having Board by whatever name called, are competent to sanction their development schemes with 100% self-financing with no government guarantee and involving less than 25% foreign exchange/foreign assistance, subject to fulfillment of certain conditions which are given at Annex-VII.

During audit of the PASDEC for the year 2019-20 and 2020-21, it was observed that Economic Coordination Committee granted approval for obtaining loan of Rs. 400 million from banks at market rate of interest with GoP guarantee vide case No. ECC-126/13/2008 dated. 26.08.2008. Accordingly, the management obtained a loan of Rs. 400 million from Emirates Global Islamic bank and settled the principal sum along-with the interest thereon up to 2016.

Work on the construction of the marble city was started without fulfillment of the codal requirements and awarded to the contractors/consultants without approval of the competent forum i.e. ECNEC.

(Rs. in million)

S #	Scheme/Work	Contractor/Consultant	Estimated cost of	Actual cost of work up to date of audit

1	Infrastructure work/Civil Work	M/s Abid Brothers	441.861	522.126
2	Supervisory consultant	National Industrial Parks & MC	-	14.938
3.	Design consultant	Pervaiz Iqbal & Associates	-	11.779
4.	Grid Station	PESCO	125.834	106.46
	Total :-			655.303

Audit observed the following:

- 1 Feasibility study/report for the complete work of the Marble city Risalpur was not prepared or shown to audit.
- 2 PC-1 of the project was not prepared from the competent forum i.e. ECNEC, which was violation of the project management guidelines.
- 3 Technical Sanction of the civil work was not obtained.
- 4 The company did not initiate the works according to the loan obtain from bank causing delay in the work resulting in to cost over- run of the project.
- 5 Annual financial planning/phasing of the project was not made and liability created causing time and cost over-run of the project.
- 6 Due to non- availability of the required funds, M/s Abid Brothers was given the plots in exchange of his running bill with the approval of the BoD which was violation of the by-laws of the marble city project Risalpur.
- 7 Technical project team was not appointed for establishing the marble city project and work was awarded without technical team and proper planning.

The irregularity occurred due to lack of internal and financial control.

DAC in its meeting held on 18.01.2023 directed to fix responsibility for execution of the work without approval of the competent forum. It was also decided to justify the allotment of the plot to the contractor against his contractor bill.

Audit recommends implementation of the recommendations of the DAC.

Para-37 (PASDEC – 2019-21)

9.6.4.19 Irregular expenditure on salaries and others - Rs. 25.956 million

According to para 11 of GFR Volume 1, each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers

During audit of the PASDEC for the year 2019-20 and 2020-21, it was observed that management of the PASDEC has incurred expenditure of Rs. 25,956,307 on payment of salaries and non-salaries expenditure of the machinery pool Gaddani and Karachi, Quetta and CFTC offices. The record revealed that Gaddani office has a machinery pool comprising of 04 excavators, 03 loaders, wire saw, 08 generators, Chainsaw and other costly machinery but management failed to rent out the machinery to the contractors and thus failed to earn a single penny from this office. Similarly, the Karachi office was neither given any specific task by the management nor performed any work.

Audit therefore was of the view that both offices are burden on the PASDEC but management has not taken any corrective measures for either increasing the revenue or closing these offices to avoid further loss to the company. The costly machinery available in Gaddani machinery pool may either be rented out on emergent basis to the contractors or be shifted to other places for earning revenue for sustainability of the company. The existence of the other offices like Karachi and Quetta meant for coordination purpose without any actual performance also needs to be justified to save the company from huge recurring loss in future.

The irregularity occurred due to lack of internal and financial control.

DAC in its meeting held on 18.01.2023 directed to submit the performance report, revenue collected by these offices and expenditure incurred on it for deciding the future of the offices.

Audit recommends implementation of the recommendations of the DAC.

Para-38 (PASDEC – 2019-21)

9.7 Small and Medium Enterprises Development Authority

9.7.1 Introduction

Small and Medium Enterprises Development Authority (SMEDA) was created under a notification dated October 13, 1998 issued by the Prime Minister of Pakistan office and is working under the Ministry of Industries, Government of Pakistan. On August 12, 2002 an Ordinance was promulgated for the establishment of SMEDA as an autonomous body under the Federal Government for encouraging and facilitating the development and growth of small and medium enterprises in Pakistan.

SMEDA is primarily working as an apex policy making body for economic and commercial development of Small and Medium Enterprises (SMEs). The primary objective of the Authority is to provide a fresh impetus to Pakistan's economy through launching aggressive SMEs support programs.

9.7.2 Comments on Audited Accounts

9.7.2.1 The working results of the Authority for the year 2019-20 as compared to previous years are as under:

(Rs. in million)					
	2019-20	%Inc / (Dec)	2018-19	%Inc / (Dec)	2017-18
Income					
Grant	254.920	3.41	246.502	3.48	238.221
Income from services	3.774	46.51	2.576	(39.10)	4.230
Income from projects	42.637	134.15	18.209	655.56	2.410
Other income	9.335	363.74	2.013	75.04	1.150
Total income	310.666	15.36	269.300	9.47	246.011
Expenditure					
Salaries, wages and other benefits	179.279	4.06	172.284	14.02	151.104
Traveling and vehicle running	33.976	0.46	33.822	14.24	29.607
Repair and maintenance	3.322	(14.67)	3.893	(5.28)	4.110
Depreciation	3.034	(17.01)	3.656	(15.88)	4.346
Rent Rates and taxes	28.816	11.29	25.893	10.08	23.522
Projects expenditure	32.175	316.94	7.717	205.50	2.526
Provision for staff gratuity	28.338	17.66	24.085	(6.64)	25.799
Other expenditure	30.856	(8.25)	33.631	(3.91)	35.001
Total expenditure	339.796	11.42	304.981	10.49	276.015
(Deficit) / surplus of income over expenditure	(29.130)	-	(35.681)	-	(30.004)

(Source: Annual Audited Accounts)

Income of the authority increased from Rs. 269.300 million during 2018-19 to Rs. 310.666 million registering an increase of Rs. 41.366 million. Whereas, the deficit was decreased from Rs. 35.681 million to Rs. 29.130 million registering decrease of Rs. 6.551 million only. This scenario indicates that despite increase in revenue, the management failed to control its expenditure resulted proportionately less decrease in deficit.

9.7.2.2 Income from projects was increased from Rs. 18.209 million during 2018-19 to Rs. 42.637 million registering an increase of 134.15%. Whereas, project expenditures were increased from Rs. 7.717 million to Rs. 32.175 million registering an increase of 316.94%. This scenario indicates that the increase in project expenditure was more as compared to projects income.

9.7.2.3 The accumulated deficit was increased to Rs. 139.834 million upto June 30, 2020 due to increase in deficit from year to year basis. This indicates that the company is incurring expenditure beyond the resources. So on, the employees benefit obligations was also increased to Rs. 181.710 million upto June 30, 2020. Against this liability, the company has assets of Rs. 126.365 million only as on June 30, 2020. This picture raised serious questions on the viability of the authority by keeping in view the going concern of the business. The management should make a plan in order to curtail its expenditure and to make the authority viable.

9.7.2.4 The authority disposed off different assets during 2019-20 and obtained gain on sale of assets valuing Rs. 3.196 million. The detail of assets sold out along with complete detail of bidding process may be provided to audit for scrutiny.

9.7.2.5 The funds valuing Rs. 32.525 million was lying in current bank account as on June 30, 2020. The management should ascertain the requirement of working capital and surplus funds should be placed in saving bank account in order to earn profit.

9.7.2.6 The other liability under head "Trade and other Payables" was increased from Rs. 0.003 million during 2018-19 to Rs. 3.937 million registering an increase of 131,133.33%. The huge increase in other liability needs to be explained.

9.7.2.7 The authority was established to provide support and develop the small and medium business. To achieve the objectives, the authority has executed numerous projects since its inception. Currently, different projects namely; National Business Development Program (NBDP), Sports Industrial Development Centre (SIDC), Product Development Centre (PDC) for Composite Based Sports Goods, Industrial Stitching Units (ISU), Sialkot Business & Commerce Centre (SBCC), Fruit De-hydration Unit (FDU), Fruits, Vegetables and Condiments Processing Centre (FVCPC), Small & Medium Enterprises Facilitation Centre (SMEBFC), Business Skills Development Center for Women (BSDC-W), etc. are being executed by the authority. However, during review of annual accounts for the year 2019-20, it was noted that the annual audited accounts of these projects were not included in the annual audited accounts of the SMEDA. The management should prepare the individual accounts of each project and then these accounts should be consolidated with SMEDA annual accounts in order to obtain the true and fair view of the funds received from Government of Pakistan but the management failed to do so. The management may be explained the reasons for non-consolidation of annual accounts of the projects with the accounts of SMEDA and in future, the annual accounts of all projects shall be consolidated with SMEDA annual accounts.

9.7.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
2003-04	02	0	02	120 & 121	-
2004-05	02	01	01	77	50
2006-07	04	03	01	86.3	75
2009-10	09	06	03	114.4, 114.5, 114.6	67
2015-16	04	0	04	8.26.1, 8.26.2, 8.26.3, 8.26.4.1	0
Total	21	10	11		48

Overall compliance of PAC directives was not satisfactory which needs to be improved.

9.8 State Engineering Corporation (Pvt.) Ltd

9.8.1 Introduction

State Engineering Corporation (Pvt.) Ltd. (SEC) was incorporated in 1973 under the Companies Ordinance 1913 (now Companies Act 2017) with a paid up capital of Rs. 836 million fully subscribed by the Federal Govt. The Corporation is working under the administrative control of Ministry of Industries and Production. As at June 30, 2019, the company has fully paid up Capital of Rs. 889.96 million. Moreover the company also has Govt. Equity Fund of Rs. 2,249.76 million (Rs. 2,249.76 million on June 30, 2018) representing the funds available for issue of shares to GoP.

The registered office of the company is situated at Third Floor, Software Technology Park, (STP-I), 5-A Constitution Avenue, F-5/1, Islamabad. The Corporation manages and controls important segments of Engineering Industry of Pakistan. The industrial units are dealing in designing, engineering, manufacturing and supply of light, medium and heavy engineering plants and machinery.

The core objectives of the Corporation are as follows:

- To promote Industrial Self-reliance and build a sound technical/Industrial base in the country.
- To upgrade facilities for maximum possible indigenization and maintenance of technological edge over other domestic competition.
- To induct local and foreign Private Sector Partners, whenever possible, to promote joint ventures with them for achieving higher operational efficiencies.

9.8.2 Comments on Audited Accounts

9.8.2.1 The working results of the Corporation for the year 2021-22 as compared to previous years are given below:

(Rs. in million)

Description	2021-22	% Inc / (Dec)	2020-21	% Inc / (Dec)	2019-20
Income					
Service charges	30.000	(14.286)	35.000	(36.360)	55.000
Interest income	6.118	90.711	3.208	(29.650)	4.560
Total income	36.118	(5.470)	38.208	(35.850)	59.560
Expenditure					
Operating expenses	(35.593)	(8.033)	(38.702)	(21.370)	49.220
Operating Profit/(loss)	0.525		(0.494)		10.340
Profit/(loss) before Taxation	0.537		(0.501)		10.490
Taxation	(2.400)	(14.286)	(2.800)	(36.360)	4.400
Profit / (loss) after Taxation	(1.863)	(43.563)	(3.301)	(154.090)	6.090
Accumulated profit/ (loss)	(1,227.953)		(1,226.090)		(1,222.790)

(Source: Annual Audited Accounts)

Total income of the corporation decreased by 5.470% from Rs. 38.208 million to Rs. 36.118 million due to decrease in service charges which reduced by 14.28% from Rs. 35.00 million in 2020-21 to Rs. 30.00 million during 2021-22. Due to decrease in income, the corporation sustained a net loss of Rs. 1.863 million in 2021-22 as against the loss of Rs. 3.301 million in 2020-21. Accumulated loss of the Corporation has grossed up to Rs. 1.863 million over the years, continuous trend in losses raised doubts about the corporation's ability to run as a "Going Concern".

9.8.2.2 The Corporation has increased interest income by Rs. 90.71% from Rs. 3.208 million in 2020-21 to Rs. 6.118 million during 2021-22. Although it is a good sign for the corporation, however, the procedure of investment through TDR, advertisement, bidding process may be provided to audit for scrutiny.

9.8.2.3 Long Term Loans include an amount of Rs. 915,000/- to Heavy Mechanical Complex (Private) Limited, carrying markup of 10% per annum. Heavy Mechanical Complex (Pvt.) Limited has neither made payment of principal nor 10% markup amount since 2009. Audit was of the view that it shows serious negligence of the management. Hence, present status and reasons for non-recovery of loan by the corporation is required from the management.

9.8.2.4 Loan from Government has increased from Rs. 208.283 million in 2020-21 to Rs. 233.283 million in 2021-22 registering an increase of Rs. 12.00%. This represents loan received from Ministry of Finance / Industries & Production for annual operational expenses, new induction and expansion in future. Terms and conditions of this loan were not settled. Finance Division had claimed repayment of loan but no amount was paid. Audit would stress the management to settle the terms and condition and repayment schedule with the Government.

9.8.2.5 Operating Expenses show an increase in respect of Director's fee by 133.33% from Rs. 0.60 million in 2020-21 to Rs. 1.40 million during 2021-22. Provide justification alongwith supporting documents for such a huge increase in the subject expenditure.

9.8.2.6 Operating Expenses shown an amount of Rs. 0.875 million paid on account of Zakat. Whereas, under Zakat and Ushar Ordinance, 1980, (XVIII of 1980) the corporation was not liable for payment of zakat. The same has also highlighted by the Chartered Accountants in the "Report on other legal and regulatory requirements".

Chartered Accountant has given qualified opinion on the following basis:-

9.8.2.7 During the year, the corporation revalued its land measuring 1,746 Kanal and 09 Marlas using market price valuation method which resulted in a revaluation surplus of Rs. 3,492 million. Out of total land, 800 Kanal area of land is in the possession of Pakistan Atomic Energy Commission under a joint venture agreement dated May 17, 1992 and 850 Kanal area of land is in the possession of Heavy Mechanical Complex (Private) Limited. Resultantly, the Corporation, without having clear possession, cannot utilize all of the economic benefits associated with the land as the land in the possession and use of above mentioned government entities cannot be used or sold in active market. Therefore, this land cannot be revalued using market price valuation method as the external auditors have given their qualified opinion in this regard. Audit would stress to resolve the issue with its associated undertaking for valid valuation of its land assets.

9.8.2.8 The Company has recorded provision for gratuity as per management's estimates instead of actuarial based valuation as per requirements of IAS 19- 'Employee Benefit'. The management's estimates did not account for financial,

demographic and other actuarial assumptions for calculation of present value of the provision against gratuity. The impact of difference of provision from actuarial valuation cannot be quantified. Audit would require the management to adopt standard method of valuation in consultation with their external audit firm.

9.8.2.9 Due from associated undertakings include balance of Rs. 5.885 million receivables from Heavy Electrical Complex (Private) Limited being unreconciled against payable balances shown in the financial statements of Heavy Electrical Complex (Private) Limited.

9.8.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1996-97	05	04	01	163	80
1998-99	04	03	01	257	75
1999-00	06	0	06	319, 320, 321, 322, 323, 324	-
2000-01	05	04	01	296	80
2002-03	03	01	02	89 & 90, 90.2	33
2003-04	05	02	03	102, 102.1, 102.4	40
2005-06	06	02	04	129.1, 129.2, 129.4, 130	33
2008-09	05	04	01	120.1	80
2009-10	04	03	01	129	75
2013-14	07	01	06	8.17.1, 8.17.2.1, 8.17.2.2, 8.17.2.3, 8.17.2.4, 8.17.2.5, 8.17.2.6	14
2015-16	09	0	09	8.18.1, 8.18.2.1, 8.18.2.2, 8.18.2.3, 8.18.2.4, 8.18.2.5, 8.18.2.6, 8.18.2.7, 8.18.3	0
Total	59	24	35		41

The compliance of the PAC directives was not satisfactory which need attention of the PAO.

Chapter-10

Ministry of Information Technology and Telecommunication

Overview

The Ministry of Information Technology and Telecommunication (MoITT) is the national focal Ministry and an enabling arm of the Government of Pakistan for planning, coordinating and directing efforts to initiate and launch Information Technology and Telecommunication programs and projects aimed at economic development of the country.

Aims & Objectives

The following are the functions of the Ministry of Information Technology and Telecommunications:

- Preparation of an overall integrated plan as well as the formulation of policy for the development and improvement of Information Technology and Telecommunications, including related infrastructure, in Pakistan.
- Co-ordination with the Provincial Governments, autonomous bodies, private sector, international organizations and foreign countries in respect to Information Technology and Telecommunications.
- Human resource development in the field of information technology and telecommunications.
- Promotion of information technology applications.
- Providing guidelines for the standardization of software for use within the Government.
- Planning, policy-making and legislation covering all aspects of telecommunication excluding radio and television and issuance of policy directives.
- Matters relating to the National Information Technology Board and Pakistan Software Export Board.
- All matters relating to National Telecommunication Corporation (NTC), Telecommunications Foundation (TF), Special Communication

Organization (SCO), Virtual University (V.U) and Electronic Certification Accreditation Council.

- The administration of the Prevention of Electronic Crimes Ordinance 2007 and the rules made there under.
- Safeguard the interest of Government of Pakistan in entities having public shares or government equity-like PTCL, USF Co. & Information and Communication Technology R&D Co.

Governing Laws and Policies

- The Prevention of Electronic Crime Act, 2016
- Pakistan Telecommunication (Re-Organization) Act, 1996
- ETO Act
- Telegraph Act 1885
- Wireless Act
- SF Rules, 2006
- R&D Fund Rules, 2006
- Rule of Business 1973

Audit Profile of Ministry of Information Technology & Telecommunication

(Rs. in million)					
S. No.	Description	Total	Audited	Expenditure audited FY 2021-22	Revenue /Receipts audited FY 2021-22
1	Formations	1	1		
2	Assignment Accounts (excluding FAP)				-
3	Authorities /Autonomous Bodies etc. under the PAO	1	1	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs. 3,263.504 million were raised as a result of this audit. This amount also includes recoverable of Rs Nil as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities:	
A	HR/Employees related irregularities	62.751
B	Procurement related irregularities	241.266
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	-
5	Others	2,959.487

10.1 Pakistan Software Export Board (Guarantee) Limited

10.1.1 Introduction

Pakistan Software Export Board (Guarantee) Limited was founded in Pakistan under the Companies Ordinance, 1984 on June 13, 1998, as a company limited by guarantee. It is an apex Government body mandated to promote Pakistan's IT Industry in local and international markets. PSEB facilitates the IT industry through a series of projects and programs in infrastructure development, human capital development, company capability development, international marketing, strategy and research, and the promotion of innovation and technologies to deliver high value-added services and enhance IT and IT-enabled services export from Pakistan. The registered office of the Company is situated at 2nd floor, Evacuee Trust Complex, Sector F-5/1 Islamabad. The company is wholly owned and controlled by the Federal Government through the Ministry of Information Technology.

10.1.2 Comments on Audited accounts

10.1.2.1 The working results of the Board for the year 2021-22 as compared to previous years are as under:

(Rs. in million)					
	2021-22	% Inc / (Dec)	2020-21	% Inc / (Dec)	2019-20
Amortization of deferred grants	482.630	324	113.712	326.37	26.67
Federal Govt. grant	320.544	152	126.991	19.60	106.18
Amortization of deferred grant in-kind	31.237	(2)	31.859	8.59	29.34
Revenue from bandwidth and related services	66.848	5	63.865	1.74	62.77
Registration and renewal fee	85.667	18	72.806	39.82	52.07
Other income	37.819	65	22.960	(9.21)	25.29
Total income	1024.748	137	432.195	42.96	302.31
Expenditure:					
Project Cost-Deferred grant related to projects	482.630	324	113.712	326.43	26.666
Salaries allowances and benefits	135.072	10	122.740	7.17	114.524
Data node bandwidth & related charges	32.496	7	30.307	(3.97)	31.561
Rent, rates and Taxes	7.223	(52)	15.010	8.98	13.773

Repair & Maintenance	7.372	33	5.556	66.00	3.347
Others Expenses	233.916	200	78.074	58.67	49.206
Total expenditures	898.709	146	365.399	52.84	239.077
Surplus Before Taxation	126.038	89	66.795		63.235
Taxation	14.333	12	12.833	33.25	9.631
Surplus After Taxation	111.705	107	53.962	5.630	53.604

(Source Annual Audited Accounts)

Total income of the Board increased to Rs. 1,024.748 million during the year 2021-22 as compared to Rs 432.195 million during the year 2020-21, registering 137% increase. The major increase in income is due to increase in Amortization of deferred grants and Federal Government grants. The others source of revenue needs to be improved.

10.1.2.2 Expenditure of Rs. 67.141 million has been incurred on Industry Skill and Development Programs during the year. Detailed breakup of expenditure and relevant supporting documents may be provided to audit for verification.

10.1.2.3 Restricted grants Rs. 83.884 million lapsed during the year. Detailed justification of lapse of grants may be provided to audit for verification.

10.1.2.4 Gratuity of Rs. 11.234 million paid to executive during the year. Detailed break up of expenditure along with approved incentives may be provided for verification.

10.1.3 Compliance of PAC Directives

Sr. No.	Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1	2004-05	01	0	01	82	-
2	2005-06	02	01	01	159	50
3	2008-09	04	03	01	147	75
4	2010-11	17	12	05	13.1.4.3, 13.1.4.5, 13.1.4.8, 13.1.4.9, 13.1.4.10,	71
5	2011-12	03	0	03	11.1.2.1, 11.1.3, 11.1.4.1	0
6	2012-13	03	0	03	11.1.2.1, 11.1.3, 11.1.4.1	0
7	2013-14	03	0	03	10.1.2.1, 10.1.3, 10.1.4.1	0
8	2014-15	09	0	09	11.1.2.1, 11.1.2.2, 11.1.2.3, 11.1.2.4, 11.1.2.5, 11.1.2.6, 11.1.2.7, 11.1.2.8, 11.1.3	0
9	2015-16	07	0	07	10.1.2.1, 10.1.2.2, 10.1.2.3, 10.1.2.4, 10.1.2.5, 10.1.2.6, 10.1.3	0
10	2016-17	04	0	04	9.1.2, 9.1.3, 9.1.4.1, 9.1.4.2	0
11	2017-18	07	0	07	12.1.2.1, 12.1.2.2, 12.1.2.3, 12.1.2.4, 12.1.2.5, 12.1.2.6, 12.1.3	0
Total		60	16	44		27

Overall compliance with the PAC directives was very poor which requires immediate attention of PAO.

10.1.4 Audit Paras

10.1.4.1 Irregular appointment of Chief Industry Development Officer - Rs. 6.144 million

According to Section 16(1) Government Servants (Conduct) Rules, 1964 (1) No Government servant shall, except with the previous sanction of the Government, engage in any trade or undertake any employment or work, other than his official duties:

Furthermore, according to Fundamental and Supplementary Rules the Government servant concerned had, while tendering resignation from the public

service, stated clearly that he was doing so to take up another appointment in the autonomous organization concerned. This should be supported by his letter of resignation and its acceptance by the competent authority.

During audit of Pakistan Software Export Board Islamabad for the year 2021-22, it was observed that Mr. Muhammad Ayub Shah was appointed as Chief Industry Development Officer w.e.f. February 28, 2022 on contract basis for a period of one year extendable for further period maximum of two years based on performance. His basic emoluments were fixed as Rs. 364,000 plus house rent @ 45% and monetization allowance Rs. 77,430 and communication allowance 7000 per month. The officer remained in the service of Pakistan Software Export Board for 09 months w.e.f. February 28, 2022 to November 22, 2022 and thereafter he was terminated from service. An amount of Rs 6.144 million (Gross pay Rs. 5,510,070 per month x 09 months) was paid to him for the period he remained in PSEB service.

However, it was observed from record that at the time of joining PSEB, the officer concerned was a Civil Servant and on the payroll of Board of FPSC as Director BPS-19 on regular basis. He resigned from service of Federal Public Service Commission on 09.02.2022 which was later on, not accepted by the respective competent authority

Audit was of the view that undue favour was extended to the officer in appointment without confirmation of acceptance of his resignation by FPSC authorities. Moreover, after coming into the knowledge his resignation was not accepted by the FPSC, the PSEB management did not stop his salary and continue to pay for a period of 10 month during this period the officer concerned was in service of dual govt. department in violation of Govt. rules. Furthermore, the record does not show whether he applied for the post through proper channel and received pay& allowances from his previous employer, which needs clarification. Thus, payment of Rs. 6.144 million on account of pay & allowances is held irregular paid to the officers for the period of 09 months by violating the rules is held irregular.

The matter was brought to the notice of the management on 17.01.2023 to justify the position but reply was still awaited.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter of violation of rules for fixing responsibility besides recovering the amount from the officer concerned.

(Para-1, PSEB 2021-22)

10.1.4.2 Poor performance of Board regarding utilization and surrender of funds - Rs 270.52 million

According to Clause-8 of the Memorandum & Article of Association “the object of the board for which it was established is to coordinate with the financial institution for the availability and utilization of funds for the private software development and export.

During the audit of Pakistan Software Export Board (PSEB), for the year 2021-22, it was revealed that the federal government released funds of Rs. 330 million during 2020-21 for promotion of IT projects. Out of which an amount of Rs. 69.48 million was utilized, whereas the unutilized funds of Rs. 270.52 million was surrendered by management as per detail given below:

(Rs. in million)

Description	Funds received 2021-22	Funds Utilized	%age of utilization of funds.	Funds Surrendered
Rising smart Capital through private	100.00	6.00	6	94.00
General Data protection regulation	30.00	9.85	33	20.15
Establishment of 25 STPs in Pakistan	150.00	41.22	27	108.78
Technology export marketing	50.00	2.41	5	47.59
	330	69.48		270.52

The above table revealed that in some of the projects, management could utilize funds below 10% of the released amount.

Audit was of the view that due to non-utilization of funds showed that the company failed to achieve its objectives mentioned Memorandum & Article of Association with reference to utilization of funds and also targets set by the government for the respective projects. Thus, non-utilization of entire released amount showed poor performance of the management in execution of various projects. Resultantly, funds of Rs 270.52 million were surrendered.

The matter was brought to the notice of the management on 17.01.2023 to justify the position but reply is still awaited.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to justify the position due to which the funds could not be utilized and objectives could not be achieved.

(Para-2, PSEB 2021-22)

10.1.4.3 Irregular payment of pay and allowances to employees - Rs 45.500 million

According to the Finance Division OM dated Jun 26, 1999, the revision of and pay structure of salaries, allowances and perquisites of the supervisory executive staff of Public Sector Corporations, Autonomous / Semi-Autonomous Bodies may be carried out by the respective BoDs / BOGs. Such revision should invariably be tagged with the financial position of the respective organization. Clearance from the Finance Division would, however, be necessary to ensure a rational basis and a degree of uniformity in such revisions. No corporation will announce the revision of salary/allowances, structure without prior approval of the competent authority.

During audit of Pakistan Software Export Board (PSEB) for the year 2021-22 it was observed that Board of Directors in its 48th meeting held on November 23, 2021 approved the revision except salary package monetization allowance w. e. f. January 2022 for the following posts as detailed below:

(Amount in Rs.)

Position	Salary package limit (Rs.)	Conveyance allow.	Vehicle monetization	House rent allow. 45%	Communication allowance	Gross salary
CMO/ CCO/ CIDO/ CF&AO	310345-10%-517241	NA	77,430	139,655	7,000	534,430
Directors/ Company Secretary	275862-10%-339078	NA	77,430	124,138	7,000	484,430
Managers	173,973-10%-260179	NA	65,075	78,288	6,000	323,320
Asstt. Managers/ Coordinators	89420-10%-130065	8942	NA	40,239	6,000	144,600
Secretary to MD	89420-10%-130065	8942	NA	40,239	6,000	144,600
Asstt. Officers	67484-10%-93935	6,748	NA	30,368	4,000	108,600
Assistants	43947-10%-62011	4,395	NA	19,776	4,000	72,118
Receptionist	35000-10%-37,108	3,500	NA	15,750	3,000	57,250
Clerk	30000-10%-37108	3,000	NA	13,500	3,000	49,500
Drivers	25000-10%-37108	2500	NA	11,250	3000	
Naib Qasid	20000-10% 37108	2500	NA	9,000	3,000	41,750
Maintenance staff	18000-10% 37108	1,800	NA	8,100	3,000	30,900

The management paid an amount of Rs 45.500 million on account of revised pay & allowances to the officers and staff w.e.f 01.01.2022 to December, 2022 without getting concurrence from Finance Division.

Audit was of the view that the pay and allowances adopted by the management were required to be allowed to the officers and staff with due concurrence of the Finance Division in the light of approvals from the BoDs as well as the Administrative Ministry. Concurrence / approval of Finance Division, as required under the rules was however, not obtained. The pay/package allowed by the management was thus held irregular in Audit.

The matter was brought to the notice of the management on 17.01.2023 to justify the position but reply was still awaited.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter regarding non-observance of Finance Division instructions, fix responsibility thereof. Besides, the irregularity be regularized from the competent authority.

(Para-3, PSEB 2021-22)

10.1.4.4 Imprudent financial management resulted laps of funds - Rs. 91.815 million

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

Further, according to Government of Pakistan Finance Division OM No. No.4(2)-CAO (MoF)/2020-21/338 dated April 20th 2021 provides that all Ministries and Divisions, their attached departments(including programs/projects/schemes) and sub-ordinate offices and autonomous organizations shall surrender the anticipated saving to the Finance Division by 31 May of each year.

During the audit of Pakistan Soft Ware Export Board for the year 2021-22, it was observed that contrary to the above instructions of Ministry of Finance the PSEB management failed to utilized/surrender the anticipated savings to Finance Division within the cutoff date. Resultantly Funds of Rs. 91.815million were lapsed during the year 2021-22 as per detail given below:

Financial year	Description	Original budget	Final budget	Actual expenditure	Funds lapsed
2021-22	PSEB Current budget	2780.43	421.00	330.69	90.31
	Rising smart capital	100.00	6.23	6.00	0.23
	Certification of IT Professional	250.00	235.21	233.94	1.27
Total:					91.82

Audit was of the view that according to the above mentioned rules the anticipated savings were required to be surrendered but the management failed to be observe the rules and did not surrender the savings which showed imprudent financial management of the organization resulting into lapse of funds of Rs. 91.815 million.

The matter was brought to the notice of the management on 17.01.2023 to justify the position but reply was still awaited.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that matter regarding non-observance of govt. instructions be investigated at appropriate level and fix responsibility on the person(s) at fault.

(Para-4, PSEB 2021-22)

10.1.4.5 Mis-utilization of PSEB funds as sponsorship - Rs 4.20 million

According to GFR Rule-12 controlling officer must see that funds allotted to spending units are expended in the public interest and upon objects for which the money was provided.

Pakistan Software Export Board (PSEB), Islamabad was established by the Government of Pakistan on June 13, 1998 for the facilitation and development/ advancement of the local IT industry globally. PSEB is the Government agency mandated to promote the Pakistani IT industry

During audit of Pakistan Software Export Board Islamabad for the year 2021-22, it was observed that a firm namely P@ASHA (PAKISTAN SOFTWARE HOUSES ASSOCIATION) being a private body in IT industry requested the management vide letter dated 21.09.2021 and 6.11.2021 for sponsorship of PASHA award 2020-21 and GITEX Dubai 2021. Subsequently the request was honored by the management and paid an amount of Rs. 4.20 million i.e. (Rs2.500 million and Rs 1.70 million).

It was pointed out that M/s P@SHA is private association of the IT Companies and sponsorship to an association does not fall under PSEB ambit. PSEB was required to perform such activities at their own instead of provision of funds for sponsorship of the private body.

Audit was of the view that undue favour was extended to private body at the cost of govt. exchequer as the funds could not be utilized for the purposes for which the same was granted, thus funds to the tune of Rs. 4.20 million were mis-utilized by the management.

The matter was brought to the notice of the management on 17.01.2023 to justify the position but reply was still awaited.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that the matter regarding mis-utilization of funds be justified besides fixing responsibility on the person(s) at fault.

(Para-5, PSEB 2021-22)

10.1.4.6 Irregular payment of monetization allowance to officers - Rs. 11.107 million

According to Establishment Division O.M No.SRO.No.6/7/2011-CPC, December 12, 2011 the Federal Government has been please to approve the monetization of transport facility for Civil Servants in BPS-20 to 22 to be implemented from January 01, 2012 subject to fulfillment of the parameters of the policy.

Furthermore, in continuation to the above referred letter Establishment division vide letter No.6/7/2011-CPC dated December 30 2011 at serial No.6 clarified that monetization policy is applicable only to the Civil Servant in BPS-20 to BPS 22 working in Ministries/ Division/ Attached Departments and Sub ordinate officer. The policy is not applicable in case of officers of Autonomous/Semi-autonomous Organizations, Corporation as well as to the officers drawing pay against constitutional posts, appointed on contract, re-employed or persons appointed on Management pay scales, Special pay scale and Health personnel scale.

During audit of Pakistan Software Export Board (PSEB) for the year 2021-22 it was observed that Board of Directors in its 48th meeting held on November 23, 2021 approved the monetization allowance w.e.f January 2022 for the following posts as per detailed below:

Position	Salary package limit (Rs.)	Conveyance allowance	Vehicle monetization (Rs.)
CMO/CCO/CIDO/CF&AO	310345-10%-517241	NA	77,430
Directors/Company Secretary	275862-10%-339078	NA	77,430
Managers	173,973-10%-260179	NA	65,075

The board management paid an amount of Rs. 11.107 million to its officers working against above mentioned positions on account of monetization allowance in violation of above policy. The policy was applicable to Federal Government Officers only. The management not only adopted the monetization policy but also extended it upto Director and Manager level which normally fall in BPS-19 and 18 respectively. Furthermore, equivalency of scale for the above mentioned posts from Govt. was also not existed in PSEB.

Audit was of the view that undue favour was extended to the officers by paying them monetization allowance in violation of Establishment Division instructions which resulted into irregular payment of Rs. 11.107 million.

The matter was brought to the notice of the management on 17.01.2023 to justify the position but reply was still awaited.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that the matter regarding non-observance of Govt. instructions be explained, fix responsibility on person(s) at fault and recover the amount in question.

(Para-6, PSEB 2021-22)

10.1.4.7 Irregular award of contract for research study to a single responsive bidder - Rs. 232.560 million

According to PPRA Rule – 38 (B)(1) The procuring agency shall consider single bid in goods, works and services if it-

- a) Meets the evaluation criteria, ensures compliance of specifications and other terms & conditions expressed in advertisement or bid solicitation documents;
- d) Has financial conformance in terms of rate reasonability:
In this regard PPRA has clarified that procuring agency shall make a decision with due diligence and in compliance with general principles of procurement like economy, efficiency and value for money. PPRA further clarified that the re-advertisement would be a preferred option.

During audit of Pakistan Software Export Board (PSEB) for the year 2021-22, it was observed that the management invited tender to conduct Research

Study on Potential of IT/ITes Industry of Pakistan for project title “Standardization of IT industry in May, 2021 by applying single stage two envelope procuring method. Three bidders i.e. M/s Arthur D. Little, M/s I-Engineering and M/s A.F. Ferguson submitted their technical bids on September 07, 2021. As per technical bid evaluation M/s Arthur D. Little and M/s I-Engineering were technically disqualified whereas M/s A.F. Ferguson was technically qualified and subsequently financial bid of the technically qualified bidder offering Rs. 232.560 million was accepted on September 10, 2021. Thus the management accepted single bid with quoted price of Rs. 232.560 million in contravention to Rule-38(B) (1) the financial conformance in terms of rate reasonability was not sought which was required to be done to ensure value for money.

Audit was of the view that management was required to accept the single financial bid after financial conformance in terms of rate reasonability but the same was not done and contract for research study was awarded to the M/s A.F. Ferguson. Hence award of contract Rs. 232.560 million without observing PPRA rules was held irregular.

The matter was brought to the notice of the management on 17.01.2023 to justify the position but reply was still awaited.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain the reasons for non-consideration of financial conformance in term of rate reasonability as required by rules and fix responsibility thereof.

(Para-7, PSEB 2021-22)

10.1.4.8 Non-finalization of mechanism for distribution of cash reward incentive resulted into surrender of funds – Rs. 2,000.00 million

According to Rule-2A (3) of Public Sector Companies (Corporate Governance) Rules 2013, “the Public Sector Company shall not be regarded as conducting its business in sound and prudent manner if it fails to conducts its business with due regard to the legitimate policy objectives and development targets of the government.”

According to Clause-8 & 24 of the Memorandum & Article of Association “the object of the board for which it was established is to coordinate with the financial institution for the availability and utilization of funds for the private software development and export. The board shall take all other actions as may be required to promote the creation and growth of software development and export industry /business in Pakistan.

During audit of Pakistan Software Export Board Islamabad for the year 2021-22, it was observed that a Project “Financial Incentive on IT & ITes Export Remittance” was launched based on growth performance for the period 2019-20 and 2020-21. The main purpose of cash reward incentive is to incentivized IT & ITes export and encourage documentation of exporters/exports and bringing export proceeds through banking channel. Finance Division approved an amount of

Rs. 4.00 billion on 8.10.2021, and accordingly ECC approved the incentive program on October 11, 2021. Further an amount of Rs. 2.00 billion was released by Finance Division in January 2022 for financial incentive of the current financial year. After due consultations with key stake holder, Financial Incentive Policy was issued by PSEB on February 14, 2022. In this regard multiple consultation meetings were held with key stake holders including Ministry of IT and State Bank of Pakistan to finalize the mechanism and policy. Later on the scheme could not be executed due non-finalization of mechanism and policy by one pre-tax or other. At last SBP proposed another payment mechanism on 28.05.2022 but it seemed difficult for disbursement and PSEB management decided to surrender the amount of Rs. 2.00 billion.

Thus, the objectives and development targets set by the board could not be achieved for the said period.

Audit was of the view that due to non-finalization of mechanism for distribution of financial incentive on IT & ITes export and surrender of funds Rs. 2.00 billion led to non-achievement of core objectives of the Company.

The matter was brought to the notice of the management on 17.01.2023 to justify the position but reply was still awaited.

No DAC meeting could be arranged till finalization of this report.

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

(Para-9, PSEB 2021-22)

10.1.4.9 Irregular expenditure incurred for purchase of furniture - Rs. 8.706 million

According to Austerity Measures for the financial year 2021-22 issued vide Government of Pakistan Finance Division (Expenditure Wing) OM No. 7(1) Exp. IV/2016-340 dated July 7, 2022, “There shall be a complete ban on purchase of office furniture and machinery& equipment including except for development projects.

During audit of Pakistan Software Export Board Islamabad for the year 2021-22, it was observed that management purchased Furniture and office for newly hired office located at State life building Islamabad valuing Rs. 8.706 million respectively as per detail given below:

S. No.	Description	Payment voucher & date	Total Amount (Rs.)
1	Furniture	35 dated 12.08.2022	2.509
2	-do-	47 dated 18.10.2022	6.197
		Total	8.706

Audit is of the view that expenditure of Rs. 8.706 million was incurred on purchase of furniture in violation of the Austerity Measures issued by the Government. Thus expenditure was held irregular in audit.

The irregularity occurred due non-observance of austerity measures and weak financial control.

The matter was brought to the notice of the management dated 25.01.2023 but reply is still awaited.

Audit recommends to investigating the reasons for purchase of furniture in contrary to government directives, fix responsibility thereof and regularize the expenditure from competent authority / forum.

(Para-12, PSEB 2021-22)

10.1.4.10 Non-transparent award of contract - Rs. 592.952 million

According to rule 38 B(1) The procuring agency shall consider single bid in goods, works and services if it-

- (a) meets the evaluation criteria, ensures compliance of specifications and other terms & conditions expressed in advertisement or bid solicitation documents;
- (b) is not in conflict with any provision of the Ordinance;
- (c) conforms to the technical specifications;
- (d) has financial conformance in terms of rate reasonability;

Provided that except unsolicited proposal, in case of pre-qualification proceedings single bid shall not be entertained.

In this regard PPRA has clarified that the procuring agency shall make a decision with due diligence and in compliance with general principles of procurement like economy, efficiency and value for money. PPRA further clarified that the re-advertisement would be preferred option.

According to Rule-5(b)(i)(ii) and (iii) The principle of objectivity, integrity and honesty requires the following, namely:-

- (i) the directors and executives of a Public Sector Company do not allow a conflict of interest to undermine their objectivity in any of their activities, both professional and private and that they do not use their position in the Public Sector Company to further their private gains in a social or business relationship outside the Public Sector Company. If a situation arise where an actual or potential conflict of interest exists, there shall be appropriate identification, disclosure and management of such conflict of interest;
- (ii) An appropriate conflict of interest policy is developed and duly enforced. Such a policy shall clearly lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interest, and the procedure for disclosing such interest;
- (iii) where a director, executive or other employee has a conflict of interest in a particular matter, such person shall play no part in the relevant discussion, decision or action;

During audit of Pakistan Software Export Board (PSEB) for the year 2021-22, it was observed that the management uploaded the requirement for

hiring the services of a consortium for a project titled “IT Industry Readiness Boot camp” on December 10, 2021 by adopting single stage two envelop procedure. Three bidders i.e. Consortiums/JVs Led by M/s NRTC, M/s Contour Software and M/s ZEEKAB submitted their technical bids on January 25, 2022. As per technical bid evaluation report only M/s Contour Software was technically qualified by securing 71% marks and subsequently financial bid of the technically qualified bidder offering Rs. 592.952 million was accepted. Accordingly work order dated was issued to consortium/JV led by M/s Contour software Pvt. Ltd. against the quoted price.

It was however observed that management was required to accept the single financial bid after following the conditions mentioned in rule-38 B(1) of PPRA but management did not follow the said conditions which is violation of PPRA. Hence award of contract in violation of PPRA is held irregular.

Audit further observed to bidders i.e. M/s NRTC and Zekab submitted their representation to the grievance committee that one of the member of consortium of the successful bidder M/s Contour Software Pvt. Ltd. was also member of the Pakistan Software Export board, according to rules management should have to constitute grievance committee accordingly grievances of bidders may also be addressed in presence of bidders therein this was not done hence award of contract to the M/s Contour Software Pvt. Ltd is in violation of public sector companies corporate governance rules and proved conflict of interest.

Audit was of the view that the non-adherence to rules the award of contract of Rs 592.952 million.

The matter was brought to the notice of the management on 25.01.2023 to justify the position but reply was still awaited.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that the matter regarding award of contract and conflict of interest be investigated to fix the responsibility on person (s) at fault.

(Para-8, PSEB 2021-22)

Chapter-11

Ministry of National Health Services Regulation and Coordination

Overview

Ministry of National Health Services, Regulations and Coordination is committed for helping the people of Pakistan to maintain and improve their health and to make our population among the healthier in the region.

Aims & Objectives

To provide efficient, equitable, accessible & affordable health services with the objective to support people and communities to improve their health status.

- Oversight for regulatory bodies in health sector
- Population welfare coordination
- Enforcement of Drugs Laws and Regulations
- Coordination of all preventive programs, funded by GAVI/GFATM (TB, HIV/AIDS, Malaria, Hepatitis etc.)
- International commitments including attainment of MDGs
- Infectious disease quarantine at ports
- Coordination of Hajj medical mission
- Provision of medical facilities to the Federal employees in provinces

Governing Laws and Policies

- Pakistan Human Resource of Health vision 2018-30
- Public Health Laws of Pakistan.

(Rs in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2021-22	Revenue /Receipts audited FY 2021-22
1	Formations	1	01	2,602.94	1,891.76
2	Assignment Accounts (excluding FAP)				-
3	Authorities /Autonomous Bodies etc. under the PAO	-	01	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 13,869.514 million were raised as a result of this audit. This amount also includes recoverable of Rs Nil as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Sr. No.	Classification	Amount (Rs in million)
1	Non-Production of record	879.819
2	Reported cases of fraud, embezzlement and misappropriation	92.544
3	Irregularities	0
A	HR/Employees related irregularities	548.130
B	Procurement related irregularities	1647.417
C	Management of accounts with Commercial Banks	0
4	Value for money and services delivery issues	5,629.356
5	Others	5,072.248

11.1 National Institute of Health Biological Production Division

11.1.1 Introduction

The Biological Production Division (BPD) was established in 1967 as National Health Laboratories, subsequently under an Ordinance in 1980, the laboratory was converted into Body Corporate namely National Institute of Health (NIH) currently under the administrative control of Ministry of National Health Services Regulation and Coordination (NHR&C) Government of Pakistan. All the Assets and Liabilities of the laboratories were taken over by NIH. Currently the BPD is working as a production unit of NIH.

The Biological Production Division is responsible for production and supply of vaccine, Therapeutic Anti Sera and Nimkol (ORS) to Government Hospitals, Civil Medical Institutions, Autonomous Bodies and Defense Forces of the country. Its main source of income is sale of its Biological Products. The management prepares separate Pre-format Accounts on the commercial activities of BPD.

The Director General Federal Audit, Islamabad conducts the regularity audit of NIH. The Director General of Commercial Audit & Evaluation Lahore conducts the certification audit of Pre-format Accounts and regulatory audit of BPD activities only.

11.1.2 Comments on the Audited Accounts

11.1.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the years 2018-19 to 2021-22 till December 31, 2022.

Audit recommends that the annual audited accounts for the year 2019-20 to 2021-22 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*Annex-2*).

11.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	%age of compliance
2002-03	04	03	01	86.1	75
2013-14	01	0	01	Annex-2 (Non-submission of A/cs)	-
Total	05	03	02		60

Overall compliance of PAC directives was not satisfactory especially for the year 2013-14, which needs to be improved.

11.1.4 Audit Paras

11.1.4.1 Supply of vaccine without receipt of payment – Loss Rs 14.231 million

The Ministry of Health vide its letter dated 25.06.2011 circulated a policy regarding sale of preventive vaccines and other products, produced by the NIH-BPD, Islamabad. As per said policy from 1st January 2012 the government departments will pay 100% advance of the total value of the specific indent (demand) in the shape of demand draft or cash.

During audit of NIH-Biological Production Division (BPD) for the years up to 2020-21, it was observed that the management sold vaccines to different hospitals without getting advance payment. Resultantly, sale proceeds of Rs 14.231 million could not be received up till June 2022. At this belated stage the relevant vendors were reluctant to clear the outstanding dues on the plea that they had no record of said transactions. Compromise on sale policy resulted in to loss to the Institute of Rs 14.231 million.

The delivery of vaccine or other products without getting 100% advance as directed in the policy showed weak internal control over financial matters.

The irregularity was reported to the management on July 20, 2022. Management in its reply dated January 24, 2023 stated that efforts were under way for the recovery of outstanding amount. Reply was not acceptable as a

considerable period had lapsed but the recovery could not be effected, further the vendors showed their ignorance about receipt of vaccine.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter at appropriate level to probe the reasons of sale on credit despite having clear cut policy on the issue; fix responsibility thereof; and efforts be made for early recovery of outstanding amount either from the concerned parties or person(s) held responsible for credit sale.

Para-1 (NIH (BPD) – 2020-21)

11.1.4.2 Irregular purchase of measles vaccine concentrate valuing Rs. 21.12 million and loss due to delay in finalization of purchase order – Rs. 1.00 million

According to Rule – 4 of PPRA Rules, 2004 “procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted fairly and transparently, the object of procurement brings value for money to the agency and the procurement process is efficient and economical”. Rules – 12(2) further provides that “All procurement opportunities over three million Pakistani Rupees should be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation.” Rules 42(c) further provides that: a procuring agency shall only engage in direct contracting if the following conditions exist, namely:- (i) the procurement concerns the acquisition of spare parts or supplementary services from the original manufacturer or supplier provided that the same are not available from alternative sources, only one manufacturer or supplier exists for the required procurement and the procuring agencies shall specify the appropriate fora, which may authorize procurement of proprietary object after due diligence”.

During the audit of the NIH-Biological Production Division (BPD) for the years up to 2020-21, it was observed that a tender was called for the purchase of 165,000 ml of Measles Concentrate in February 2014. M/s Hospital Services & Sales, Karachi was considered for placement of order of Measles Vaccine Concentrate at their offered rate of Rs 81.99/ml. The order could not be placed due to the non-completion of codal formalities.

Thereafter, in September 2017, the management approached to M/s Hospital Services & Sales, Karachi and this time the firm quoted rate of Rs 305.23/ml

(Rs 20.512 million for 67.2 liters). The BP Division failed to finalize the case upto October 2017. In the meantime the supplier increased the rate to Rs 320.12/ml. Accordingly, a purchase order was issued to the firm at their quoted rate and the firm supplied the store.

Audit was of the view that the procurement of the store in 2017 from the firm that participated in the bidding process of 2014 was not covered under the rules. The selection of a firm based on the tendering process completed in 2014 and later scrapped was not covered under the rules.

The comparison of rates quoted in 2014 and 2017 had no match as the rate increased by 290%. In case the store was proprietary or a single source existed, the BPD was required to specify the appropriate fora for authorizing the procurement after due diligence. Because of said facts, the procurement of Rs 21.12 million was termed as irregular.

Further, due to a delay in placement of order the supplier revised its rate from Rs 305.23/ml to 320.12/ml due to which the formation sustained a loss of Rs 1.00 million.

The irregularity was reported to the management on July 20, 2022. Management in its reply dated January 24, 2023 admitted the facts highlighted by Audit and stated that the formation did not sustained loss. Reply was not acceptable as the formation sustained loss due to purchase of concentrate at higher rate. Further, the reply was silent with regard to purchase of store on single source basis.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the causes due to which the store could not be purchased by adopting proper purchase procedure and the order was issued after delay which caused further loss to the Institute; fix responsibility thereof; and the loss may be made good by effecting recovery from the person(s) held responsible.

11.1.4.3 Loss due to delay in completion of project resulting into time overrun / cost overrun – Rs 253.676 million and revenue loss - Rs 936 million

As per the Planning Commission's Guidelines issued for the implementation of projects under PSDP grants, the project is approved with a specific period of completion. Efforts should be made to complete the project within the stipulated period to ensure the flow of benefits well in time.

During the audit of the NIH-Biological Production Division (BPD) for the years up to 2020-21, it was observed that the PC-I of the project titled "Establishment of a current eGMP Compliant Sera Processing Laboratory for capacity enhancement" was approved by the DDWP in 2005 at Rs 164.775 million with a completion period of 6 years (72 months) from November 2006 to October 2012. An amount of Rs 122.222 million was released to the NIH-BPD up to 2011-12. In the meantime, the PC- I was revised for Rs 497.700 million in 2012 and then to Rs 751.467 million. As per PC-I, the NDC was responsible for civil work and the purchase and installation/ commissioning of equipment/machinery. Originally the allocation for civil, HVAC & E/M work was Rs 54.869 million which was revised to Rs 296.5 million on NDC estimation.

During the period from 2006-07 to 2016-17 an amount of Rs 512.569 million was released to the executing agency. The NIH-BPD could expend an amount of Rs 420.241 million upto June 2017. In 2016, the Planning Division in its Valuation Report mentioned that the project was delayed by 136 months due to flaws in the execution of the project. The Planning Commission further stated that the procurement of machinery was delayed due to a lack of expertise. Against Rs 293.019 million approved for machinery, the actual expenditure was Rs 306.219 million.

Further as per PC-I the BPD is the sole producer of vaccine and sera in Pakistan, one of the justifications for the up-gradation of the project was to upgrade the production capacity of the Anti-Snake & Anti Rabies Serum. In view

of said production capacity the delay in completion of the project by more than 6 years resulted in a revenue loss of Rs 936 million (which included a profit of Rs 15.600 million, the base cost price was Rs 118/ml, and sale price Rs 120/ml. Non-monitoring of the project properly and delay in completion of the project resulted in cost overrun as well as loss of revenue.

Audit was of the view that the funds were released by the government timely each year even then that cost of machinery was increased by Rs 253.767 million to Rs 751.467 million. The increase in cost was mainly due to delay at each stage i.e. despite having funds; the procurement could not be planned timely. The loss of time over-run of Rs 253.767 million would have been avoided if the procurement had been planned properly.

The irregularity was reported to the management on July 20, 2022. Management in its reply dated January 24, 2023 stated that the project was initiated in 2005 but due to many technical issues and hurdles project was submitted for revision in 2008 was got approved in 2012. Further the delay in appointment of proper project management staff may be main cause of delay and loss. Reply is not acceptable as the management did not commented upon delay in procurement process. Further, despite having all the resources the management failed to appoint the project management staff.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the causes due to which the project could not be completed timely and procurement was started at later stage resulting into increase in project cost and a loss to the government besides fixing responsibility thereof.

Para-3 (NIH (BPD) – 2020-21)

11.1.4.4 Irregular release of funds beyond PC-I cost Rs 93.197 million and lapse of PSDP grant - Rs 13.895 million

According to GFR – 88, “the authority administering a grant is ultimately responsible for watching the progress of expenditure on public service under its control and for keeping the expenditure within the grant”. As per Section – 4.1 of the Guidelines issued by the Planning Commission on Projects started under

PSDP “funds are released to the project in accordance with the approved Cash/Work Plan to which every Project Director has to stick”. Clause – 9.7(vii) of the Manual for M/o Planning, Development & reforms clarified that “the Project Director would be made accountable for any lapses under the jurisdiction of his administrative, functional and financial powers”.

During the audit of the NIH-Biological Production Division (BPD) for the years up to 2020-21, it was observed that the PC-I of the project titled “Establishment of a current eGMP Compliant Sera Processing Laboratory for capacity enhancement” was approved by the DDWP in 2005 at a cost of Rs 164.775 million with completion period of 6 years (72 months) from November 2006 to October, 2012. Meanwhile, the PC- I was revised and got approved at a cost of Rs 497.700 million in 2012 and then to Rs 751.467 million. The project has since been completed and PC-IV was submitted to the Planning Commission in September 2020.

The following observations/points of PC-IV needs to be considered by the management:-

- i. The original PC-I of the project was approved by the authority in 2005 and the project was required to be completed up to October 2012. Up to 2012, an amount of Rs 122.222 million was received by the project management. Thus, the commencement date of the project was 2006-07, while, in PC-IV submitted to the Planning Commission the commencement date was appearing September 2012.
- ii. The PC-I of the project was revised twice with revised cost Rs 751.467 million. The record revealed that against said cost the releases were received Rs 844.664 million, thus, releases of Rs 93.197 million were beyond PC-I approved cost.
- iii. As per record releases for the projects were Rs 844.664 million against which expenditure of Rs 739.277 million was appearing leaving un-spent amount of Rs 105.387 million. However, as per PC-IV the un-spent balance is appearing Rs 95.387 million with a difference of Rs 10.00 million.
- iv. Detail showed lapse of project funds of Rs 13.895 million and creation of liability against project.

The above stated facts showed that the project was not properly monitored at execution stage and the unspent balance could not be surrendered timely and thus lapsed. Further, the release of funds beyond approved PC-I cost also showed lack of monitoring at fund release level.

The irregularity was reported to the management on July 20, 2022. Management in its reply dated January 24, 2023 stated that at that stage, the Sera Lab would be shifted on recurring budget, case was in process with Dy. Secretary (Expenditure) Office under the head of Austerity Committee. Reply of the management was quite irrelevant as the management did not commented upon issues highlighted by Audit.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the causes due to which the releases went beyond the PC-I cost, date of commencement was not correctly shown in PC-IV and funds lapsed which caused un-necessary creation of liability against the project and fix responsibility thereof.

Para-4 (NIH (BPD) – 2020-21)

11.1.4.5 Irregular payment for PSDP project from BPD funds – Rs 20.00 million

According to Rule – 5 (a)(i) of the Corporate Governance Rules, 2013 (amended up to 2019) “the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty, and relationship with the stakeholders, in the manner that the principle of probity and propriety entails that company’s assets and resources are not used for private advantage and the due economy is exercised to reduce wastage. The principle shall be adhered to, especially for the handling of public funds, assets, resources, and confidential information by directors, executives and employees.

During the audit of the NIH-Biological Production Division (BPD) for the years up to 2020-21, it was observed that the PC-I of the project titled “Establishment of a current eGMP Compliant Sera Processing Laboratory for capacity enhancement” was approved by the DDWP in 2005 at a cost of Rs

164.775 million, which was revised to Rs 497.700 million in 2012 and then to Rs 751.467 million in 2017.

The funds for the project were received timely and during the period from 2006-07 to 2018-19 releases of Rs 844.664 million were received out of which the PC-IV showed an expenditure of Rs 739.277 million. The record revealed that up to 2018-19, an amount of Rs 378.604 million was paid to the NDC under said PSDP Project to meet the expenses. Despite the facts that sufficient funds, more than approved in PC-I, were received for the project and surrender and lapse of funds to the tune of Rs 91.492 million and Rs 13.895 million, the management created a liability of Rs 20.00 million which was later cleared by making payment of Rs 20.00 million to the NDC out of BPD normal fund/budget.

Due to weak financial control, funds to that extent lapsed which resulted in creation of liability, ultimately cleared out of the NIH account.

Audit was of the view that the project was started under PSDP and sufficient funds were received by the management, however, the management failed to utilize the funds efficiently rather the funds were surrendered/lapsed. In those circumstances, the payment of Rs 20.00 to the NDC out of normal BPD funds was not justified and held irregular.

The irregularity was reported to the management on July 20, 2022. Management in its reply dated January 24, 2023 admitted the facts highlighted by Audit and stated that due to lapse of funds, the payment was made from the NIH own budget.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the causes due to which the funds released for the project could not be utilized efficiently and BPD funds were utilized for a PSDP project; and fix responsibility thereof.

Para-5 (NIH (BPD) – 2020-21)

11.1.4.6 Irregular award of construction/engineering supervision work – Rs 398.604 million and payment on account of departmental charges - Rs 31.888 million

According to Rule – 42 (c) of PPRA Rules 2004, a procuring agency shall only engage in direct contracting if the conditions exist like (i) the procurement concerns the acquisition of spare parts or supplementary services from the original manufacturer or supplier, provided that the same are not available from alternative source; (ii) only one manufacturer or supplier exists for the required procurement: provided that the procuring agencies shall specify the appropriate fora, which may authorize procurement of proprietary object after due diligence.

During the audit of the NIH-Biological Production Division (BPD) for the years up to 2020-21, it was observed that the PC-I of the project titled “Establishment of a current eGMP Compliant Sera Processing Laboratory for capacity enhancement” was approved by the DDWP in 2005 for Rs 164.775 million, which was revised to Rs 497.700 million in 2012 and then to Rs 751.467 million in 2017. The funds for the project were received timely and during the period from 2006-07 to 2018-19 releases of Rs 844.664 million were received out of which the PC-IV showed an expenditure of Rs 739.277 million. During the revision of PC-I in 2012, the NIH management included the National Development Complex (NDC) in the execution and operational phase. The management of NIH signed MoU with NDC for the execution of civil work and provision, installation, and commission of services and some equipment/machinery in March 2008 i.e. before the revision of PC-I. The NDC in its estimates included its departmental charges @ 8% of the total funds received by him. The record revealed that the NIH management has paid an amount of Rs 398.604 million to the NDC during the period from 2006-07 to 2019-20 for the above-said jobs. As per the agreed rate, the above-said amount included 31.888 million on account of departmental charges (8% of the total paid amount).

The act of the management showed weak administrative control in the organization.

Audit was of the view that the rules did not allow awarding the civil work and purchase/installation/commissioning of other required machinery/equipment to the NDC on a single source basis. The NDC’s role in this project was as Engineering Consultant as the civil work was carried out by NDC through a civil contractor and purchases were made from open market. The management was required to award the work through open tendering by adopting proper

procedures. In case the NDC specialized in said services, the management was required to adopt rule – 42 (c) by specifying the appropriate fora, which may authorize the engagement of NDC for proprietary object after due diligence. There are several Engineering Service Provider firms in the country and the services of any firm can be selected through open tendering by specifying the job requirement. As the procedure adopted by the NIH-BPD for the award of work to M/s NDC is not covered under the rules, it is thus held irregular. The payment of Rs 31.888 million on account of departmental charges was also held irregular.

The irregularity was reported to the management on July 20, 2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the causes due to which the work was awarded to M/s NDC on single source basis; and fix responsibility thereof.

Para-6 (NIH (BPD) – 2020-21)

11.1.4.7 Un-authentic expenditure without supporting record - Rs 398.604 million

According to Clause – xvi of the MoU signed between NDC/NESCOM and NIH for Civil work and provision, installation, and commissioning of services and some equipment/machinery by the NDC “ the concerned Department(s) of NDC will maintain the record of expenditures against funds dispatched to NDC by NIH for the subject project along with original receipts/documents and communicate expenditure to NIH every quarter with supporting documents for verification by the AGPR authorities: Clause – xv of the MOU further provides that “the Finance Division of NIH and the Finance Department of NDC will settle the accounts statements/SoEs every quarter”.

During the audit of the NIH-Biological Production Division (BPD) for the years up to 2020-21, it was observed that the PC-I of the project titled “Establishment of a current eGMP Compliant Sera Processing Laboratory for capacity enhancement” was approved by the DDWP in 2005 at a cost of Rs 164.775 million, which was revised to Rs 497.700 million in 2012 and then to Rs 751.467 million in 2017.

The NIH management signed MoU with NDC/NESCOM according to which the NDC management was responsible for maintaining the record of expenditure against funds provided to NDC by NIH for said project and was liable to submit original receipts/documents quarterly. Under the said agreement, NDC was liable to reconcile the accounting statements with NIH on a quarterly basis. The record showed that during the period from 2006-07 to 2019-20, an amount of Rs 398.604 million was provided to the NDC, however, the project management failed to obtain original record in support of said amount.

Audit was of the view that the management was required to link the fresh releases with the receipt of the original record and reconciliation of figures with the fund already provided to the NDC but this was not done by the project management resultant the management had nothing in support of releases of Rs 398.604 million. In the absence of a relevant original record, the expenditure of Rs 398.604 million remained unverified/unauthentic. The amount was considered as advance and could not be treated as an expenditure without having any proof/original record.

The irregularity was reported to the management on July 20, 2022. Management in its reply dated January 24, 2023 stated that the relevant record could be verified during next visit. Reply was not acceptable as Audit had requested time and again for provision of relevant record but was not provided on the plea that the same was not provided by the NDC.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the causes due to which the funds were provided to NDC without receipt of original record and reconciliation of released amount besides fixing responsibility and all the original record be arranged from the quarter concerned and reconcile the figures at the earliest.

Para-7 (NIH (BPD) – 2020-21)

11.1.4.8 Loss of revenue due to non-production/sale of vaccine - Rs. 4.916 billion

According to NIH Ordinance, 1980 one of the functions of NIH - BPD is “to function as sole producer of vaccines and sera for prophylactic and the

therapeutic use and acquire the capability of meeting domestic and foreign demands. Rule-5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company (Organization). The Board shall also formulate significant policies of the Public Sector Company (Organization), which may include the procurement of goods and services to enhance transparency in procurement transactions, marketing of goods to be sold or services to be rendered by the Public Sector Company (Organization).

During the audit of the NIH-Biological Production Division (BPD) for the years up to 2020-21, it was observed that the Biological Production Division (BPD) was established in 1967 as National Health Laboratories; Subsequently, under an Ordinance in 1980, the Laboratories were converted as a body corporate namely National Institute of Health (NIH). The Institute was reorganized under the National Institute of Health (Re-Organization) Ordinance 2020. The Biological Production Division was working as a Division of NIH and was responsible for the production and supply of different types of vaccines to Government Hospitals, Civil Medical Institutions, Autonomous Bodies, and Defense Forces of the country. The Laboratories of BPD were also up-graded by the Federal Government to enhance the quality and capacity of production of vaccines to meet the demand of the country. Expanded Programme on Immunization (EPI) was a valuable buyer of BPD products and as per present capacity, the BPD could meet the total requirement of EPI, however, presently the BPD was meeting less than 50% of the requirement of EPI and the remaining requirement was being met out by purchasing the vaccine from open market through foreign exchange.

The Federal Government provided budget to each DHQ/THQ Hospital for the purchase of vaccines, however, the record revealed that against the total of 671 DHQ/THQ hospitals; the BPD Supply Wing managed to supply vaccines to only 240 hospitals. The management of BPD failed in obtaining the demand and supply of vaccines and other products to the remaining 432 DHQ/THQ Hospitals. The non-supplying of vaccines to all the DHQ/THQ Hospitals defeated the very purpose of establishing the NIH – BPD as the major population of the country did

not had access to these vaccines. The capacity and production of BPD products is given as under:

S.#	Name of product	Production Capacity during 2016-17 to 2020-21 (million ml)	Actual Production From 2016-17 to 2020-21 (million ml)	Utilization Capacity	Difference (million ml)	Average Sale Rate Per ml	Revenue Loss (Rs in million)
1	Typhoid Vaccine	31.25	1.21	3.87%	30.04	9.06	272.162
	Typhoid Cholera mixed (TC) Vaccine	31.25	0.25	0.81%	30.99	18.12	561.45
2	CCRV	3.50	0.71	20.37%	2.79	582.80	1,624.26
3	Anti Venom Serum (Poly Valent)	5.00	1.08	2.16%	3.92	135.90	529.47
	Anti Rabies Serum	1.50	0.06	4%	1.44	135.90	195.69
4	Nimkol (ORS)	50.00	6.25	12.5%	43.75	11.32	495.34
5	Tetanus Vaccine	10.00	4.08	40.79%	5.92	33.98	201.17
6	Measles Vaccine	30.00	3.25	10.82%	26.75	38.75	1,036.81
Total							4,916.35

The BPD was functioning on commercial lines and primary objective for establishing the Biological Laboratories was to function as the sole producer of vaccines. To achieve the said purpose the management was required to assign the marketing work to the supply section to ensure the supply of BPD products at each DHQ/THQ Hospital level. As a result of non-production of vaccine at full capacity and its non-supply to each DHQ/THQ Hospital, the BPD was deprived of the revenue of Rs 4,916.35 million, which was a revenue loss to the BPD.

The above-said loss was due to the in-efficient production management of the organization.

The irregularity was reported to the management on July 20, 2022. Management in its reply dated January 24, 2023 stated that the BPD was unable to obtain the demand and supply the demand of other 432 hospitals, there were so many well experienced producers of biological products available in local market. Reply was not convincing as the primary objective for establishing the Biological Laboratories was to function as the sole producer of vaccines, thus, the

management was required to approach each and every DHQ/THQ Hospital for supply of vaccine.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the causes due to which the vaccine could not be produced up to the production capacity level and very purpose of establishing the Biological Laboratories could not be achieved by marketing and selling the vaccines at THQ/DHQ Hospital level; fix responsibility thereof; and efforts be made for arranging demand and supply of vaccine at each government hospital including DHQ/THQ Hospitals.

Para-8 (NIH (BPD) – 2020-21)

11.1.4.9 Irregular purchase of furniture valuing Rs 4.415 million and loss due to purchase of furniture at higher rate - Rs 714,522

According to rule 4 of PPRA Rules, “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.”

During the audit of NIH - Biological Production Division (BPD) for the years up to 2020-21, it was observed that tenders were called for the purchase of misc. furniture items for Filling Line Project (a PSDP project) in November 2017.

M/s Sky Merchant International, Islamabad was technically qualified, however, the Project Manager recommended retendering on the plea that the rates were very high. On re-tendering M/s Furniture Evolution was the lowest with a total cost of Rs 2.275 million. The purchase committee recommended the said firm being lowest quote and the Executive Director NIH approved the recommendations of the Committee on May 17, 2018. However, the order was placed on M/s Interwood Ltd. for the purchase of furniture items for Rs 2,989 million on a proprietary basis.

In another case tender was called for the purchase of furniture on 17.04.2018 the competent authority approved the case for award of the purchase order to the lowest firm i.e. M/s Hassan Brothers, Islamabad, however, the order

was placed on M/s Interwood on single source basis at a value of Rs 1.425 million.

The non-observance of PPRA Rules showed weak control in the organization which caused loss to the organization.

Audit was of the view that in these specific cases the lowest quote was selected however, later on, the order was placed on M/s Interwood on a single source basis. As the procurement of Rs 4.415 million were not covered under the rules, thus, held irregular.

Further, the purchase of furniture at a higher rate resulted in a loss of Rs 714,522 to the formation.

The irregularity was reported to the management on July 20, 2022. Management in its reply dated January 24, 2023 stated that the furniture was not as per required standard thus, order was placed on M/s Interwood. Reply was not acceptable as procurement on single source basis was not covered under the rules.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the causes due to which open tendering was not followed for the purchase of furniture items and furniture was purchased at higher rate; fix responsibility thereof; and the loss may be made good by effecting recovery from the person(s) held responsible.

Para-9 (NIH (BPD) – 2020-21)

11.1.4.10 Loss of revenue Rs 5.280 million due to non-supply of Nimkol to the client valuing - Rs 41.280 million

In NIH – BPD, a Nimkol Production Unit was established to meet the requirement of Nimkol of the country through EPI (Expanded Programme on Immunization). An agreement (No. EPI/Proc(2020-21)/Process – 3/NIH/ORS dated 05.04.2021) was signed between NIH (supplier) and EPI for purchasing 3.00 million packets of Nimkol and the supplier was bound to complete the supply of Nimkol up to 30.06.2021.

During the audit of the NIH-Biological Production Division (BPD) for the years up to 2020-21, it was observed that the management of NIH entered into an agreement dated 05.04.2021 with M/s Expanded Programme on Immunization

(EPI) for the supply of 3.00 million packets at the cost of Rs 41.280 million (@ Rs 13.76 per packet). According to the agreement, the supplier was bound to complete the delivery of Nimkol by June 30, 2021. The EPI, vide its letter dated 05.04.2021, stressed for timely delivery of the store. The record revealed that the BPD Nimkol Production Unit failed to supply the agreed quantity of Nimkol to the EPI upto the agreed date, i.e., June 30, 2021. After the expiry of the agreed delivery period in August 2021, the NIH – BPD approached the EPI management for an extension in the delivery period; however, the client showed its inability in extension of delivery period on the plea that the available funds had lapsed due to non-supply of Nimkol by the BPD up to agreement date.

The position showed weak internal control of production management.

Audit was of the view that the BPD Nimkol Production Unit (NPU) was explicitly established with the objectives for the production of Nimkol to meet the country's requirements. Non-supply of the agreed store to the client by the due date resulted in the loss of revenue of Rs 41.280 million, and formation was deprived of the profit of Rs 5.280 million (as the cost per packet was Rs 12 while the sale value was Rs 13.76 with a profit margin of Rs 1.76 per packet).

The irregularity was reported to the management on July 20, 2022. Management in its reply dated January 24, 2023 stated that the delivery could not be completed due to non-receipt of advance payment from the EPI. Reply was not acceptable as no such clause was available in agreement. Facts showed that the management did not consider the order seriously due to which formation sustained loss to that extent.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the causes due to which the agreed quantity of Nimkol could not be produced and delivered by agreed time despite having all the resources which caused loss to the BPD; fix responsibility thereof; and the loss may be made good by effecting recovery from the person(s) held responsible.

Para-10 (NIH (BPD) – 2020-21)

11.1.4.11 Revenue loss due to non-production of measles vaccine Rs 504.900 million and un-justified payment on account of pay & allowances to idle staff – Rs 43.23 million

According to para-3.4 of Project Management Guidelines Planning Commission Government of Pakistan, “at the project preparation stage, various indicators such as input, baseline data, outputs, and outcome, are determined over the life of the project. In addition, the viability of the project in terms of financial and economic indicators is also determined, which focus on financial and economic viability of the project. Another essential aspect that needs to be considered is the sustainability aspect after completion; how it would yield the required output/outcome.

During the audit of the NIH-Biological Production Division (BPD) for the years up to 2020-21, it was observed that to upgrade and improve the production according to current standards, a project titled “Improvement, up-gradation of existing building and equipment for the manufacture of Measles Vaccine from Concentrate according to current GMP and current GLP” was approved by CDWP on November 24, 2005, at the cost of Rs 86.300 million with completion date up to May 2007. The main objective of upgrading the project was to produce Measles Vaccine giving annual income of Rs. 56.100 million at a capacity of 6 million doses per year which would meet approximately 50% need of the EPI at price lower than open market and will minimize EPI import bill. The Project has four main components i.e., up-gradation work of the facility, purchase of equipment, purchase of general items/chemicals, and purchase of Measles Vaccine Concentrate with allied chemicals. The first three components of the project were completed on due time, i.e., in May 2007, but the management failed to purchase Measles Vaccine Concentrate with allied chemicals up till 2017. In 2018-19, the management purchased 67.2 liters of Measles Vaccine Concentrate from

M/s Beijing Minhai Biotechnology Company, China, and produced 2.00 million doses generating revenue of Rs. 70.00 million. After that, the management failed to purchase further Measles Vaccine Concentrate to date.

The position showed weak internal controls in the project implementation and vaccine production.

Audit was of the view that the project was upgraded with the objective of producing 6.00 million vials to meet the 50% vaccine requirement of EPI. However, the Division produced only 4.10 million vials from 2010 to 2013 and 2018-19, while during the period from 2008, 2009, 2014 to 2017, and 2020 to 2022, the management failed to produce a single dose of the Measles Vaccine. During this period, the staff of the Laboratory was sitting idle. Due to non-production of vaccines despite having technology and other resources, the formation sustained a revenue loss of Rs. 504.900 million (as per PC-1, average revenue was mentioned Rs 56.100 million per annum x 9 years). The management incurred operational expenditure on account of pay & allowances of employees Rs 43.023 million during this idle period, which has no justification. Audit further observed that as per WHO's Global Market Study on Measles Vaccine, 15 credible companies and manufacturers are available in the world market. However, the management has failed to explore any source for the purchase of concentrate in national interest.

The irregularity was reported to the management on July 20, 2022. Management in its reply dated January 24, 2023 stated that the system installed in the laboratory needed maintenance, staff remained engaged throughout the year, the staff was also transferred to other departments. Reply was not acceptable as during the currency of audit the record revealed that the staff was sitting idle in Lab. In case, the staff was transferred to other departments, no documentary evidence was provided by the management.

No DAC meeting was arranged till finalization of this report.

Audit recommends that matter may be investigated to probe the reasons of non-producing measles vaccine despite having technology and capacity; fix responsibility thereof; and efforts be made to meet the target fixed in PC-I for which public funds were expended.

Para-11 (NIH (BPD) – 2020-21)

11.1.4.12 Loss due to sale of vaccine below approved sale rate – Rs 21.699 million

According to clause- vi of Sale Policy of NIH promulgated vide Notification dated June 25, 2011 applicable from 1st January, 2012, “supply of

vaccines will be made on approved price rate of NIH only. Price revision, if any, will be communicated to the departments”. According to Drugs control Administration notification dated January 18, 2012 and NIH Office Order No.F.100-1/BPD Matter/15/Admin dated May 30, 2019, the prices of Tetanus Toxoid Vaccine were notified Rs. 150/ 5ml vial (10 doses) from 01-01-2012 (affective up to June 30, 2019) and Rs 192.93 from February 15, 2020 onwards.

During audit of NIH-Biological Production Division (BPD) for the years up to 2020-21, it was observed that the management executed two agreements dated June 21, 2019 and April 9, 2020 with Expanded Programme on Immunization (EPI) for sale of Tetanus Toxoid Vaccine valuing Rs 27.900 million and Rs 4.280 million @ Rs 9.30/dose. Audit observed that NIH own cost of said vaccine was Rs 17.50 per dose which was sold at Rs 9.30 per dose. Due to sale of vaccine below the approved sale price, (even below cost price), BPD sustained loss of Rs. 21.699 million. The detail of loss is given as under:-

Product Name	No of doses sold to EPI	Notified Sale Price Per Dose (Rs)	Sale Price Per Dose (Rs)	Difference (Rs)	Loss (Rs in million)
Tetanus Toxoid Vaccine	3,000,000	15.00	9.300	5.700	17.100
	460,200	19.293	9.300	9.993	4.599
Total					21.699

Position showed weak financial control in the organization which caused loss to that extent.

The irregularity was reported to the management on July 20, 2022. Management in its reply dated January 24, 2023 stated that to avoid expiry of vaccine, the same was sold to EPI at his offered rate. Reply was not convincing as sale of vaccine even below cost price resulted in loss to the formation.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons due to which the vaccine was sold out below the sale price, even own cost price, caused loss to the formation; fix responsibility thereof; and loss may be made good by effecting recovery either from the department concerned or person(s) held responsible for sale below notified price.

11.1.4.13 Non-production of procurement record - Rs 481.215 million

Under section – 14 (2J) of the Auditor General’s Ordinance, in case of delay or non-provision of auditable record to Audit, disciplinary action will be initiated against person(s) responsible for the delay. The National Assembly Secretariat has issued the following instruction of the PAC to all the Principal Accounting Officers, Ministries/Divisions/Head of Departments vide OM No. F-10/(1)/2000/2004-PAC dated 03.06.2004 “Make available all information/record to Audit as and when required by them, otherwise disciplinary action will be initiated against person(s) responsible for the delay under section-14 (2J) of the Auditor General’s Ordinance No. XXIII of 2001”.

During the Audit of NIH-Biological Production Division (BPD) for the years up to 2020-21, it was observed that during the period from 2016-17 to 2020-21, the management of NIH purchased different stores, i.e., chemicals, glassware, concentrate of vaccines, animals, animal fodder, machines and equipment valuing Rs. 481.215 million. Audit demanded purchase files of procurements made during the said period, however, the same could not be provided. Due to non-provision of purchase files of such a huge value, the authenticity of expenditure about observing the proper purchase procedure, transparency impact, etc., could not be verified.

The position showed weak internal control in the organization.

The irregularity was reported to the management on July 20, 2022. Management in its reply dated January 24, 2023 stated that all the relevant record was provided to Audit, however, no separate tendering was made for BPD but after pointing out by Audit the authority had approved separate tendering for BPD in future. Reply of the management was not acceptable as during the currency of audit, the demanded record was not provided despite repeated requests.

No DAC meeting was arranged till finalization of this report.

Audit recommends that matter may be investigated at appropriate forum to probe the reasons for non-maintaining record of such a huge value; fix responsibility thereof; and the purchase files of all the procurements made during

last five years may be provided to Audit, complete in all respect, for audit scrutiny.

Para-13 (NIH (BPD) – 2020-21)

11.1.4.14 Loss due to shortage of Pak-Vac (Covid vaccine) - Rs 24.369 million

The NIH – BPD has not framed any policy with regard to moving a summary for regularization of loss that occurred due to expiry/shortage of vaccine/store and rejection of store. According to GFR – 13 “In the discharge of his ultimate responsibilities for the administration of an appropriation or part of an appropriation placed at his disposal, every controlling officer must satisfy himself not only that adequate provisions exist within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores”.

During audit of NIH-Biological Production Division (BPD) for the years upto 2020-21, it was observed that during 2020-21, the BPD of NIH started production of Covid Vaccine named Pak-Vac Vaccine. The complete record comprising authority under which the task of preparation of Covid Vaccine was entrusted to the NIH – BPD, agreement/MoU signed with NCOC in this regard, authority under which the rate was fixed in US dollars and payment was received in NIH account etc. was demanded, but the same was not produced to audit on the plea that the same was not available. However, the available record showed that during the period from June 2021 to March 2022, total 20,613,550 doses of vaccine were produced out of which 20,000,000 doses were supplied to the NCOC. The record revealed that 479,730 doses were lying in BPD store with a shortage of 133,820 doses valuing Rs 24.369 million (@ Rs 182.10/dose). Due to the shortage of vaccines, the formation sustained a loss of Rs 24.369 million.

Position showed weak internal control in the organization.

The irregularity was reported to the management on July 20, 2022. Management in its reply dated January 24, 2023 stated that NIH donated excess doses to NHSR/EPI. Reply was not acceptable being an afterthought as during audit, no such evidence was available with the management alongwith authority under which the vaccine was donated.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the causes due to which there was huge shortage of vaccine; fix responsibility thereof; and the loss may be made good by effecting recovery from the person(s) held responsible for said shortage.

Para-14 (NIH (BPD) – 2020-21)

11.1.4.15 Irregular receipt of sale proceeds of Corona vaccine in NIH account - Rs 5,027.879 million

According to the agreement signed by M/o National Health Services, Regulation & Coordination (NHSR & C), Islamabad, with M/s CanSino Bio, China. The NIH –BPD was bound to undertake the downstream process of formulation fill and finish of Corona Vaccine (Pak Vac) and manufacture of 20 million doses (the agreement file was not provided to audit on the plea that the same is not available with them). According to management, the per-dose rate was fixed by the Ministry, i.e., US \$ 1.50/dose up to November 04, 2021; thereafter the rate was reduced to US \$ 1.425/ dose.

During the audit of NIH-Biological Production Division (BPD) for the years upto 2020-21, it was observed that the controlling Ministry of NIH, i.e. M/o Health Services Regulation & Coordination entered into an agreement with M/s CanSino Bio, China. According to said agreement, the NIH – BPD was bound to undertake the downstream process of formulation and finish of Corona Vaccine (Pak Vac) and manufacture 20 million doses at its BPD Laboratory. The record revealed that from June 2021 to March 2022, the NIH – BPD manufactured and supplied 20 million doses to EPI on the direction of NCOC.

As per the available record, 6,599,910 doses were supplied by the BPD Supply Section @ US \$ 1.50/dose, while the remaining 13,400,090 doses were supplied @ US \$ 1.425/doses, total value of said doses comes to Pak. Rs 5,027.879 million, out of which an amount of Rs 2,982.91 million (the value of 11,945,690 doses) was received in the NIH Account, whereas the value of 8,054,310 doses amounting to Rs 2,044.966 million was still outstanding.

Audit was of the view that the source of funding of NIH was a budget grant from the Federal Consolidated Fund and revenue from the sale of its BPD Products. The basic material used in preparation of Pak Vac vaccine was concentrate which was arranged by NCOC from the funds received from Federal

Government. The budget (pay & allowances & others) of the BPD Laboratory, involved in the process of formulation of vaccine, had already been received by NIH from the government in normal budget. Further, to recognize the services of officers/officials involved in the production of the vaccine, the extra benefit in shape of honoraria/bonus/reward has already been paid. The amount received from sale proceeds of Pak Vac vaccine needs to be credited in Federal Consolidate Fund as the funds for basic material i.e. concentrate was released out of Federal Consolidate Fund. However, the cost of vaccine supplied to the EPI could not be deposited in the government account rather it was credited in NIH Account. The authority under which the amount was credited in NIH account was not provided by the management, in the absence of any lawful authority the act of the management was termed as irregular.

The irregularity was reported to the management on July 20, 2022. Management in its reply dated January 24, 2023 stated that as per clause 3(3.3) of the agreement, NIH was made bound to carry out the downstream process at the given rate. Reply was quite irrelevant as the question was not about down streaming of vaccine rather Audit demanded the authority under which the sale proceeds could not be transferred to the government and retained in NIH account.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the causes due to which the sale proceeds of covid vaccine could not be deposited in government treasury; fix responsibility thereof; and the entire amount of sale proceed of covid vaccine may be deposited in government treasury without further loss of time.

Para-15 (NIH (BPD) – 2020-21)

11.1.4.16 Irregular issuance of advance bills resulting in unlawful activity – Rs 81.621 million

According to GFR – 10 (i) “every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money”. Rules – 11 further provides that “each head of a department is responsible for enforcing

financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers”. Rules – 13 further clarified that “in the discharge of his ultimate responsibilities for the administration of an appropriation or part of an appropriation placed at his disposal, every Controlling officer must satisfy himself not only that adequate provisions exist within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores.

During the audit of the NIH-Biological Production Division (BPD) for the years up to 2020-21, it was observed that the issuance of the advance bill to clients is not the policy of the BPD; however, the record revealed that during last five years advance bills amounting to Rs 81,621,242 were issued to the different District/Tehsil Headquarter hospitals on their demand. On the basis of said bills, the management of the hospital concerned succeeded in withdrawing the public fund from public accounts. On receipt of funds, the concerned management did not purchase the vaccines; rather, it embezzled the amount or expended it for personal benefit.

Position showed weak financial control in the organization.

Audit was of the view that each department; including District/Tehsil HQ hospitals, were allocated a budget specifically for the purchase of vaccines. The management of above said hospitals made arrangements for the withdrawal of money by arranging advance bill (bogus bills), and thereafter, they did not purchase the vaccine from BPD, and the money was used by them for other purposes. The chances of embezzlement or utilization for some personal gains could not be ruled out. Thus, the issuing of advance bills tantamount to play a role of facilitators for said culprits and they had succeeded in withdrawing public money of Rs 81.621 million based on said advance/bogus bills.

The irregularity was reported to the management on July 20, 2022. Management in its reply dated January 24, 2023 stated that the advance billing was just to increase the sale of the BPD. Reply was not acceptable as advance billing tantamount to bogus billing.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the causes due to which the advance bills were issued without having any policy and securing the interest of the government; fix responsibility thereof; and the matter may be taken up with hospitals concerned and revenue department to probe the utilization of amount allocated for some specific purposes.

Para-17 (NIH (BPD) – 2020-21)

11.1.4.17 Revenue loss due to non-allotment of shops on rent - Rs 22.400 million

Rule-5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the organization. The Board shall also formulate significant policies for the Public Sector Company, which may include the procurement of goods and services to enhance transparency in procurement transactions, marketing of goods to be sold, or services to be rendered by the Public Sector Company.

During the audit of the NIH-Biological Production Division (BPD) for the years up to 2020-21, it was observed that a commercial market of 70 shops was constructed in 1996 and just after construction, the shops were allotted to the interested employees on monthly rent. The market remained operational till December 2016, thereafter; the allotment was cancelled by the management. The management did not consider re-allotment of shops to date i.e. April 30, 2022. The allotment of shops on monthly rent was a source of revenue for NIH; however, due to non- allotment of shops, the management was deprived of the revenue and sustained a loss of Rs 22.400 million (70 shops x Rs. 5,000 average rent x 64 months).

The position showed weak administrative control in the organization, resulting in into loss to the formation.

The irregularity was reported to the management on July 20, 2022. Management in its reply dated January 24, 2023 admitted the facts highlighted by Audit, however, the reply was silent with regard to non-allotment of shops after cancellation which resulted in revenue loss to the NIH.

No DAC meeting was arranged till finalization of this report.

Audit recommends that matter may be investigated to probe the reasons due to which a revenue generating source was closed down without any justification; fix responsibility thereof; and the management may evolve a comprehensive policy for immediately allotment of shops to avoid further revenue loss.

Para-18 (NIH (BPD) – 2020-21)

11.1.4.18 Non-achievement of objectives of the project - Rs 21.300 million and revenue loss due to non-production of vaccine – Rs 396.161 million

According to para-3.4 of Project Management Guidelines issued by the Planning Commission Government of Pakistan "at the project preparation stage, various indicators such as input, baseline data, outputs and outcome, are determined over the project's life. In addition, the viability of the project in terms of financial and economic indicators is also determined, which focuses on financial and economic viability of the project. Another critical aspect that needs to be considered is the sustainability aspect after completion; how it would yield the required output/outcome.

During an audit of the NIH-Biological Production Division (BPD) for the years up to 2020-21, it was observed that the Tetanus Toxoid Vaccine production laboratory was established in 1992 with a production capacity of four million doses per year on minimum GMP. To upgrade and improve the production according to current standards, a project, namely "Revamping of existing building and equipment for the manufacture of tetanus toxoid from concentrate according to current GMP and current GLP" was approved by the Planning Commission of Pakistan in 2005 at the cost of Rs 21.300 million with completion up to December 2006. The main objective of the project was to produce Tetanus Toxoid Vaccine generating an annual income of Rs. 24.00 million at a capacity of 4 million doses per year which will meet approximately 30% requirement of the EPI and 100% needs of general public at price lower than the open market.

The project was completed in 2009-10 but failed to produce vaccines at full capacity, and during the last six years, only 0.721 million doses were

produced, which is 3% capacity utilization. Due to the non-production of vaccine at total capacity to meet the national requirement of EPI, the NIH-BPD sustained a revenue loss of Rs. 396.161 million. Moreover, due to non- production of tetanus vaccine, most of the staff posted at the laboratory remain idle.

Position showed weak internal control of the organization over its production activities.

This irregularity was reported to the management on July 20, 2022. Management in its reply dated January 24, 2023 stated that due to non-supply of concentrate by any party, the production remained nil during 2020-21 and 2021-22. The management accepted the audit view point.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons due to which the project could not produce vaccine at full capacity to meet the national requirement despite spending huge funds on its revamping under PSDP; and fix responsibility thereof.

Para-19 (NIH (BPD) – 2020-21)

11.1.4.19 Non-achievement of functions of NIH defined in (re-organization) Ordinance 2020

The National Institute of Health was re-organized under NIH (Re-Organization) Ordinance, 2020, dated 17-12-2020. According to said Ordinance, the NIH was required to set up and operate seven (7) institutes and centers, including Vaccine and Biological Products Center, under the control of NIH. Each institute and Center shall be headed by an Executive Director appointed in accordance with the provision of this Ordinance. There shall be Board of Governors of NIH to administer and manage the affairs and shall have overall control over the functions of the NIH and its centers. According to Section – 8 (r); the functions included “to conduct the audit of the NIH and all its institutes and center and approved the annual cumulative accounts of the NIH”. Under Section – 9(2), the Board shall meet at least once every three months. Under said Ordinance the Center shall perform functions like (i) produce biological materials and vaccine; (ii) organize training programs through national diploma and specialize short term training courses for vaccine and biologic production; (iii)

collaborate with national and international research institutes to provide the technical input in the areas of vaccine development, vaccine research; and (iv) promote research activities and development towards improvement of biological products, up-scaling of technologies, introduction of newer vaccines, diagnostics and other biological products. Under section – 21(2) the Board shall approve the financial regulations, the accounts of the NIH shall be audited by one or more chartered accountants, and the audited statements shall be provided to the government. They shall also be published on the website of the NIH.

Under section – 22 of the Ordinance, it is clarified that the Board shall select and recommend to the Federal Government for appointment of the Chief Financial Officer (CFO) of the NIH.

During the audit of NIH-Biological Production Division (BPD) for the years up to 2020-21, it was observed that the Federal Government promulgated on 17 December 2020, NIH (Re-Organization) Ordinance, 2020. According to said Ordinance, the NIH was declared an autonomous corporate body having perpetual succession and a common seal with power, subject to the provisions of this Ordinance. In said Ordinance, the NIH was required to set up and operate seven institutes and centers for health and disease control, and each institute and Center shall be headed by an Executive Director. However, the record revealed that the 7 centers as defined in Ordinance were not set up rather the old set up with 4 Divisions i.e. Drug, Biological, public Health and Nutrition are working. Neither the Executive Director for each institute and Centers nor Chief Financial Officer was appointed as defined in the Re-Organization Ordinance, 2020. The formulation of the Board and name of Board members, detail of BoD meetings, and minutes of Board meetings were demanded, but the same was not provided on the plea that the same is maintained at the Ministry level.

Further, the NIH failed to appoint a Chartered Accountant Firm for certification of annual accounts of the NIH and its Institutes and Centers, and due to very reasons, the accounts of the BPD are not authentic. In short, the NIH management has failed to implement the NIH (Re-Organization) Ordinance, 2020 and achieve the goals, defined in Ordinance.

Position showed weak internal control of the organization over its administrative matters.

The irregularity was reported to the management on July 20, 2022. Management in its reply dated January 24, 2023 stated that in the light of directions of Audit, in future the relevant committee will be directed to carry out physical verification of stock and store of BPD. Reply was quite irrelevant and all the points raised by Audit remain un-attended.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the causes due to which the goals/functions defined in NIH (Re-Organization) Ordinance could not be achieved; and fix responsibility thereof.

Para-20 (NIH (BPD) – 2020-21)

11.1.4.20 Suspected mis-appropriation in sale of allergy vaccine - Rs 10.923 million

According to Rule – 5 (a)(i) of the Corporate Governance Rules, 2013 (amended up to 2019), “the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty, and relationship with the stakeholders, in the manner, that the principle of probity and propriety entails 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 handling of public funds, assets, resources and confidential information by directors, executives and employees.

During audit of NIH - Biological Production Division (BPD) Islamabad for the years up to 2020-21, the record of sale of allergy vaccine revealed that during the years 2019-20 and 2020-21 total 386,920 vials of allergy vaccine were sold out at Rs. 244.900 million against which sale proceeds of Rs 233.977 million (value of 369,294 vials) was deposited in bank account maintained in NBP NIH Branch.

Position showed that the sale proceed of Rs. 10.923 million (Rs. 244.900 million - Rs 233.977 million) of 17,626 vials (386,920 vials - 369,294 vials) was not deposited in the NBP account. In view of this, it could be concluded that non-deposit of the full sale proceeds in relevant bank account constituted suspected

misappropriation of sale proceeds of Rs 10.923 million. Due to shortage of time, Audit worked out the difference of only two years, the management might work out the difference of rest years through an independent committee.

Position showed lose internal control in the Institute causing loss to that extent.

The irregularity was reported to the management on July 20, 2022 but management did not submitted reply.

No DAC meeting was arranged till finalization of this report.

Audit recommends that matter may be investigated independently to probe the reasons of depositing less sale proceeds in the account; fix responsibility thereof; and make the loss good by effecting recovery from the person (s) held responsible.

Para-21 (NIH (BPD) – 2020-21)

11.1.4.21 Non-ascertainment of profit or loss due to un-fair presentation of financial statements and loss due to sale of products below cost price – Rs 68.97 million

As a matter of principle, the main objective of preparing the financial statement of an organization is to provide a snapshot of its financial health, giving insight into its performance, operations, and cash flow. According to canons of propriety, it is the responsibility of the Company's management to establish and maintain a system of internal control and prepare & present the financial statements in conformity with the approved accounting standards and requirements of the Companies Act 2017.

During the audit of the NIH-Biological Production Division (BPD) for the years up to 2020-21, it was observed that the NIH – BPD is preparing its financial statements on proforma accounts. In said statements, the financial health, operational performance, and cash flow of the BPD appear. The authority that approved the said accounting format was demanded, but the management did not provide the same on the plea that they were unaware about that. The scrutiny of financial statements showed that these statements did not portray a fair picture of accounts, mainly because the costing method was defective. Further Following shortcomings were noted:-

From January 2012 to January 2019, the rate of vaccines and other BPD products remained the same. During this period, the management tried to fix the cost below the sale price. In some cases, the production was not mentioned correctly, and in some cases, the production of a vaccine was nil during the year. However, deployed officials' pay & allowances and other administrative expenditures were not charged. In some cases, the production was made, but the expenditure was not charged to the product, while in some cases, the production was meager, but huge expenditures were charged. In short, there was no relevancy in production, expenditure charged to production, etc.

Due to said reasons, the costing method of BPD for its product becomes defective. In other words, the financial statements are not reliable; the category-wise detail is given here under:-

- a. During the year 2012-13 Typhoid Vaccine, TC Vaccine, Tetanus Vaccine and Anti Venom Serum were sold below cost price caused loss of Rs 9.279 million.
- b. During the year 2014-15 total 29,698 doses of CCRV were produced but the cost sheet showed nil production with nil expenditure. The treatment resulted in wrong charging of cost to the product of BPD which ultimately affect the total sale for the year as well profit.
- c. During 2014-15 the cost sheet showed production of Nimkol 23,200 pkts. with total cost of Rs 150,800, whereas, the actual production of Nimkol was 232,200 pkts. with total cost of Rs 1.509 million.
- d. During 2015-16 the cost sheet showed production of Typhoid Cholera Mixed (TC) Vaccine of 32,000 ml. with cost of Rs 448,000, whereas, actual production was 320,000 ml. with cost of Rs 4.602 million. The treatment understated the production and cost which also affect the total sale value as well as profit for the year.
- e. During 2014-15 and 2015-16 the production of Tetanus Vaccine and Anti Rabies Serum was nil but the cost sheet is silent with regard to administrative as well as other expenditure.
- f. During 2016-17 the production of Anti Rabies Vaccine (H) was nil, however, expenditure of Rs 60.109 million was charged to the laboratory. Whereas, in 2015-16 the production of Anti Rabies Vaccine (H) was 99,750

- ml, while, during said period the expenditure of Rs 1.496 million were charged to the laboratory.
- g. During 2016-17 the production of Anti Rabies Serum was nil, the cost sheet showed nil expenditure whereas, the pay & allowances to the Technical Staff and Administrative expenditure (Overheads) were required to be charged.
 - h. The cost sheet showed un-realistic distribution of expenditure as it varied each year irrespective of increase or decrease in production. In some years the production was less but distribution of expenditure was higher, while, in next year the production was high but the distribution of expenditure was less.
 - i. In 2017-18 the opening balance of CCRV was nil, during the year 60,836 ml was produced with a total cost of Rs 43.260 million. In view of said cost, per ml cost of CCRV came to Rs 711.10 against which the cost was appearing Rs 450/ml and sale price Rs 500/ml. In view of actual cost per ml, the formation sustained loss of Rs 12.842 million on sale of CCRV ($\text{Rs } 43.260 / 60,836 \text{ ml} = \text{Rs } 711.10 - \text{sale price Rs } 500/\text{ml} = \text{Rs } 211.10 \times 60,836$).
 - j. During 2018-19 the production of Measles Vaccine and CCRV was 1,845,660 ml and 106,640 ml respectively. But no expenditure on account of Direct Material/labor, Overheads were charged to said production.
 - k. During 2020-21 the cost of production of Measles Vaccine and Tetanus Vaccine was Rs 48.535 million and 36.389 million respectively. The total production was 579,975 ml of Measles and 579,181 of Tetanus Vaccine. In view of above said cost and production, per ml cost of Measles came to Rs 83.68/ml whereas, the cost of Tetanus Vaccine came to Rs 82.83/ml. The sale price of both the vaccines was Rs 44.38/ml and 41.30/ml. Due to sale of vaccine at below the cost price the formation sustained loss of Rs 46.849 million.
 - l. During 2012-13 to 2019-20 grant in aid under PSDP Sera Processing Laboratory Project amounting to Rs 722.352 million was received (the said amount is of only one project, grant received under other projects was not provided to audit) but the same was not reflected in annual accounts due to which the annual accounts did not portray fair picture of accounts.

- m. During the year 2020-21 the downstream process of formulation and finish of Corona Vaccine (PakVac) and manufacture of 20 million doses was assigned to the NIH – BPD. The BPD manufactured 463,820 doses during 2020-21 and an amount of Rs 109.593 million was received but the same was not reflected in annual accounts of 2020-21. In the absence of said figure the accounts did not reflect fair picture of accounts.
- n. The record of BPD Supply wing showed sale of Rs 325.713 million during the year 2019-20 against which the annual accounts showed sales of Rs 313.178 million with a difference of Rs 12.535 million.
- o. As per record of BPS Supply Wing sales for the year 2020-21 was Rs 340.583 million against which the annual accounts shows sales of Rs 354.618 million with a difference of Rs 14.035 million. T
- p. During the period from 2012-13 to 2018-19 the sale price of BPD products was remain the same and the management managed to keep the cost below sale price despite the fact that there was increasing trend in raw product, store items and operational cost each year.
- q. The annual accounts showed that during the years 2017-18 & 2019-20 the actual expenditure was Rs 538.259 million against which an amount of Rs 494.627 million was charged to the product cost with a difference of Rs 42.632 million. Whereas, during 2016-17, 2018-19 & 2020-21 the actual expenditure was Rs 682.855 million against which an amount of Rs 694.119 million was charged to the product cost with a difference of Rs 11.264 million.
- r. As per BPD record total 373,949 vials of Allergy Vaccines were provided to Allergy Center during 2019-20 & 2020-21, however, the record of Allergy Center showed that they have received 387,430 vials during said period with a difference of 13,483 vials valuing Rs 9.276 million (13,483 vials x Rs 688/vial). The position understated the sale figure appearing in both the accounts by Rs 9.276 million.

Position showed weak financial control in the organization.

The irregularity was reported to the management on July 20, 2022. Management in its reply dated January 24, 2023 stated that the proforma accounts were compiled under the process costing method, under which total expenditure

was divided by the total production during the year. Plea of the management was not acceptable as the facts highlighted by Audit needed to be addressed in the annual accounts.

No DAC meeting was arranged till finalization of this report.

Audit recommends that matter may be investigated with reference to the points mentioned by audit so that the annual accounts could portray fair picture of accounts; fix responsibility thereof; and the loss sustained on account of sale of BPD products below cost price needs to be probed for its regularization or recovery from the quarter concerned.

Para-22 (NIH (BPD) – 2020-21)

11.1.4.22 Loss due to destruction of expired vaccine and store – Rs 14.943 million

The NIH – BPD has not framed any policy with regard to move a summary for regularization of loss occurred due to expiry of vaccine/store or rejection of store. According to GFR – 13 “In the discharge of his ultimate responsibilities for the administration of an appropriation or part of an appropriation placed at his disposal, every Controlling officer must satisfy himself not only that adequate provisions exist within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores”.

During audit of NIH-Biological Production Division (BPD) for the year upto 2020-21, it was observed that the BPD Quality Assurance department framed a policy for the destruction of waste/rejected/expired vaccine or other store products. In the light of said policy, the management wasted/rejected/expired following vaccines and store valuing Rs. 14.943 million. Detail is as under:

- a. The management vide destruction certificate dated 16.06.2020 destroyed 4022 vials of Allergy Vaccine. The reason of destruction was mentioned expiry of vaccine due to Covid-19. The record revealed that lots of allergy vaccine comprising 932 vials was produced on different dates of February 2020, whereas the remaining 3,090 vials were produced in March 2020 (the last lot

was produced on 18-03-2020). The allergy vaccine has limited expiry time of 03 months, in March 2020 the epidemic of Covid-19 was declared in Pakistan, the production of allergy vaccine without utilization of earlier one showed that the management have no mechanism to control the production in view of its utilization and production. The vaccine produced in February 2020 was lying in store when fresh vaccine was produced in March 2020 without considering the alarming situation of Covid-19 at world level as well as in Pakistan. The position showed loss of Rs 1.810 million due to un-necessary production of vaccine and its destruction thereafter.

- b. In another case 692 sheep brains valuing Rs 2.652 million (value assessed at the rate of Rs 3,813 per sheep), were destructed due to discontinuation of simple Rabies Vaccine. Although, the formula for production of simple vaccine was changed but the management was required to discontinue the production after utilizing the available sheep brains but the brains were destroyed due to which the formation sustained loss of Rs 2.652 million (@ Rs. 3,813 per sheep cost) on this account.
- c. The QA Department destroyed 20 chemicals vide destruction certificate dated 28.06.2018. The management did not work out purchase/book value of said chemicals prior to its destruction for regularization of loss on this account from the competent authority as no such practice is in vogue in NIH. However, the audit worked out the value of said stores (working was made on the basis of value of item available in store ledger, however, price of 16 items was not available in the store ledger) which comes to Rs 4.082 million.
- d. The QA Department destroyed expired Sterile Water for injection, Tetanus Toxoid Adsorbed rejected by NCLB, different type of store of CCRV Lab lying in store since long, improper labeling and stamping of CCRV and TSB Vials due to which the formation sustained loss of Rs 5.557 million.
- e. It was observed that tenders were called for the purchase of 2,525 kgs of Potassium Chloride sometimes in 2011 (the purchase file was demanded but the same was not provided). The order was issued to M/s Simpex International for the supply of 2,525 kgs. Potassium Chloride, accordingly, the firm supplied the store in February, 2011 at the rate of Rs 89 per kg. At the time fresh procurement a quantity of 950 kgs was lying in store and with the receipt of fresh purchase the quantity was accumulated to 3,475 kgs out of which 1000

kgs was (the old procurement) issued leaving a balance 2,475 kgs in store. In January 2018 the concerned management moved a case for destruction of said leftover quantity of Potassium Chloride valuing Rs 220,275 being expired on the plea that the manufacturing date of chemical was March 2005 and expiry date was February, 2008. The above said facts showed that the chemical was purchased in expired condition as the store was purchased in 2011 and date of expiry was 2008. The procurement was made just to favor the supplier.

- f. In another case Sodium Citrate 3,575 kgs, purchased in 2020 have since been expired on March 07, 2022. The cost of expired chemical is Rs 622,050 (@ Rs 174/kg.) The expiry of store showed that the chemical was purchased without assessing the actual requirement.

Further, the NIH – BPD had no policy on regularization of loss under the order of competent authority after a fact finding inquiry on expiry of store or destruction of its products. Thus, the loss in question was yet to be regularized under the order of competent financial authority.

Position showed weak internal control of the organization over its financial and administrative matters.

The irregularity was reported to the management on July 20, 2022. The management in its reply dated January 24, 2023 stated that the allergy vaccine was destroyed due to its non-utilization because of COVID epidemic. Similar was the plea about other destructions. Reply was not acceptable as the formation sustained loss due to negligence of the management. Further, the reply was silent with regard to non-regularization of loss by the competent authority.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the causes due to which the allergy vaccine was produced without assessing its requirement and stopped production of simple rabies vaccine to utilize the available sheep brains which later destroyed and caused loss to the formation; fix responsibility thereof; and the loss may be made good by effecting recovery from the person(s) held responsible.

Para-23, 24, 25 & 26 (NIH (BPD) – 2020-21)

Chapter-12

Ministry of Information, Broadcasting and National History & Literary, Heritage Division

Overview

The Ministry is responsible to release the Government information, media galleries, public domain and government unclassified non-scientific data to the public and international communities. The MoIB has jurisdiction for administrating the rules and regulations and laws relating to information, broadcasting and the press media in Pakistan.

Aims & Objectives

The goal of MIBS is “to achieve country wide media coverage for a well-informed public”

The specific objectives are:

- To provide legal and policy framework in order to guide the operations of the media industry
- To coordinate the provision of government information to the public in order to ensure consistency and portray a positive image of government
- To interpret Government policy to the public in order to solicit their support and participation in national programmes
- To provide timely news and information to the public
- To improve the capacity of the public media in order to attain countrywide coverage
- To conduct research in media and national topical issues in order to improve the quality of media products, measure public response and influence government policy
- To facilitate the protection of copyright and related rights in order to reduce piracy and unfair exploitation of intellectual property
- To develop and manage human resources in order to enhance the performance of the ministry

- To provide effective financial management services and oversight in order to ensure accountability and transparency
- To provide administrative and logistical support services for efficient operations of the Ministry
- To establish and maintain an information management system in order to improve accessibility to information for speedy and informed decision making
- To plan, coordinate, monitor and evaluate the implementation of ministerial policies, legal framework, projects and programmes in order to ensure their effective implementation and compliance

Governing Laws and Policies

- Rule of Business 1973
- Information Policy of the Federal Government
- Copy right Act.

Sectoral Analysis

Pakistan Television Corporation (PTV) is the Pakistan's state-owned television broadcaster, founded on 26 November 1964. Pakistan entered into Television Broadcasting age with a small pilot TV Station established at Lahore from where transmission was first beamed in Black & White with effect from 26 November 1964. Television centers were established in Karachi and Islamabad in 1967 and in Peshawar and Quetta in 1974. The National Broadcaster has flourished since then, and today has PTV-Centers in Islamabad, Lahore, Karachi, Peshawar, Quetta, Muzaffarabad, AJK and Multan. Being the largest Television Network, PTV is serving about 92% of the population of Pakistan and having largest terrestrial infrastructure of the country. The bouquet of PTV Network consists of nine TV Channels i.e. PTV Home, PTV News, PTV World, PTV Sports, PTV Global, PTV Bolan, PTV National, PTV Parliament and AJK TV. While introducing the sophisticated branch of the electronic media in the country, the broader perspective kept in mind was to inform and educate the people through wholesome entertainment and to inculcate in them a greater awareness of their own history, heritage, current problems and development as well as knowledge of the world at large.

Pakistan Television Corporation is the biggest media organization of Pakistan. It is an autonomous public sector organization. The main responsibility of PTV is to provide public service broadcasting not only within Pakistan but also outside Pakistan. It makes programmes for its viewers in different genres i.e. drama, documentaries, current affairs, entertainment and sports. Its programmes are produced in Urdu as well as in all regional languages i.e. Sindhi, Punjabi, Pashto and Balochi. While producing its programmes, it pays due attention to the interest and aspirations of all strata of society and tries to reflect those effectively in its programmes.

**Audit Profile of Ministry of Information, Broadcasting and National History
& Literary, Heritage Division**

(Rs. in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2021-22	Revenue /Receipts audited FY 2021-22
1	Formations	4	2	10,939.07	19,739.17
2	Assignment Accounts (excluding FAP)				-
3	Authorities /Autonomous Bodies etc. under the PAO	1	1	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs. 69,792.367 million were raised as a result of this audit. This amount also includes recoverable of Rs 5,321.201 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Non-Production of record	0
2	Reported cases of fraud, embezzlement and misappropriation	58.651
3	Irregularities:	0
A	HR/Employees related irregularities	5,239.355
B	Procurement related irregularities	14,394.890
C	Management of accounts with Commercial Banks	441.405
4	Value for money and services delivery issues	31,694.528
5	Others	17,963.538

12.1 Pakistan Broadcasting Corporation Limited

12.1.1 Introduction

Pakistan Broadcasting Corporation (PBC) was incorporated under the Pakistan Broadcasting Corporation Act, 1973 effective from 20th December, 1972. PBC has its own Board of Directors constituted under the provision of above act and being managed through Ministry of Information & Broadcasting and National Heritage.

The core operational activities of the PBC are to provide broadcasting services for general reception in all parts of Pakistan and the territorial waters thereof and on board ships and aircrafts (home services) and in other countries and places (External Services) for the purpose of disseminating information, education and entertainment through programme which maintain a proper balance in their subject matter and a high general standard of quality and morality.

12.1.2 Comments on Audited Accounts

12.1.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the years 2019-20 to 2021-22 till December 31, 2022.

Audit recommends that the annual audited accounts for the year 2019-20 to 2021-22 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*Annex-2*).

12.1.3 Compliance of PAC directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1990-91	06	04	02	354,359	67
1991-92	11	10	01	300	91
1992-93	07	05	02	205, 209	71
1993-94	10	08	02	182,183	80
1994-95	05	04	01	219	80
1996-97	06	04	02	180,182	67
1997-98	09	08	01	115	89

1998-99	28	26	02	1.1, 8 (SAR-56)	93
1999-00	06	02	04	159,160,162, 163	33
2000-01	04	03	01	127	75
2003-04	17	14	03	124.4,125,130	82
2005-06	06	05	01	152.4	83
2006-07	05	03	02	120.1,120.2	60
2007-08	11	08	03	94.3, 94.4, 99	73
2008-09	15	08	07	132, 133, 134, 135, 131.5, 131.6, 136	53
2009-10	02	0	02	148, 149	0
2013-14	04	0	04	9.1.2.1, 9.1.3, 9.1.4.1, 9.1.4.2	0
2014-15	21	01	20	10.1.2.1, 10.1.2.2, 10.1.2.3, 10.1.2.4, 10.1.2.5, 10.1.2.6, 10.1.2.8, 10.1.2.9, 10.1.3, 10.1.4.1, 10.1.4.2, 10.1.4.3, 10.1.4.4, 10.1.4.5, 10.1.4.6, 10.1.4.7, 10.1.4.8, 10.1.4.9, 10.1.4.10, 10.1.4.11	05
2016-17	09	0	09	8.1.2, 8.1.3, 8.1.4.1, 8.1.4.2, 8.1.4.3, 8.1.4.4, 8.1.4.5, 8.1.4.6, 8.1.4.7	0
2019-20	01	0	01	8.3.4.1	0
Total	183	113	70		62

Overall compliance of the PAC directives was not satisfactory and needs immediate attention of the PAO.

12.1.4 Audit Paras

12.1.4.1 Recurring revenue loss due to low performance of the department - Rs 29,172.351 million

Para 10(i) of the General Financial Rules, Vol-1 requires that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of the PBC for the financial years 2020-21 and 2021-22, it was observed that annual financial statements for the year ended 30.06.2021 showed that department was facing a loss of Rs. 741.447 million in the income & expenditure statement whereas the cumulative loss up to the said year in the balance sheet was Rs. 29,172.351 million.

Audit observed that main reasons behind the accumulated loss were as follows:

1. Lack of interest of the management in the affairs of the department and internal control over the operational expenditure
2. Non-initiating financial viable business plan for improving the revenue of the department.
3. Loss of opportunities available for generation of revenue.

Audit was of the view that cumulative loss occurred due to lack of managerial control of the department and failure to formulate a viable business plan.

The matter was pointed out to the management on 20.01.2023. Management replied that PBC is sustaining loss due to decline in Advertisement Income and short allocation of funds from Federal Government under the head “Subsidy from Government”. However, PBC management is exploring other business possibilities within the mandate given through PBC Act 1973. Reply was not tenable as efforts made were not shown to audit till finalization of the report.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify continuous loss sustained by the department besides conducting a fact-finding inquiry to probe into the matter for knowing the actual causes of the loss. Immediate corrective action for taking out the department from loss may also be taken.

Para-1 (PBC – 2020-22)

12.1.4.2 Loss due to non-installation and commissioning of Shortwave Transmitter & High Frequency Aerial System - Rs. 498.478 million

According to the progress report issued by the Deputy Controller HPT-Karachi vide letter No. ENG/ICK/R-51/2017-2860 dated 28.08.2019, remaining work of the project includes, connection of Matrix equipment with Antenna System and connection of transmission line on both sides as well as testing and commissioning of transmitters/Antenna system and allied equipment by the foreign engineer.

Para 10(1) of the General Financial Rules Vol-1 requires that every public officer is expected to exercise the same vigilance in respect of expenditure

incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of the HPT Karachi for the year 2020-21 and 2021-22, it was observed that a project titled “2 x 100 KW shortwave transmitter & HF Aerial system, PBC, HPT, Landhi Karachi” was approved by the competent forum i.e. CDWP on 21.01.2006 at approved cost of Rs. 433.459 million. Funds amounting to Rs. 498.478 million has been released, against which an expenditure of Rs. 482.498 million was incurred up to the year 2015-16 on the procurement of different machinery and equipment’s of the transmitter.

During physical verification of the project at HPT Landhi, Karachi, it was observed that transmitter’s equipment received in 2008 and 2 x 2 rotatable antenna systems in 2014 were lying in the containers at PBC central store Karachi till date of audit without inspection and installation. According to the email, dated 27.08.2019 and reproduce in Para 04 of the letter No. ENG/ICK/R-51/2018-2869 dated 02.09.2019, foreign expert M/s Ampegon highlighted that all components of the ELKO capacitors of the modules may not be operational any more. Carnet Vacuum Capacitors not empowered for more than 12 years needs replacement and it’s all components are obsolete. The expert recommended and offered a new transmitter instead of old transmitter procured by the corporation.

Audit observed that due to inefficiency and lack of internal controls of the PBC management, the installation and commissioning of the transmitter and rotatable antenna was not done till date of audit i.e. December 2022 and thus the PSDP funds released from 2006-07 to 2015-16 worth Rs. 498.478 million have been mis-used/wasted and the public exchequer sustained a huge loss.

The matter was pointed out to the management on 20.01.2023. Management stated that The PC-1 of the project was approved in 2006. As per PC-1, the project was expected to be completed within 03 years. Due to piecemeal PSDP funding, the equipment was also imported in installments and works executed accordingly. Two short wave transmitters were delivered in 2008, while the antenna system delivered in 04 years’ time during the period from 2010 to 2014. Due to delay in releases, the equipment was kept stored in containers for 08 years, from 2008 to 2016, till the release of final tranche in June 2016. The

warranty period of entire equipment had thus expired. Meanwhile, in March 2018, PBC had already approached the OEM (Original Equipment Manufacturer) M/s Ampegon Switzerland (previously M/s Thomson Broadcast and Multimedia) for installation / commissioning of rotatable antenna system. The firm responded that since the equipment was delivered 10 years ago, therefore, their engineer would visit the site to inspect the supplied / stored material and to ascertain the functionality of the equipment prior to commissioning work. PBC has also approached the authorized representative of OEM (original Equipment Manufacturer) for the survey of 2x100 KW transmitter and Antenna System. But due to pandemic situation COVID-19, this visit did not materialized. An inquiry committee has already been constituted by the MOIB in order to investigate the inordinate delay in the execution of the Project and has published the tender in newspapers for the installation of Antenna System and allied work. Reply was not tenable as the expert has already recommended and offered a new transmitter instead of old transmitter procured by the corporation

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain reasons for non-installation/commissioning of the transmitter/antenna after lapse of more than 10 years. Besides, a fact-finding inquiry may be conducted to probe into the matter and fix responsibility for sustaining loss to the public exchequer.

Para-3 (PBC – 2020-22)

12.1.4.3 Opportunity loss due to non-renting out of vacant floors of building - Rs. 89.575 million

Para 10(i) of the General Financial Rules, Vol-1 requires that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of the Broadcasting House, Karachi for the year 2020-21 and 2021-22, it was observed that building of the BH Gushan Iqbal, Karachi consists of 15 floors, out of which 03 floors No. 06th, 8th and 9th having 4524 Sq. ft. covered area each were remained vacant since 2011-12 after the vacation of the floors by the Accountant General office Sindh.

Audit observed that due to lack of internal and managerial control, management failed to properly plan for renting out the vacant floors to some Government departments or other private offices and thus corporation was deprived of an expected income of Rs. 16.286 million (4524 sft. area x Rs 50 per sft. x 03 floors x 24 months) in the years 2020-21 and 2021-22. The opportunity loss as per the above calculations for the last 11 years i.e. from 2011-12 to 2021-22 comes to Rs. 89.575 million (4524 sft. area x Rs 50 x 03 floors x 132 months) therefore considered as loss to entity due to poor management of its assets.

The matter was pointed out to the management on 20.01.2023. Management replied that BC is continuously doing efforts to rent out its vacant spaces to other department at the rates fixed by Ministry of House & Works, but interested departments want relaxation in Govt. approved rates which is an audit objection Reply was not tenable as efforts taken made for renting out the building were not shown to audit.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify non-renting out of vacant floors to other departments and immediate action for renting out the floors for earning more revenue may be taken. Further, responsibility may be fixed on the person(s) at fault for sustaining loss to the PBC.

Para-4 (PBC – 2020-22)

12.1.4.4 Irregular auction of obsolete items without assessing market value and reserved price - Rs. 132.897 million

According to FBR clause 757 (d) of the S.R.O.8R (1)/2020 dated 03.09.2020, XXXIII issued by FBR, electronic auction (E-Auction) sub chapter (1) the Assessing Officer shall on the basis of examination report and available information in the system, finalize the assessment of the goods and determine the reserve price of the goods. Clause 762 requires that the reserve price shall consist of the depreciated value, duties and taxes and other charges.

During audit of the Pakistan Broadcasting corporation for the year 2020-21 and 2021-22, it was observed that different transmitters, voltage regulators, machinery and equipment's and other valuable goods consisting of shortwave transmitters, late machines, elect welding plants, transformers etc. valuing in

different Broadcasting Houses and HPT's were auctioned with the approval of the competent authority. A sum of Rs.132.897 million was obtained by PBC through the auction. Auction committees were constituted for auction of the unserviceable items. Prior to auction, the items were evaluated by the committee showing their purchase value, depreciated value and written down values. Local office failed to constitute a technical committee for assessing/determination of the market value of the items for finalizing the minimum reserve price. Management also failed to record the proceedings of the auction by stating the 2nd and 3rd highest winner to know the actual offers offered by each firm.

Audit was of the view that in absence of evaluating the market price for fixing the reserve price and without proper auction proceedings, the auction of the machinery and equipment valuing Rs. 132.897 million (Annex-97) was held irregular and violation of the government rules.

The matter was pointed out to the management on 20.01.2023. Management replied that obsolete transmitters etc. at different units of PBC were auctioned with the approval of competent authority. Auction committees were constituted at the units to conduct the auction and a Supervisory Auction Committee was also constituted at PBC Headquarters Islamabad. The finance wing (Book keeping section) documented the purchased value, depreciated value and written down value of the goods and same was conveyed to the respective units. The open auctions of the obsolete items were started with reserve value which was obtained after the assessment from local markets. Reply was not correct as evidence for fixing reserve price before the auction was not available on record.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify non-obtaining the market value of the items and fixing reserve price. Besides, a fact-finding inquiry be conducted to probe into the matter and to fix responsibility.

Para-5 (PBC – 2020-22)

12.1.4.5 Flawed and incomplete inquiry of embezzlement resulting into non-determination of actual loss and responsible officers / officials – Rs 54.301 million

Para 23 of the GFR Vol-1, requires that every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

During audit of the Pakistan Broadcasting Corporation (PBC) for the year 2020-21 and 2021-22, it was observed that a flawed internal inquiry was conducted by Mr. Aqeel Mir, controller (Audit) regarding embezzlement of Rs 54.301 million in pension fund account. Mr. Muhammad Rehan, Assistant Accountant and some other ex-employees were found responsible for the fraud but the inquiry officer failed to determine the role of the upper officers involved in the payment channel. M/s Bakertilly Chartered Accountants also conducted a forensic Audit for the year 2015-16 to 2019-20 to probe into the matter against payment of Rs. 2.413 million.

In light of the following observations, audit was of the view that inquiry was partial and there were flaws resulting in to the non-determination of the actual loss sustained by the PBC.

1. In inquiry report, the committee fixed responsibility on Mr. Muhammad Rehan Assistant Accountant being main culprit and other ex-employees however, the report failed in the determination of the role of the upper management involved in the payment channel.
2. The accused Mr. Muhammad Rehan who was appointed on 24.01.2007 and posted as Assistant Accountant in the pension section and remained on the same position for a period of more than 12 year till the fraud was deducted. The non-application of rotation policy by the higher management indicated poor managerial control at one end and possible alleged collusion of higher management with the accused.
3. Inquiry and forensic audit was conducted for the period 2017 to 2020 and 2015-16 to 2019-20 respectively but management failed to probe the matter from the date of appointment of the accused i.e. 24.01.2007. Audit therefore was of the view that actual loss may be much more than pointed out by the committee.

4. Director General PBC in its letter dated 10.07.2020 addressed to the D.G. FIA, has also showed concerns for immediate action against all responsible including the one's mentioned in the letter but even after expiry of two years neither the inquiry undergoing in FIA has extended its scope for determination of other possible characters responsible in the upper management who was involved in approval and sanctioning process of pension case nor any recovery has been affected from the accused individuals.
5. Forensic audit report was not shared with the audit despite the directions of the DAC dated 07.01.2021.
6. Independent and un-biased inquiry at the ministry level was not conducted to probe in to the matter
7. Internal Audit of the pension was also not conducted despite having the internal audit department.
8. Special audit report on the recommendations of the internal inquiry was also not conducted.

The matter was pointed out to the management on 20.01.2023. Management replied that the case regarding embezzlement in pension funds of PBC Hqrs was referred to FIA, Islamabad, FIA registered the FIR vide FIR No. 44/2020. Moreover the Forensic Audit has also been conducted and they submitted their report and fixed the responsibility. Meanwhile the accused persons of PBC involved in the embezzlement have been removed from PBC service. Reply was not tenable as the embezzled amount has not been recovered so far.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter at Ministry level since 2007 to dig out the actual loss sustained by the corporation and fix responsibility on person(s) at fault.

Para-7 (PBC – 2020-22)

12.1.4.6 Irregular selection of Security Company and less deposit of bid security - Rs 48.819 million

According to rule 30(1) of the PPRA Rules 2004, all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding documents. Save as provided for in sub-clause (iv) of clause (c) of rule 36 no evaluation criteria shall be used for evaluation of bids that had not been specified in the bidding documents.

According to Sr. No. 10 of Form-B (Documents required) of Tender documents for hiring services of security company, (Affidavit on the stamp paper) to the effect that the company has not been black listed by any of the Government department and also not involved in litigation.

During the audit of PBC for the year 2021-22 it was noted that a contract for hiring of security services at Head office and allied centers of PBC for Zone I at Punjab, KP and AJK was awarded to M/s Wiser Security Services (Pvt.) limited for deployment of 183 security guards amounting to Rs 48.819 million for one year without taxes i.e. (Rs 22,100 per Security guard for PBC Centers located at ICT, Punjab, AJK and Rs 22,700 each security guard for KP Center) and an amount of Rs 29.286 million on account of salary for the period February to August 2022 was paid to security company. Audit found the following deficiencies as detail hereunder;

1. The opening date of security bids as per advertisement was 30.11.2021 which was enhanced to 09.12.2021 by issuing corrigendum without any reasons.
2. The Wiser Security Services (Pvt.) Ltd was technically qualified by committee whereas, following deficiencies were found during scrutiny which was ignored to oblige the security company;
 - a) Bid Security 2% of quoted rates were submitted on 05.01.2022 whereas, submission date of Technical and Financial Bid was 09.12.2021 as per corrigendum. The said firm was required to be disqualified on non-submission of earnest money/ bid security in time.
 - b) No estimated price for submission of fixed bid security/estimated price were mentioned in bidding documents by PBC.
 - c) As per quoted rates by Wiser Security Services (Pvt.) Ltd , 2% bid security valuing of Rs 2,493,336 (Total Annual Contract Rs

- 1,24,666,800) was to be submitted by security services whereas, an amount of Rs 92,000 was only submitted by said company.
- d) M/s Wiser Security Services submitted expired License certificates instead of valid certificate of license/NOCs, obtained from Federal and Provincials Governments.
 - e) List of employees registered with EOBI and Social Security was not submitted.(violation of bidding documents).
 - f) A seven years old registration certificate of only eight employees registered with EOBI for the year 2015 was provided by M/s Wiser Security Services.
 - g) No Social Security registration certificates at ICT and all provinces regarding payment made against employees was provided.
 - h) No payment in respect of Social Security Services was paid after execution of contract with PBC.
 - i) Detail of work plan of arrangements for quick response was not submitted to PBC by M/s Wiser Security Services.
 - j) Only a list of eighty three (83) weapons was provided whereas, 183 security guards were deployed by M/s Wiser Security services. The chances of maximum risk may be occurred in the premises of PBC.
 - k) License from PTA regarding communication and search equipment was not available with M/s Wiser Security Services.
 - l) Security company did not provide the following documents to company
 - Personal Verification
 - list of security guards
 - Valid ID Card (profile of guards/supervisors)
 - Police/Special branch clearance certificate
3. Biometric attendance of security employees for the said period was not recorded/available; which is a serious lapse on the part of management of PBC and authenticity of payment to actual guards deployed at PBC cannot be ensured.
 4. A letter was written to M/s Wiser Security Company for provision of required documents in January 2022 by PBC but no response was received from Company after laps of eleven months.

Audit was of the view that the said security company should be disqualified technically on the basis on above grounds but the said security services was obliged by ignoring initial criteria and acceptance of less and late earnest money 2% by committee in violation of PPRA Rules, thus held irregular.

The matter was pointed out to the management on 20.01.2023. Management replied that Committee has been constituted for investigation at Administrative level as well as Finance Division for Hiring of Security Company by ignoring all coda formalities and less deposit of bid security after opening of bid besides fixing the responsibility on the persons(s) at fault. No further progress in the matter made so far has been shown to audit.

No DAC meeting was arranged till finalization of this report.

Audit recommends that matter may be investigated at administrative level as well as Finance Division for hiring of Security Company by ignoring all codal requirements and without bid security in violation of PPRA Rules besides fixing responsibility on the person(s) at fault.

Para-8 (PBC – 2020-22)

12.1.4.7 Irregular grant of loan to PBC head office - Rs. 72.00 million

Para 82 (15) of the General Financial Rules Vol-I requires that no expenditure should be incurred, nor any commitment of funds made for any project not included in the Annual Development Program, nor any work started, contract awarded any down payment made, letters of credit opened for which there is no budgetary provision.

According to Government policy, all developmental funds are lapsable at the end of the financial year and required to be surrender well in time for utilization elsewhere.

During audit of the PBC for the year 2020-21 and 2021-22, it was observed that management of PBC approved a loan of Rs. 42.000 million from the PSDP funds lying in bank account No.822-7 and transfer the amount to the PBC main bank account for meeting the operational expenses of the department vide cheque No. 9533400 dated 25.3.2022. Similarly, Rs. 30.000 million were

also taken by the headquarter from the PBC employee's foundation on 30.06.2022 but failed to returned to the respective bank accounts till date of audit.

Audit was of the view that PSDP and foundation funds were required to be utilized on the specific projects/activities for which funds were released therefore approval for grant of the loan without prior approval of the finance division and BoD was violation of the rules.

The irregularity occurred due to lack of internal and financial controls of the Corporation.

The matter was pointed out to the management on 20.01.2023. Management replied that PSDP funds under question would be surrendered after finalization of the PC-IVs. For efficient utilization, said funds have been utilized on current expenditures for time being. These funds will be made available from current budget for surrender/ utilization on project when needed. Reply was not correct as PSDPs funds and employees funds could not be utilized on the operational activities.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the grant of loan from PSDP funds without approval of Finance Division, justify the use of employees' funds on operational activities, immediate refund the unspent balance to Finance Division to avoid further payment of interest and principal amount and regularize the utilization of PSDP funds from Finance Division and foundation funds from the BoD.

Para-9 (PBC – 2020-22)

12.1.4.8 Non-utilization and non-surrender of PSDP funds - Rs. 41.643 million

According to Para 95 of the GFRVol-1, all anticipated savings are required to be surrendered well in time to the Govt. for its utilization elsewhere.

According to Finance Division's instructions issued from time to time, all PSDP funds are lapsable at the end of each financial year.

During Audit of the PCB for the year 2020-21 and 2021-22, it was observed that Finance Division released Rs.200.732 million for different developmental funds out of which Rs. 159.089 million was utilized up to

30.06.2022 with a closing balance of Rs. 41.643 million lying in bank account No. 822-7 of the relevant projects.

Finance Division releases funds under the head “Cash Development Loans” to the PBC and charges interest on its loan which is repayable along-with interest accrued thereon since 2018-19. Audit therefore is of the view that management of PBC has neither utilized the PSDP funds on the relevant projects nor surrenders the unspent balance within the financial year.

Non-surrendering of the funds to Finance Division had not only violated the Finance Division rules but also sustained loss to the department due to retention of the interest-bearing funds therefore held irregular.

The matter was pointed out to the management on 20.01.2023. Management replied that works on the projects are still in progress therefore PBC retained the balances of the projects. Reply was not tenable as PSDP funds remained in the projects accounts instead of utilizing without approval of the finance division for its revival in upcoming years.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify non-surrender of the PSDP unspent balance to the public exchequer, surrender the funds to avoid the interest payment to the Government and fix responsibility on the person(s) at fault for non-utilization of the PSDP funds and keeping in bank account.

Para-10 (PBC – 2020-22)

12.1.4.9 Non-recovery of rent and other dues from the lessees - Rs. 19.881 million

Para 08 of the General Financial Rules Vol-1 requires that subject to such general or specific instructions as may be issued by Government in this behalf, it is the duty of the Revenue or Administrative Department concerned to see that the dues of Government are correctly and promptly assessed collected and paid into the treasury.

During audit of PBC Islamabad for the year 2020-21 and 2021-22, it was observed that BH Karachi building consists of 15 floors and a basement. The management rented out 07 floors to different departments on different monthly

rates. An amount of Rs. 18.746 million on account of rent, Rs. 980,987 electricity charges and Rs. 154,803 as water charges were outstanding against these departments but management failed to recover the dues up to the date of audit causing a loss of Rs. 19.881 million to the public exchequer. Audit also observed that there was no clause for imposing penalty on the departments for non-payment of the rent in time as per the contract agreements and thus departments were benefited at the cost of the corporation.

Audit was of the view that irregularity occurred due to lack of financial and administrative controls in the Corporation.

The matter was pointed out to the management on 20.01.2023. The management replied that PBC is trying to recover outstanding dues on account of rent and electricity charges.

The management admitted the stance of Audit.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault. Besides, the lease agreement may be got signed immediately along with recovery of rent.

Para-14 (PBC – 2020-22)

12.1.4.10 Loss due to non-recovery of sales revenue from sales agencies - Rs. 14.91 million

Para 08 of the General Financial Rules Vol-1 requires that subject to such general or specific instruction as may be issued by Government in this behalf, it is the duty of the Revenue or Administrative Department concerned to see that the dues of Government are correctly and promptly assessed collected and paid into the treasury.

During audit of the zonal sales office Lahore for the year 2020-21 and 2021-22, it was observed that local office obtained sales business from different advertising agencies on cash as well as on credit basis. Sales revenue was being obtained from these credit agencies/individuals after providing services. Audit observed that there was an outstanding opening balance of Rs 15.650 million as

on 01.07.2021 on account of sales revenue against different advertising agencies/individuals provided business on credit to the PBC. The local office further generated sales worth Rs. 1.831 million to the Corporation and thus the total recoverable amount from these agencies comes to Rs. 17.481 million. The zonal sales office Lahore collected only Rs. 2.571 million (Rs 2,366,983 collection + Rs 10,444 income tax + Rs 193,872 sales tax) upto 30.06.2022 causing non-recovery of the outstanding balance of Rs. 14.910 million upto the date of Audit i.e. December 2022.

Audit was of the view that the department obtained business as per the approved fee structure of the PBC but the business is being carried out without any proper agreement with the advertising agencies and advance payment for obtaining the business causing loss of Rs. 14.910 million to the Corporation. Audit also observed that there was no proof/evidence provided to Audit for obtaining the credit sales business without approval of the competent forum i.e. Board of PBC.

Audit was of the view that due to lack of financial and managerial control, the management failed to recover the long outstanding amount of Rs. 14.910 million from the agencies.

The matter was pointed out to the management on 20.01.2023. Management replied that sales Department is doing hectic efforts to collect / procure business directly from the clients without involving any advertising agency. Being a Government Department we have limited options for the clients. There are more than 100 Private FM Radio channels besides TV channel and print media, all of them are offering different attractions to the clients including credit facility. In order to remain in the market PBC has no other option but to accept business through advertising agencies/clients on credit basis. However, due to litigation, recovery has not been made so far from different advertising agencies. This office is pursuing vigorously to recover the amount. Reply was not correct as there was no approved policy of the PBC to get the business on credit basis.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify conducting business on credit basis without approval of the competent forum, explain reasons for non-recovery of outstanding balance from the advertising agencies. Besides, disciplinary action be taken against the individuals held responsible for loss to the Corporation.

Para-15 (PBC – 2020-22)

12.1.4.11 Irregular award of contract to 3rd lowest bidder - Rs. 11.00 million

According to Para 40 (1) of the PPRA 2004, "Limitation on negotiations" without changing the cost and scope of work or services, the procuring agency may negotiate with the successful bidder (with a view to streamline the work or task execution, at the time of contract finalization) on methodology, work plan, staffing and special conditions of the contract.

During audit of the PBC for the year 2020-21 and 2021-22, it was observed that a tender was floated in the daily newspaper Jang Rawalpindi dated 31.10.2021 for "supply, installation, testing and commissioning of passenger lift including civil works". 04 firms participated in the technical bidding process. M/s Falcon Elevators was technically qualified by the technical and administrative/legal team but financial team rejected the firm on the basis of non-matching of the financial statements with the Auditor's certificate. 03 firms participated in the financial bid. M/s CNA Engineering & Services being lowest firm offered a rate of Rs. 9.485 million whereas M/s Sitara Engineering and M/s United Switchgear Co. were the 2nd and 3rd lowest offering rates of Rs. 11.080 million (without AC cost) and Rs. 12.500 million respectively.

Audit observed that LOI was issued to M/s CNA Engineering for Rs. 9.485 million. The lowest bidder requested on 22.12.2021 to revise the time lines in light of the clause 4.1 of the tender documents on the plea that manufacturing factory will be closed due to new year holidays in China. Further the supplier also requested to clarify that the motor power as per specification of tender documents is 7.5 KW and as per drawing is 5 KW. The procurement negotiation committee in its meeting dated 19.01.2022 rejected the bid of the M/s CNA and orders to forfeit their security and recommended to procure the lift from M/s USG by reducing its price from 12.500 million to Rs. 11.000 million through negotiation. Accordingly, the rate of 3rd lowest was approved by the DG PBC and contract

was executed with M/s USG vide contract No. ENG/PROC-4(249)/21 dated. 23.02.2022.

Audit was of the view that M/s Sitara Engineering and Construction Co. was the 2nd lowest bidder by offering a price of Rs. 11.080 million without the cost of AC 1.5 ton but the management willfully rejected the 2nd lowest offer and awarded the contract to the 3rd lowest firm by reducing its price from Rs. 12.500 million to Rs. 11.000 million.

Audit observed that in light of above PPRA Rules 2004, limited negotiation was allowed with the successful bidder without changing the cost and scope of work or services. Further, the management ignored the 2nd lowest firm who had already given low price than the 3rd lowest firm therefore the contract awarded to M/s USG by violating the PPRA Rules 2004 was considered irregular and favor to the dear one supplier.

The matter was pointed out to the management on 20.01.2023. Management replied that M/s CNA refused to comply with the terms and conditions of the tender. M/s CNA informed that the firm will submit a 2% performance guarantee instead of 10% and will provide passenger lift of 9KW motor power instead of 7.5KW whereas it was clearly mentioned in the bidding document that the contractor is bound to submit a 10% performance guarantee and that the required motor power of the passenger lift is 7.5KW. So PBC cancelled the LOI of M/s CNA and forfeit its bid security. M/s Sitara Engineering the 2nd lowest bidder himself did not want to continue participation so he withdrew his bid at his own will. PBC had no option left but to go for the 3rd lowest bidder i.e. M/s USC at the negotiated rates in order to save PBC from loss. Moreover, no change in scope of work and services has been made in the project. Reply was not correct as 2nd lowest had not refused but was ignored in awarding the contract and thus the 3rd lowest firm was benefited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify ignoring the 2nd lowest firm and awarding the work to the 3rd lowest by negotiation, explain reasons for violation of the PPRA Rules 2004, conduct a fact-finding inquiry to fix responsibility and recover the overpaid amount from the suppliers or individuals held responsible.

12.1.4.12 Irregular advance payment to the supplier - Rs. 11.00 million

According to Para 01 of the purchase order No. ENG/PROC-4(249)21-207 dated 23.02.2022, the passenger lift in complete form as per signed contract agreement be delivered, installed, commissioned, tested and executed at PBC BH Multan within 100 days or earlier from the date of signing the contract agreement.

During audit of the PBC for the year 2020-21 and 2021-22, it was observed that a contract No. ENG/PROC-4(249)/21 dated. 23.02.2022 was executed with M/s USG for “supply, installation, testing and commissioning of passenger lift including civil works” for Rs. 11.000 million and purchase order was issued vide No. ENG/PROC-4(249)21-207 dated 23.02.2022 with a completion period of 100 days or earlier from the date of signing the contract agreement. According to clause No. 03 of the contract agreement, the completion period was 03.06.2022 and payment to the contractor has to be made within thirty days i.e. 02.07.2022 after satisfactory performance of the lift after installation and commissioning and issuance of PAC as per clause No. 14 of the said agreement. Inspection committee in its report dated. 30.08.2022 has highlighted various deficiencies in the installation and commissioning of the lift but the supplier failed to rectify the deficiencies pointed out till date of Audit i.e. 01.10.2022.

Audit observed that in light of the recommendations of the Engineering Manager at Para 42 of the minute sheet dated 22.06.2022 and to avoid lapse of funds, D.G PBC approved the advance payment to the contractor vide assignment account cheque No. A989602 dated 23.06.2022 for Rs. 10.911 million.

Audit therefore was of the view that advance payment of cheque in violation of the contract agreement and without obtaining an equal amount guarantee from the supplier was considered as irregular and favoring the supplier at the cost of the public exchequer.

The matter was pointed out to the management on 20.01.2023. Management replied that in order to avoid the lapse of PSDP funds, the then worthy Director General (PBC) approved the advance payment to contractor

against a CDR of an equal amount. As for as the audit query regarding various deficiencies in installation and commissioning of lift, amounting Rs. 4.000 million was also obtained from the contractor against satisfactory installation and commissioning which will be released to the contractor after resolving all deficiencies in the project. Reply was not tenable as advance payment was made in violation of the contract agreement. The work was still not completed till finalization of this report.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify advance payment to the supplier without obtaining bank guarantee of equal amount and disciplinary action may be taken against the individuals held responsible for payment of advance to supplier.

Para-17 (PBC – 2020-22)

12.1.4.13 Irregular procurement of critical spares - Rs. 10.433 million

According to Para 12(2) of the PPRA 2004 rules, all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

Para 42 (c) of the PPRA 2004 rules requires that a procuring agency shall only engage in direct contracting if the following conditions exist, namely:- (i) the procurement concerns the acquisition of spare parts or supplementary services from original manufacturer or supplier: Provided that the same are not available from alternative sources; (ii) only one manufacturer or supplier exists for the required procurement: Provided that the procuring agencies shall specify the appropriate fora, which may authorize procurement of proprietary object after due diligence; and (iii) where a change of supplier would oblige the procuring agency to acquire material having different technical specifications or characteristics and would result in incompatibility or disproportionate technical difficulties in operation and maintenance.

During Audit of the PBC for the year 2020-21 and 2021-22, it was observed that a contract No. ENG/Proc-4(238)/20 was executed with M/s Hedra Technology Consultants (SMC-Private) Ltd for provision of the critical spares of 100 KW for medium wave transmitting station at D.I. Khan for a contract cost of Rs. 10,433,708. Management awarded the contract through direct contacting in light of the Para 42 (C) of the PPRA 2004 on the plea that items were required on emergent basis and if not purchased on emergency basis, the transmitter would remain off the air.

Audit observed that as Para No. 21 of the minute sheet dated. 31.05.2022, the said transmitter was installed in 2012 and working without back up spares. Management failed to plan their annual requirements of the items required for the transmission station despite lapse of considerable time period and thus procure the items from the single bidder instead of procuring through open competition to achieve the most competitive bid. Audit also observed that management also failed to specify the appropriate fora, which may authorize procurement of proprietary object with due diligence. Further the certificate of authorized dealer

of original equipment manufacturer (OEM) was also not found on record to authenticate that the firm was the sole distributor of the company.

Audit was of the view that procurement of the items without tendering process was violation of PPRA rules, 2004 therefore held irregular and unauthorized.

The matter was pointed out to the management on 20.01.2023 Management replied that the 100 KW Medium Wave Gates-Air Transmitter at PBC D.I. Khan is of strategic nature, its target area is being the sensitive region of South Waziristan. The same transmitter went off-air due to stoppage of functioning of some critical spares and as informed by the engineering team at the site, if the spares may not be provided urgently the transmitter would remain off the air hence the critical spare parts were procured in emergency directly from the (Gates-Air, USA) OEM's sole distributor/authorized distributor, M/s Hedra Technology invoking PPRA rule 42 (c). Reply was not tenable as annual planning for procurement was not done and approval from the competent forum for direct contracting was not obtained.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify non-conducting annual planning of the required items for the equipment, justify procurement of the items without tendering system showing emergency and conduct a fact-finding inquiry for fixing responsibility for violations of the PPRA Rules, 2004.

Para-19 (PBC – 2020-22)

12.1.4.14 Irregular payment of hiring facility to the officers appointed on attachment basis in other offices - Rs. 5.224 million

According to clause 14 (iii) (e) and (f) of the Appointment promotion and transfer (APT) rules 2021, if a post falls vacant and it is not possible to fill it immediately in the prescribed manner, the work of the post should, as far as possible, be distributed among more than one employee of the same status and designations. The arrangement shall not be made for a period of less than one month or more than six months.

According to rule 15 (4) of the Accommodation Allocation Rules, 2002 issued by the government of Pakistan ministry of housing & works, an allottee

who is.- (a) transferred or sent on deputation to an out station eligible department, he shall be entitled to retain the accommodation till his posting back to the station of accommodation or till the availability of accommodation at the new station with the permission of Works Division provided he does not claim the accommodation or house rent allowance at his new place of posting and his Ministry shall take up the case with the Ministry of Housing and Works for this purpose

During audit of the PBC for the year 2020-21 and 2021-22, it was observed that 182 No. of officers / officials were transferred from one station to the other station on attachment basis on higher posts and an expenditure of Rs. 5.225 million was incurred on payment of their house hiring bills. Audit observed that these officers were transferred on attachment basis to the other PBC stations at their home town stations as well as stations where hiring facility as per government policy was not admissible but still enjoying their house hiring facilities on houses occupied/hired at their old stations from where they were transferred on attachment basis.

Audit therefore was of the view that these officers were required to get new houses on hiring basis on the stations where posted and allowed instead of getting the facility on their posts at old stations therefore the payment of hiring amounting to Rs. 5,224,970 was held irregular and violation of the approved government hiring policy.

The matter was pointed out to the management on 20.01.2023. Management replied that some officers were / officials who were promoted and posted at other station / city and work at the previous station on attachment basis e.g. an officer was working at Islamabad, he was promoted and posted at Peshawar but his / her services were placed at Islamabad on attachment basis, it is admissible under the PBC rules as well as M/O Housing & Works. The officers / official who have been transferred to non- specified stations, hiring facility will be withdrawn. Reply was not tenable as the officers were not permanently transferred and posted on actual posts of their grades hence benefited at the cost of the corporations.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify payment of hiring on posting in other stations without fresh assessment. Besides, immediate recovery of the overpayment may be made from the employees concerned.

Para-21 (PBC – 2020-22)

12.1.4.15 Loss to PBC due to theft of electric equipment - Rs 4.350 million

According to Agreement for Security Services Clause No.(r), the company shall at all times keep the PBC harmless and indemnified all claims, losses, damages, deterrent costs, charges and expense which PBC may suffer, incur sustain or to be put into and all suits and proceedings which may be commenced/prosecuted against PBC for any act or omissions of the company, its employees agents and the security guards posted by the company at PBC premises. The company undertook to identify PBC of the actual losses not exceeding Rs. 1.000 million (Rupees one million) only occasion or causes by or resulting directly or otherwise due to the negligence of its employees.

Para 23 of the GFR Vol-1 requires that every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

During Audit of Pakistan Broad Casting Corporation (PBC), Islamabad for the year 2021-22 it was noted that a transformer valuing of Rs 600,000 for provision of supply of electricity to the residents of the PBC colony at Rawat was stolen by unknown persons. In this regard, an inquiry committee was constituted to probe the matter on 18.01.2022 and the committee recommended to refer the matter to FIA authorities for further investigation as other different equipment's valuing of Rs 3.00 million were also found misplaced at HPT complex Rawat Islamabad since 2014 and the case was referred to FIA on 31.03.2022 for further investigation. In addition to that, some other electric items of Rs 0.75 million at PBC Lahore office was also stolen.

Further, inquiry committee pointed out that in different theft cases, occurred at Lahore and Rawat PBC, Security guards, relatives /brother of

supervisors of Security Company were involved and caught red-handed but PBC could not take action against them which shows weak administrative control and PBC suffered a loss of Rs 4.350 million (Annex-98) whereas, no recovery was received from Security organizational system Pvt. ltd company till now whereas, involvement of security guards and supervises were found in all theft cases as proved by inquiry committee of senior members of PBC.

Audit was of the view that in the presence of PBC and security company's security guards, the theft of costly equipment shows lack of managerial internal control system of the department.

The matter was pointed out to the management on 20.01.2023. Management replied that as per inquiry committee the incident occurred due to negligence on the part of SOS Security Company whose guards were deputed / deployed for the security of installations of HPT Complex Rawat and PBC Radio Colony Rawat, Islamabad. The inquiry committee has further traced out that different equipment worth about 3.00 million rupees have also been found missing at HPT-Complex, Rawat, Islamabad including transformer of worth Rs. 600,000. As per recommendation of Inquire Committee the case was referred to FIA to find out the Culprit(s) but FIA authorities returned the case and stated that FIR of the incident has already been registered in local police station. Audit requires to take action against the security company and recover the amount.

No DAC meeting was arranged till finalization of this report.

Audit recommends that matter may be investigated at administrative level for non-black listing the security company due to involvement of its guards in theft cases, the case for black listing the company must be referred to Ministry of Interior with immediate effect, recover the loss of theft equipment after actual estimated cost on market basis from concerned/ held responsible. Responsibility may also be fixed for releasing payment and Bank guarantee without recovery and stop further payment to Security Company unless recovery made.

Para-23 & 32 (PBC – 2020-22)

12.1.4.16 Loss due to hiring of private company's security guards without requirement - Rs. 2.234 million

Para 10 (1) of the General Financial Rules Vol-1 requires that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of the High Power Transmission III Peshawar for the year 2020-21 and 2021-22, it was observed that 13 security guards' posts were sanctioned in the budget for the local office, against which regular security guards are working. The management has also hired the services of 06 additional security guards of a private company M/s SOS w.e.f. 12/2020 to 06/2022 @ monthly rate of Rs. 19,600 P.M. (total Rs. 2.234 million i.e. Rs 19,600 x 06 x 19) for the security of the HPT. As per record of the local office, the affairs of the HPT-III transmitter were on very low level and remained completely closed since September 2021.

Audit holds that hiring of the security guards of the private company in the presence of their own guards without any requirement was considered wasteful and irregular.

Audit was of the view that due to lack of internal and financial management, corporation has sustained a loss of Rs. 2.234 million (19,200 x 06 x 19) for unjustified expenditure on security of the HPT-III, therefore, considered as irregular and wasteful expenditure.

The irregularity occurred due to lack of internal and financial control.

The matter was pointed out to the management on 20.01.2023. Management replied that on the request of Deputy Controller, HPT-III, PBC, Peshawar, competent authority has approved deployment of 06 Security Guards of private Security Company. Reply was not tenable as in the presence of regular security guards, hiring of additional guards of the private company on the closed transmitter was a burden on the corporation.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify hiring of security guards of the private company despite having own security guards, immediate action be taken for de-hiring of the security guards of the private company. Besides, regularization of the expenditure from the competent authority with justification in support thereof.

Para-26 (PBC – 2020-22)

12.1.4.17 Loss due to procurement of 350 KVA AVR at higher price - Rs. 2.126 million

Para 10 (1) of the General Financial Rules Vol-1 requires that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of the PBC for the year 2020-21 to 2021-22 it was observed that a tender for procurement of the 350 KVA Automatic voltage Regulator (AVR) was published in the daily newspaper for the work “Procurement and installation electrical equipment for the PSDP project titled supply & installation of AVR (350 KVA) for Mirpur and Muzaffarabad”. M/s Net IT matrix and M/s USC offered financial quotations for Rs. 2.837 million and Rs. 9.900 million respectively. LOI was issued to the lowest firm M/s NET IT matrix on 24.04.2020. The representative of lowest firm offered to submit CDR or bank guarantee of full amount against the advance 100 % amount to the firm due to covid-19 but the same was turned down by the management and released the bid security amount of Rs. 113,490 to the firm vide minute sheet Para No. 25 dated. 11.9.2020.

Audit observed that the same Automatic Voltage Regulator 02 Nos. were procured from M/s USC who was the 2nd lowest bidder in the first tender, through another tender enquiry No. Eng/PROC/4/(235– B)/20 f dated 11.10.2020 for Rs. 7.800 million (Rs. 3.680 million and Rs. 4.120 million). The supplier M/s USC also failed to supply the equipment within the stipulated time period and admitted this fact in their appeal for wavier of late delivery charges due to unprecedented circumstances with the shipping line and covid-19.

Audit was of the view that due to non-procurement of the equipment from M/s Net IT matrix through the 1st tender, management had to incur an extra cost of Rs. 2.126 million on procurement of the AVR from M/s USC who was already aware of the prices given in the 1st tender and thus government sustained a loss of Rs. 2.126 million.

Audit was of the view that had the management accepted the bank guarantee of equal amount from the lowest firm, the public exchequer would not have sustained a loss of Rs. 2.126 million.

The irregularity occurred due to lack of internal and financial control.

The matter was pointed out to the management on 20.01.2023. Management replied that M/s Net IT Matrix, the lowest bidder requested to extend the date of delivery due to the pandemic COVID-19 situation, so the delivery timeline was extended keeping in view the force Majeure condition. Later, M/s Net IT Matrix requested to accept a “Post dated cheque” instead of CDR or Bank Guarantee of an equal amount as per requirement in bidding documents which was required in order to avoid lapse of PSDP funds. A “Post dated cheque” was not acceptable against advance payment as this was a PSDP Project. So, the LOI of M/s Net IT Matrix was cancelled in June, 2020 and PBC had no time left to place order to the 2nd lowest bidder i.e. M/s USC.

In the next phase i.e. fiscal year 2020-2021, P&D wing initiated a new project with requirement of the same two Nos. of 350 KVA AVRs for PBC Mirpur and Muzaffarabad. So, fresh tender was floated in the newspapers under open tendering competition which was won by M/s USC. Reply was not tenable as the same AVRs were procured on higher prices from the same firm already knowing the prices.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify non-procurement of the AVR from lowest firm M/s Net IT matrix despite the fact that firm was ready to give CDR/bank guarantee of the required cost of the equipment, justify non- black listing of the firm and release of earnest money. Besides, a fact- finding inquiry may be initiated to fix responsibility on the individuals for sustaining loss to the Govt.

Para-27 (PBC – 2020-22)

12.1.4.18 Loss due to non-recovery of withholding tax from successful bidder - Rs. 2.012 million

According to rule 236(A) of the income tax rate card for the year 2021-22, advance Income Tax @ 10% in case of filer or 20% in case of non-filer for the sale of goods other than immovable property is required to be collected from the successful bidder.

During audit of the PBC Islamabad for the year 2020-21 and 2021-22, it was observed that M/s Abdullah Engineering Works was successful bidder in the auction of 2 x 100 KW SW transmitter & 10 KW SW transmitter gates model advertised on 23.12.2019. Quotation dated. NIL offered by the successful bidder for Rs. 7.010 million did not mention anything about the inclusion of the taxes in their rates therefore the plea of the auction committee vide their minutes dated 15.01.2020 that bid includes all taxes was not correct and considered as favour to the bidder at the cost of the corporation.

Audit therefore was of the view that non- deduction of GST @ 17 % amounting to Rs. 1.192 million ($7,010,000 \times 0.17$) and income tax @ 10 % amounting to Rs. 820,170 ($Rs. 7,010,000 + 1,191,700 \text{ GST} = 8201700 \times 0.10$) total Rs. 2.012 million from the successful bidder had sustained a loss to the public exchequer.

The irregularity occurred due to lack of internal and financial control.

The matter was pointed out to the management on 20.01.2023. Management stated that M/s Abdullah Engineering works, the successful bidder offered Rs. 7.010 million inclusive of all taxes and the same had also been mentioned in the report submitted by local auction committee so the spares/stores were disposed off/ sold out on the highest offer after approval from the competent authority. Reply was not correct as the firm's quotation was silent about the inclusion of the income tax.

No DAC meeting was arranged till finalization of this report.

Audit recommends to recover the taxes from the successful bidder or individuals held responsible. Besides, disciplinary action may be taken against the individuals held responsible for loss.

12.1.4.19 Non-preparation and submission of annual audited financial accounts

According to rule 16 (1) of the Pakistan Broadcasting Corporation (PBC), the accounts of the corporation shall be maintained in such manner as may be prescribed by rules and shall be audited every year, in such manner as may be so prescribed, by an auditor appointed by the corporation who is a chartered accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961), and, if the Federal Government so directs, by the Auditor General of Pakistan.

During audit of the Pakistan Broadcasting Corporation (PBC) for the years

2020-21 and 2021-22, it was observed that M/s Crowe Hussain Chaudhary chartered accountant firm was appointed for the audit of annual financial accounts of PBC for the financial year 2020-21 vide M/o information and broadcasting letter No. 1(16)/2020-21-Misc dated. 15.03.2022. Further, case for the appointment of the chartered accountant firm for the year 2021-22 has not yet been initiated by the PBC. Audited accounts for the financial year 2019-20 have also not yet approved from the BoD. Audit observed that after lapse of more than two years period, annual financial accounts of the PBC have not yet been prepared by the management and got audited for presentation to the board of Governors for approval and onward submission to the federal government as per the act 1973 of the PBC. It was also observed that annual accounts of the PBC for the year ended 30.06.2020 have also not yet approved by the BoD.

Audit was of the view that in the absence of certified annual financial accounts, audit could not authenticate the final accounts of the institution submitted to the audit, therefore, held irregular and violation of the rules.

The irregularity occurred due to lack of financial control in the Corporation.

The matter was pointed out to the management on 20.01.2023. Management replied that initial Accounts for the year ended June 30, 2020 are pending with PBC BOD for approval. Field work of Audit of the Accounts for the year ended June 30, 2021 have been completed by the External Auditors and

waiting for issuance of previous year's Accounts. Draft Accounts for the year ended June 30, 2022 have been prepared but appointment of External Auditors is pending with PBC Board of Directors.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain reasons for non-preparation of annual financial accounts and its submission to the government within the prescribed time limit, initiate disciplinary action against the individuals held responsible and immediate appointment of the external auditor be made for audit of the annual accounts of the PBC.

Para-35 (PBC – 2020-22)

12.1.4.20 Irregular appointment of the Class-iv staff over and above sanctioned strength - Rs. 50.40 million

Para 4.14.2.1 of Annual Accounting Policies and Procedures Manual requires that establishment register is a control device which shall maintain all details of sanctioned posts within each unit of establishment. This includes records of both permanent and temporary posts, and filled and unfilled posts. This register shall be used for budgeting and managing the strength of the particular unit of establishment (e.g. office, school, hospital).

During audit of the PBC for the years 2020-21 to 2021-22, it was observed that there was a sanctioned strength of 511 Naib Qasid as on 01.07.2021, against which 581 Naib Qasids were drawing salaries till date of audit. An average expenditure of Rs. 50.400 million (Rs. 30,000 x 24 months x 70) has been incurred on the excess posts during the years 2020-21 and 2021-22.

Audit was of the view that due to lack of internal and managerial control, the department has appointed 70 Naib Qasid over and above the sanctioned strength causing an irregular payment of pay & allowances of Rs. 50.400 million. The actual expenditure on these posts may be calculated by the management since their date of appointments.

The irregularity occurred due to lack of financial control in the Corporation.

The matter was pointed out to the management on 20.01.2023. Management replied that the sanctioned strength of Naib Qasid in PBC was 449 against which 340 Nos of Naib Qasid were working during the year 2020. After abolishing the posts from PBC Scale-1 of non-functional units, there are 334 Nos Naib Qasid against the revised sanctioned strength of 358 as on 01.07.2021. Therefore the assessment made by the Audit i.e. 511 Nos against 581 posts of Naib Qasid does not match with our existing sanctioned / actual and vacant staff strength. Reply was not correct as the data of the sanctioned and actual strength of the Naib Qasid's was provided to audit by the management.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify appointment of the Naib Qasids over and above the sanctioned strength, recover the pay & allowances from the individuals concerned and conducting a fact finding inquiry to probe into the matter and take disciplinary action against the individuals held responsible for over appointments.

Para-37 (PBC – 2020-22)

12.1.4.21 Irregular appointment of officers on higher posts on look after charge basis - Rs. 25.962 million

According to the Para 01 of the Establishment division office memorandum No. 3/15/2016-R-III dated.09.04.2021, that a number of instances have come to the notice of Establishment Division where the Ministries/Divisions have been found indulging in the practice of assigning look after charge of higher post to an officer during the absence of its actual incumbent which cause administrative/financial inconvenience. And Para 02 of the above letter states that different certain issues which are of quasi-judicial nature and decision cannot be taken by an officer not formally designated to exercise those powers.

During audit of the PBC for the year 2020-21 and 2021-22, it was observed that different officers were transferred on look after charge basis to the higher posts of the Directors and others. An expenditure of Rs. 25.962 million was incurred up to 30.06.2022 in the pay & allowances of the officers.

Audit observed the following:

1. Appointments on look after charge basis were made with the approval of the Director General PBC instead of referring the case to the ministry of

information for approval of the Prime Minister of Pakistan being the competent authority for the posts of BPS-20 officers.

2. There is no provision in the Appointment, Promotions and Transfer rules 2021 about the appointment on look after charge basis by the DG PBC therefore audit is of the view that appointments were made in violation of the PBC and Govt. Rules.
3. These officers were required to perform the day to day urgent and routine nature of work till appointment of the regular incumbent of the post but instead performing and using the financial powers of the incumbents of the higher posts than their own.
4. The posts were not filled by appointing the suitable candidates in light of recruitment procedure.
5. Due to non- appointment/transfer of the regular incumbents of the relevant posts and transfer on look after charge basis, the department has led to lack of decisions making in various matters like formulation of the proper business plan for improving the financial health of the department, resultantly the overall performance of the department was found not satisfactory causing a recurring loss of Rs. 29,172.351 million by the department up to 30.06.2021.

In light of above, audit was of the view that due to appointments on look after charge basis were made irregularly and in violation of the APT rules and Govt. rules.

The matter was pointed out to the management on 20.01.2023. Management replied that PBC follows the Federal Govt. Secretariat policy in making appointment in over the years after getting proper NOC from the Establishment Division However, PBC has already prepared/framed out its own APT rules 2021 which are still under process of approval from other stake holders i.e. Finance Division, Law Division & cabinet Division etc.

Similarly, the cases for promotion to the post of Directors in PBC are presently under submission to Ministry of I&B which could not be finalized due to non-approval of the APT Regulations 2021. Due to the reason the next officer has been appointed to look after the affairs of Director. Reply was not tenable as the officers are fully utilizing the powers of the higher posts instead of doing the day to day work which is violation of the rules.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify appointment of the officers on look after charge basis, regularize the expenditure from the competent forum and immediate cancellation of the orders of the look after charge may be made and to make regular appointment of suitable officer.

Para-39 (PBC – 2020-22)

12.1.4.22 Irregular advance payment without obtaining bank guarantee of equal amount - Rs. 7.31 million

According to Para No. 03 of the LOI letter No. Eng/PROC-4(235-B)/20-689 dated 01.01.2021 read with clause 05 of the contract agreement dated. 18.01.2021, the amount will be paid in Pakistani rupees after satisfactory performance for 30 days after provisional acceptance certificate (PAC) by end user.

During audit of the PBC for the year 2020-21 and 2021-22, it was observed that a contract No. ENG/PROC-4(235)/20 dated. 18.01.2021 was executed with M/s USG for “supply, testing and commissioning of 350 KVA automatic voltage regulator (AVR) for PSDP project Mirpur and Muzaffarabad for a cost of Rs. 3.680 million and Rs. 4.120 million (total Rs. 7.800 million). According to contract agreement the supplier/contractor was required to supply and install the AVR within 90 days from the date of agreement i.e.17.04.2021.

According to the letter No. ENG/P & D/B-153-190 dated. 15.06.2021, certain deficiencies were pointed out by the inspection team to the supplier who agreed accordingly. Controller P & D in the above letter stated that AVR is provisionally accepted subject to supply of the spares by the firm however in order to avoid lapse of PSDP funds, the firm may be paid with an equal amount of AVR as guarantee.

Audit observed that the firm was paid Rs. 3.680 million each for two AVR total Rs. 7.361 million by drawing the amount from the relevant assignment account without obtaining an equal amount of bank guarantee or CDR to protect the department from any expected loss of funds.

Audit was of the view that advance payment of cheque in violation of the contract agreement and without obtaining an equal amount of guarantee from the supplier was considered irregular and favoring the supplier at the cost of the public exchequer.

The irregularity occurred due to lack of internal and financial control.

The matter was pointed out to the management on 20.01.2023. Management replied that in order to avoid lapse of PSDP funds, the then worthy Director General (PBC) approved the advance payment to the contractor. So, a CDR of an equal amount was obtained from the contractor against the advance payment. Whereas, the deficiencies pointed out by the inspection team were resolved by the contractor and the required spares were also provided as required by end user and P&D wing. Hence, payment was made accordingly. Reply was not correct as evidence for retention of the equal amount of guarantee was not produced to audit.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify advance payment to the supplier without obtaining bank guarantee of equal amount and disciplinary action be taken against the individuals held responsible for payment of advance to supplier.

Para-40 (PBC – 2020-22)

12.1.4.23 Irregular attachment of officers/officials without availability of sanctioned posts - Rs. 35.841 million

According to clause 14 (iii) (e) and (f) (appointment on acting /additional charge) of the Appointment, Promotion and Transfer (APT) Rules 2021, if a post falls vacant and it is not possible to fill it immediately in the prescribed manner, the work of the post should, as far as possible, be distributed among more than one employee of the same status and designations. The arrangement shall not be made for a period of less than one month or more than six months.

According to APT Rules 2021 of the PBC, there was no provision for transfer / posting of the officers / officials on attachment basis.

During audit of the PBC for the year 2020-21 and 2021-22, it was observed that in contravention of the above rules, the posts which were required

to be filled in by appointment / posting on regular transfer basis are being filled by transferring the officers / officials on attachment basis where their actual posts do not exist. Accordingly an expenditure of Rs. 35.841 million was incurred on 182 No. of officers / officials on their pay & allowances up to 30th June 2022.

Audit therefore was of the view that management has violated their own human resource (HR) policy of the department just to oblige them at the cost of the public exchequer. Further due to transfer of the officers / officials, the work on their original and sanctioned post was also suffered.

The irregularity occurred due to lack of internal and financial control.

The matter was pointed out to the management on 20.01.2023. Management replied that PBC have approximately 70 units/stations all over Pakistan to air its transmissions to educate, entertain and inform the people regarding government policies for which needs staff for smooth running of the business at the said unit/stations. Therefore, on the request of concerned Directors, staff of all cadres were transferred to the unit/stations on their need basis to run the affairs of PBC Stations/Units affectively. Due to abolishing of the posts by the PBC's BoD, the officers/officials placed / transferred to other PBC Units/Stations on attachment basis as and when required for the best interest of organization without any extra benefits like Hiring / TA/DA and will draw their salary and allowances from their actual Units where sanctioned post exists. Department admitted the contention of the audit.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify transfer of officers/officials on attachment basis in violation of approved HR policy and justify positing in stations on irrelevant post.

Para-41 (PBC – 2020-22)

12.1.4.24 Irregular expenditure without pre-audit checks - Rs. 10,117.011 million

Para 2.3.2.7 of the Accounting Policies and Procedures Manual requires that no payments may be made without pre-audit (certification) of all payments made from the public exchequer.

During audit of the PBC for the year 2020-21 and 2021-22, it was observed that an expenditure of Rs. 4,863.711 million and Rs. 5,253.300 million (total Rs. 10,117.011 million) was incurred by the management on payment of salaries & non-salaries and pension during the above years respectively. Different directorates working under the control of the Director General PBC, used to send their bills, after taking sanction of the expenditure from the competent authority, directly to the finance section for payment. The department has two main sources of expenditure i.e. funds released by the finance division through assignment account and other from own receipts. Funds released by the finance division is being audited by the AGPR through assignment accounts maintained for each PSDP projects and other operational activities whereas the expenditure incurred from own receipts are being paid directly by the finance section.

The finance section checks/scrutinize the bills and then issue the cheques to the concerned suppliers/individuals without applying the pre-audit checks by the pre-audit section to know its accuracy. The department has an internal audit wing headed by the controller audit BPS-20 officer but that has not been involved in the pre-audit of each bill before payment by the finance section of HQ. The same irregularity was also observed in Multan, Lahore and other stations working under the control of the HQ.

Audit observed that due to non-existing of the internal financial control system/pre-audit checks, a fraud in payment of pension to the pensioners valuing more than 50.00 million has already been occurred and there may exist further chances of other similar nature cases as the financial system of the PBC is very weak.

Audit was of the view that expenditure incurred under the heads of accounts non-salary and pension from out of total own receipts of Rs. 10,117.011 million (5,253,299,670 + 4,863,711,458) incurred without pre-audit functions by the internal audit is treated as irregular and violations of the accounting policies and procedures manual.

The irregularity occurred due to lack of internal controls of the Corporation.

The matter was pointed out to the management on 20.01.2023. Management replied that PBC Internal Audit wing deals with the Audit of more than 77 number of stations/units located throughout the country. Shortage of staff is also one of the reasons not to conduct the routine Audit. Further, internal audit deals with 600 number of Service books of PBC employees, 300 plus medical reimbursement cases scrutiny and different cases sent for audit views. The PBC Units are situated all over the Pakistan and records are scrutinized during the course of Audit, the transferring of each file from all the unit to PBC Headquarter Islamabad for pre-Audit is not feasible. Department admitted the stance of audit in its reply.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons and authority for incurrence of expenditure without pre-audit checks, devise a system to have pre-audit checks for withdrawal of public money to prevent unnecessary and fraudulent expenditure besides, case for regularization of the expenditure without pre-audit may be taken up with Finance Division with the recommendations of BOD.

Para-42 (PBC – 2020-22)

12.1.4.25 Loss due to non-recovery of rent, electricity bills and water charges from Pakistan Rangers - Rs. 219.524 million

According to S. No. 03 of the Ministry of Housing and Works letter No. F.12(65)/2011-policy dated 17.03.2017, Rs. 50/- per sft is required to be charged for occupation of the office building in Jinnah Road Karachi.

During audit of the Broadcasting House Karachi for the year 2020-21 and 2021-22, it was observed that an old building of Pakistan Broadcasting Corporation located at M.A. Jinnah Road Karachi having 25,000 Sft area was occupied by the Pakistan Rangers (Sindh) since Nov, 2015 vide Station Director Karachi letter No. DCE-K-10/2018-2504 dated 30.07.2020.

Management failed to recover the monthly rent causing loss of Rs. 213.300 million (45,000 sft x 60 per sft x 79 months) without paying the monthly rent of the office building. Further management of PBC also paid the electricity bills of meter No. BL 004215 installed in the building amounting to Rs. 5.521

million and water charges bills for Rs. 702,598 total Rs. 6.224 million of the building since its occupation to June 2022.

Audit observed that due to lack of internal control and poor financial management, the corporation sustained a loss of Rs. 219.524 million (213.300 + 6.224 million) on account of rent, electricity and water charges bills of the building occupied by the Pak Rangers therefore held irregular and loss to the corporation.

The matter was pointed out to the management on 20.01.2023. Management replied that Pakistan Rangers was deployed at PBC Old Broadcasting House, Karachi to monitor the security of Procession of 9th & 10th Moharram in the year 2015. When the period of Rangers stay prolonged, they were asked to pay the utility bills of Old BH. They verbally assured but did not pay any bills. They had also not shown any intention of stay for a long time so PBC BH Karachi started paying the utility bills of Old BH Karachi. PBC had paid Rs.5.27 million as electricity charges to K-Electric for Broadcasting House up to 2020 and requested Pak Rangers (Sindh) for re-imbursement of the paid amount but in vain.

PBC has also approached the Federal Secretary Interior for settlement of outstanding dues of Rs.5.27 million with Pak Rangers (Sindh). The Secretary interior desired comments from Pak Rangers but the matter could not be resolved.

Reply was not tenable as due to lack of interest of the management Pakistan Rangers has occupied the building without paying rent and electricity charges.

but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify payment of electricity and water charges bills for Pak Rangers, intimate reasons for non-recovery of the amount involved, initiate disciplinary action against the Station Directors responsible for illegal payment of the bills and immediate action be taken for recovery of the amount involved from Pak Rangers.

Para-43 (PBC – 2020-22)

12.1.4.26 Non-recovery of house rent and electricity charges from occupants of PBC quarters - Rs. 1.631 million

According to F.D. Regulations wing letter No. F.2(2)R/5/2010 dated. 02.07.2018, house rent @ 45 % and 30% of the minimum basic scale of 2008 was allowed to the Govt. servants w.e.f. 01.07.2018.

During audit of the PBC for the year 2020-21 and 2021-22, it was observed that following officers/ officials were allotted government accommodations in the Radio colony Rawat but house rent at the federal government prescribed rates amounting to Rs. 1.372 million was not recovered from them. Further some employees also failed to pay the electricity bills amounting to Rs. 259,648.

Audit was of the view that due to lack of financial control, management did not deduct the house rent allowance as well as electricity bills charges from the employees causing an overall loss of Rs. 1.632 million therefore held irregular and required immediate recovery of the amount involved.

The matter was pointed out to the management on 20.01.2023. Management replied that recovery of House Rent & Electricity bills from employees of HPT Complex who are residing in allotted quarters as per their scales had been made during the period 2020-21 and 2021-22.

However, contract persons who were working at other units of PBC and residing in allotted quarters at Radio Colony Rawat have not paid electricity bills and House Rent therefore notices have been served to them. Reply was not tenable as management failed to recover the outstanding rent and electricity amount intine from their employees.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reasons for non-collection of recovery from employeesconcerned, a fact-finding inquiry may be initiated to probe into the matter besides fixing responsibility on the person (s) at fault. Moreover, immediate recovery of house rent and utility charges be made from the individuals concerned or officers/officials under intimation to Audit.

Para-45 (PBC – 2020-22)

12.1.4.27 Irregular payment of pension to pensioners without approved budgetary provision - Rs. 4,331.633 million

According to Finance Division sanctions for placement of funds in the assignment account no 2148-1/1158995380 of the PBC, funds were released to the PBC under the 03 major heads of account of pay of the officers/officials, regular allowances, and other allowances, other than pay and allowances (non-salary) during the financial years 2020-21 and 2021-22.

During audit of the Pakistan broadcasting corporation for the years 2020-21 and 2021-22, it was observed that Rs. 8.959 million (Rs. 4.375 million and Rs. 4.584 million) were released by the Finance Division to the Corporation under the heads of accounts” Pay of officers/officials, regular allowances and other than pay and allowances” in above two years. The local office had its own receipts worth Rs. 1,188.777 million (Rs. 520.264 million and Rs. 668.513 million) for the said period. The local office incurred Rs. 4,331.633 million (Rs 2,019.572 + Rs 2,312.061 million) on account of payment of pension to the pensioners in above two years and charged the expenditure to the head of account “other than pay & allowances” which was given for the operational expenditure.

Audit was of the view that Finance Division had not released any amount under the head of account “payment of pension” therefore payment of pension from irrelevant head of account i.e. operational /non-salary expenditure was considered as irregular and violation of the Finance Division notification.

The irregularity occurred due to lack of budgetary and financial control.

The matter was pointed out to the management on 20.01.2023. Management stated that matter has given serious consideration but the facts are contrary to what is reported by audit as the pension has been paid from employee related expenses, however release under this head is far less than the expenditure regarding pension therefore the difference in this regard has been paid from sales revenue of PBC. Reply was not tenable as no separate head of account of Pension payment exist in the release made by Finance Division.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify pension payment from other irrelevant heads of intimated and conduct a fact finding inquiry to probe into the matter.

12.1.4.28 Wasteful expenditure on pay & allowance of idle staff - Rs. 45.177 million

Para 10(1) of the General Financial Rules Vol-1 requires that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of the PBC High Power Transmission (HPT) offices i.e. Rawat, Peshawar and Lahore) for the year 2020-21 and 2021-22, it was observed that transmitters of 03 HPTs at Lahore, Pabbi Peshawar and Rawat were out of order and closed since long but staff posted at those HPTs were not transferred to other stations and retained idle till date of Audit i.e. November, 2022.

The management has incurred an expenditure along pay & allowances of Rs. 45.177 million on HPT Rawat and Peshawar whereas, expenditure incurred in respect of HPT, Lahore was not provided to Audit. Audit observed that incurrence of the expenditure on auctioned and closed set up of HPTs was an additional burden on the department already facing financial loss.

Audit therefore was of the view that staff should have been shifted from HPTs to other stations due to closure of transmitter since long so that their services could be utilized in the best interest of Corporation.

The irregularity occurred due to lack of internal managerial control.

The matter was pointed out to the management on 20.01.2023. Management stated that 100 KW Short wave transmitter at PBC HPT Rawat is shut down due to critical fault in the transmitter since 04-11-2021 and efforts are being made by Engineering wing to remove the fault of the transmitter. Recently the aerial system has been successfully repaired and the technical team is troubleshooting the transmitter, hopefully transmitter will be on aired as soon as possible. 100 KW Medium wave transmitter (Telefunken) at HPT-III Peshawar is closed due to fault in the transmitter since 05-07-2021. Efforts were made to rectify the fault in the transmitter but could not be repaired as essential spares were required which have not been procured due to financial crises as yet. Only one Engineering Manager is posted along with necessary staff required to run the

affairs of the office. 100 KW Medium wave Transmitter installed at HPT-I Lahore is operational and working on 20 KW power and its transmission is being heard across the border. The operational staff is working in shifts to meet operational and technical requirements of 16 hours daily transmission. Reply was not correct as operational staff is still working on the closed sites.

Audit recommends to justify the incurrence of expenditure on Pay & allowances of the idle staff retained on closed units, intimate reasons for not transferring the staff to the stations where their services were required, immediately transfer the staff to other units of the PBH, regularize the expenditure by the orders of the competent forum and conduct a fact-finding inquiry at ministry level for fixing responsibility.

Para-13, 47 & 48 (PBC – 2020-22)

12.1.4.29 Irregular expenditure on payment of electricity bills for residents of Rawat Colony - Rs. 36.058 million

Para 10 (1) of the General Financial Rules Vol-1 requires that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Para 08 of the General Financial Rules Vol-1 requires that subject to such general or specific instruction as may be issued by Government in this behalf, it is the duty of the Revenue or Administrative Department concerned to see that the dues of Government are correctly and promptly assessed collected and paid into the treasury.

During audit of the PBC for the year 2020-21 and 2021-22, it was observed that an expenditure of Rs. 36.058 million was incurred on account of payment of electricity bills of the 10 motor pumps installed in the HPT Rawat colonies for providing water facility to their residents. These water pumps have been installed in the colony since long for providing water facility to the residents.

Audit was of the view that expenditure of Rs. 36.058 million paid by the management of the HPT Rawat from its yearly budget for the residents of the colonies was irregular and considered as loss to the corporation.

The irregularity occurred due to lack of internal and financial controls.

The matter was pointed out to the management on 20.01.2023. Management replied that PBC installed water motors at radio colony Rawat to supply the water to the residents of Radio Colony Rawat. Residents are paying water charges and electricity bills as per defined rates. Motors Pumps are being run on industrial meter as there is no residential meter available at HPT complex Rawat. Case has been taken up with the IESCO for converting the electricity meters from industrial to domestic connections.

PBC HPT Complex has served notices to the contract persons residing in Radio Colony Rawat to pay pending Electricity Bills and water charges who's contracts were expired and not renewed with instructions to immediately vacate the quarters.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the payments of water pumps installed in the colonies, intimate reasons for non-installation of the electric water pumps and recover the amount of monthly bills from the residents of the colonies, justify installation and payment of bills on industrial units instead of residential and conduct a fact-finding inquiry to probe into the matter and fix responsibility.

Para-49 (PBC – 2020-22)

12.1.4.30 Loss due to non-recovery of house rent allowance from terminated employees - Rs. 1.06 million

According to F.D. Regulations wing letter No.F.2(2)R/5/2010 dated. 02.07.2018, house rent @ 45 % and 30% of the minimum basic scale of 2008 was allowed to the Govt. servants w.e.f. 01.07.2018.

During audit of the PBC for the year 2020-21 and 2021-22, it was observed that 14 employees were terminated by the competent authority from service w.e.f. 20.01.2020 vide office order No. A-V-20(86)/2011-163 dated 20.10.2020. These employees were residing in the colonies in different quarters as detailed in Annex-99.

Audit observed that management neither vacated these quarters from the terminated employees nor recovered monthly rent causing a loss of Rs. 1.06 million to the Corporation therefore held irregular and requires immediate recovery along-with the electricity and water charges from the employees.

The irregularity occurred due to lack of internal and financial control.

The matter was pointed out to the management on 20.01.2023. Management replied that a final notice is issued to the defaulter vide order No. HPT (C)/Bldg-2/2021 date 07.02.2022 to clear all the outstanding dues. However the recovery from the employees is still pending because some employees has approached the Court of law and the matter is sub judice. Department has admitted the stance of the audit.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify non-recovery of rent from terminated employees, make immediate recovery of the rent on market rates from the residents of the quarters and disciplinary action be taken against the individuals held responsible for non-vacation of the quarters from the residents.

Para-50 (PBC – 2020-22)

12.1.4.31 Loss due to non-recovery of rent from Associated Press of Pakistan Corporation - Rs. 6.085 million

According to Ministry of Housing & Works letter dated 14th April, 2008, rates for hiring office accommodation was fixed at monthly rent of Rs. 30/- per Sft for other floors (other than basement) at all locations of Islamabad/Rawalpindi except Blue Area, Super/Jinnah Super Markets, F-8 Markaz, F-10 Markaz, F-11 Markaz. The rates were enhanced to Rs. 60/- per sft vide letter dated 27th March 2017 for Islamabad and so on the rates for other cities was enhanced from Rs. 22 pr Sq. Ft. to Rs. 35 per Sq. Ft. w.e.f March 17, 2017.

During audit of the PBC for the year 2020-21 and 2021-22, it was observed that buildings of the corporation were hired by the Associated Press of Pakistan Corporation in different cities on monthly rent. The APPC failed to give

monthly rent w.e.f. 01.03.2022 to 31.10.2022 causing a loss of Rs. 6.085 million to the corporation.

Audit also observed that due to lack of interest of the management, penalty clause was also not included in the agreement with the APPC therefore department will not be in a position to recover the penalty from the department concerned.

Audit was of the view that due to poor financial management, corporation sustained a loss of Rs. 6.085 million therefore held irregular.

The matter was pointed out to the management on 20.01.2023. Management stated that PBC had rented out its space/building to APPC in 11 (eleven) different cities. APPC have paid rent along with electricity bills of 04 months (i.e. March, 2022 to June, 2022) of 08 stations out of 11 stations. Payments of rent of 03 stations have not been made so far. They are being approached for the payment of 03 remaining units. Further outstanding amount of rent since July, 2022 to uptill now is being pursued which would be received soon. Reply was not tenable as no evidence in support of the recovery made shown to audit till finalization of this report.

No DAC meeting was arranged till finalization of this report.

Audit recommends to intimate reasons for non-recovery of rent from the APPC, immediate recover of the rent from the concerned department along-with penalty amount. Besides, disciplinary action be initiated against the individuals held responsible for non-recovery of the amount from the department.

Para-51 (PBC – 2020-22)

12.1.4.32 Irregular creation of medical bills / re-imburement liabilities without budgetary provision - Rs. 230.255 million

Para 106 of the General Financial Rules Vol-1 requires that a disbursing officer may not on his own authority authorize any payment in excess of the funds placed at his disposal but absence of funds should not necessarily prevent the payment of any sums really due by Government. And Para 09 the General Financial Rules Vol-1 requires that as a general rule no authority may incur any expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by general or special orders of the

President or by an authority to which power has been duly delegated in this behalf and the expenditure has been provided for in the authorized grants and appropriations for the year.

During audit of the PBC Islamabad for the year 2020-21 and 2021-22, it was observed that PBC had hired the services of hospitals, doctors, medical stores in different cities for providing medical services to their employees since long. The employees were getting regular medical treatment from them without required budget under the head of account “medical re-imburement” and created a liability of Rs. 230.255 million since 2017-18 to 17.11.2022.

Audit was of the view that despite non-availability of budget under the medical head of account, the management failed to stop creating further liability and thus the employees were left at their discretion to get the medical treatment at the cost of the corporation which is held irregular and violations of the government rules.

The irregularity occurred due to lack of internal and financial control.

The matter was pointed out to the management on 20.01.2023. Management replied that The reason behind the PBC financial crisis is that a total of Rs.2,021.080 Million was short allocated under the head of ERE (Pension Expense) during the financial years 2020-21 and 2021-22. Whereas PBC is being extending medical facility to its employees in accordance with PBC Medical attendance Rules 1992. The liability created on account of medical expenses due to utilization of medical budget to meet the deficit of monthly pension during the FY 2020-21 and 2021-22, in the light of standing instructions of Honorable Supreme Court of Pakistan to pay the monthly pension in time. Reply was not correct as management failed to properly planned the medical reimbursement budget and thus liability created.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify creating liability without budgetary provision for the relevant financial years, inquire the matter at administrative level besides fixing responsibility and immediately stop further creating medical liability besides referring the case to the Finance Division through administrative department for violation of the rules.

12.1.4.33 Irregular payment to security companies without verifying EOBI and Social Security Contribution – Rs 12.063 million

According to Miscellaneous clause (ii) of agreement made between PBC and Security Company, the company shall be responsible to make payment of employee contribution to EOBI/ Social Security on regular basis. According to EOBI Act, 6% contribution (5% from employers and 1% from employee's i.e. Rs 780 per employee PM) is to be paid to EOBI for their employees. Similarly, Social Security contribution is required to be paid @ 6% of the wages of their employees (having wages up to Rs. 22,000 i.e. Rs 1,080 per employee per month) to the Islamabad Employees Social Security Institution.

During the audit of PBC for the years 2020-21 and 2021-22, it was noted that services of security company i.e. M/s wiser security (Pvt.) Ltd and Security Organizational System Pvt.Ltd. was hired w.e.f. February-2022 and December 2020 respectively for provision of security services in zones (I & II) of PBC . In this regard, 317 employees (188 employees for zone-I and 129 employees for Zone-II) were deployed. The company was to deposit EOBI as well as Social Security to the respective authorities regarding manpower provided to PBC. Further, it was observed that personal registration numbers of 317 employees regarding EOBI and Social Security were not available in the given record. Hence, the Security Company was failed to deposit EOBI and Social Security contribution of their employees to concerned authorities as per agreement.

Therefore, it is construed that the security staff deployed to PBC was not registered with EOBI and Social Security Company which is a violation of the rules. No record was provided by the company for deposit of contribution of employee as well as employer to EOBI and Security Services.

Audit was of the view that PBC should have collected online registration copies (with EOBI and Social Security) of each employee deployed at PBC according to their biometric attendance before making payment to the Security Company. Thus, payment to said security services without depositing amounting to Rs 12.063 million on account of EOBI and Social Security in regard of security staff to concerned authorities as per their online registrations and its verification / authenticity from concerned is held irregular in audit.

The matter was pointed out to the management on 20.01.2023. Management stated that M/s SOS Security Company has provided some deposit forms of EOBI Contributions of its staff whereas M/S Wiser Security Company has been asked many times to provide the same but they did not provide it. A letter is being issued to Chief Security Officer PBC to write a reminder to M/S Wiser Security Company to get registered with EOBI. There pending payment will be cleared after receipt of EOBI Contribution deposit slips of their security staff. Department admitted the stance of audit.

No DAC meeting was arranged till finalization of this report.

Audit recommends to provide detail of guards / supervisors, copies of their online registrations with EOBI and Social securities and bio matric attendance of guards. Justify the release of payment without verifying EOBI and Social Security contribution.

Para-53 (PBC – 2020-22)

12.1.4.34 Non-maintenance of proper record of sale revenue and erroneous adjustments of discounts resulting into loss - Rs. 53.150 million

According to Para 08 of the General Financial Rules Vol-1, subject to such general or specific instructions as may be issued by Government in this behalf, it is the duty of the Revenue or Administrative Department concerned to see that the dues of Government are correctly and promptly assessed, collected and paid into the treasury.

During audit of the PBC for the year 2020-21 and 2021-22, it was observed that a sum of Rs. 53.150 million (2020-21 Rs 38.351 million and 2021-22 Rs 14.799 million) was shown by the management in their yearly account statement on account of payments to different advertising agencies for advertisement of their products in medium wave, FM, channels. The management of the PBC had implemented revised commercial tariff w.e.f. 1st February 2012 for boosting up the revenue of PBC. These revised commercial tariffs include bulk discounts of 02 % to 05 % on providing business to the PBC along-with other incentives to the advertising agencies.

Audit observed the following:

1. In Prima facia, the tariff policy was vague as it was not cleared whether the offered discount in particular slab is on the basis of total annual business or the volume of the each transaction should be surpassing the relevant limit.
2. Proper record of the discounts offered to advertising agencies was not maintained therefore audit was unable to authenticate the payment / adjustments of the discounts paid.
3. The bills produced to audit showed that different discounts were offered and paid to the advertising agencies in their invoices therefore creation of the discounts liability in their statements was unjustified.

Audit was of the view that due to lack of internal and financial control, PBC units paid adjustments of Rs. 38.402 million out of Rs. 53.150 million in two years from the sale revenue to the advertising agencies causing loss to the corporation.

The matter was pointed out to the management on 20.01.2023. Management stated that since the mushroom growth of private FM channels, the monopoly of PBC had been over and in current economic position the volume of business has been shrunk. Bulk Discount (which was given on total annual business and was very common in the marketing industry) was an incentive for the advertising agencies so that they continue to release business to PBC. In given circumstances where the business volume was shrinking, it was their compulsion to allow bulk discount to survive in the market otherwise we may lose the business very rapidly in case of avoiding such discount. All those discounts which were offered in invoices had gone to clients while only Bulk Discount go to advertising agencies (as incentive) so that the agencies may include PBC in business media plans. Reply was not tenable as bulk discounts if any was required to be given at the time of business instead of adjusting in later business.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons for non-maintenance of receipts and adjustments record. Besides, a fact finding inquiry should be initiated at administrative level to probe into the matter for sustaining loss due to illegal adjustments from sale revenue in all units of PBC.

12.2 Pakistan Television Corporation Limited

12.2.1 Introduction

Pakistan Television Corporation Limited (PTVCL) was established as an un-quoted public limited company under Companies Act 1913 (Now Companies Act 2017) on Nov 26, 1964. All its shares are held by Government of Pakistan. There is no change in the pattern of shareholding of company since incorporation.

Aims & Objectives

The main purpose and objectives of the corporation are:

- i To provide television broadcasting services by telecasting programs of all kinds, news pictorials and documentaries, local and foreign films of all kinds and nature for the purpose of disseminating information, education and entertainment.
- ii To carry out instructions of the Government of Pakistan with regard to general pattern or policies of programs, announcements, news etc.
- iii To carry on the business of commercial advertisement by selling programs and advertising time of television stations either directly or through advertising agencies or by setting up advertising agencies or by other means.

12.2.2 Comments on Audited Accounts

12.2.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the years 2019-20 to 2021-22 till December 31, 2022.

Audit recommends that the annual audited accounts for the year 2019-20 to 2021-22 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*Annex-2*).

12.2.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	%age of compliance
1989-90	09	08	1	478	89
1990-91	06	04	2	362,364	67
1991-92	07	06	1	312	86
1992-93	05	3	2	212,214	60
1994-95	05	02	3	223,225,228	40
1996-97	05	03	2	184,187	60
1997-98	09	05	4	121,122,123,124	56
1998-99	06	04	2	1.1.4,2.1.1(SAR-55)	67
1999-00	09	02	7	165,166,168,169, 170,172,173	22
2000-01	18	06	12	133, 134, 137, 170, (1.1, 1.1.1, 1.1.3, 1.1.2, 1.1.5, 1.1.6, 1.1 .7, 4.11)	33
2001-02	03	02	1	158	67
2002-03	09	05	04	166.1, 166.3, 166.4, 166.7	56
2003-04	08	06	02	126.2, 130	75
2004-05	03	02	01	81	67
2005-06	12	12	00	Nil	100
2006-07	21	11	10	121.6, 121.8, 122, 124, 125, 126, 127, 128, 129, 130,	52
2007-08	07	02	05	100, 100.1, 101.2, 101, 102	29
2008-09	13	05	8	138, 139, 140, 141, 142, 143, 144, 145	38
2009-10	11	03	08	152, 153, 154, 156, 157, 158, 159, 160	27
2010-11	23	17	06	12.3.2.5, 12.3.2.6, 12.3.2.7, 12.3.2.13, 12.3.4.5, 12.3.4.7	74
2015-16 One para	34	07	27	9.1.2.1, 9.1.2.2, 9.1.2.3, 9.1.2.4, 9.1.2.5, 9.1.2.6, 9.1.2.7, 9.1.2.8,9.1.2.9, 9.1.2.10, 9.1.2.11, 9.1.3, 9.1.4.1, 9.1.4.2, 9.1.4.3, 9.1.4.4, 9.1.4.6, 9.1.4.8, 9.1.4.9, 9.1.4.10, 9.1.4.12, 9.1.4.16, 9.1.4.17, 9.1.4.18, 9.1.4.19, 9.1.4.21, 9.1.4.22	21
2019-20	08	0	08	8.2.4.1, 8.2.4.2, 8.2.4.3, 8.2.4.4, 8.2.4.7, 8.2.4.8, 8.2.4.9, 8.2.4.14	0
Total	231	115	116		50

Overall compliance of PAC directives was not satisfactory which needs to be improved.

12.2.4 Audit Paras

12.2.4.1 Adopting irregular process for calling Expression of Interest in violation of PPRA rules

According to PPRA Rule 12 (2) “All procurement opportunities over three million Pakistani Rupees should be advertised on the Authority website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu”. Rule-12 (3 & 4) further states that in case where the procuring agency has its own website it may also post all advertisement on website and remain available until closing date. Rule-28(1) states that closing and opening dates of bids shall be same. Rule 29 states that procuring agency shall formulate evaluation criteria which shall form an integral part of bidding documents.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that management advertised Expression of Interest (EOI) in the daily newspapers on 10th August, 2021 for obtaining proposals on Public Private Partnership basis for acquisition of rights, (International and Domestic), marketing of PTV Sports, Specialized programming entailed during live & non- live events, brand collaborations & media partnerships and or any other innovative collaboration partnership proposals. Later on, an addendum was published on 13th August, 2021. Audit observed the following irregularities;

- EOI was published only in newspapers. However, EOI was not uploaded on website of PTVC as well as PPRA’s website.
- The requirement included in EOI were approved by the BOD in its 250th meeting however, the requirements included in Addendum dated August 13, 2021 were not approved from BoD. Hence, the addendum was issued without any justification/ cogent reasons and approval of competent authority.
- The EOI did not mention the closing and opening date & time of bids. The closing date of submission of bids and opening date of bids was

required to be the same. However according to addendum the last date of submission of bids was August 27, 2021 but the same was opened on August 28, 2021 in violation of PPRA Rule-28(1).

- The method of the selection i.e. Quality based selection/ Quality & Cost Based Selection/ Least Cost based Selection/ Single Source or Direct Selection/ fixed budget was not mentioned in EOI.

Audit was of the view that the whole process of calling EOI was in violation of PPRA Rules.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons for floating the advertisement in violation of PPRA rules and fix responsibility thereof on the person (s) responsible.

Para-1 (PTVC – 2021-22)

12.2.4.2 Irregular re-evaluation and negotiations with bidders in award of contract - Rs. 8,215.559 million

According to PPRA Rule-23 (1) Procuring agencies shall formulate precise and unambiguous bidding documents that shall be made available to the bidders immediately after the publication of the invitation to bid. Rule-23 (2) further states that for competitive bidding, whether open or limited, the bidding documents shall include invitation to bid, instructions to bidders, form of bid, form of contract, general or special conditions of contract, delivery time or completion schedule, qualification criteria and bid evaluation criteria etc. According to Rule-30 of PPRA, all bids shall be evaluated in accordance with the evaluation criteria prescribed in bidding documents. No evaluation criteria shall be used for evaluation of bids that had not been specified in the bidding documents. Rule 40 of PPRA states that without changing the cost and scope of work or services, the procuring agency may negotiate with the successful bidder only.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that management advertised Expression of Interest (EOI) in the daily newspapers on 10th August, 2021 for obtaining proposals on Public Private Partnership basis for acquisition of rights, (international and domestic), marketing of PTV Sports, specialized programming entailed during live & non- live events, brand collaborations & media partnerships and or any other innovative collaboration partnership proposals. Later on, an addendum was published on 13th August, 2021.

Audit observed following irregularities in evaluation of bids and award of contract to Group M/ARY Network:

- a. Tender documents/ Request for Proposal (RFP) was not prepared by the management. A simple evaluation criteria was formed and approved by MD instead of BOD and the same was not made available to the bidders. Thus, evaluation made by the Evaluation Committee on the basis of evaluation Criteria that was not part of the bidding documents, was in violation of PPRA Rule-23(2) and 30 thus held irregular.
- b. In response to the EOI, four firms submitted their bids. The bids were opened & evaluated on 28th August, 2021 and M/s Blitz Advertisers Limited (BAL) secured highest average marks of 182 out of 300 and won the bid. M/s Group M/ARY Network secured 167 marks and stood on 2nd position. Bid of M/s Trade Chronical was disqualified/rejected being non-compliant with the requirements. M/s Tower Sports secured 131.2 marks and rejected on the basis of obtaining marks less than half of the total marks (i.e. total marks 300 and half of total was 150). Whereas, criterion of minimum marks was not mentioned in the evaluation criteria for qualifying/rejection of bids. Thus, evaluation criterion was defective.
- c. PTVC entered into negotiation with first two firms on the plea that “there seemed tremendous room for improving upon the business/Financial Models and Commitments” and re-evaluation was carried out on 6th September, 2021 on the basis of negotiation made with both firms on 1st September, 2021. The criteria for re-evaluation was changed by increasing the total marks from 300 to 350 by adding additional options. The change of evaluation criteria was made in violation of PPRA Rules and without the

approval of BOD.

- d. In the result of re-evaluation, highest marks of 250.60 were given to the firm who stood 2nd in initial evaluation i.e. Group M/ARY and 185.60 marks to M/s BAL i.e. 1st highest bidder of initial evaluation. As the re-evaluation was made on changed evaluation criteria in violation of PPRA Rules, thus held irregular and tantamount towards undue favour extended to M/s Group M/ ARY.
- e. Examination of Initial and revised Evaluation sheets further transpired that against the criteria at Sr. No. 4 “Supporting/ ownership of satellite sports channel contained 25 points” that was also part of the addendum. Out of 25 marks for this criterion, the Evaluation Committee members gave 39 (87 revised) marks to M/s Group M/ARY and 65 (72 revised) marks to M/s BAL. M/s Group M/ARY did not have any sports channel at the time of evaluation. “A Sports” Channel of ARY was established after one month of the signing of JV agreement. Hence the marks given to M/s Group M/ ARY against this criterion were not justified and undue favour was extended to the firm.

Audit was of the view that according to PPRA Rules the management was required to negotiate with the winning bidder only i.e. M/s BAL but they made negotiations with both parties. It is pertinent to mention that M/s BAL later agreed to match the business proposal submitted in second evaluation by M/s Group M/ARY but it was not considered.

Keeping in view the above facts, award of contracts to Group M/ARY worth Rs. 8,215.559 million was held irregular.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons for non-preparation of bidding documents/Request for Proposal and non-availability of evaluation criteria in violation of PPRA Rules, justify the reasons of negotiations made with first two firms of the initial evaluation and re-evaluation on revised criteria. Responsibility may also be fixed on the person (s) at fault.

12.2.4.3 Un-authorized inclusion of PSL events in main Business Partnership Agreement and changing cost / revenue sharing ratio and irregular award of contract

PTVC Board of Directors in its 250th meeting held on 09.08.2021, approved the calling of Expression of Interest (EOI) for business proposal of acquiring broadcast rights of ICC events for the period 2020-23. Moreover in 251st Board of Directors meeting the BoD approved the proposal of M/s Group M / ARY Network as media partner of PTV for acquisition of ICC media rights for the period 2020-23. According to PPRA Rule 12 (2) “All procurement opportunities over three million Pakistani Rupees should be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu”. According to clause 6.1 of Business Partnership Agreement dated September 16, 2021 between PTV, M/s Group M and ARY for ICC events and PSL 07 & 08 events “for all rights under this agreement including but not limited to ICC 2020-23 Rights, ARY shall bear 60% of the total cost while PTVC shall bear 40%”. Clause 6.2 states that “for all rights acquired in pursuance of this agreement including but not limited to ICC Rights 2020-2023, Gross Profit shall be shared 60% PTVC and 40% ARY. In case any loss incurred, the loss shall be shared in the proportion of 60% ARY and 40% for PTVC”.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22 it was observed that in pursuance of the BoD’s approval for acquiring broadcast rights of ICC events for the period 2020-23, PTVC management signed Business Partnership Agreement dated 16th September, 2021 with M/s Group M/ ARY Network. Following irregularities were in signing/ execution of this agreement;

- Examination of the provisions of Business Partnership Agreement showed that events of PSL 07 & 08 were also included in the said agreement under clause-3.4. The inclusion of PSL 07 & 08 in the agreement was made without Board’s approval. Thus, the same was held irregular.
- Subsequent to the main contract with Group M/ARY on September, 16th 2021, the PTVC management signed an MOU with M/s Group M and

ARY on December 21st, 2021 for acquiring Broadcast rights and digital media and live streaming rights of Pakistan Super League (PSL) for 2022 (PSL 07) and 2023 (PSL 08). An agreement dated January 09, 2022 for acquiring media rights of PSL 07 & 08 was signed between PTVC/ M/s ARY Communications and Pakistan Cricket Board (PCB).

- Examination of the provisions of MOU signed by PTVC with M/s Group M and ARY on December 21, 2021 revealed that the cost/revenue sharing ratio originally agreed in main agreement i.e. cost sharing 40:60 to PTVC and Group M/ ARY while revenue sharing as 60:40 to PTVC and Group M/ ARY, were changed to 50:50 for each party without the approval of BOD of PTVC.

Audit was of the view that PTVC management was required to publish the tender to get the opportunity of obtaining the rights of PSL 07 & 08 after obtaining approval from the BOD which was not done, and signed the MOU on unfavorable cost and revenue terms without approval of PTVC BoD, hence held irregular/ unauthorized.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons for changing Cost/Revenue sharing ratios in favor of Group M/ARY and inclusion of PSL events and fix responsibility thereof on the person (s) at fault.

Para-3 (PTVC – 2021-22)

12.2.4.4 Execution of Business Partnership Agreement in violation of Public Private Partnership Act, 2017

In 250th meeting of Board of Directors held on August 9, 2021, the PTV management submitted proposal that PTVC will invite workable proposals for Public Private Partnership in specialized sports genre including acquisition of rights (international and domestic) and marketing of PTV Sports which was accordingly approved by the BoD with the directions that the proposal must elaborate, clear, be in accordance with applicable procurement rules and that when presenting the same for approval, everything should be quantified.

Accordingly, PTVC management called Expression of Interest (EOI) dated August 10, 2021 for Public Private Partnership Proposals for the above purpose.

Moreover, according to Chapter III, Clause-13 of Public Private Partnership Act, 2017 the implementing agency was responsible to identify, conceptualize, appraise and develop the project, undertake or cause to be undertaken a feasibility study, develop and issue or cause to be develop and issue a request for proposal including draft of the Public Private Partnership agreement and procure a project only through a competitive bidding process as prescribed. Clause-13 (3) further states that the implementing agency shall submit the bid documents and the project proposal for the approval of the Board.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed from the examination of record that despite the approval of BoD for proposal of Public Private Partnership and advertisement of Expression of Interest (EOI) for the said purpose in the newspaper, the management totally ignored the provisions of Public Private Partnership Act, 2017 and did not involve the Public Private Partnership Authority while finalizing the Business Partnership Agreement dated September 16, 2021 with M/s Group M / ARY Network. Thus, Business Partnership Agreement was made against the approval of BoD as well as in violation of the provisions of Public Private Partnership Act, 2017.

Audit was of the view that Business Partnership Agreement was required to be referred to Public Private Partnership Authority for obtaining approval of its Board which was not done. Hence ignoring provisions of the said Act was a negligence on part of PTVC management and violation of the Act.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons for signing of Business Partnership Agreement in violation of the provisions of Public Private Partnership Act and against the approval of BoD.

Para-4 (PTVC – 2021-22)

12.2.4.5 Non up-gradation of PTV-Sports Channel from Standard Definition (SD) to High Definition (HD) - Rs. 300 million

According to Clause 3.10 of PTV Business Partnership Agreement dated September 16, 2021 with M/s Group M/ARY Network, Group M and ARY shall invest between Rs. 250 million to Rs. 300 million and shall ensure infrastructural up-gradation of PTV-Sports from Standard Definition (SD) to High Definition (HD) in a stipulated time period of a minimum of 03 months from the date of signing of the Agreement based on delivery and availability of equipment. Further, clause 3.11 states that Group M & ARY will provide equipment according to specifications as provided by PTVC. Further according to Clause 3.14, Group M/ ARY Network will help PTV in setting up its own PTV “Over The Top (OTT)” including equipment/ expertise during pendency of this agreement the manner of digital infrastructure development and the cost/ expense model will be decided with mutual consensus by the Parties.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that the management executed a Business Partnership Agreement dated September 16, 2021 with M/s Group M/ARY Network for ICC events, Pakistan Super League (PSL) 7 & 8 and up gradation of PTV Sports Channel from SD to HD (within three months) on availability of equipment from signing of subsequent contract. Later on, PTVC executed a contract dated 5th January, 2022 with M/s Group M for upgradation of PTV Sports Channel from SD to HD by investing Rs. 250 million to Rs. 300 million by M/s Group M which was required to be completed up till 30 June, 2022. Following discrepancies were observed in execution of this contract;

- PTV Engineering Department provided a list of 49 equipment valuing Rs. 349.881 million to M/s Group M/ ARY to fulfill its obligation for upgradation of PTV Sports Channel from SD to HD. Relevant record showed that Group M/ ARY provided only 19 equipment out of total 49 as required by PTV which were incomplete, inconsistent with the PTV’s specification, used and outdated. To overcome the compatibility issues and non-availability of technical equipment from M/s Group M/ARY, PTV Home provided 11 items as minimum requirement for upgradation of PTV Sports test transmission from SD to HD. Hence Group M/ ARY

failed to fulfill its contractual obligations.

- Moreover, Group M/ ARY did not fulfill its obligation with reference to setting up PTV's own OTT as required under clause 3.14 of the Agreement.
- No clause relating to performance guarantee was included in the agreement to safeguard the PTV's interest.

Keeping in view the above facts, it was concluded that M/s Group M/ failed to accomplish its contractual obligation as envisaged in the Business Partnership Agreement dated 16 September, 2021 due to which PTV Sports failed to fetch the investment of Rs. 300.00 million from the Consortium.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter to bring forth reasons why PTV failed to fetch investment of Rs. 300 million from Group M/ ARY Consortium for upgradation of PTV Sports from SD to HD and non-setting up of PTV's own OTT by M/s Group M/ ARY besides fixing responsibility thereof. The reasons for non-inclusion of the performance clause in the agreement also needs to be explained.

Para-5 (PTVC – 2021-22)

12.2.4.6 Non-provision of record of award of contract to M/s Infinit Connection Pvt. Ltd for upgradation of PTV Sports channel

According to clause 3.10 of PTV Business Partnership Agreement dated September 16, 2021 with M/s Group M/ARY Network, Group M and ARY shall invest between Rs. 250 million to Rs. 300 million and shall ensure infrastructural up-gradation of PTV-Sports from Standard Definition (SD) to High Definition (HD) in a stipulated time period of a minimum of 03 months from the date of signing of the Agreement based on delivery and availability of equipment. According to section-C of agreement between Group M and PTV dated 5th January, 2022, PTVC has selected M/s Infinit Connections (Private) Limited for provision of SD to HD services based on delivery timelines, cost and relevant experience, for execution of the project. Further, according to PPRA Rule-12,

Procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani Rupees shall be advertised on the Authority website in the manner and format specified by regulation by the Authority from time to time. Further under Section 14 (2) of Auditor General (Functions, Power and Terms & Conditions of Service) Ordinance 2001, the officer incharge of any office or department shall afford all facilities, and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that the management executed a Business Partnership Agreement dated September 16, 2021 with M/s Group M/ARY Network for ICC events, Pakistan Super League (PSL) 7 & 8 and up gradation of PTV Sports Channel from SD to HD (within three months) on availability of equipment from signing of subsequent contract. Later on, PTVC executed a contract dated 05th January, 2022 with M/s Group M for upgradation of PTV Sports Channel from SD to HD by investing Rs. 250 million to Rs. 300 million by M/s Group M which was required to be completed up till 30 June, 2022.

It was noticed that M/s Infinit Connections (Private) Limited was selected by PTVC for provision of SD to HD “services” on the basis of single quotation in violation of PPRA Rules. Complete bidding process i.e. Press Advertisement, Technical and Financial evaluation, comparative statement, recommendation of the selection committee and agreement signed with M/s Infinit was requested from the management vide requisition No.3 (item No. 8) dated 26.07.2022 but the same was not provided despite written reminder as well as verbal requests.

Thus, due to non-provision of record pertaining to complete bidding process and award of contract to M/s Infinit Connections remained unverified.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of non-provision of requisite record and fix responsibility thereof.

Para-6 (PTVC – 2021-22)

12.2.4.7 Loss to PTV due to defective agreement - Rs. 38.792 million

According to Rule-(3) of Public Sector Corporate Governance Rules-2013, the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules. His 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.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that the management executed a Business Partnership Agreement dated September 16, 2021 with M/s Group M/ARY Network for ICC events and Pakistan Super League (PSL-7). According to clause 6.1 & 6.2 of Business Partnership Agreement ARY shall bear 60% of the total cost while PTVC shall bear 40%". And gross Profit shall be shared 60% PTVC and 40% ARY. Subsequent to the main contract dated September, 16th 2021, the PTVC management signed MOU with M/s Group M/ARY on December 21, 2021 for acquiring broadcasting, digital media and live streaming rights of Pakistan Super League (PSL-7) at cost and revenue sharing of 50:50 each.

It was noticed that ICC event (T-20 World Cup) was on-aired on PTV Sports Channel w.e.f October 16, 2021 to November 13, 2021 by utilizing 9,240 minutes and PSL-7 w.e.f January 30, 2022 to 27th February 2022 by utilizing 6,300 minutes. Record revealed that PTV on-aired these sports events on its Sports Channel and borne extra/ additional transmission charges of Rs. 39.786 million @ Rs.4,305.80 per minute) for ICC events and Rs. 29.839 million for PSL-7 events. These transmission charges were required to be distributed between PTV and Group M/ARY according to provisions of cost sharing in relevant agreement/ MOU.

It was observed that the management did not include any clause in the agreement / MOU to safeguard the interest of PTV, thus the said agreement/ MOU was held defective.

Due to non-distribution and non-recovery of transmission charges from Group M/ ARY, PTV sustained a loss of Rs. 38.792 million.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of non-inclusion of clause for distribution of transmission cost in the agreement which resulted into extension of undue favour to the other Party and fix responsibility thereof.

Para-7 (PTVC – 2021-22)

12.2.4.8 Loss due to allocating broadcasting rights to “A SPORTS” Channel for ICC matches - Rs. 1.5 billion

In 251st meeting of Board of Directors held on September 09, 2021, during discussion the Chairperson of BoD inquired whether ARY network will also telecast ICC events besides PTV sports. In response, it was informed that ARY has registered its own channel, further it was reiterated for the ICC rights (2020-23) they will use TEN sports as a carrier but if ICC allows more than two channels then ARY sports Channel can also be utilized.

According to Clause 4.2 Section- B Group M shall take all endeavors to independently provide business of Rs 1.5 billion to Rs 1.8 billion on PTV Sports including the business generated through acquisition of rights in pursuance of this agreement.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that while obtaining approval of PTV's BOD by PTV management for signing of Joint Venture Agreement, TEN Sports channel which was presented by M/s Group ARY as the main broadcasting partner with PTV sports on behalf of ARY. Whereas, TEN sports are a separate entity and not owned by M/s Group M/ ARY. However, after obtaining approval of PTV's Board for TEN Sports as main broadcast carrier with PTV Sports, ARY subsequently launched its own Sports Channel “A Sports”. The license for “A Sports” from PEMRA was obtained through another company M/s Horizon Communication (Pvt.) Ltd.

It was further noticed that ICC world cup matches were also on-aired on “A Sports” Channel by ARY whereas, agreement was signed by PTVC with ARY for TEN Sports carrier and agreement with “A Sports Channel” for financial implications viz a viz cost and revenue sharing formula for broadcasting ICC events was never discussed in PTVC Board and nor got approved which caused a huge loss to PTVC amounting to Rs 1.5 billion.

Audit was of the view that PTV should have been signed a new agreement with ARY for broadcasting sports activities on Channel “A Sports” as well as settlement of financial implications. thus, due to unauthorized broadcast rights given to “A Sports” for T 20 Cricket World Cup matches the PTVC sustained a loss of Rs 1.5 billion (As M/s Group M/ ARY committed to provide the revenue of the same amount for broadcasting matches on Ten sports).

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of allocation of broadcasting rights to A Sports by extending undue favour to M/s ARY and fix responsibility thereof.

Para-8 (PTVC – 2021-22)

12.2.4.9 Loss to PTV due to provision of Dirty Commercial Feed to Ten Sports by ARY without involving PTV

In 251st meeting of Board of Directors of PTVC held on September 29, 2021, the BOD discussed Sports Media Rights/ Expression of Interest (EOI) for business partnership proposals under agenda item NO.02, and approved the use of TEN Sports as a carrier for ICC events 2020-2023.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that the Board of Directors accorded approval for TEN Sports to be used as a carrier for broadcasting ICC events 2020-2023.

Contrary to the above, ARY Television Network entered into a separate financial agreement with TEN Sports and ARY provided Dirty Commercial Feed (provided content with commercials running already on PTV Sports) to TEN

Sports without taking approval of PTV Board and without involving PTV Sport. The matter was also highlighted by the Fact Finding Committee of Ministry of Information & Broadcasting in its Inquiry Report.

The detail record of dirty commercial feeds provided to TEN Sports by ARY without involving PTV was demanded from management despite several verbal requests as well as issuance of written requisition No. 4 dated 27.07.2022 but the same was not provided to audit team which is a serious lapse on the part of management. Thus, financial loss could not be quantified due to non-provision of record.

Audit was of the view that as PTV was the sole Broadcast Rights holder and PTV's BOD approved the TEN Sports to be used as broadcast carrier for ICC events, therefore only content was required to be aired on TEN Sports. However, ARY provided the Dirty Commercial Feed to TEN Sports without PTV's approval and providing financial benefits to PTV.

Thus, due to unauthorized action of ARY by providing Dirty Commercial Feed to the TEN Sports during ICC T-20 World Cup without PTV's approval, PTVC sustained huge losses due to non-receipt of revenue generated from Dirty Commercial Feed.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons why PTVC interest was not safeguarded by the management of PTVC and fix responsibility thereof.

Para-9 (PTVC – 2021-22)

12.2.4.10 Unauthorized inclusion of clause for charging interest on investment in business partnership agreement

According to Clause 3.13 of the Business Partnership Agreement dated 16th September, 2021, M/s Group M/ ARY shall charge interest from 5% to 15% on their respective investment (content and infrastructure up gradation) according to the industry and business practice, which shall be mutually agreed in a separate agreement. (To be offset against business placed on PTVC by Group M/ ARY).

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that the management executed a Business Partnership Agreement dated September 16, 2021 with M/s Group M/ARY Network for rights acquisition of ICC events and Pakistan Super League PSL-7 & 8 and up gradation of PTV Sports Channel from SD to HD (within three months) on availability of equipment. Later on, PTVC executed a contract dated 05th January, 2022 with M/s Group M for upgradation of PTV Sports Channel from SD to HD by investing Rs. 250 million to Rs. 300 million by M/s Group M which was required to be completed up till 30 June, 2022.

Clause 3.13 of the Business Partnership Agreement dated 16th September, 2021 states that Group M/ ARY shall charge interest @ 5% to 15% on their respective investment i.e. content and infrastructure upgradation, according to the industry and business practice. This interest amount was required to be offset against business placed on PTVC by Group M/ ARY. Examination of record i.e. minutes of BoD's 251st meeting in which the BOD approved the signing of JV Agreement with Group M/ ARY, it was neither discussed nor approved by the BOD to include such clause containing charging of interest amount on the investment of ARY.

Thus, the inclusion of clause for charging of interest on ARY's investment, made without approval of the PTV's BoD, was held irregular/unauthorized. Audit was of the view that due to inclusion of such clause in the agreement without BoD's approval, PTV would be charged interest @ 5% to 15% on investment of Rs. 250 to 300 million made by Group M/ARY thus expected to sustain loss to that extent.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons as to why the clause was included without BoD's approval and fix responsibility thereof.

Para-10 (PTVC – 2021-22)

12.2.4.11 Non-compliance of NAB Ordinance - Rs. 4,350.786 million and US\$ 30.00 million

According to Clause 33-B of NAB Ordinance 1999, all Ministries Divisions and Attached Departments of the Federal Government, all departments of Provincial and local Governments, Statutory Corporations or Authorities established by the Federal Governments or Provincial Government and holders of public office shall furnish to NAB a copy of any contract, entered into by such Ministries, Divisions, and Attached Departments of the Federal Government, all Departments of provincial government or local government statutory corporations or authorities established by the Federal Government or Provincial Government or such holder of public office on its behalf, as the case may be, of the minimum monetary value of the fifty million rupees or more, within such as is reasonably practicable from the date of signing such contract.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that the PTV management entered into agreements with ARY/Group M and Pakistan Cricket Board for broadcasting ICC and PSL events. Detail of contract agreements alongwith monetary value is as under;

S. No.	Name of Firm	Agreement date	Value of Contract
1	ARY/GROUP-M	16 th September, 2021	USD 30,000,000
2	Pakistan Cricket Board	09 th January, 2022	Rs. 4,350,786,786

The management of PTVC failed to submit the copies of contracts/agreements to NAB which showed slackness on part of the management.

Thus, non-submission of copies of contracts/ agreements to NAB resulted into non-compliance of NAB Ordinance.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter of non-compliance of NAB Ordinance, justify the reasons for non-submission of copies of agreements to NAB and fix responsibility thereof.

Para-11 (PTVC – 2021-22)

12.2.4.12 Loss to PTV in PSL-07 - Rs. 251.231 million

According to Clause-3.4 of the Business Partnership Agreement dated 16th September, 2021 “Group M, ARY and PTVC have the right to individually or jointly bid for PSL 2021-2023. In the event that PTVC acquires the rights for PSL 2021-23 on an exclusive basis, PTVC shall provide Group M and ARY with the first right of refusal. However, if the rights are acquired exclusively by either Group M or ARY, PTVC shall become a Partner or used as a carrier on mutually agreed terms and conditions and shall be governed by a separate agreement between the Parties.

During Audit of Pakistan Television Corporation (PTVC) for the year 2021-22 it was observed that in pursuance of the BoD’s approval in 251st meeting held on 09.09.2021 for acquiring broadcast rights of ICC events for the period 2020-23, PTVC management signed Business Partnership Agreement dated 16th September, 2021 with M/s Group M/ ARY Network.

Examination of the provisions of Business Partnership Agreement showed that right to bid individually or jointly for PSL 2021-23 by Group M, ARY and PTVC was included in the said agreement under clause-3.4 whereas, the inclusion of PSL 07 & 08 in the agreement was made without Board’s approval and tendering the requirement.

Subsequent to the main contract with Group M/ARY on September, 16th 2021, the PTVC management signed an MOU with M/s Group M and ARY on December 21, 2021 for acquiring Broadcast rights and digital media and live streaming rights of Pakistan Super League (PSL) for 2022 (PSL 07) and 2023 (PSL 08) containing cost and profit ratio as 50:50.

ARY obtained the broadcast rights of PSL 07 at a total cost of Rs. 2,582.097 million. A separate agreement dated January 09, 2022 for acquiring media rights of PSL 07 & 08 was signed between PTVC/ M/s ARY Communications and Pakistan Cricket Board (PCB). It was however noted that bid submitted by ARY to PCB for obtaining broadcast rights of PSL 07 was not presented to PTV’s BoD for approval being partner in the main agreement. The financial results of the event shows that PTV and ARY sustained loss of Rs. 251.231 million each in the event.

Audit was of the view that as the bid for acquiring broadcast rights of PSL 07 by ARY was submitted without the involvement of PTV management and approval of PTV's BoD, ARY having no experience for such things, obtained broadcast rights at high cost which resulted into loss in the event.

Thus, due to PTV management's negligence, the Corporation sustained loss of Rs. 251.231 million in PSL-07.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of sustaining loss in PSL through a high level Inquiry Committee and fix responsibility thereof.

Para-12 (PTVC – 2021-22)

12.2.4.13 Non-reconciliation of revenues generated by Parties - Rs. 2,079.835 million

According to Clause-7 of the MOU dated 21st December, 2021 signed between PTVC, Group M Pakistan (Pvt.) Ltd and ARY Communication Limited in consideration of the mutual obligations and promises for PSL, Season 7 & Season 8, "ARY and PTVC shall share the cost of Bidding including Bid Security, Bid Price and Performance Security, whatever may be applicable, as well as the revenue generated from the Rights acquired in the following proportion:

ARY's Share:	50%
PTVC's Share:	50%

After the completion of each PSL Season (i.e. PSL Season 7 or 8), a reconciliation process will be carried out by ARY and PTVC in order to calculate and divide equally between them the revenues generated from the Rights as well as the amounts received from Group M relating to the Prop Inventory.

During audit of PTVC for the year 2021-22, it was observed that revenue of Rs. 2,079.834 million (PTV -Rs. 965.242 million and ARY- Rs. 1,114.593 million) was generated from the Rights of PSL 7 costing Rs. 2,582.097 million

and both the Parties i.e. PTVC and ARY, sustained loss of Rs. 251.131 million each according to terms & conditions of MOU referred above.

Reconciliation Statement alongwith the complete working papers carried out for reconciliation of the revenue generated from the Rights of PSL 7 by both the Parties, was requested from the management, however, the same was not provided till close of audit. Non-provision of reconciliation statement alongwith complete working papers shows that the reconciliation exercise was not carried out in violation of the provisions of MOU signed between both the Parties.

Thus, non-carrying out of reconciliation process in violation of the provisions of MOU resulted in non-provision of reconciliation statement along with complete working paper against figure of revenue generated from the Rights of PSL 7 which could not be termed as authentic.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of non-reconciliation of revenue generated from the Rights of PSL 7 with ARY and fix responsibility thereof.

Para-13 (PTVC – 2021-22)

12.2.4.14 Loss due to transmission of advertisements “Free of Cost” - Rs. 70.739 million

According to Clause-7 of the MOU dated 21st December 2021 signed between PTVC, Group M Pakistan (Pvt.) Ltd and ARY Communication Limited in consideration of the mutual obligations and promises for PSL, Season 7 & Season 8, “ARY and PTVC shall share the cost of Bidding including Bid Security, Bid Price and Performance Security, whatever may be applicable, as well as the revenue generated from the Rights acquired in the following proportion:

ARY’s Share:	50%
PTVC’s Share:	50%

During audit of PTVC for the year 2021-22, it was observed that revenue of Rs. 2,079.834 million (PTV -Rs. 965.242 million and ARY- Rs. 1,114.593 million) was generated from the Rights of PSL 7 costing Rs. 2,582.097 million and both the Parties i.e. PTVC and ARY, sustained loss of Rs. 251.131 million each according to terms & conditions of MOU referred above.

Examination of Release Orders (ROs) and Transmission Certificates of advertisements revealed that PTVC transmitted huge number of advertisements “Free of Cost”. Examination of only four ROs and Transmission Certificates of only two companies, PTVC management transmitted advertisements of 8845 seconds out of which advertisement of 3880 seconds were charged whereas advertisements of the duration of 4965 seconds were transmitted on air on PTV free of cost. This shows that only 43.86% of total advertisements were charged and remaining 56.14% were on aired free of cost.

Audit holds that PTV is running on commercial basis and being only terrestrial network of the region, there is no competitor of PTV Sports who covers such a huge area of the country. This way, PTV management was required to take advantage of this monopoly and should fetch more business instead of on airing advertisements on free of cost basis. Due to transmission of free of cost advertisements during PSL 7, PTVC sustained loss of Rs. 251.131 million in the event.

Thus, due to transmission of advertisements free of cost, PTVC sustained loss of Rs. 70.739 million in just four ROs and their respective transmission certificates.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of transmission of advertisement on free of cost basis resulting into loss to the Corporation in the event, fix responsibility thereof. Further, Audit calculated loss in just four ROs and their respective transmission certificates. The management is stressed upon to calculate total air time utilized for running commercials, total air time of

commercials charged and total air time utilized for running commercials free of cost resulting in loss to the Corporation, under intimation to audit.

Para-14 (PTVC – 2021-22)

12.2.4.15 Non-recovery from advertising agencies (PSL-7) - Rs. 572.648 million and non-recovery of PTV's share from PSL-7- Rs. 74.676 million

According to Rule 5(5) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall establish a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety.

During audit of PTVC for the year 2021-22, it was observed that out of total revenue of Rs. 2,079.834 million generated during PSL-7 event, PTV booked advertising income of Rs. 966.921 million and ARY booked Rs. 1,114.593 million on account of advertising income.

However, it was observed from recovery statement that PTV management could recover an amount of Rs. 394.274 million up to 30.09.2022 from the total receivable amount of Rs. 966.921 million leaving a balance of Rs. 572.648 million.

Moreover, according to terms & conditions of the MOU signed between PTVC and ARY, the total revenue generated from the PSL 7 event was required to be distributed @ 50% each between both the Parties. The recovery statement showed that an amount of Rs. 74.676 million was still recoverable from ARY by PTVC up to 30.09.2022.

Non-recovery of huge amount of Rs. 572.648 million from own generated advertising income and Rs. 74.676 million from ARY on account of 50% share from the income generated from PSL 7, showed weak financial management of PTVC.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reasons of non-recovery of amounts from own generated income and non-recovery from ARY on account of 50% share. Besides, strenuous efforts be made for early recovery of the outstanding amount.

Para-15 (PTVC – 2021-22)

12.2.4.16 Purchase of equipment against specification and beyond scope of PC-I - Rs. 66.320 million

According to PC-1 modified 2018 regarding “Modernization of Cameras and Production Equipment PTV” approved by Planning Commission Government of Pakistan, “the replacement of all the major equipment like Studio Cameras, Recording, Editing System and Link/ Connectivity Equipment according to complete detail annexed as “D” having total PC-I cost of Rs. 555.590 million including Foreign Component as Rs. 361.640 million has been planned”.

During the audit of PTVC for the year 2021-22, it was observed that the management of PTVC prepared PC-1 regarding “Modernization of Cameras and Production Equipment PTV” (PTV Home, H-9 and PTV News F-5 Islamabad) approved by Planning Commission, Government of Pakistan along with a list of electronic equipment with complete specification having cost of Rs. 555.590 million. The procurement under this project was made in different phases according to release of funds by the Government of Pakistan under PSDP.

Following deviations were made by the PTVC management during purchase of these equipment:

- The specification of the 3 items of equipment worth Rs. 39.700 million was different from the specification of respective equipment given in the PC-I.
- 6 items worth Rs. 26.620 million were purchased beyond the scope of PC-I.
- Due to purchase of items/ equipment at rates in excess of the PC-I cost of respective equipment, 3 items worth Rs. 11.750 million were not purchased by the PTVC management as the provided funds were exhausted.

- Furthermore, it was observed that 34 items of equipment worth Rs. 185.210 million were purchased at cost in excess of the respective PC-I cost of these items by Rs.185.204 million.

The management was required to obtain approval of Planning Commission, Government of Pakistan for deviations made from PC-I in the shape of purchase of equipment in excess of the PC-I cost i.e. Rs. 185.210 million, deviation from specification of the equipment given in PC-I worth Rs. 39.700 million and purchase of equipment beyond the scope of PC-I worth Rs. 26.620 million by incorporating all the deviations in the revised PC-I but the same was not done.

Keeping in view the above facts, purchase of equipment in deviation of approved specifications worth Rs. 39.700 million and purchase of equipment beyond the scope of PC-I worth Rs. 26.620 million was held irregular.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of purchase of equipment in deviation of PC-I without the approval of Planning Commission and fix responsibility thereof.

Para-16 (PTVC – 2021-22)

12.2.4.17 Irregular purchase of Virtual Studio Set - Rs. 166.42 million

According to Rule-9 of PPRA 2004, “a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority’s website as well as on the website of the procuring agency in case the procuring agency has its own website”. According to Rule-13, “the procuring agency may decide the response time for receipt of bids or proposals (including proposals for pre-qualification) from the date of publication of an advertisement or notice, keeping in view the individual procurement’s complexity, availability and urgency. However, under no circumstances the

response time shall be less than fifteen days for national competitive bidding and thirty days for international competitive bidding from the date of publication of advertisement or notice”. Rule-38 (1)(d) and 38B (2) further states that the procuring agency shall consider single bid in goods, works and services if it has financial conformance in terms of rate reasonability. The procuring agency shall make a decision with due diligence and in compliance with general principles of procurement like economy, efficiency and value for money.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that PTV management invited technical tenders in newspapers for procurement of “Virtual Set Solution” at estimated cost of Rs. 75.00 million. Only a single bidder i.e. M/s JayEss Private Limited, Karachi, (a local agent of M/s Al Shafiq General Trading Company, LLC, UAE who was authorized dealer of Manufacturer i.e. M/s Vizrt, Austria) participated in the bid. The firm was pre-qualified and its financial/ price tender worth US \$ 693,420 was accordingly approved by the Managing Director and contract was awarded to the firm on 28th July 2021.

Following observations were noted in this transaction;

- Annual Procurement Plan for the year 2020-21 was required to be uploaded on PPRA Website to indicate Planned Procurement as required in PPRA Rules, but no plan was uploaded on PPRA website.
- The tender was published on 02 June, 2021 in newspapers, uploaded on PPRA/ PTV website on 04 June, 2021 and published corrigendum on 05 June, 2021 in newspapers. The tender deadline and opening date was fixed as 16 June, 2021 which shows that response time for national competitive bidding was less than 15 days as required under PPRA Rules whereas on the other side, it was insufficient for international bidding in foreign currency with Carriage Paid To (CPT) Islamabad as minimum response time for international competitive bidding in PPRA Rules is 30 days. Due to provision of less response time in violation of PPRA Rule-13, healthy competition could not be achieved.
- The evaluation criteria did not mention any score system fixed for each aspect of the tender requirement, if it was fixed, it would have been easier to qualify or disqualify the single received bid.

- Against the cost estimates of Rs. 75.00 million, the bid price was Rs. 150.242 million (which later on increased to Rs. 166.228 million due to exchange rate difference). The bid price was more than 100 % over and above the cost estimates. Due to receipt of single bid, the management was required to conform the rate reasonability from other sources as required in PPRA rules, which was not done and contract was awarded to the single quoted firm despite huge difference in cost estimates and without conformance of rate reasonability.
- The country of origin was not fixed for evaluation which gave liberty to supplier in Dubai to collect the equipment in Dubai from any source not necessarily from the original manufacturer.
- No integrity pact was obtained from the supplier/ contractor as required in PPRA.
- The Stamp Papers used for agreement between PTV and vendors were issued in June and July 2019 and used to sign agreement in June 2021 i.e. after two years of issuance. These were issued without mentioning the purpose of issuance and name on which these were issued.

Keeping in view the above facts, award of contract worth Rs. 166.228 million was held irregular.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate at appropriate level, the reasons for processing of tender and award of contract in violation of PPRA Rules and fix responsibility thereof.

Para-17 (PTVC – 2021-22)

12.2.4.18 Non-Uploading of Annual Procurement Plan on PPRA website - Rs 335.184 million

According to clause-9 of PPRA, the annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

During the audit of PTVC for the year 2020-21 and 2021-22 it was noted that management of PTVC procured different category of equipment and hired services amounting to Rs 335.184 million for the year 2021-22 and never bother to upload annual procurement plan on authority' s as well as PPRA website. Whereas, the Annual Procurement Plan (APP) is the requisite document that the agency must prepare to reflect the necessary information on the entire procurement activities for goods and services and infrastructure to be procured that it plans to undertake within the calendar year.

Audit was of the view that in compliance of Public Procurement Rules, the annual procurement plan should have been uploaded on authority's own website, if available, as well as PPRA website.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons of non-uploading annual procurement plan on PPRA website, fix responsibility on the person(s) at fault and ensure all types of procurements must be uploaded on site.

Para-18 (PTVC – 2021-22)

12.2.4.19 Irregular grant of extension of contract to Security Company beyond admissible limit - Rs 68.997 million

BOD of PTV in its 244th and 245th meeting held on 30.12.2020 and 04.01.2021 vide item No. 12 and 13 respectively, directed the management of PTV to advertise tender notice in newspapers inviting bids for hiring Security Company to provide security guards for PTV offices / installations.

According to PPRA clause 42 (C) (IV), repeat orders not exceeding fifteen per cent of the original procurement.

During the audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was noted that a security company, M/s Sigma security services (Pvt.) Ltd, was hired for provision of security services at Head office and allied centers w.e.f. 01.02.2020 on monthly payment of Rs 9,856,707 for one year to be ended on 31.01.2021. In this regard, an advertisement was approved by Chairman

PTVC. Five firms participated in bidding process and tender was opened on 16.01.2021. Later on, the tender process was cancelled on 22.01.2021 on the plea that approval for advertisement was to be obtained from Managing Director rather than the Chairman PTVC and agreement of existing security company was extended for further three months i.e. upto April 2021.

Audit further observed that fresh tender was floated on 18.02.2021 on PPRA website for hiring of security services but it was again cancelled on 22.02.2021. After lapse of two months, tender for third time was floated in newspaper on 08.04.2021 without approval of Managing Director for invitation of security companies for provision of security services for which the process was completed in September 2021. The previous contract continued till September 2021 and an amount of Rs 68.997 million (Rs. 9,856,707 per month *07 months) was paid to security company without approval of Board of Directors.

Audit was of the view that the management should have finalized the hiring process of Security Company according to directions of BoD in time and should had restrict repeat orders up to 15% according to PP rules rather than 58.33 % (07 month). Thus, payment to Security Company Rs 68.997 million in violation of BoD directions was held irregular.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to probe the matter at administrative level of ill-planning in hiring of Security Company resulting into unnecessary delay besides fixing responsibility.

Para-19 (PTVC – 2021-22)

12.2.4.20 Loss due to non-imposition of liquidated damages – Rs 2.205 million

According to clause 13 of agreement made between PTVC and M/s Alpine International Company “the supplier will pay as liquidated damages for each full month’s delay in delivery a sum to two percent (2%) of C&F contract value of the equipment.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that a contract valuing Rs 23,738,250 (USD 153,150) was awarded to M/s ICV, UAE through local agent M/s Alpine International Karachi for supply of Non-Linear Editing Systems along with Accessories. Letter of Credit (LC- 2221-040-2138-21) through National Bank of Pakistan was issued on July 16, 2021 along with date of expiry 09.10.2021. Latest date of shipment, according to LC documents, was 18.09.2021. It was further noted that M/s Alpine International requested through email to extend their LC date as the order has been placed by ICV Global to Apple. The management on 06.10.2021 requested National Bank of Pakistan to make amendment in letter of credit by Swift (LC- 2221-040-2138-21) in clause 31D i.e. Date and place of expiry 08.12.2021 and Clause 44C latest date of shipment 17.11.2021 which was further extended for 30 days on the request received on 01.12.2021 from M/s Alpine International Company as the delivery date of Apple NLE was 10th of December.

However, the said company sent incomplete shipment against letter of credit (LC- 2221-040-2138-21) which was received in store on 06.01.2022 and airway bill was generated on 20.12.2021. PTVC again asked the supplier vide its letter dated 5th January to provide remaining accessories of NLE. In response, remaining items (NLE capture cards etc.) were supplied by supplier and received in store on 23.02.2022 and its airway bill was generated on 18.02.2022. This showed that complete shipment was received after lapse of four months but liquidity damages charges for delay of 4 months were not deducted from supplier and release bid security and bank guarantee to supplier resulted into loss of Rs 2.205 million to PTVC. Detail is as under;

Total contract cost = USD 153,150

2% LD charges= USD 3,063

Dollar Rate 1 USD = Rs. 180

Late period Delivery (3063*4) = 12,252 \$ (1,252*Rs 180 = Rs 2,205,360

Audit was of the view that undue favour in respect of extension of contract for supply of equipment was granted to M/s Alpine International Karachi which caused loss to the Corporation of Rs 2.205 million.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommend to explain the reasons for non-deduction of LD Charges, recover the loss on that account @ 2% per month besides fixing responsibility on the person(s) at fault.

Para-20 (PTVC – 2021-22)

12.2.4.21 Irregular procurement of equipment by splitting purchase - Rs 5.114 million and loss due to purchase at higher Rate - Rs 501,930

According to PPRA clause-9, Save as otherwise provided and subject to the regulation made by the Authority, with the prior approval of the Federal Government, a procuring agency shall announce in an appropriate manner all proposed procurement for each financial year and shall proceed accordingly without any splitting or regrouping of the procurement so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

According to PPRA clause-12 (2), all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu".

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that the purchase order for supply of equipment "12 Input video" Mixers from M/s Xotic Media, Islamabad was issued on 21.02.2022 and 30.06.2022 worth Rs 2.306 million and Rs 2.400 million respectively by splitting the purchase in question. Following deficiencies were noted during the audit:

- Two Video Mixers valuing of total cost Rs 5.114 million was purchased by splitting the order to avoid advertisement in newspaper in violation of

PPRA -12(2).

- Equipment (Video Mixer) valuing Rs 2.306 million was purchased in February 2022 whereas, purchase order of same equipment valuing Rs 2.808 million was issued on June 30, 2022 and invoice was received from firm in July 2022, consequently, PTVC has to sustain a loss of Rs 501,930 due to splitting in purchase.
- Administrative approval of MD for procurement of Video Mixer was Rs 1.80 million (exclusive taxes) whereas, procurement value was Rs 1.971million (exclusive taxes).
- Excess expenditure of Rs 0.171 million was incurred which was more than approved capital budget for these equipment and approval of re-appropriation of Rs 0.171million was not obtained from competent authority i.e. Managing Director.

Audit was of the view that Administrative approval of actual value of equipment was more than approved capital budget which must be obtained from competent authority. Thus, non-preparation of annual procurement plan a caused splitting of procurement as well as administrative approvals had been done to avoid the procedures for availing competitive and economical rates from open market through advertisement in newspapers.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons for not preparing and uploading the annual procurement plan on PPRA website, explain the reasons for procurement of equipment on splitting basis and inquire the matter at administrative level besides fixing responsibility on the person(s) at fault.

Para-21 (PTVC – 2021-22)

12.2.4.22 Irregular / unauthorized upgradation of employees

According to the Policy regarding creation/ upgradation of ex-cadre posts and circulated vide PTVC HQ office order No. HP/101/9682 dated November 18, 2011 “No ex-cadre post would be created/ upgraded in future now onward in any circumstances unless approved by the Board of Directors. Further all ex-cadre

posts/ employees have been placed under an umbrella by declaring them as general cadre. In future, the optimum level of this cadre will be up to Pay Group-8. Any deviation from the Policy would need the approval of the Board of Directors. According to minutes of 105th BOD meeting held on 19.10.1996, the Managing Director is empowered by the Board to engage fix and pay remuneration of staff against sanctioned posts, and dismiss or discharge, promote or demote and take disciplinary action against them. For this purpose, he/ she will follow the rules and regulations as may be framed from time to time, by the Board of Directors. There is no provision of upgradation in the PTV Service Rules.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that 11 ex-cadre employees were promoted against upgraded posts vide office orders dated 15.06.2022. Following irregularities were observed in upgradation of these ex-cadre employees;

- The up-gradation of the posts was made without the approval of BoD/ Managing Director, PTV. Moreover, upgradation of the ex-cadre posts and promotions of ex-cadre staff there against was made in violation of the PTV's own policy referred above.
- The individuals were re-designated on upgraded posts with the approval of MD, PTV according to delegation of Powers by the Board of Directors in 105th meeting held on 10.09.1996. According to delegation of Powers, the MD, PTV is empowered to engage, fix and pay remuneration of staff against sanctioned posts and promote or demote them by following the rules and regulations as may be framed from time to time by the BOD. There is neither any provision of up-gradation of posts in the PTV Service Rules nor PTV management/ BOD framed any rules and regulations for the purpose.

In absence of any rules, regulations and any provision in the Service Rules for up-gradation of posts, the promotion of 11 ex-cadre employees on upgraded posts as well as increase of pay and allowances of beneficiary employees was unauthorized.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of undue favour extended to the employees by upgradation of posts without framing any rules and regulations and fix responsibility thereof.

Para-22 (PTVC – 2021-22)

12.2.4.23 Irregular procurement of services of security company - Rs. 137.993 million

According to PPRA Rule-30, Evaluation of Bid (1) All bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding documents. Save as provided for in sub-clause (iv) of clause (c) of rule 36, no evaluation criteria shall be used for evaluation of bids that had not been specified in the bidding documents.

According to clause 16 of terms and conditions of bidding documents, the company / bidder must comply with the rates fixed by the Federal government under minimum wages Ordinance and Act and shall be responsible for any deviation from the said.

During the audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that a contract for hiring of security services at Head office and allied centers was awarded to M/s Sigma Security Services (Pvt.) limited for Rs 118,280,478 (wages @ Rs 18,094 per guard) on 10.09.2021 for one year. Further, it was revealed that seven security companies applied to participate in bidding process and M/s Organization Security Company was disqualified before opening the tender on the basis of poor performance in a previous contract with PTVC. Only six security companies were technically qualified and case for hiring of Security Company was sent for financial evaluation. Further, rates offered by the five companies that were minimum wage rates, were declared disqualified and M/s Sigma Security Service (Pvt.) Ltd was selected which offered less wage rates than the notified wage rates of Government of Pakistan w.e.f. July 01.2021.

Further audit found the following deficiencies in awarding security services contract as detail hereunder:

1. M/s Sigma Security Company was already providing security services to

PTVC w.e.f. 01.02.2020 and new agreement /contract for the year 2021-22 was signed on September 10, 2021 for provision of security services w.e.f. July 01, 2021.

2. All other companies who offered minimum wages rates according to notification of Government of Pakistan as well as contribution of EOBI and Social Security were ignored just to oblige M/s Sigma Security Service Company.
3. M/s Sigma security services did not provide bid security/ earnest money while submitting tender documents.
4. Security Company provided earnest money on 12.08.2021 after opening technical and financial bids on 21.04.2021 and 08.07.2021 respectively.
5. No estimated bid security amount was incorporated in bidding documents.
6. Financial and Technical committee's member composition was not described.
7. The minutes by the technical and financial committees were not prepared and issued.
8. Security company did not provide the following documents to company (violation of clause 10 of bidding documents)
 - a. Personal Verification
 - b. list of security guards
 - c. Valid ID Card (profile of guards/ supervisors)
 - d. Police/ Special branch clearance certificate
9. Biometric attendance of security employees for the said period was not recorded/available; which is a serious lapse on the part of management of PTVC and authenticity of payment to actual guards deployed at PTVC cannot be ensured.

Audit was of the view that said security company was obliged by ignoring non-submission of earnest money in time and minimum wage rates whereas, other firms were intentionally disqualified despite completion of all codal formalities. Thus award of contract and payment of Rs 137.994 million (Rs 9,856,707 per month*14 month) to M/s Sigma Security Company was held irregular in audit.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends that matter may be investigated at Administrative level as well as Finance Division for review the rejection of security companies having minimum wages rates as notified by Government and selection of M/s Sigma Security Company having less minimum wages rates besides fixing the responsibilities on the person (s) at fault. Further, management may justify the above observations with facts and figures.

Para-23 (PTVC – 2021-22)

12.2.4.24 Irregular Payment to Security Company without verifying EOBI and Social security contribution - Rs. 27.849 million

According to clause 8 of terms and conditions for bidders for hiring services of security company, employees of the security company should have group insurance and the company must be registered with EOBI and Social Security institution and clause 16 the company / bidder must comply with the rates fixed by the Federal government under minimum wages ordinance and Act and shall be responsible for any deviation from the said.

According to EOBI Act, 6% contribution (5% from employers and 1% from employees' i.e. Rs 780 per employee PM) is to be paid to EOBI for their employees. Similarly, Social Security contribution is required to be paid @ 6% of the wages of their employees (having wages up to Rs. 22,000/- i.e. Rs 1,080 per employee PM) to the Islamabad Employees Social Security Institution.

During the audit of PTVC for the years 2021-22, it was noted that services of security company i.e. M/s SIGMA security (Pvt.) Ltd. were hired w.e.f. July 2021 for provision of security services in Head office of Pakistan Television Corporation and allied centers all over Pakistan and four hundred and eighty three (483) security employees were deployed in this regard. The security company was to deposit EOBI as well as Social Security to the respective authorities regarding manpower provided to PTVC. Further, it was observed that personal registration numbers of 483 employees regarding EOBI and Social Security were not available in the given record. Hence, the Security Company was failed to deposit EOBI and Social Security contribution of their employees to concerned authorities whereas, according to tender documents all taxes were to be paid by Security Company.

Therefore, it is construed that the staff provided to PTVC was not registered with EOBI and Social Security Company which is a violation of the rules and regulations. No record was provided by the company for deposit of contribution of employee as well as employer to EOBI and Security Services.

Audit was of the view that PTVC should have collected online registration copies (with EOBI and Social Security) of each employee deployed at PTVC according to their biometric attendance before making payment to the Security Company for Rs. 27.849 million. Without verification of EOBI and Social Security amount deposited through vouchers was held irregular in audit.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to provide detail of guards / supervisors, copies of their online registrations with EOBI and Social securities and bio matric attendance of guards. Justify the release of payment without verifying EOBI and Social Security contribution.

Para-24 (PTVC – 2021-22)

12.2.4.25 Irregular purchase of Private Production drama/ programmes - Rs. 157.514 million

PTVC Purchase Procedure clause-5.32 (b) (i) provide procedure for purchase of privately produced programmes that “the Committee will publicize on quarterly basis, PTVC’s policy of purchasing concept/ideas from open market and invite private sector writers, directors and producers to submit their concept/ideas/proposals. The publicity will be made in at least two National dailies one in English and other in Urdu having wide circulation. In addition, the requirement shall also be posted at website of PTV and Public Procurement Regulatory Authority website”. According to Rule-12 (2) of PPRs-2004, all procurements over two million rupees should be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that PTVC management procured different dramas/programmes from private production houses worth Rs. 157.513 million after approval and recommendation of Programme Evaluation Committee and Programme Negotiation Committee.

It was however, observed that these programmes/ dramas were procured from the open market without publicizing the opportunity in newspapers. Thus these dramas/ programmes were purchased without following PTV's own procedure as well as in violation of PPRA Rules.

Audit was of the view that PTVC management procured dramas/ programmes of their own choice and in this way undue favour was extended to the drama/ programme producers.

Thus, purchase of dramas/ programmes worth Rs. 157.513 million in violation of PTV's own procedure as well as PPRA Rules was held irregular.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of purchase of private productions in excess of the prescribed rates resulting into undue favour to the producers of the private productions and fix responsibility thereof.

Para-25 (PTVC – 2021-22)

12.2.4.26 Revenue loss due to purchase of dramas at higher rates - Rs. 113.460 million

According to Rule 5(5) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall establish a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that the management purchased below mentioned dramas/ programmes during 2021-22. These drama/ programmes could not earn the revenue at break even and sustained huge losses. This resulted into loss of Rs. 113.460 million due to purchase of loss-making dramas/ programmes as detailed below:

S. No.	Name of Programme	Total episodes	Cost Per episode (Rs)	Total Cost Rs.	Total income (Rs)	Total Loss Rs.
1.	Inam Yafta Log	13	260,000	3,380,000	1,740,419	1,639,581
2.	Mein Jeena Chahti Hoon	33	700,000	23,100,000	13,318,206	9,781,794
3.	Mor Maharan	34	1,091,050	37,095,700	6,403,846	30,691,854
4.	Rasm-e-Ulfat	96	350,000	33,600,000	6,592,458	27,007,542
5.	Kab Bajay ga Band Baja	14	350,000	4,900,000	2,504,517	2,395,483
6.	Us ne Chaha tha Chand	96	355,000	34,080,000	6,822,950	27,257,050
7.	Ajju aur Bhola	33	500,599	16,519,767	8,266,369	8,253,398
8.	Aslam Ka Gaon	26	600,000	15,600,000	9,166,048	6,433,952
				168,275,467	54,814,813	113,460,654

The above tabulated detail shows that PTVC management did not properly evaluate the dramas/ programmes as the PTV is operating on commercial basis and purchased dramas at exorbitant rates which could not fetch business to meet breakeven point. In this way, the management extended undue favour to the concerned media houses/ producers of the dramas/ programmes at the cost of PTVC.

The management sustained loss of Rs. 113.460 million on purchase of low-quality dramas.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommend to investigate the reasons of extension of undue favour to the Private Production Houses by purchasing loss making dramas/ programmes at the cost of PTVC and fix responsibility thereof.

Para-27 (PTVC – 2021-22)

12.2.4.27 Undue favour to seller by payment of Sindh Sales Tax in violation of contract agreement - Rs 2.366 million

According Clause-3(1) of the Sindh Sales Tax on Services Act 2011, a taxable service is a service in second schedule to this Act by a registered person from his registered office or place of business in Sindh. According to Clause-3(2) of the Sindh Sales Tax on Services Act 2011, a taxable service is not provided by registered person shall be treated as a taxable service if the service is listed in 2nd schedule to this Act is provided to resident person or by a non-resident person in the course of an economic activity. Moreover, according to clause-06 (iii) “The First Party shall be responsible for payment of all taxes. GST will be treated according to government rules.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that under clause-05(01) of the Contract Agreement dated 18-12-2019 signed by PTVC management with M/s Eveready Pictures Pvt. Ltd, the First Party (PTVC) shall purchase the programme “Mein Jeena Chahti Hoon” from the second Party (M/s Eveready Pictures Pvt. Ltd) at the rate of Rs. 700,000 fixed per episode not less than 40 minutes duration including Title, Recap and End Credits and pay a total amount of Rs. 18,200,000 (26 episodes) for the complete programme.

It was observed from payment record that instead of deducting Sindh Sales Tax @ 13% from the payments of the firm, the management paid SST by itself. According to provisions of contract agreement, the second party i.e. the seller (M/s Eveready Pictures Pvt. Ltd) was responsible for payment of all taxes. Thus, the payment of SST by PTVC on behalf of the seller was made in violation of the provisions of contract agreement.

Audit was of the view that payment of SST @ 13 % i.e. Rs. 2.366 million by PTVC on behalf of seller made in violation of the provisions of contract

agreement, was irregular and in this way the management extended undue favour to the seller at the cost of PTVC.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of extension of undue favour to the seller by payment of SST in violation of the provisions of contract agreement, fix responsibility; and initiate action for recovery of SST amount from either the firm or person(s) held responsible for irregular payment.

Para-28 (PTVC – 2021-22)

12.2.4.28 Inadmissible payment of House Allowance to allottees of Government accommodation - Rs. 19.008 million

According to Rule-26(5) of Accommodation Allocation Rules-2002, A Government employee who vacates a house or quarter or flat or government accommodation shall be allowed house rent allowance only after obtaining a certificate from concerned Estate Office that the official is not occupying a Government or hired accommodation.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that 54 No. employees of PTV Centre Peshawar and 40 No. employees of PTV Centre Quetta have been allotted government accommodation in PTV Colonies at respective centers.

However, it was observed from the pay slips of concerned employees that these employees have been enjoying the facility of House Allowance in their salary slips. The provision of House Allowance to those employees who have been allotted government accommodation was not admissible under any government rules being dual facility.

Thus, payment of Rs. 19.008 million made on account of House Allowance during 2021-22 to employees of PTV Centers, Peshawar and Quetta who had been allotted government accommodation in PTV Colonies at respective Centers was held inadmissible.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of payment of House Allowance to allottees of government/ PTV's accommodation, fix responsibility thereof and payment of House Allowance be stopped forthwith and already paid amount recovered from the beneficiaries from the date of allotment of government accommodation under intimation to Audit.

Para-29 (PTVC – 2021-22)

12.2.4.29 Inadmissible payment of hiring at non-specified stations - Rs 66.684 million

According to instructions laid down in Ministry of Housing & Works, Government of Pakistan vide letter No.F.2 (3)/2003-Policy dated 31st July, 2004 “the Federal Government has decided to decentralize the present system of hiring of residential accommodation by Estate Offices w.e.f 01.07.2004. Henceforth the Estate Offices shall not hire any new house w.e.f 01.07.2004. It is now the responsibility of the respective Ministries/ Divisions/ Departments to hire residential accommodation for their employees within their budgetary resources. The specification, covered area of houses and the present rental ceiling of Federal Government employees (BPS-1 to 22) at the six specified stations i.e. Islamabad, Rawalpindi, Lahore, Karachi, Peshawar and Quetta is annexed for guidance”.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that the PTV management allowed hiring ceiling to its 2,134 employees posted at PTVC HQ, Islamabad, different PTV units located at Islamabad and other PTV units located at all over the country.

It was however observed that the hiring facility was extended to 296 PTV employees at different PTV units located at non-specified stations. These stations were other than the stations specified by of Ministry of Housing & Works, Government of Pakistan vide No. F.2(3)/2003-Policy dated 31st July, 2004 for extension of hiring facility to Federal Government employees. An amount of Rs. 66.685 million was paid to these employees on account of hiring at non-specified stations during the year 2020-21 and 2021-22 in violation of

Government standing instructions. The PTV does not have its own policy on hiring and federal government policy is being followed in this regard. PTV was granted fund by the Federal Govt. from federal consolidated fund, therefore, the PTV management was required to follow government policies on such matters in true letter & spirit.

Thus, payment of Rs. 66.684 million on account of hiring at non-specified station in violation of Government standing instruction was inadmissible to the individuals concerned and needed to be recovered from them.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of extension of hiring facility to PTV employees at non-specified stations in violation of Government of Pakistan's instructions, fix responsibility thereof and overpaid amount may be recovered either from the individuals concerned or person(s) held responsible under intimation to Audit.

Para-30 (PTVC – 2021-22)

12.2.4.30 Non-recovery of income from advertising agencies - Rs. 480.958 million

According to Rule 5(5) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall establish a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that the management purchased various dramas of private production valuing Rs.284.149 million during the year 2021-22.

However, against total income of Rs.1, 789.779 million, PTV management could recover only a sum of Rs. 1,319.873 million from the advertising agencies leaving a balance of Rs. 480.958 million. Detail is given hereunder:

Rs. in million

Total Cost	Total Income	Total recovery	Total Outstanding
284.149	1, 789.779	1,319.873	480.958

Audit was of the view that the management was required to recover the outstanding amount from advertisers according to relevant agreements but huge amount of Rs. 480.958 million was still outstanding as on 20.09.2022 which was poor financial management.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons for non-recovery of income from advertisers; provide detail along with copy of the agreement with advertisers; fix responsibility and effect recovery from the advertisers at an early date under intimation to Audit.

Para-31 (PTVC – 2021-22)

12.2.4.31 Irregular placement of lawyers on PTV's legal penal without approval of the PTVC Board – Rs. 31.290 million

According to Ministry of Law, Justice and Human Rights letter No. F.6/1/2013-LA dated 3rd June, 2015 “Each Department/Organization/Corporation will inform Law, Justice and Human Right Division regarding number of lawyers as legal Advisor and Panel Lawyers according to its requirement, including present strength in the month of January each year”. Further, it was clarified that at in case legal fee exceeds Rs 300,000 approval of Law Ministry should be sought before the payment is made.

During audit of PTVC for the year 2021-22, it was observed that various lawyers and law firms were engaged to contest legal cases for the year 2020-21 and 2021-22 and paid a sum of Rs 31.290 million in violation of said clarification. Further it was transpired that these lawyers/ firms were engaged without prior approval of BOD and seeking concurrence from Ministry of Law, Justice and Human Rights.

Audit was of the view that management should have sought concurrence from Ministry of law. Thus, the payment of Rs 31.290 million was held irregular in audit.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons for not obtaining approval of PTVC BoD for placement of lawyers on legal panel, fix responsibility thereof; and initiate action against the officers responsible.

Para-32 (PTVC – 2021-22)

12.2.4.32 Irregular appointment of Legal Coordinator-cum-Legal Assistant – Rs. 3.575 million

The Supreme Court of Pakistan in its judgment dated January 19, 1993, in Human Rights Case No: 104 of 1992 stated that recruitments, both ad hoc and regular, without publicly and proper advertising the vacancies, is violation of fundamental rights. As such, no post could be filled without proper advertisement, even on ad hoc or contract basis.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that the management appointed Mr. Tanvir Hussain, Advocate as Legal Coordinator-cum-Legal Assistant against professional fee of Rs. 100,000 per month vide letter No. HP/249/P-A/591 dated 20th March, 2020. His title was changed w.e.f 19.08.2020 as “Coordinator (Industrial Relations and Legal Affairs)” and his remuneration was also increased to Rs. 150,000 per month vide letter No. HP/249/1393 dated 01.09.2020. His services were terminated w.e.f 06th May, 2022. A payment of Rs. 3.575 million was made on account of remuneration// professional fee to him during his period of service.

However, it was observed from record that the appointment of the officer/ Advocate concerned was made without advertising the opportunity in the newspapers. Hence, the PTVC management made violation of Supreme Court’s orders. Moreover, it was further observed that the post against which the officer concerned appointed was neither a sanctioned post nor budgetary provision was made against this post in the budget for the respective year. The concurrence of

Law & Justice Division for appointment of Advocate concerned was also not obtained.

Thus, appointment of Legal Coordinator-cum-Legal Assistant, later on changed as Coordinator (Industrial Relations and Legal Affairs) made without advertising the opportunity, without having any such sanctioned post and budgetary provision and without concurrence of Law & Justice Division and payment of Rs. 3.575 million was held irregular.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of appointment of officer/ Advocate concerned in violation of Supreme Court's orders, without having any such sanctioned post and without the concurrence of Law & Justice Division and fix responsibility thereof.

Para-33 (PTVC – 2021-22)

12.2.4.33 Non-verification of degrees of contract employees - Rs 288.902 million

According to Establishment Division D.O No.6 (28) 2011-DG-II dated March 08, 2011 the Prime Minister directed that measures should be taken to authenticate degrees/ certificates of all federal government employees of the respective ministries/ divisions, their attached departments, subordinate offices and autonomous bodies under their administrative control.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that PTV has a total of 4051 employees including 3194 regular and 857 contractual/ daily wages. According to information provided by the management regarding verification of degrees/ testimonials of employees, the management could verify the degrees of only 1,736 employees including 1,460 regular and 276 contractual/ daily wages, whereas 699 employees having middle qualification did not require degree verification.

The management could not get verified the degrees/ testimonials of 1616 employees till 31st August, 2022. This shows that management could not get the

verification of degrees of 48% of the total employees ($4051-699=3352$, $1616 \times 100 / 3352 = 48\%$) till date. The management was required to verify the degrees of employees at the time of their recruitment/ appointment which was not done. In the result of verification of degrees of employees already carried out, degrees of 43 employees have been found/ reported as fake. This practice of verification of degrees was carried out after so many years of the appointment of these employees which shows that management did not fulfill its mandatory obligation.

Audit was of the view that management violated the approved criteria of Establishment Division. Thus, the payment of Rs 288.902 million (48% of the salary expenditure of Rs. 601.879 million for the year 2021-22) to employees on account of their pay & allowances without observing the appointment criteria was held irregular in audit.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons due to which degrees of employees could not be verified till date in violation of Establishment Division's instructions and fix responsibility thereof.

Para-34 (PTVC – 2021-22)

12.2.4.34 Non-transparent appointment of staff - Rs. 24.960 million

According to Recruitment Policy for the Federal Services/ Autonomous Bodies/ Corporations issued by the Establishment Division vide OM No. F.53/1/2008-SP dated 22nd October, 2014, initial appointment shall be made strictly in accordance with the provisions contained in Recruitment Rules of the post concerned. In the absence of Recruitment Rules, Ministries/ Divisions/ Attached Departments/ Subordinate Offices/ Autonomous Bodies/ Semi-Autonomous Bodies/ Corporations/ Companies/ Authorities etc. are first required to frame the Recruitment Rules and lay down the eligibility conditions for such appointments. No recruitment shall be made in the absence of approved Recruitment Rules. Required qualification and age limit as provided in the

Recruitment Rules including age relaxation should also be clearly laid down in the advertisement.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that PTV management published an advertisement in the Daily Khabrain to invite the applications from the market for appointments as Anchors, News casters, News Editors, Reporters, Producers, Script Writers, Background Voice Over, Makeover, Content Developer/ Writer and Concept Developer. It was further added in the advertisement that applicants will be assessed periodically for any emerging roles required as part of Strategic HR requirements of the Organization. As and when required, the candidates will be shortlisted from this database for interviews and final selection.

PTV management appointed 23 employees in different cadres during 2021-22 on the basis of above advertisement. However, it was observed from record that required qualification, experience and age limit for each post was not mentioned in the advertisement. In absence of required qualification, experience and age limit, transparency in appointments could not be achieved. This showed that advertisement published in the newspapers was defective and against the laid down procedure and appointments were made on the sweet will of PTV management.

Audit was of the view that non-transparent appointments of individuals were made against defective advertisement, thus these appointments and payment of pay and allowances Rs. 24.960 million were held irregular.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter at appropriate level for non-transparent appointments made against defective advertisement and fix responsibility thereof.

Para-35 (PTVC – 2021-22)

12.2.4.35 Irregular engagement of lawyers without approval of Ministry of Law & Justice - Rs. 6.030 million

According to Ministry of Law, Justice and Human Rights letter No. F.6/1/2013-LA dated 3rd June, 2015 “Every Government Department or Semi Government or Public Corporate Body shall seek concurrence of the Law, Justice and Human Rights Division for engage of lawyer where professional fee exceeds Rs. 300,000 (Rs. Three Lac). In such a case, the concerned Department will send a panel of at least three Advocates for selection alongwith proposed professional fee for approval of the Law, Justice and Human Rights Division. Failure to do so, will render the engagement of Advocate/ Counsel etc., void and no ex post facto approval will be allowed”.

According to Rule 5(5) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall establish a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety, especially with respect to handling of public funds.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that the management engaged various lawyers and law firms for representing PTVC in various courts in 11 cases where legal fee was Rs. 300,000 or above without approval of the Law & Justice Division, Government of the Pakistan.

Audit was of the view that the management was required to get the approval of the Ministry of Law & Justice for the engagement of above legal counsels and lawyers alongwith their legal fee after following the prescribed procedure. However, no approval was obtained and lawyers were engaged at exorbitant rates without approval of the competent authority. The matter was brought into the notice of PTVC Board in its 245th meeting held on January 01, 2021 regarding non-compliance of Government directives by the Managing Director, PTVC without approval of the concerned Ministry. The Board recorded displeasure for non-compliance of rules by Managing Director, PTVC and decided that the amount paid to lawyers by the Managing Director would be recoverable from him, particularly when they were not budgeted.

Keeping in view the above, the engagement of legal counsels/ lawyers and payment of Rs. 6.030 million made to them on account of their legal fee without approval of Ministry of Law & Justice was held irregular.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons for not obtaining the approval of Ministry of Law and Justice for engagement of legal counsels/ lawyers and fix responsibility thereof.

Para-36 (PTVC – 2021-22)

12.2.4.36 Unauthorized/ unjustified grant of honorarium to ineligible PTV employees – Rs. 6.346 million

According to National Assembly Secretariat (Committee Wing) letter F.No.3(4) /2021-Com-I (Vol-I) dated 10th December, 2021 “the August House has approved the grant of Honorarium equal to three basic pay to the employees of following ministries/ divisions/ departments/ offices (PTV was included among sixteen organizations) who served during the Budget Session 2021-22 on full time basis (i.e. from morning till evening).

During audit of PTVC for the year 2021-22, it was observed that the management paid honorarium amounting to Rs. 6.346 million to 58 employees equivalent to three basic pays as on 30.06.2021 in compliance of National Assembly Secretariat (Committee Wing) letter F.No.3(4) /2021-Com-I (Vol-I) dated 10th December, 2021.

However, it was observed from record that according to directions of National Assembly Secretariat, the honorarium was required to be granted to those employees who served during the Budget Session 2021-22 on full time basis (i.e. from morning till evening). The office order/ duty roster of employees showed that only 10 individuals performed full time duty during Budget Session. This showed that honorarium to 48 ineligible employees was paid.

Keeping in view the above facts, payment of honorarium to 48 ineligible employees was held unauthorized/ unjustified and in this way undue favour was extended to ineligible employees at the cost of Corporation.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of payment of honorarium to ineligible employees and fix responsibility thereof. Besides, immediate steps be taken for recovery of unauthorized payment of honorarium from either the beneficiary or person(s) held responsible for unauthorized payment.

Para-37 (PTVC – 2021-22)

12.2.4.37 Non-transparent hiring of anchors and payment of salary in violation of BoD's directives – Rs. 28.956 million

According to Recruitment Policy for the Federal Services/ Autonomous Bodies/ Corporations issued by the Establishment Division vide OM No. F.53/1/2008-SP dated 22nd October, 2014, initial appointment shall be made strictly in accordance with the provisions contained in Recruitment Rules of the post concerned. In the absence of Recruitment Rules, Ministries/ Divisions/ Attached Departments/ Subordinate Offices/ Autonomous Bodies/ Semi-Autonomous Bodies/ Corporations/ Companies/ Authorities etc. are first required to frame the Recruitment Rules and lay down the eligibility conditions for such appointments. No recruitment shall be made in the absence of approved Recruitment Rules. Required qualification and age limit as provided in the Recruitment Rules including age relaxation should also be clearly laid down in the advertisement.

According to Agenda Item No:3 of the 243rd meeting of PTVC Board of Directors dated: December 07, 2020, the Board approved termination of the services of professionals/ contract employees who are drawing salary above Rs.350,000 per month and their termination letters be issued on the same day positively with the signature of Director Admn and the Chairman.

During audit of PTVC for the year 2021-22 it was observed that the management hired the services of four employees during 2021-22 and a payment of Rs. 28.956 million was paid to them up to 30.09.2022;

However, it was observed that these employees were hired against a general advertisement dated 17.06.2021 published in the newspaper without giving any required qualification, experience and upper age limit against each

post. In the advertisement, only name of post was given without mentioning no. of post, required qualification, experience and upper age limit.

It was further observed from record that pay of these employees was fixed at exorbitant amount despite the fact that PTVC Board of Directors in its 243rd meeting held on December 07, 2020 under Agenda Item No: 3, approved termination of the services of professionals/ contract employees drawing salary above Rs. 350,000 per month and their termination letters were to be issued on the same day positively with the signature of Director Admn and the Chairman.

Moreover, pay of an employee i.e. Mr. Aun Abbas Sahi was enhanced from Rs. 349,000 to Rs. 505,000 during the currency of the contract period. Thus, increase in pay of the employee i.e. Rs. 156,000 per month during the currency of the contract period was unauthorized and Rs. 714,581 were overpaid by extending undue favour to the employee concerned.

Thus, appointment of above mentioned four employees against the laid down criteria, fixation of pay in violation of BOD's directives and payment of Rs. 28.956 million was held irregular.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate at appropriate level the reasons for appointment of employees against the laid down criteria and fixation of pay in violation of BoDs directives; fix responsibility thereof; and unauthorized increase in pay during currency of the contract period resulting into overpaid amount be recovered from the concerned beneficiary under intimation to Audit.

Para-38 (PTVC – 2021-22)

12.2.4.38 Irregular grant of qualification allowance - Rs. 4.476 million

The Finance Division (Regulation Wing), vides its letter No. F.15 (5) R.14/91 – 423 dated 25.6.1992 notified its directions for members of Board of Director of the Corporations/ Companies wherein Government owns major or party shares, not to allow excess benefits to the employees of the Corporations

which are otherwise not admissible under the Government policy. The Finance division vide its letter dated 29.6.1999 further clarified that no corporation will announce the revision of salary/allowances structure without prior approval of the competent authority.

During audit of Pakistan Television Corporation for the year 2021-22, it was observed that the BoD of PTV in its 202nd meeting held on 04 July, 2013 approved to revise the rate of qualification pay/ allowance w.e.f 01 July, 2012.

i. MBA/MPA/M.Com/B.Sc. Engg/ BE	Rs. 2500.00 to Rs. 2750.00
ii. MA.LLB	Rs. 2000.00 to Rs. 2250.00
iii. B. Tech (Hons)	Rs. 2000.00 to Rs. 2500.00

The Board has also approved to grant Qualification Pay to the employees on acquiring/ possessing of following Qualification/ Degrees;

i. M. Phill	Rs. 2750.00
ii. AICS/ FICS	Rs. 2750.00
iii. Master of Fine Arts (MFA)	Rs. 2750.00

The Board of Directors in its 216th meeting held on 10 May, 2018 approved to abolish the qualification pay in its present form and in future, qualification pay/ allowance will be admissible only on acquiring of a relevant higher qualification, compared to the job qualifying one, if acquired during service with PTVC.

Service Rules of PTVC has not been vetted by the Establishment Division, thus, the PTV management was required to get the approval of Finance Division/ Establishment Division prior to grant of any extra benefit to its employees that was otherwise not allowed to the civil servants. But in this specific case no such approval/concurrence was sought from the Finance Division and the benefit was granted by the Board of Directors

Thus, the grant of extra benefit of qualification pay and payment there-against amounting to Rs 4.476 million from July, 2021 to September, 2022 was held irregular/un-justified.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the causes due to which the extra financial benefit was granted without the approval of Federal Govt. fix responsibility thereof; and matter may be taken up with Finance Division for necessary approval and till that time stop further payment on this account.

Para-39 (PTVC – 2021-22)

12.2.4.39 Irregular appointment of anchor persons – Rs. 23.868 million

According to Recruitment Policy for the Federal Services/ Autonomous Bodies/ Corporations issued by the Establishment Division vide OM No. F.53/1/2008-SP dated 22nd October, 2014, the vacancies in Ministries/ Division/ Department/ Autonomous Body/ Corporation, according to the Provincial/ Regional quota etc. shall be advertised through widely published National/ Provincial/ Regional Newspapers.

The Supreme Court of Pakistan in its judgment dated January 19, 1993, in Human Rights Case No: 104 of 1992 stated that recruitments, both ad hoc and regular, without publicly and proper advertising the vacancies, is violation of fundamental rights. As such, no post could be filled without proper advertisement, even on ad hoc or contract basis.

During audit of PTVC for the year 2021-22, it was observed that the management made contract appointment of seven (7) anchors during the year 2021-22 and payment in lieu of pay and allowances valuing Rs. 23.868 million was made to them during the contract period.

It was observed from record that these anchors were appointed without advertising the opportunity in newspapers. Hence, these appointments were made in violation of the prescribed criteria and Supreme Court's orders referred above.

Audit was of the view that the management was required to get the requirement advertised in the newspapers to fetch healthy competition as today, there are lot of private channels where huge talent is available to compete on such posts. However, no advertisement in the newspapers was published which shows that individuals of personal choice were appointed and in doing so, undue favor was extended to them by violating the prescribed procedure as well as Supreme Court's orders.

Thus, appointments of Anchors made without advertisement and payment of Rs. 23.868 million during 2021-22 was held irregular.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons for the irregular appointment without advertisement; fix responsibility; and take disciplinary action against the officers responsible for the irregular appointment without advertisement.

Para-40 (PTVC – 2021-22)

12.2.4.40 Irregular hiring of employees without advertisement - Rs. 29.785 million

According to Recruitment Policy for the Federal Services/ Autonomous Bodies/ Corporations issued by the Establishment Division vide OM No. F.53/1/2008-SP dated 22nd October, 2014, the vacancies in Ministries/ Division/ Department/ Autonomous Body/ Corporation, according to the Provincial/ Regional quota etc. shall be advertised through widely published National/ Provincial/ Regional Newspapers.

The Supreme Court of Pakistan in its judgment dated January 19, 1993, in Human Rights Case No: 104 of 1992 stated that recruitments, both ad hoc and regular, without publicly and proper advertising the vacancies, is violation of fundamental rights. As such, no post could be filled without proper advertisement, even on ad hoc or contract basis.

During audit of PTVC for the year 2021-22 it was observed that the management hired the services of 12 employees against different posts on contract basis and a payment of Rs. 29.785 million was made during 2021-22.

However, it was observed that these employees were hired without advertisement in the newspapers which was against the prescribed criteria and Supreme Court's orders for hiring of employees.

Audit was of the view that the recruitments without advertisement were irregular as these were made in violation of prescribed procedure and Supreme

Court's orders and in doing so, merit was compromised. Hence, payment of Rs. 29.785 million on account of pay and allowances was held irregular.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons for hiring of employees without advertisement and fix responsibility.

Para-41 (PTVC – 2021-22)

12.2.4.41 Non-submission / finalization of PC-IV of completed projects - Rs. 189.149 million

According to Clause-3.33 of the Guidelines for project management issued by Planning Commission of Pakistan, under the heading Project Completion/ Closure, “the final stage of the project is its completion. The project is considered to be completed/ closed when all the funds have been utilized and objectives achieved, or abandoned due to various reasons. At this stage the project has to be closed formally and reports had to be prepared on overall level of success on a proforma PC-IV and forwarded to the respective authorities”.

During audit of PTVC for the year 2021-22, it was observed that 05 numbers of different projects at a total cost of Rs.189.149 million against the approved cost had been completed by the PTVC management. Detail is as under:

Sr. No.	Name of Projects	PC-I Cost (Rs. in million)	Completion Cost (Rs. in million)	Date of completion
1.	RBS Gahkuch	47.738	31.116	31.12.2015
2.	RBS Khaplu		42.518	04.12.2013
3.	RBS Jaglot/Bunji	52.139	35.362	31.12.2015
4.	RBS Dasu	32.675	22.449	31.12.2006
5.	RBS Besham	57.700	57.704	31.06.2009
		190.252	189.149	

However, it is worth mentioning here that the PTVC management failed to submit PC-IVs of the respective projects worth Rs. 189.149 million to the Competent Authority to evaluate the said projects despite lapse of a considerable

period of 5-8 years since their completion. Non-submission of PC-IVs resulted into doubtful completion of the Projects.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter of non-adhering to the laid down government procedure, fix responsibility thereof. Besides, immediate steps be taken for submission of PC-IVs of the respective Projects under intimation to Audit.

Para-42 (PTVC – 2021-22)

12.2.4.42 Irregular appointment of contract employees on bogus degrees – Rs. 44.622 million

According to D.O No: 6(28)2011-DG-II dated: March 08, 2011, the Prime Minister has been pleased to direct that measures should be taken to authenticate degrees/ certificates of all Federal Government employees of the respective ministries/ divisions, their attached department, subordinate offices and autonomous bodies under their administrative control.

During audit of PTVC for the year 2021-22, it was observed that the management appointed the following employees in PTV in the years mentioned against each. The management did not get their degrees verified from the respective Boards/ Universities at the time of appointment. The process of verification of degrees was carried out after 8 to 27 years of the appointment of these employees. It revealed on verification of their educational degrees that their degrees were fake/ bogus which resulted into the termination of their services. Details of the terminated employees with pay and allowances are as under;

S. No.	Name	Designation	Date of joining	Date of termination	Pay and allowances (Rs.)
1.	Mr. Muhammad Adeel Uddin	Marketing Officer (Traffic) G-5	30.12.2010	06.01.2021	6,965,516
2.	Ms. Anjum Ayub	Senior Graphic Designer G-6	02.01.2013	02.06.2021	6,286,767
3.	Ch. Jamshed Ali	Admin Assistant G-4	14.07.1997	24.06.2021	7,694,543

4.	Mr. Jalil Ur Rahman	Assistant Admin Officer G-5	16.12.1989	25.06.2021	13,618,213
5.	Mr. Muhammad Fazil	Admin Assistant G-5	17.10.1993	22.10.2021	10,056,968
	Total				44,622,007

Audit was of the view that that the process of verification of degrees should have been initiated just after the appointment of employees instead of lapse of years (decades in some cases). This was serious slackness on the part of management. This also raised questions on the hiring of employees in the first place and seemed extension of undue favor to fake degree holders at the cost of those qualified persons who were deprived of the benefit of merit. Other implications included filing of criminal cases against these employees were still pending.

This resulted into irregular appointment of employees on bogus degrees and payment of pay and allowances valuing Rs. 44.622 million.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends that the reasons for non-verification of degrees within a short period of time may be explained; fix responsibility; and take disciplinary action against the staff that appointed these employees without verification of their degrees.

Para-43 (PTVC – 2021-22)

12.2.4.43 Loss on discount and irregular purchase of medicine without tendering – Rs 9.017 million

Para 12 of the PPRA 2004 rules requires, that procurement over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani Rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.

According to section 42 (iv) of PPRA, the procurement should be made from the supplier offering the lowest price.

According to section 4 of PPRA, 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.

During the review of record of PTVC for the year 2021-22, it was observed that the management of PTVC approved seventeen (29) medical stores/ pharmacies for PTVC Head Office employees without advertisement and a discount of 5%-10% was allowed on the purchase of medicines by the employees according to their needs/doctor's prescription. There were no comprehensive procedure/rules for hiring of chemists.

It was further noted that all these medical stores were hired without entering into competitive bidding and a minor discount of 5%-10% was being granted by chemists. The payment of Rs 9.017 million was made to two chemists / medical stores for the purchase of medicines for the employees of Head office during the years 2021-22. Further, it was noted that neither detail of approved medical stores/ pharmacies for the employees of PTV- Centers and regional offices was provided to audit nor the record of total payment made to chemists /medical store was provided. Record of Payment made to only two chemists M/s Nelson Chemist, Mall Road Saddar and M/s Walton Medicines Chemist & Druggist, Islamabad on account of purchase of medicines by employees of PTV head office was provided.

Audit was of the view that the management of PTVC should have floated tender annually or biannually for hiring of chemists/ medical stores for their employees to have healthy competition to avail maximum discounts on medicines but PTVC management did not avail this opportunity. The action of the management for non-entering into the competitive bidding for purchase of medicines worth Rs. 9.017 million was considered as irregular and unjustified.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter for fixing responsibility.

Para-44 (PTVC – 2021-22)

12.2.4.44 Irregular expenditure on empaneling hospitals without tendering system / competition - Rs. 40.584 million

Para 12 of the PPRA Rules 2004 requires that procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani Rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.

According to Para 42 (iv) of PPRA, the procurement should be made from the supplier offering the lowest price. According to Para 4 of PPRA, 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.

During the audit of Pakistan Television Corporation for the year 2021-22, it was observed that an expenditure of Rs 40.584 million was reimbursed by the employees of PTVC Head Office on account of payment to different private hospitals / Labs which were on the panel of the PTVC for providing different medical facilities Audit observed the following:

- i The hospitals/clinics/Labs were taken on the panel without competitive bidding process by advertisement in the newspapers to achieve the most competitive bids in violation of the PPRA rules.
- ii Labs /Hospitals were not technically and financially pre-qualified for providing the medical services.
- iii Government hospitals were ignored in providing the medical facilities and thus private hospitals were benefited at the cost of the public exchequer.
- iv Fees charged by Private Hospitals / Clinics/ Lab Tests were not compared with rates/ fees charged against facilities provided by Government Hospitals/ labs, which were very high as compared to the approved government rates.

- v Party wise detail of expenditure incurred by hospitals/ clinics / labs / medical stores was not provided to audit due to which actual expenditure incurred by each, could not be verified.
- vi No proper budgeting was made to restrict the hospitals to the approved limits set for each medical facility.
- vii Cost per patient of each hospital was varying with each other and management failed to control the cost per patient and thus panel hospitals were benefited.
- viii Hospital bills were not got verified from the Federal Dispensary/ hospital to authenticate the genuineness of the bills.
- ix Total expenditure incurred at Centers and Head office for the year 2021-22 was not provided to audit.

Audit was of the view that due to lack of managerial control and lack of interest of the management, the corporation ignored Government hospitals and Labs for tests and approved private Specialist, Doctors, Hospitals and Labs on panel. That resulted into huge expenditure in this regard which was considered a violation of medical policy of Finance Division and PPRA Rules 2004 as well.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends that agreement with Private Doctors / Hospitals may immediately be terminated and employees be advised to avail health facility through Sehat Sahulat Cards.

Para-61 (PTVC – 2021-22)

12.2.4.45 Irregular procurement of equipment by splitting - Rs 34.939 million and loss due to purchase at higher rate - Rs 12.262 million

According to PPRA clause-9, Save as otherwise provided and subject to the regulation made by the Authority, with the prior approval of the Federal Government, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's

website as well as on the website of the procuring agency in case the procuring agency has its own website.

According to PPRA clause-12 (2), all procurement opportunities over **three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu”.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that letter of Intent for import of Non-Linear Editing System with allied equipment from M/s Apple through third parties i.e. M/s Alpine and M/s Hajvery was issued on 19.05.2021 valuing 153,150 (USD) under PSDP funds and on 30.06.2021 valuing AED 266,780 under capital budget respectively by splitting the purchase in question. Both items of equipment have the same specifications.

It was further noted that equipment was procured through Letter of Credits from M/s Apple through third parties and letter of intents were issued to third parties difference of only one month period. It is worth to mention here that both firms i.e. M/s Alpine and M/s Hajvery were technically prequalified in both cases and each firm rejected in alternate cases in financial evaluation due to high bid. This seems as both companies were obliged by management by splitting the procurement of same item which caused a loss of Rs 12.262 million shown as below:

Sr. #	Equipment	Amount	Rate of FC in Pak Rs.	Amount (Rs)	Difference
1	Non Linear Editing System	153,150 (\$)	154.10	23,600,415	12,262,265
2	Non Linear Editing System	266,780 AED	42.50	11,338,150	
	Total			34,938,565	

Audit was of the view that non-preparation of annual procurement plan caused irregularities in the procurement plan and splitting of procurement was done to avoid the procedures for availing competitive and economical rates from open market.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons for procurement of equipment on split basis. Further, inquire the matter at administrative level besides fixing responsibility on the person(s) at fault.

Para-46 (PTVC – 2021-22)

12.2.4.46 Unauthorized reimbursement of medical claims in presence of Sehat Sahulat Program - Rs 40.584 million

According to Sehat Sahulat Program launched by Federal Government, all permanent residents living in the Capital territory of Islamabad, Punjab, KP, AJK, Gilgit Bultistan and District of Tharparkar are eligible to avail health facility without any discrimination by registering themselves online with the agency providing healthcare facility.

During the audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that the management of PTVC hired the services of Medical Advisor, Chief Medical Officer, Medical Officers at Islamabad and Rawalpindi for PTV employees. Moreover, PTVC management also hired the services of Specialists of different diseases, Private Hospitals, Govt. Hospitals, Davakhanas, Homeopathic Doctors for providing health facility to their employees and a total payment of Rs 40.584 million was reimbursed during the year 2021-22 for PTVC employees at Head office Islamabad. Detail record of total expenditure in respect of medical claims at all centers of PTVC in Pakistan was not provided to audit. On the other hand, it was noticed that the Government has provided health facility through Health Cards for major areas of Pakistan including for the residents of the entire province of Punjab.

Audit was of the view that the management of PTVC should not have hired services of Private Doctors because government of Pakistan had already paid premium to Insurance Companies for residents of Pakistan. The action of the management to make agreements with Private Doctors, Hospitals and reimbursement of fees of Private doctors/ hospital instead of Government hospitals / Health Insurance Cards without consultation with government was considered irregular and unauthorized payment on this account.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends that agreement with Private Doctors / Hospitals may immediately be terminated and employees may be advised to avail health facility through Sehat Sahulat Cards.

Para-47 (PTVC – 2021-22)

12.2.4.47 Irregular appointment after resignation, grant of seniority after re-employment, regularization of services, promotions and fixation of pay - Rs. 12.568 million

According to Cabinet Secretariat (Establishment Division) letter No. 06/02/2000, the appointments on contract basis in Autonomous/Semi-Autonomous bodies, Corporation, Public Sector Companies etc. can be through open advertisement in the leading and regional Newspapers indicating prescribed Academic and professional qualification, experience, age provincial/regional quotas etc.

According to PTV Service Rules Clause No. 5.19, “the Managing Director may, at his discretion, offer re-employment against an established vacancy to an employee of the corporation who had satisfactory record of service during the period of his previous service in the Corporation. But such re-employment will, however, not give any claim to the re-employed person to the seniority over others already in service in similar posts at the time of his re-employment, or to any other benefits”.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that the management appointed Mr. Rehan Ali as Trainee (HR) on contract basis w.e.f 01.11.2005 after following proper procedure. He was placed at Sr. No. 9 in seniority list of employees appointed in same cadre in this recruitment process. Mr. Rehan Ali, Tr (HR) tendered his resignation from PTV Service on 01.01.2008 owing to the reason that he was offered a job in another organization. Record shows that due to some domestic problems, he could not continue his services in other organization and requested PTV management to re-join/ re-employ in PTV. His request was accepted by the PTV management by obtaining MD’s approval and he was re-employed vide fresh appointment letter dated March 31, 2008 and joined w.e.f 01.04.2008. He was placed at Sr. No. 21 in the seniority list of Tr (HR) of his group which have been re-designated as Resource Persons (APO) after completing their

probationary period of two years w.e.f 20.02.2008. As his re-employment was made without advertising the opportunity in newspapers, hence re-employment was held irregular.

In the meanwhile, the then Government announced regularization of the services of temporary employees subject to completion of two years' service. Mr. Rehan Ali, RP (APO) requested for considering his date of joining in PTV service as 01.01.2005 instead of 01.04.2008. His request was acceded to by the MD, PTV by re-instating his services from 01.11.2005 and treated his out of service period after resignation as "Leave without Pay". Thus, undue favour was extended by the PTV management to the officer concerned for providing him opportunity to get his services regularized. The approval of Managing Director was accorded in violation of provisions of PTV's own Service Rules mentioned above, hence held irregular.

Keeping in view the above, re-employment of an employee without advertising the opportunity in newspapers, granting him seniority from the previous date and his promotions made against that seniority and payment of Rs. 12.568 million made on account of pay & allowances was held irregular.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of extension of undue favour to the officer concerned in violation of PTV's own Service Rules as well as Government instructions and fix responsibility thereof.

Para-48 (PTVC – 2021-22)

12.2.4.48 Unauthorized appointment of employees against non-sanctioned posts - Rs. 63.083 million

According to PTVC Service Rules 3.12 Establishment, means approved staff strength indicating the designation, group, pay scale, and number of posts sanctioned for each separate unit from time to time by the Managing Director. Moreover, as a general establishment rule, available strength / holding should not exceed the sanctioned strength/rationalization.

During Audit of Pakistan Television Corporation (PTVC) for the year 2021-22 it was observed that PTVC had appointed 143 employees during last three years against non-established posts.

It was further observed that the management of PTVC made appointments on these non-sanctioned/ non-established posts without having any budgetary provisions in the budgets of the respective years.

Appointments of officers/ officials on non-sanctioned/ non-established posts without having any budgetary provision showed poor managerial control in the organization which resulted in unauthorized extra expenditure of Rs. 63.083 million on account of pay and allowances.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons for non-complying limit of approved sanctioned strength and fix responsibility thereof.

Para-49 (PTVC – 2021-22)

12.2.4.49 Posting of Managing Director by government in violation of Article of Association of the Corporation

According to Clause XVII-96(1) of Article of Association, there shall be a Chief Executive of the company who shall be appointed in the manner provided in section 196 and 199 of the Ordinance by Board amongst the Directors representing the Government of Pakistan. He may be termed as the Managing Director. Accordingly, they shall be from private sector and their term of office shall be as provided in the Ordinance.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that in last ten years 12 officers were appointed Managing Directors PTVC and nine (7) officers out of twelve were posted/ appointed on additional / acting charge during the period April 2013 to September 2022. These nine postings ranging from 15 days to 09 months period were made in violation of Articles of Association of the Corporation according to which term of Managing Director would be of 03 years. Details given below:

Sr. No.	Name	From	To
1	Eng. Qazi Mustafa Kamal (acting)	16.04.2013	13.01.2014
2	Dr. Nazeer Saeed Sec. M/o IB&NH (add. Charge)	14.01.2014	26.02.2014
3	Muhammad Malick	27.02.2014	26.02.2016
4	S.M. Imran Gardezi Sec. M/o IB&NH (add. Charge)	29.02.2016	30.07.2016
5	Ms. Saba Mohsin, Secretary M/o IB&NH (add. Charge)	03.08.2016	03.02.2017
6	Lt. Col.(R) Hassan Immad Mohamedi, DAP/DMD (Add.Charge)	07.11.2018	10.04.2019
7	Mr. Arshad Khan	11.04.2019	13.06.2019
8	Mr. Aamer Manzoor	14.06.2019	14.04.2022
9	Syed Mubashar Touqir Shah, Add. Sec. M/o IB&NH (add. Charge)	15.04.2022	01.09.2022
10	Mr. Sohail Ali Khan, Add Sec. M/o IB&NH (add. Charge)	02.09.2022	Till date

It was further observed that post of Managing Director is vacant since 14.04.2022 and posting of (7) Managing Directors on acting / additional charge basis showed a complete disregard to the significance of the corporation. There was a lack of continuity in the leadership of the corporation which hampered the achievement of objectives and implementation of policy decisions.

Audit was of the view that appointment should have been made on permanent basis for three years according to Article of Association and due to lack of continuity in top management, PTVC failed to achieve its objectives / targets.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reasons for non-appointment of Managing Director on permanent basis, besides, appointment of permanent Managing Director of PTVC be ensured to comply the provisions of Articles of Association.

Para-50 (PTVC – 2021-22)

12.2.4.50 Irregular investment and imprudent financial management of CP Fund of Rs 440.00 million and loss of Interest - Rs. 1.405 million

According to Para-6 of Office Memorandum issued by Finance Division dated 02 July 2003, before making any investment under this policy, it would be necessary for public sector entities to set up in-house professional treasury management functions. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority. Transactions above the limit of the approving authority of the IC will be subject to approval of the Board of Directors or an equivalent forum. However, it will be necessary for public sector enterprises to use the services of professional fund managers approved by SECP.

During the audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was noted that management of PTVC made investment of funds Rs 80.00 million as contributory amount in Habib Bank Limited on February 17, 2022 @ 10.75% whereas, the Managing Director approved trust rate for this investment @ 11% vide noting OM No. 5 & 8 on 01.02.2022. Further audit found the following deficiencies as detailed hereunder;

1. Management did not approach to scheduled banks for obtaining competitive rates whereas, just a letter/ email was sent to Habib bank and Askari bank for calling interest rates against investment of Rs 80.00 million and 70.00 million respectively.
2. No input was found from Board of trustee to manage funds regarding investment of CP Fund in violation of PTV-CPF rules 2008.
3. Investment of CP Funds at lower profit rate @ 0.25% (11%-10.75%) caused a loss of Rs 200,000
4. Rates were offered from HBL @ 11% on 27.12.2021 whereas, investment was made @ 10.75% for one year on February 17, 2022 after lapse of 50 days which caused loss of Rs 1,205,479 ($\text{Rs } 80,000,000 * 11\% = 8,800,000 / 365 * 50 = \text{Rs } 1,205,479$)
5. Another Investment of Rs 80.00 million @ 14.90% was made in HBL for one year on 20.06.2022 as well as in Askari bank Rs 130.00 million and Rs 150.00 million at interest rate of 15.20% and 15% respectively without getting competitive rates from scheduled banks. No documentary evidence was available for calling rates from scheduled banks to ensure best investment of CP funds.

6. All Investments regarding CP Fund Rs 440.00 million (Rs 80 million + Rs 80 million + Rs 130 million + Rs 150.00 million) was made without getting approval of Managing Director as well as Board of Trustee in violation of PTV-CPF rules 2008.

Audit was of the view that management should have made the said investment after getting competitive rates from scheduled banks in compliance of directives of Finance Division to get maximum profit as well as safeguard the contributory pension funds of employees with approval of competent authority of PTVC. Further, the whole process of the investment was required to be routed through Investment Committee of Board which was not done.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reasons of non-calling of competitive rates from scheduled banks for investment of CP Fund, beside justify the reasons for non-obtaining approval of competent authority as per CPF rules and recover the loss for making investment of funds at lower profit rates from the person(s) concerned.

Para-53 (PTVC – 2021-22)

12.2.4.51 Loss of interest on CP Fund due to non-obtaining of exemption certificate - Rs 10.587 million

According to 6th Schedule to the Income Tax Ordinance 2001, all Provident Funds/ Gratuity Funds/ Superannuation Funds (funds for employee's benefits) are to be registered under Trust Act and their approval may be sought from Income Tax authorities for exemption purposes.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that an amount of CP Fund (Contributory Provident Fund) of Rs 160.00 million was deposited in Habib Bank Limited at markup interest rate @ 10.75% for Rs 80.00 million and 14.90% for Rs 80.00 million. Further an amount of Rs 130.00 million and Rs 150.00 million was invested in Askari bank at interest rate of 15.20% and 15% respectively for a period of one year. It was

also noted that monthly contribution of CP fund was being placed in saving account of HBL and earned DPA monthly profit on this account whereas, due to non-registering CP Fund, an amount of Rs 1.167 million was deducted as withholding tax (WHT) on profit by Banks during the period from July 2020 to September 2022.

It was further noted that an amount of Rs 9.42 million would be deducted as WHT by banks on above investments amounting to Rs 440.00 million on maturity date i.e. one year as given below due to non-availability/ existence of exemption certificate which caused loss to the CP fund account of employees.

(Rs in million)

Bank Name	Investment	Rate of Interest %	Profit on maturity	WHT on Profit
Habib Bank limited	80.00	10.75	8.60	1.29
Habib Bank limited	80.00	14.90	11.92	1.79
Askari Bank Limited	130.00	15.20	19.76	2.96
Askari Bank Limited	150.00	15.00	22.50	3.38
Total Investment	440.00			9.42

Audit was of the view that management of PTVC should have been obtained exemption certificate from Income tax authorities to avoid deduction of WHT from banks and safeguard employees CP Fund. Thus, due to mismanagement of investment of CP Funds in banks, Loss of Rs 10.587 million (Rs 9.42 million + Rs 1.1167 million) incurred is held irregular in audit.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reasons of non-implementation of CP Fund rules 2018 approved by PTVC BOD in respect of making Board of trust for management of funds and to get registered with Trust Act besides fixing the responsibility on the person (s) at fault.

Para-54 (PTVC – 2021-22)

12.2.4.52 Non-appointment of chartered accountants for annual audit of PTVC and Non-provision of draft accounts

According to Clause-150 of the Articles of Association of PTVC, the company at the Annual General Meeting in each year shall appoint an Auditor or Auditors to hold office until the next Annual General Meeting and the following provisions shall have effect, that is to say: if an appointment of an Auditor is not made at any Annual General Meeting, the Authority may appoint an Auditor of the Company for the current year.

During audit of Pakistan Television Corporation (PTVC) for the year 2021-22, it was observed that the AGM /BoD did not appoint the chartered accountants for the annual audit of the company for the year 2021-22 till October 25, 2022 which resulted in violation of Clause-150 of the PTVC Articles of Association. It is presumed that the management would also not able to present annual audited accounts for the year 2021-22 to AGM within prescribed period of one hundred and twenty days following the close of financial year as annual audited accounts for the year 2019-20 could not be finalized till date and the audit of the annual account for the year 2020-21 could not be started till date.

Furthermore, during audit for the year 2021-22, PTVC management did not provide draft accounts of the company for the year 2019-20 and 2020-21.

Audit was of the view that the AGM/ BoD of PTVC was required to appoint auditors for annual audit of PTVC for the year 2020-21 and 2021-22 but no auditor was appointed in violation of clause-150 of the PTVC Articles of Association which was held irregular. The management was also required to prepare draft annual accounts of PTVC for the year 2020-21 but same were neither prepared nor provided to Audit Party which was also held irregular.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain non-appointment of chartered accountants for annual audit of 2021-22, also explain the reasons for non-preparation of draft annual accounts of PTVC for the year 2020-21; fix responsibility and take disciplinary action against the persons responsible for non-confirmation of opening balances.

Para-59 (PTVC – 2021-22)

12.2.4.53 Non-recovery of receivables and provision of business to defaulter firms- Rs. 3,927.816 million

According to Corporate Governance Rules 2013 (2A) “Criteria for sound and prudent management” (1) For the purposes of these rules, the following shall be the criteria for sound and prudent management of a Public Sector Company, which shall be bound to comply with it at all times namely:(a) the business of the Public Sector Company is carried on with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities. Furthermore according to clause 5 (5) The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders, in the following manner, namely:- (a) the principle of probity and propriety entails that company’s assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage.

During Audit of Pakistan Television Corporation (PTVC) for the year 2021-22 it was observed that PTVC had accounts receivables to the tune of Rs. 2,766.055 million detailed as under:

	Receivables over 01 year Rs	Receivables over 03 year (Rs)	Receivables over 05 year. (Rs)	Receivables over 10 year. (Rs)	Total
Receivables advertising agencies	419,374,139	472,866,193	1,873,815,448	-	2,766,055,780
Foreign Receivables	-	-	366,278,819	107,511,433	473,790,252
TAJ TV Mauritius	-	-	71,780,004		71,780,004
Receivables from GoP	-	-	-	18,311,478	18,311,478
Misc. Receivables	-	-	26,444	597,852,240	597,878,684
Total					3,927,816,198

The management of PTVC should have made concrete efforts to recover the long overdue amounts from the parties at earliest and should have not entered

with more business with the firm as it has been noticed that many firms having huge overdue amounts for more than 05 years are still given business.

Audit was of the view that the management remained non-vigilant by not collecting the sums timely and had deprived PTV of the money. This had also caused loss due to PTVC in terms of time value of money. Audit is also of the view that PTVC had provided business to firms having adverse credit performance as many debtors had fresh balances as well.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons for non-collection of long overdue amounts, intimate reasons for provision of business to firms despite poor credit history and fix responsibility thereof.

Para-61 (PTVC – 2021-22)

12.2.4.54 Non-transparent hiring services of head hunting firm – Rs. 4.350 million

According to Rule-4 of PPRA 2004, “the 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 29 states that procuring agency shall formulate an evaluation criterion which shall form an integral part of bidding documents.

During audit of PTVC for the year 2021-22 it was observed that the management acquired the services of head-hunting Firm M/s Career Pakistan a single member company registered with SECP in December 2018 during September 2019 for hiring of Chief Technology Officer, Chief Financial Officer, Head of HR, Chief Digital Officer and Head of News/ Current Affairs and paid Rs. 4.350 million. Following observations were noted in this transaction;

- i. In the result of advertisement, four firms offered their bids. The comparative statement for evaluation of Technical and Financial Proposals of the bidders showed that one firm was disqualified on the grounds that cost of

advertisement was not quoted in the price tender. M/s Career Pakistan quoted its fee as one month salary (inclusive of allowances & benefits of the candidate. To conduct interview of short-listed candidates, 50% of cost incurred by PTV and 50% by Career Pakistan. The cost of conducting these interviews will be Rs. 9900 per candidate. M/s National Consulting for Business & Management Solutions (NCBMS) quoted fee as one month gross salary (100%) of each appointed candidate inclusive of all taxes. Exclusive of advertisement cost which will be borne by PTVC. Similarly, M/s Abacus ELS (Pvt.) Ltd, Lahore quoted fee as 80 % of the gross salary of candidates inclusive of provincial sales tax and other local taxes. Fee is exclusive of all expenses i.e. advertisement cost, out of pocket expenses & all other incidental expenses.

- ii. M/s Career Pakistan was selected despite the fact that M/s NCBMS quoted the same fee structure and M/s Abacus quoted less fee than both the other firms. The reasons mentioned for disqualification of M/s Abacus that cost of advertisement, background dues and assessment & test services were not quoted by the firm were not justified as the fee quoted by the firm was 80% of the gross salary of selected candidates as compared to 100% of M/s Career Pakistan. If there was any ambiguity, the same could had been cleared from the concerned firm. Hence the selection of firm was not transparent as well as economical.
- iii. No evaluation criteria was mentioned in the advertisement or tender documents, hence violation of Rule-29 of PPRA was made.
- iv. The firm was hired without carrying out need assessment study/ report, hence hiring of firm without carrying out any need assessment was held irregular.
- v. No specialized work was done by head hunting firm M/s Career Pakistan but handsome fee of Rs.4.350 million was paid for their services without any need. Furthermore, the HR Committee comprising of Directors of PTVC Board of Directors scrutinized the whole process hence there was no need to hire the services of head-hunting firm as PTVC had seasoned HR Department and PTV was also in financial crunch. Furthermore, the selected candidates of Chief Financial Officer did not join PTV and position was lying vacant hence payment was not justified.

Keeping in view of above facts, hiring of the headhunting firm was made in violation of PPRA Rules hence hiring of firm and expenditure of Rs. 4.350 million were held irregular. Moreover, the management was required to hire the services of above chiefs through in house resources but wasteful expenditure of Rs.4.350 million was incurred on the services of head-hunting firm.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons for hiring the services of head hunting firm in violation of PPRA Rules; fix responsibility thereof; and take disciplinary action against the officers for wasteful expenditure on the services of head hunting firm.

Para-114 (PTVC – 2021-22)

12.2.4.55 Irregular fixation of pay resulting into overpayment - Rs. 32.037 million

Finance Division, Government of Pakistan announced Management Position Scales (MP Scales) which were revised vide letter No. F.3(2)R-4/2011 dated 14th July, 2017. According to revised MP-I scales, salary package of MP-I scale was as under:

Sr. #	Description	Min Rs.	Incr. Rs.	Max Rs.
1.	Basic Pay	433,950	33,000	532,950
2.	House Rent	101,000	-	142,000
3.	Utilities	13,100	-	24,300
4.	Monetization of transport	95,910	-	-

During the audit of PTVC for the year 2021-22, it was observed that Mr. Aamer Manzoor was appointed as Managing Director, PTV on contract basis with immediate effect for a period of three years vide Notification No. 1(23)/2017-TV dated 14th June, 2019. According to notification of his appointment, the terms and conditions of his appointment will be settled separately.

Later on, Ministry of Information and Broadcasting vide office order No. 1(19)/18/M-II dated December 09, 2019 settled following pay package and other facilities for him;

- i. Pay Package ; Rs. 1,600,000 (Net of taxes) per month
- ii. Vehicles ; One Chauffeur driven 1800 CC car for private and official Use

Audit was of the view that Government of Pakistan had established Management Position Scales for the higher posts in Government as well as in Companies, Corporations, autonomous bodies for hiring the professionals on market-based salaries. Therefore, the pay of MD, PTV was required to be fixed in MP-I scale at any given stages which was not done and his pay was fixed over and above the maximum of the MP-I scales due to which overpayment of Rs. 32.037 million was made to the MD, PTV on account of pay package during his stay in PTV from 14.06.2019 to 31.05.2022.

Keeping in view the above facts, MD, PTV was overpaid an amount of Rs. 32.037 million due to fixation of his pay package over and above the maximum of MP-I scale which was held irregular.

Overpaid amount is calculated as follows:

Amount paid	1,600,000x 35 months& 17 days=	Rs. 56,906,667
Amount to be paid	699,667 x 35 month & 17 days =	Rs.24,869,992
Over paid amount	56,906,667 – 24,869,992	= Rs. 32,036,675

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of fixation of pay of MD, PTV over and above the maximum of MP scales which were established for the purpose, fix responsibility thereof and overpaid amount be recovered from the beneficiary or person(s) held responsible for fixation of pay over and above the prescribed limit.

Para-115 (PTVC – 2021-22)

12.2.4.56 Non-adjustment of advances to suppliers and contractors - Rs. 29.186 million

According to Corporate Governance Rules 2013 (2A) “Criteria for sound and prudent management (1) (a) the business of the Public Sector Company is carried on with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities. Furthermore as per clause 5 (5), The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders, in the following manner, namely:- (a) the principle of probity and propriety entails that company’s assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage.

During Audit of Pakistan Television Corporation (PTVC) for the year 2021-22 it was observed that PTVC had provided advances amounting to Rs. 29.168 million to different suppliers/contractors which are outstanding for 1 to 5 years as detailed below;

Nature of Advance	Advances not adjusted for more than one year (Rs.)	Advances not adjusted for more than three years (Rs.)	Advances not adjusted for more than Five years (Rs.)	Total (Rs.)
General	2,527,488	636,637	1,608,700	4,772,825
Program	0	21,007,500	2,001,000	23,008,500
Development	0	0	1,404,974	1,404,974
Total	2,527,488	21,644,137	5,014,674	29,186,299

The management of PTVC should have made concrete efforts to recover the long overdue amounts from the parties at earliest.

Audit was of the view that the management remained non-vigilant by not collecting the sums of Rs. 29.186 million due to contractors and suppliers timely and had deprived PTV of the precious funds. This also caused loss to PTVC in terms of time value of money.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons for non-collection of long overdue amounts and fix responsibility thereof.

12.2.4.57 Excess staff available against approved sanctioned strength – Rs. 33.906 million

In any public sector organization, appointment of excess working staff against the sanctioned strength is against the code of establishment.

During audit of PTVC for the year 2021-22, it was observed from the HR record that there is an excess available strength against the sanctioned strength of the staffing (officers/officials) in-contravention of establishment standing orders / norms which cost excess expenditure of Rs. 33.906 million on account of pay and allowances.

Audit was of the view that excess strength over and above against the sanctioned strength was against the code of establishment which resulted into overstaffing in one center/department while understaffing in some other center/department of PTV.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of retention of staff over & above the sanctioned strength besides fixing responsibility on the person (s) at fault.

12.2.4.58 Non-production of auditable record

According to Section 14(1) (b), (3) & 15 (2) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, the officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition. Any person or authority hindering the auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

The National Assembly Secretariat issued instructions of the Public Accounts Committee to all the Principal Accounting Officers, Ministries /Divisions/Heads of Departments vide OM dated Jun 03, 2004. “Make available all information/record to Audit as and when required by them. Otherwise, disciplinary action will be initiated against person(s) responsible for the delay under Section-14(2) of the Auditor General’s Ordinance No. XXIII of 2001.”

During audit of PTVC for the year 2020-21, it was observed that the repair and maintenance work of PTVC Head office, News Centers and other centers was conducted during the year 2021-22 but the record regarding the administrative approval, advertisement for procurement of equipment and services, award of contract, execution of work and payments made thereof for restructuring / renovation work was not provided to audit team despite issuance of written requisition No. 11 dated 26.07.2022, follow up reminders and verbal requests till close of audit. This state of affairs culminates that either the relevant record was not available or the serious irregularities are there in the procurement of millions of rupees which is a serious lapse on the part of management. According to relevant head of the budget for the year 2021-22 of PTV News center, an expenditure of Rs.107.131 million in respect of repair and maintenance was incurred during the year 2021-22 but the relevant record was not provided despite several requests. The non-production of record makes the expenditure doubtful out of the public exchequer.

In addition to that, a contract for recording video of National Anthem of Pakistan was awarded to a firm but requisite financial record regarding feasibility study, PC-1, administrative approval, tendering and other relevant record was not provided to audit till close of assignment. Further, other requisite record as enumerated in different requisitions and follow up reminder 02 dated 27.09.2022 was also not provided till the closure of audit which is against the Section 14(1) (b), (3) & 15 (2) of the Auditor General’s Ordinance 2001 and National Assembly Secretariat OM dated June 03, 2004.

Audit was of the view that the management was required to produce all auditable record and requisite information to complete audit assignment. Furthermore, the management was also required to initiate disciplinary action

against the officers/ officials responsible for non-production record to Audit Party but no action was taken against the officers/ officials held responsible.

The matter was reported to the management on 22.12.2022 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons for the non-production of auditable record, fix responsibility; and initiate disciplinary action against the officers/officials responsible for non-production of auditable record beyond availability of the said record to Audit.

Chapter-13

Ministry of Interior

Overview

Interior Ministry is responsible for policing, emergency management, national security, registration, supervision of local governments, conduct of elections, public administration and immigration matters.

Aims & Objectives

To make Islamic Republic of Pakistan a country where rule of law reigns supreme; where every Pakistani feels secure to lead a life in conformity with his religious beliefs, culture, heritage and customs; where a Pakistani from any group, sect or province respects the culture, tradition and faith of the other, where every foreign visitor feels welcome and secure.

Polices

- National Internal Security Policy 2018-2023
- SOPs 2017
- Government Procedures 2017
- Rules of Business
- Visa Policy General
- Visa Abolition Agreements
- Visa Policy For Indian Nationals
- Private Security Companies
- Updated Arms Policy 2012

Audit Profile of Ministry of Interior

(Rs. in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2021-22	Revenue /Receipts audited FY 2021-22
1	Formations	2	2	94,350.83	4,981.35
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities /Autonomous Bodies etc. under the PAO	1	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs. 65,097.139* million were raised as a result of this audit. This amount also includes recoverable of Rs. 4,221.010 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Non-Production of record	0
2	Reported cases of fraud, embezzlement and misappropriation	0
3	Irregularities:	
A	HR/Employees related irregularities	904.620
B	Procurement related irregularities	5,082.253
C	Management of accounts with Commercial Banks	7.163
4	Value for money and services delivery issues	4,643.161
5	Others	54,459.942

* Observations pertaining to previous years are included

13.1 National Database and Registration Authority (NADRA)

13.1.1 Introduction

National Database and Registration Authority (NADRA) was established on March 10, 2000 by the Government of Pakistan under the National Database and Registration Authority Ordinance 2000 by merging the National Database Organization (NDO) and the Directorate General of Registration (DGR). The principal office of the Authority is situated at Islamabad. The purpose and object of the Authority is to formulate and implement policies and plans for:

- (i) The development and establishment of an improved and modernized system of registration in the Country;
- (ii) The broadening of the registration base to bring within its purview all persons and things, wherever they may be to the extent and in the manner laid down in the Ordinance; and
- (iii) The establishment and maintenance of multi-purpose databases, warehousing, networking, interfacing of databases and related facilities and services.

13.1.2 Comments on Audited Accounts

13.1.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the year 2021-22 till December 31, 2021.

Audit recommends that the annual audited accounts for the years 2021-22 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (***Annex-2***).

13.1.2.2 Working results of the NADRA for the years 2020-21 with those of the previous years are as under:

Particulars	2020-21	% Inc/ (Dec)	2019-20	% Inc/ (Dec)	2018-19
Turnover-net	29,032.305	31	22,093.237	(14.08)	25,451.64
Expenditure	21,698.465	13	19,177.924	(1.64)	19,497.69
Operating Income	7,333.839	152	2,915.312	(54.83)	5,953.95
Finance Cost	341.124	14	299.627	228.58	91.19
Other Income	1,560.673	(5)	1,647.663	(31.73)	2,468.99
Net income before tax	8,553.388	100	4,263.348	(51.09)	8,331.77
Taxation	389.746	22	318.181	(36.36)	499.98
Net income for the year	8,163.642	107	3,945.166	(52.03)	7,831.78
Actuarial gain/(loss) –Gratuity	(96.375)	(41)	164.383	253.73	46.470
Actuarial (loss) – Pension	(782.574)	(53)	(1,675.42)	(14.55)	(1,960.35)
Other Comprehensive Income	(878.949)	(42)	(1,511.04)	(21.05)	(1,913.88)
Total comprehensive income for the year	7,284.693	226	2,234.132	(62.05)	5,917.89
Accumulated profit/(loss)	27,789.859	36	20,505.165	12.43	18,071.03

(Source: Annual Audited Accounts for the financial year ended 30th June, 2021)

Turn over net was increased by 31% to Rs 29,032.90 million during financial year 2020-21 from Rs. 22,093.24 million as compared to previous year. Net income of the Authority has increased to Rs. 8,163.64 million in 2020-21 as compared to Rs 3,757.11 million in the previous year. The increase in net income was due to 98% increase in project revenue and 24% in operational revenue i.e. Rs 2,157.22 million and 4,781.85 million respectively during 2020-21 total comprehensive income for the year was Rs 7,284.69 million in 2020-21 against Rs 2,246.07 million in the previous year. Effort needs to be made to maintain said trend in the years to come.

13.1.2.3 Although, Cash and bank balances decreased by 7.67% from Rs. 2,988.43 million as on June 30, 2019 to Rs 2,759.30 million as on June 30, 2021. The authority also had short-term investment of Rs. 9,499.33 million as on June 30, 2021. Short term Investment was increased by 351.75% from 2102.79 million as on 30th June 2020 to 9,499.33 million as on 30th June 2021. Yet a handsome amount of Rs. 786.01 is lying in current account which is considered an increase of 5% as compared to previous year i.e. Rs. 746.10 million. The Authority should work out its working balance requirements and surplus funds may be invested in appropriate manner at better markup rate.

13.1.2.4 Stores Spares and other consumables decreased from Rs 485.48 million to Rs 405.22 million during 2020-21. The Chartered Accountant has included in

Note that this amount includes stores valuing of Rs 45.27 million received in stores of the authority, which is pending inspection at reporting date. The authority considered that significant risks and rewards against these assets have transferred to the authority at the reporting date. Updated status of inspection be shared with audit.

13.1.2.5 Inventory decreased from Rs 1,267.76 million to Rs 750.78 million however inventory valuing of Rs 14.777 million held by Pakistan Printing Corporation of Pakistan term and conditions under which the inventory was handed over to PCP may be provided to audit besides reasons for holding such inventory.

13.1.2.6 Advance tax-net increased by 18% Rs 1,760.19 million as on 30.06.2021 from Rs 1,493.507 million as on 30.06.2020 the increase in advance tax net needs to clarified furthermore updated status of all filed appeals in Appellate Tribunal Inland Revenue be shared with audit.

13.1.2.7 Operating expenditure increased by 13% to Rs 21,698.46 million in 2020-21 from Rs 19,177.93 million in the previous year. The major increase was under the heads Inventory consumed, Utilities, Stores & Spares consumed, Repair & Maintenance, Postage & Courier, Expenses on export and services performed outside Pakistan and Others by 22 %, 10%, 46%, 12%, 41%, 11% and 31% respectively to Rs 1,615.09 million, Rs 417.58 million, Rs 599.87 million, Rs 968.66 million, Rs 746.16 million, Rs 494.24 million and Rs 146.96 million. The abnormal increase under said heads needs to be justified.

13.1.2.8 Non-Current Assets included Property and equipment valuing Rs 10,860.335 million as on June 30, 2021 (2019-20 – Rs 11,037.259 million). The figure included Capital Work in Progress Rs 932.097 million. Capital Work in Progress includes civil work of Rs 491.54 million as on 30.06.2021 and Rs 538.32 million as on 30.06.2020 pertaining to construction of building of Regional Head Office Peshawar the said building is under construction since long the delay in construction caused cost overrun. The complete record related to construction of said building be shared with audit.

13.1.2.9 Non-Current Assets included Intangibles assets of Rs 293.57 million as on June 30, 2021. Note – 6 to the accounts showed that the cost of computer

software was Rs 1,736.81 million, the management is applying rate of amortization per annum 33.33% and value of Intangible assets as on June 30, 2021 is appearing Rs 293.57 million. Although, major cost of computer software has since been amortized but the management is still utilizing the said computer software at its network spread at Centers level and still have value. The management may evaluate the computer software and fair value may be portrayed in the annual accounts.

13.1.2.10 Trade receivable stood at Rs 2,014.79 million as on June 30, 2021 (2019-20 Rs 1,819.98 million). This includes an amount of Rs 1,927 million receivable from Government of Pakistan on account of free issuance of CNICs pursuant to announcement made by the prime minister of Pakistan in March 2008. Further provision for doubtful receivables was increased to Rs 3,521.85 million as on 30.06.2021 as compared to Rs 2,738.54 million as on 30.06.2020, this showed that receivables were not properly secured such liberal policy can create cash flow problems in future. This is an area of significant attention and must be resolved at the earliest to avoid loss and un-necessary blocking of heavy funds. Further, the aging analysis of receivable, term and conditions and the amount for which provision has been made may be provided to audit.

13.1.2.11 Advances to supplier and contractors increased to Rs 159.91 million as on 30.06.2021 (Rs 155.58 million was on 30.06.2020) term and condition and their recovery position may be shared with audit.

13.1.2.12 Deposits, prepayments and other receivables included amount due from subsidiary company increased by 69 % to Rs 2,312.662 million as on June 30, 2021 (2019-20 – Rs 1,411.45 million). This amount includes Rs. 1,416.37 million due from subsidiary company, Margin against letter of credit of Rs. 21.52 million, deposit against revolving letter of credit Rs 8.66 million and Rs 256.49 million receivable against TDP-ERP detail alongwith terms and conditions for such deposits, prepayment and receivables may be shared with audit.

13.1.2.13 Trade and other payables increased to Rs 1,457.73 million as on 30.06.2021 (Rs. 6,613.49 million as on 30.06.2020) This amount includes Rs 400.18 million payable to creditors, Rs 349.51 million to NHA, Rs 259.36 million to MORE, Rs 264.19 million against accrued expenses, Rs 19.31 million to FBR on account of withholding income tax, Rs 109.15 million sales tax

payable to FBR and other liabilities Rs 27.84 million, Term and Conditions and updated position of payables may be shared with audit.

13.1.2.14 Current liabilities included contract liability of Rs 2,401.93 million as on June 30, 2021 (2019-20 - Rs 1,602.77 million) this amount includes contract liability related to operational revenue Rs. 986.8 million and Rs. 1,113.9 million against project revenue The figure is silent by means of notes, detail term and condition may be shared with audit.

13.1.3 Compliance of PAC Directives

Sr. No.	Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras #	% of Compliance
1	2003-04	75	27	48	11.3, 11.4, 11.5, 11.6, 11.8, 11.13, 11.14, 11.15, 11.16, 11.22, 11.24, 11.25, 11.11, 11.12, 11.23, 11.25, 11.26, 11.27, 11.28, 11.29, 11.30, 11.32, 11.35, 11.37, 11.44, 11.45, 11.48, 11.36, 11.38, 11.39, 11.40, 11.42, 11.54, 11.57, 11.71, 11.75, 11.46, 11.50, 11.51, 11.53, 11.54, 11.55, 11.59, 11.61, 11.65, 11.67, 11.68, 11.69	36
2	2016-17	22	0	22	10.1.2, 10.1.3, 10.1.4.1, 10.1.4.2, 10.1.4.3, 10.1.4.4, 10.1.4.5, 10.1.4.6, 10.1.4.7, 10.1.4.8, 10.1.4.9, 10.1.4.10, 10.1.4.11, 10.1.4.12, 10.1.4.13, 10.1.4.14, 10.1.4.15, 10.1.4.16, 10.1.4.17, 10.1.4.18, 10.1.4.19, 10.1.4.20	0
3	2017-18	11	06	05	13.1.1, 13.1.3, 13.1.4.2, 13.1.4.5, 13.1.4.8,	55
4	2019-20	15	05	10	9.1.2.1, 9.1.2.2, 9.1.2.3, 9.1.2.4, 9.1.2.5, 9.1.3, 9.1.4.2, 9.1.4.3, 9.1.4.4, 9.1.4.5	33
	Total	123	38	85		31

The overall compliance of PAC directives was very poor. Immediate attention of the PAO was required to improve the situation.

13.1.4 Audit Paras

13.1.4.1 Irregular procurement of common use items by splitting – Rs 81.842 million

According to rule 9 of PPRA, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

According to rule-12 (2) of PPRA, all procurement opportunities over two million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During audit of NADRA, Islamabad for the year 2020-21 & 2021-22 it was observed that during said years the management issued a number of purchase orders after regular short intervals for the purchase of common use items as detail attached. During the period under review the management issued number of purchase orders valuing Rs. 81.842 million (Annex-100). These common use items were procured from different suppliers by splitting the requirement. The procurement of various items valuing Rs. 81.842 million in violation of purchase procedure was considered irregular. It is to be worth mentioned herein the similarly irregularity pointed out by audit and has already been discussed in DAC meeting held on 21.01.2021.

Audit was of the view that the management was required to assess the requirement of said common use items at start of year and procurement by adopting proper purchase procedure by following the Public Procurement Rule for transparency and economy.

The issue was shared with management on 29.12.2022 but the response of management was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the causes due to which the requirement of common use items could not be assessed at start of year and procurement was made in grouping by splitting the purchase order in violation of public procurement rules; and fix responsibility thereof.

Para-02 (NADRA-2020-22)

13.1.4.2 Loss due to non-withholding of Income Tax - Rs. 2.607 million

According to Tax Ordinance 2001 Section-155 income from property, any payment made on account of rent of immovable property where the gross amount of rent does not exceed Rs. 300,000 rate of tax is Nil. Where the gross amount of rent exceed Rs. 300,000/- but does not exceed Rs. 600,000/- 5% of gross amount exceeding Rs. 300,000/- will be deducted at source. Where the gross amount of rent exceed Rs. 600,000/- but does not exceed Rs. 2,000,000/- Rs. 15000+10% of the gross amount exceeding Rs. 600,000/-. At the time of the rent is actually paid.

During the audit of NADRA for the year 2020-22, it was observed that management of NADRA paid an amount of Rs. 24.917 million during 2020-21 and Rs. 128.928 million during 2021-22 on account of Rent of Residential Building to the officers/officials of NADRA but the management did not deduct tax at source. Working of tax amount is appended below:

Year	Tax Slab	Principal Amount (Rs)	Tax Amount @ 5% (Rs)
2020-21	300000 to 600000	9,932,222	540,232
	More than 600000	1,336,208	
	Total	11,268,430	
2021-22	300000 to 600000	40,184,866	2,607,560
	More than 600000	1,480,848	
	Total	41,665,714	2,607,560

Audit was of the view that non-deduction of tax from the owners of houses on account of Rent of the residential building was a violation of Tax Ordinance 2001 Section-155, resulting into a loss of Rs. 2.608 million to the public exchequer.

The issue was shared with management on 29.12.2022 but the response of management was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter for non-deduction of tax from the owners of the houses on account of Rent of Residential Building, fix responsibility thereof and administrative / Financial Control needs to be strengthened.

Para-05 (NADRA-2020-22)

13.1.4.3 Irregular award of contract to black listed firm - Rs 61.779 million

According to bidding document's mandatory requirement 7, the bidder must provide undertaking duly attested by the notary public that they have not been blacklisted by any of the Provincial/ Federal Government or organizations of the state/ Federal Government in Pakistan, including Custom authorities, Tax (Sales Tax, Income Tax, Withholding Tax) during last five years and they are not in litigation with any government department and procuring entity for any reason.

During audit of NADRA, Islamabad for the year 2020-21 & 2021-22 it was noted that the management issued purchased orders No. NADRA/ Proc/ Project/ 6458 dated 12.02.2021 valuing Rs. 30.435 million to M/s Mega plus Pakistan for supply of different items/equipment's during 2020-21 & 2021-22.

During the scrutiny of record, it was observed that management issued purchase orders to M/s. Mega Plus Pakistan which was already blacklisted by Sindh Revenue Board vide suspension letter dated 05.09.2018, Higher Education Department Govt. of Punjab vide letter dated 25.03.2010, The Bank of Khyber letter dated 29.04.2020 and Customs Intelligence, Investigation reference regarding "money laundering" dated 22.02.2020 and disqualified by NADRA in participation of NADRA tender vide letter dated 15.12.2020. Whereas, as per bidding documents bidder was required to provide undertaking duly attested by notary public that they have not been blacklisted by any of the Provincial/ Federal Government or organization of state/ Federal Government in Pakistan including custom authorities, Tax (Sales Tax, Income Tax and Withholding Tax) during last five years. The issuance of PO to the blacklisted firm showed that management did not obtain any undertaking in this regard due to which the PO was issued to blacklisted firm. It is further added in addition to Rs 30.435 million an amount of Rs 31.443 million also paid to M/s Mega plus Pakistan during 2020-21 & 2021-22 supporting documents of Rs 31.344 million may be shared.

Audit was of the view that procurement of goods and services from blacklisted firm as declared in above mentioned letters tantamount to undue favour to the blacklisted firm was held irregular.

The issue was shared with management on 29.12.2022 but the response of management was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter for awarding contracts for supply of goods and services to blacklisted firm and fix responsibility upon person(s) who extended undue favour to blacklisted firm. Initiate the case of blacklisting against the firm as per PPRA rules.

Para-07 (NADRA-2020-22)

13.1.4.4 Irregular Purchase of Hardware - Rs. 20.352 million

According to Rule-42-c (ii), of PPRA a procuring agency shall only engage in direct contracting if only one manufacturer or supplier exists for the required procurement. Provided that the procuring agencies shall specify the appropriate fora which may authorize procurement of proprietary object after due diligence. Further, according to rule-4 the procuring agencies while engaging in procurement, 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

During audit of NADRA Headquarter, Islamabad for the year 2021-22, it was observed that management procured hardware/ printer items from Sherazi Trading Company Private Limited, Islamabad without conducting tendering process on the plea that Sherazi Trading Company is a sole proprietorship/ distributor of the said items of Canon Company in Pakistan. Further the case was not submitted to competent authority / appropriate forum for declaring of all items relating to proprietary rights, which is against the above quoted rules.

Audit was of the view that in presence of more authorized dealers in Pakistan, purchase of items from M/s. Sherazi Trading Co on the plea being single authorized vendor of Canon Company as well as non-submission of case to appropriate forum for declaring the items as proprietary was held irregular and contrary to PPRA rules.

The issue was shared with management on 29.12.2022 but the response of management was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of procurement of services / direct contracting in violation of PPRA rules and fix responsibility on the person (s) responsible.

Para-45&06 (NADRA-2020-22)

13.1.4.5 Irregular award of contract without approval of competent Authority - Rs 101.817 million

According to Rule-178 (i) of GFR (Volume-I), except in cases covered by any special rules or orders of Government no work should be commenced or liability incurred in connection with in until administrative approval has been obtained from the authority appropriate in each case. Ibid rule 179 (1) The powers delegated to various subordinate authorities to accord administrative approval and sanction to expenditure upon, and to appropriate and re-appropriate funds for, works are regulated by the orders contained in the Book of Financial Powers and other special orders contained in the respective departmental regulations.

During audit of NADRA, Islamabad for the year 2020-21 & 2021-22 it was noted that the management invited bids for 702 Nos procurement of Live Fingerprint Scanner vide tender No.35/2021. Purchase order was issued to M/s. IDEMIA vide No. NADRA/Proc/HoD/6830 dated 15.09.2021 amounting to Rs 101,817,413.

During scrutiny of record it was observed that the management published tender for procurement of equipment (Lot-A to Lot-G) vide tender 49/2020, in which

M/s. IDEMIA was technically qualified for live finger scanner but the management did not open financial bid on the plea being single bidder technically qualified. Furthermore, management published tender No. 95/2020 for procurement of equipment (Lot-B, C & D) again “live finger print scanner” was not published in this tender. Further probe into the matter revealed that

management published tender No. 35/2021 for procurement of “live finger print scanner” without seeking approval from competent Authority.

Audit was of the view that the procurement was made for Rs 101.817 million which was 42% above the estimated value of Rs. 71.964 million. Audit was also of the view that revised administrative approval was not taken from competent Authority.

The issue was shared with management on 29.12.2022 but the response of management was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter for award of contract without seeking administrative and financial approval and fix responsibility against the person(s) at fault.

Para-12 (NADRA-2020-22)

13.1.4.6 Loss due to non-deduction of income tax from supplier - Rs. 11.155 million

According to section 148 of the income tax ordinance, 2001, the collector of customs shall collect advance tax from every importer of goods on the value of goods as the rate specified in part-II of the first schedule. Further section 153(5)(a) a sale of goods where the sale is made by the importer of the goods and tax under section 148 in respect of such goods has been paid and the goods are sold in the same condition as they were when imported and according to clause 47(A) of part – IV of second schedule of income tax ordinance, 2001, states that the provisions of section 153 shall not apply in respect of payments received by a resident person for supply of such goods as were imported by the same person and on which tax has been paid under section 148.

During the audit of NADRA for the year 2020-22, it was observed that the management of NADRA issued purchase orders to 15 Nos. suppliers/vendors for procurement of different type of items but at the time of payment to vendors the management did not withheld income tax whereas, as per Income Tax Ordinance 2001 the management should deduct income tax @ 5.5% at time of payment. The detail is given in Annex-101.

Audit was of the view that non-deduction of income tax was a violation of the Income Tax Ordinance 2002 and resulted into loss of Rs. 11.155 million to the public exchequer.

The issue was shared with management on 29.12.2022 but the response of management was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter for non-deduction of income tax fix responsibility thereof and administrative / Financial Control needs to be strengthened

Para-14 (NADRA-2020-22)

13.1.4.7 Irregular award of renovation work without preparing engineer estimate - Rs 112.280 million

According to Para 81 of CPWD code, the papers to be submitted with the project for a work will, in general, consist of a report, plans, a specification and a detailed statement of measurements, quantities and rates, with an abstract showing the total estimated cost of each item. These documents together form what is called "the estimate" in the sense of this Code. Subject to the rules contained in the Central Public Works Account Code, a minor local Government may lay down subsidiary rules regarding the preparation of estimates and prescribe the details to be shown therein.

During audit of NADRA, Islamabad for the year 2020-21 & 2021-22 it was noted that the management invited bids for 07 Nos of renovation works of Rs 112.280 million at NADRA HQ detail as given below:-

S. #	Name of work	Name of contractor	Work order date	Amount (Rs)
1	Renovation of Legal Dte	M/s. MMS Contractors	20.10.2021	3,165,648
2	Fixing of boundary wall gate and guard room	M/s. Muhammad Ayub Khan	03.08.2021	2,850,181
3	Renovation of CNIC Production	M/s. Techno Art Engineering	26.11.2021	58,588,497
4	Estt. and renovation of Security Operation Centre	M/s. Muhammad Ayub Khan	22.12.2021	10,922,175
5	Renovation work at project Dte	M/s. Capital Engineering Service	11.01.2022	14,924,224
6	Renovation of Internal Audit Deptt	M/s. Capital Engineering Service	19.01.2022	8,617,246

7	Renovation of NDW Dte	M/s. Muhammad Ayub Khan	09.03.2022	13,212,147
Total				112,280,118

During scrutiny of record it was observed that the management published tender for renovation of above mentioned works without estimated cost, BOQ for said works contained only estimated quantity of each item of work but estimated cost of each item of work was not worked out at time of preparation of BOQ/Engineer estimate. Resultantly management left open ground for contractors for quoting their bids whatever they wanted. Audit further observed that management did not prepare estimate/BOQ as per rules which was violation of code.

Audit was of the view that award of work without preparation of complete BOQs/Estimates was irregular. Audit was also of the view that undue liberty and favour was extended to the contractor for quoting bids hence award of above works of Rs 112.280 million was irregular.

The issue was shared with management on 29.12.2022 but the response of management was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter for award of renovation work without preparation of BOQs / Estimates, fix responsibility against the person(s) at fault and management should devise policy for civil works of its own or adopt policies of Federal Government.

Para-16 (NADRA-2020-22)

13.1.4.8 Non-recovery of outstanding dues from various parties / customers - Rs. 4,058.379 million

According to clause – 5 (5.4) of contract agreement with Bank Alfalah Ltd, the payment of invoice shall be due and payable to NADRA within 45 days of issuance of invoice by NADRA to the BAFL. Further clause 5 (5.5) states that in case of any delay in in-disputed payment beyond the aforementioned 45 calendar days period BAFL shall be liable to pay late payment surcharge to NADRA @ 3% per month on any undisputed amount remaining unpaid.

According to rule-26 of GFR provides that it is the primary responsibility of the departmental authorities to see that all revenues or debts due to

governments which have to be brought to account are correctly and promptly assessed, realized and credited to the public account.

During audit of NADRA, Islamabad for the year 2020-21 & 2021-22 it was observed that the management provided various services for various projects to different clients and did not recover the service charges from clients. The accumulated receivable service charges came to Rs. 4,058.379 million from these clients.

Audit was of the view that delay in recovery of the outstanding amount from clients reflected inefficiency of the management & weak financial controls furthermore no mechanism for recovery from client was devised by the management and no specific recovery clause was inserted in agreements with clients.

The issue was shared with management on 29.12.2022 but the response of management was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends that the management should take concrete steps to recover outstanding dues and responsibility may be fixed on the person(s) at fault.

Para-19 (NADRA-2020-22)

13.1.4.9 Loss due to inordinate delay in finalization of inquiries - Rs 16.315 million and irregular appointment due to non-verification of degrees of employees

According to judgment of Supreme Court of Pakistan (Case 2009 SC MR 1497) no leniency should be shown in favor of employees possessing fake / bogus degrees /certificates. Supreme Court of Pakistan authorizes to examine the possibility of getting registered criminal case against such employees so that in further no one should dare to commit such misconduct. Further, the authority awarding punishment of dismissal from service to an employee cannot reinstate him in service.

According to rule 14 of NADRA Employees (Service) Regulations, 2002 an initial appointment shall be subject to such verification of the character and antecedent of the candidate.

During the audit of HR directorate of NADRA Islamabad for the financial years 2020-21 & 2021-22, it was observed management verified the degrees / certificates of their employees in 2018 to 2021 against. As a result of verification, degrees / certificates of 47 employees found fake / bogus and tempered. These employees were appointed in 2001 to 2012. According to NADRA service regulations the verification of the character and antecedent of the candidate was to be done at the time of appointment but the same was not done. Thus the appointment was made irregularly.

It is pertinent to mention here that instead of termination of said employees and registration of criminal cases against such employees the management initiated the inquiries against the employees who provided fake degrees in 2018 however the termination was made in 2021 the management took one month to 6 years to finalize the inquiries. Audit demanded complete payment to these employees since their appointment however the management only provide detail of amount paid to them on account of pay and allowances during inquiry period 2018 to 2021 of Rs 16.315 million. Record showed that necessary action in this regard was not taken by the management for recovery of pay and allowances from the dismissed employees. Authority sustained loss of Rs. 16.315 million.

Audit was of the view that the management should have appointed the employees after verification of degrees from concerned boards / universities but the same was not done and undue favor was granted to the employees. Furthermore management should have recovered an amount of pay & allowances since the date of initial appointment as well as criminal proceedings against them through concerned police station, followed by judicial proceedings in a competent court of law.

The issue was shared with management on 29.12.2022 but the response of management was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to intimate the reasons for not verifying the education documents after the issuance of Government instructions and initiate criminal

proceeding against employees whose degrees found fake besides recovery of pay & allowances since initial appointment.

Para-20 (NADRA-2020-22)

13.1.4.10 Irregular up-gradation of employees - Rs 33.448 million

According to chapter – 3 clause 2.2 (b) of establishment code, up-gradation of posts (i) the rationale for up-gradation after analyzing/examining the case on the basis of provision contained in the policy of up-gradation/re-designation of posts issued by Establishment Division. (ii) Justifications for up-gradation/re-designation of posts, as the case may be, indicating specific point of policy under which proposals is found covered. (iii) Re-structuring study conducted by Management Services Wing of Establishment Division (iv) Recruitment Rules of the subject posts. (v) Job description of the post. (vi) Comparative statement showing the qualification, experience, age limit of post which is proposed to be upgraded corresponding qualification, experience, age limit of identical/same post available in higher pay scale in other Ministry/Division. (vii) Certificate that structure of the Department have been examined strictly in line with policy for up-gradation/re-designation of posts issued by Establishment and no other reference for up-gradation/re-designation of posts will be made to Establishment Division till 05 years. (viii) A certificate that subject matter is not pending in any court of law.

During the audit of NADRA for the financial years 2020-21 & 2021-22, it was observed that the management up-graded 340 employees from BPS-16 to BPS-17 i.e. Deputy Assistant Director to Assistant Director with grant of two increments after salary fixation w.e.f 13.01.2021 vide office order dated 18.01.2021 in one go of Rs. 33.448 million without fulfilling above mentioned rules / instruction laid down in establishment code.

Audit was of the view that up-gradation of 340 employees without fulfilling criteria/requirements laid down in establishment code was held irregular.

The issue was shared with management on 29.12.2022 but the response of management was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person (s) at fault and the up-gradation of employees contrary to basic criteria laid down in establishment code may be withdrawn along with recovery.

Para-21 (NADRA-2020-22)

13.1.4.11 Unjustified Expenditure on renovation - Rs. 708.996 million

International Accounting Standard-16 establishes principles for recognizing property, plant and equipment as assets, measuring their carrying amounts, and measuring the depreciation charges and impairment losses to be recognized in relation to them. Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period. The cost of an item of property, plant and equipment is recognized as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity; and the cost of the item can be measured reliably.

According to para-8 of Finance Division OM No.F.15 (13)-R 14/82 dated September 05, 1982, funds provided, acquired or granted by the autonomous bodies 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 or specific orders of the government.

During the audit of NADRA for the years 2020-21 & 2021-22, it was observed that the management of NADRA incurred expenditure on renovation of Rs 708.996 million (Rs 474.699 million in year 2020-21 and Rs 234.297 million in year 2021-22). It is worth mentioning here that expenditure incurred on renovation of rented buildings now become a permanent part and parcel of that building. Investment of such a huge amount of Rs. 708.996 million in the shape of fixed assets on the rented building seems to be unjustified and held irregular in audit.

Audit was of the view that incurrence of huge expenditure on rented building for Rs 708.996 million was unjustified and held irregular.

The issue was shared with management on 29.12.2022 but the response of management was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reasons for incurrence of such a huge amount on renovations of rented building, stream line the system of internal control for better financial management and take remedial measures to avoid extra expenditure in future.

Para-24 (NADRA-2020-22)

13.1.4.12 Irregular purchase of vehicles during ban period - Rs. 692.039 million

According to Finance Division (Expenditure Wing) Office Memorandum No. 7(1) Exp. IV/ 2016-812 & 7(1)Exp. IV/2016-430 dated August, 21, 2019 & dated August 06, 2020, regarding Austerity Measures for Financial year 2019-20 & 2020-21 respectively, there was complete ban on purchase of all types of vehicles (excluding motorcycles) both for current as well as development expenditure and according to Para-10 (i) of the GFR Vol-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of NADRA Headquarter, Islamabad for the years 2020-22, it was observed that management procured vehicles costing Rs. 692.038 million (Rs. 506.638 million in 2020-21 + Rs. 185.400 in 2021-22) during the ban period in violation of the above Govt. instructions and no approval from austerity committee was taken therefore the procurement of vehicles during ban period was held irregular.

Audit was of the view that purchase of vehicles during ban period without seeking approval from austerity committee was held irregular.

The issue was shared with management on 29.12.2022 but the response of management was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter for purchase of vehicle during ban period without getting approval from austerity committee and the matter needs justification on part of the responsible functionaries of the authority and appropriate action by the respective competent authority.

Para-26 (NADRA-2020-22)

13.1.4.13 Irregular creation of posts resulting into irregular payment - Rs. 140.352 million

According to NADRA Employees (Service) Regulations, 2002, Chapter-2, Appointment clause-4 “the authority may sanction, create, re-designate or

abolish any post, discipline or cadre within the Authority as it may deem fit. Accordingly, the Authority shall determine the strength of its posts including, without limitation, administrative posts and technical posts, and that of a discipline and cadre of the authority”.

During audit of NADRA for the years 2020-21 & 2021-22 it was noted that management created posts of three Management Associates, four Assistant Manager, seven Registration Supervisor and twenty Registration Executives and appointed against created posts on fixed pay in November, 2018 and payment of Rs 140.352 million was made to them upto June, 2022. The above posts were beyond the designation hierarchy defined under NADRA Employees (Service) Regulation 2002 and organizational structure of NADRA ordinance. Posts were to be created with the approval of BoD of Authority which was not done.

Audit was of the view that the creation of posts without approval of BoD/Authority and payment to the employees was irregular.

The issue was shared with management on 29.12.2022 but the response of management was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter of appointment of officers other than the designation hierarchy of NADRA and fix responsibility on the person(s) at fault.

Para-32 (NADRA-2020-22)

13.1.4.14 In-admissible grant of increments to employees on promotion - Rs 33.448 million

According to Finance O.M # F.1(3)/Imp/2017-500 dated 03.07.2017, in case of promotion from lower to higher post/scale before introduction of these scale, the pay of the employees concerned in the revised pay scale may be fixed and so enhanced that it would not be less than the pay that would have been admissible to him if his promotion to the higher post/scale had taken place after the introduction of these scales. Annual increment shall continue to be admissible subject to the existing condition on 1st December, each year.

According to Finance Division O.M # F.11(30)/R-II/2010-1180 dated 05.11.2012, to allow next stage equal to one increment on fixation of pay in cases where Government servant already drawing pay in a pay scale by virtue of selection grade, or, otherwise holding a lower post in the pay scale is promoted to higher post falling in the same scale.

According to Government of Pakistan Finance Division (Regulation Wing) OM No.F.1(1)Imp/94 dated 26th June, 1999 the Government of Pakistan appointed a Pay & Pension Committee review the existing pay scales, allowances, perquisites, the concepts of advance increments/Movers/Selection Grades and system of pension and pension-related benefits in respect of Government Servants including the officers in Management Grades for reviewing the salaries, allowances and perquisites of Supervisory and Executive staff of Public Sector Corporation, Autonomous/Semi-Autonomous Organization, it was decided that such revisions may be carried out by the respective Boards of Directors/Governors of these organization. Such revisions should invariably be tagged with the financial position of the respective Organization. Clearance from the Finance Division would, however, be necessary to ensure a rational basis and a degree of uniformity in such revisions. In this regard, a Standing Committee was constituted in the Finance Division to scrutinize the recommendations of the respective Boards of Directors/Governors of statutory Public-Sector Corporations, Autonomous Bodies / Semi-autonomous Bodies etc. No corporation will announce the revision of salary/allowances structure without prior approval of the competent authority.

During audit of NADRA for the years 2020-21 & 2021-22 it was observed that in January 2021, management promoted 340 No. employees from BS-16 to BS-17 i.e. Deputy Assistant Director to Assistant Director with grant of two increments after salary fixation w.e.f 30.01.2021. The management paid Rs 33.448 million w.e.f 13.01.2021 to 30.06.2022 on account of premature increments. The grant of premature increments to all 340 employees in one go contrary to the pay of the employees concerned in the higher pay scale may be fixed and so enhanced that it would not be less than the pay that would have been admissible to him if his promotion to the higher post/scale had taken place.

Audit was of the view that grant of two premature increments without observing above referred Govt. rules was inadmissible and loss to the Authority.

The issue was shared with management on 29.12.2022 but the response of management was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to fix responsibility on the person (s), at fault besides recovery from employees and regularize the premature increment granted to the employees from the Finance Division, Government of Pakistan, through controlling ministry under intimation to Audit.

Para-37 (NADRA-2020-22)

13.1.4.15 Irregular promotion of employee - Rs 3.319 million

According to Establishment Code clause-5 the termination of lien. A civil servant shall cease to hold lien against a post if he takes up an appointment on selection in an autonomous body under the control of Federal Government, Provincial Government, local authority or private organization. (3) Notwithstanding the consent of a civil servant, his lien on a post under the Federal Government shall not be terminated until he acquires lien on any other post. (4) A confirmed civil servant who, of his own accord, joins some other service, post or cadre on regular basis shall have, after being selected through a regular selection process, the right of reversion to the previous post against which he shall hold lien only during the period of his probation on his new service, post or cadre.

According to ESTA Code Sl. No. 211-A, the civil servants who are otherwise eligible for promotion but for their being on training abroad, shall therefore be considered for promotion by the competent promotion committees/Boards provided they fulfill the prescribed criteria of promotion. However, on approval by the competent authority, the promotion of these officers shall actualize only on the successful completion of foreign training and on their return to their parent organization in Pakistan.

During audit of NADRA for the years 2020-21 & 2021-22 it was observed that management of NADRA appointed Mr. Yasir Mehmood, as Assistant manager on 03 year contract basis in 16.02.2010 at NADRA HQ,

Islamabad and subsequently the officer went on deputation at Revenue Department ICT Islamabad as Naib Tehsildar vide office order dated 09.12.2011. The officer was permanently absorbed as Naib Tehsildar (BS-14) at ICT Islamabad vide memorandum dated 27.09.2012. Further the officer was repatriated from Revenue Department ICT Islamabad and joined NARDA vide approval dated 18.12.2017. Further probed into the matter it was revealed that the management promoted the officer in BS-17 in January, 2021 and relieved the officer for deputation in ICT Islamabad for three years vide relieving order dated 17.06.2022. The detail of payment as given below:

Salary in BS-16 from Dec 2017 to Dec 2020 Rs 35,630*36*1.7 = Rs 2,180,556	Rs 2,180,556
Salary in BS-17 from January 2021 to May 2022 Rs 41,870*16*1.7 = Rs 1,138,864	Rs 1,138,864
Total	Rs 3,319,420

Audit further observed that Muhammad Salman, Deputy Assistant Director (BPS-16), proceeded on deputation as Assistant Director BPS-17 to Govt. of Gilgit Baltistan w.e.f 09.11.2017 to 17.11.2020. The management of NADRA was granted extension in deputation period of Muhammad Salman w.e.f 18.11.2020 to 17.11.2022. Audit further probed and it was revealed that Mr. Muhammad Salman was promoted from BS – 16 to BS – 17 on 13.01.2021 and actualized his promotion in Tourism Department Gilgit Baltistan Secretariat, Government of Gilgit Baltistan instead of actualizing his promotion in parent department i.e. NADRA.

Audit was of the view that the officer was permanently absorbed in ICT department vide DPC dated 24.09.2012 and remained in service there till December, 2017. The officer repatriated to NADRA and promoted into BS-17 subsequently relieved on deputation to ICT Islamabad. Furthermore, the officer actualizing his promotion in borrowing department instead of parent department the action of management for promotion contrary to rules is held irregular/unjustified.

The issue was shared with management on 29.12.2022 but the response of management was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to fix responsibility on the person (s), for extending undue favour against the rules and regularize the premature increment granted to the employees form the Finance Division, Government of Pakistan, through controlling ministry under intimation to Audit.

Para-38&39 (NADRA-2020-22)

13.1.4.16 Irregular hiring of courier services - Rs. 649.568 million

According to rule 10 (I & II) of GFR Vol – I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. The expenditure should not be prima facie more than the occasion demands. Furthermore according to rule 178 (I – IV), except in cases covered by any special rules or orders of Government, no work should be commenced or liability incurred in connection within until_____

- i. Administrative approval has been obtained from the authority appropriate in each case;
- ii. Sanction, either special or general, of competent authority has been obtained authorizing the expenditure;
- iii. A properly detailed design and estimate has been sanctioned; and
- iv. Funds to cover the charge during the year have been provided by competent authority

According to rule 32 of PPRA 2004, save as otherwise provided, no procuring agency shall introduce any condition, which discriminates between bidders or that is considered to be met with difficulty. In ascertaining the discriminatory or difficult nature of any condition reference shall be made to the ordinary practices of that trade, manufacturing, construction business or service to which that particular procurement is related.

During the audit of NADRA for the financial years 2020-21 & 2021-22, it was noted that the management published the tender for hiring of courier service for abroad on 16.06.2021, and awarded the contract to M/s. DHL Pakistan Pvt. Ltd. on 16.09.2021.

During scrutiny of record audit observed the following:-

1. No administrative approval was taken before publishing of RFP.
2. The budget availability was confirmed after issuance of work order.
3. It is pertinent to mentioned here that M/s DHL Pakistan Pvt. Ltd had already provided the same scope of work vide previous agreement which is valid upto 30.04.2021. However, the vendor was failed to deliver mails in USA and Canada sectors and tender a termination notice on 03.11.2020 under Clause 29b of service agreement dated 28.09.2018.

4. During the month of December 2020 M/s. Total Logistic Company was hired for delivery services for abroad at same rates under PPRA rule 42 d (iii) besides initiated process for hiring of courier services under tender # 109/2020. However, the record is silent about hiring of courier services under tender # 109/2020.
5. It is worth mentioned here that although the contract with M/s. DHL Pakistan Pvt. Ltd. was terminated in December, 2020 but as per ledger the payments of Rs. 482.529 million were made to them after termination of contract from January, 2021 to September, 2021.
6. The services of M/s. DHL Pakistan Pvt. Ltd. was hired under tender # 62/2021 as per comparison of financial bid M/s. Gerry's International Pvt. Ltd. quoted rates below from M/s. DHL. However, M/s. Gerry's International Pvt. Ltd. has not quoted rates for Iran and evaluation committee disqualify to him. It is pertinent to mentioned here the management of NADRA set rigid criteria for qualification/ disqualification.

Audit was of the view that hiring of courier services in violation of above referred rules and payment of Rs 482.529 million made to M/s. DHL after termination of contract was held irregular/un-justified.

The issue was shared with management on 29.12.2022 but the response of management was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons regarding non-observing the PPRA Rule and fix responsibility on the person at fault.

Para-43 (NADRA-2020-22)

13.1.4.17 Irregular hiring of courier services - Rs. 23.759 million

According to rule 43 d (iii) of PPRA 2004, for reasons of extreme urgency brought about by events unforeseeable by the procuring agency, the time limits laid down for open and limited bidding methods cannot be met. The circumstances invoked to justify extreme urgency must not be attributable to the procuring agency: Provided that any procuring agency desirous of using negotiated tendering as a method of procurement shall record its reasons and

justifications in writing for resorting to negotiated tendering and shall place the same on record.

According to rule 10 (I & II) of GFR Vol – I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. The expenditure should not be prima facie more than the occasion demands.

During the audit of NADRA for the financial years 2020-21 & 2021-22, it was noted that the management hired the services of courier company M/s Total Logistic Company for delivery of ID Cards CNIC/POC and NICOP Abroad during the month of December 2020 by using negotiated tendering method till completion of normal procurement process and issued work order dated 16.12.2020.

During scrutiny of record it was observed that M/s. DHL Pakistan Ltd had already provided the courier services under agreement which is valid upto 30.04.2021. However, the vendor was failed to deliver mails in USA and Canada sectors and served a termination notice on 03.11.2020 under Clause 29b of service agreement dated 28.09.2018. According to note sheet dated 02.12.2020 the process for hiring of courier services by using rule 42 d (iii) was initiated after one month later from termination notice served by the M/s. DHL Pakistan Ltd. The management called quotations from courier companies and received 10th to 15th December 2020. The action of management is not justified as management have enough time to hire courier services by using normal process of procurement furthermore, management did not record the justification of extreme urgency and get it approved from Competent Authority. Audit further observed that management hired Courier Company M/s. Total Logistic Company by calling quotation without approval from Competent Authority besides initiated normal procurement process under tender No. 109/2020 dated 20.11.2020 but the same was not shared with audit. Audit further probed that although the contract with M/s. DHL Pakistan Pvt. Ltd. was terminated in December, 2020 but as per ledger the payments of Rs. 482.529 million were made to them after termination of contract from January, 2021 to September, 2021.

Audit was of the view that the hiring of M/s Total Logistics Company by using negotiated tendering method without recording justification and approval from Competent Authority further payment made to the company of Rs 23.759 million was held irregular.

The issue was shared with management on 29.12.2022 but the response of management was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons regarding non-observing PPRA Rules and fix responsibility on the person at fault.

Para-44 (NADRA-2020-22)

13.1.4.18 Loss due to unjustified selection, promotion and increases in salary of the employees - Rs. 180.015 million

According to NADRA Employees (Service) Regulations, 2002, Part-II, “Procedure for initial appointment” Section (11)(5) “A candidate for initial appointment must possess the qualification and experience and must be within the age limit laid down for the post by the authority.

According to NADRA Employees (Service) Regulations, 2002, Part-V (Appointment by promotion), section (21-A) Procedure for appointment by promotion in the authority: The authority may promote an employee to the next higher pay scale or post based on such criteria and in accordance with such procedure as may be laid down by the authority from time to time in the promotion policy.

According to NADRA Employees (Service) Regulations, 2002, Part-V (Appointment by promotion), section (21-B) Special Promotion:- Notwithstanding anything contained in these regulations or any policy laid down by the authority, the authority may as a special case and for reasons to be recorded in writing, promote an employee holding a technical/professional post in the authority to any higher technical/professional post or increase the salary and other emoluments, benefits, etc. of his existing post by placing the same in a higher pay scale or otherwise. A special assessment report will be drawn, countersigned and submitted to the authority in respect of an employee for assistance in consideration of a special case under this regulation.

According to NADRA Employees (Service) Regulations, 2002 Section (4) Sanction, creation, re-designation and abolition of posts, etc:- The authority may sanction, create, re-designate or abolish any post, discipline or cadre within the Authority as it may deem fit. Accordingly, the Authority shall determine the strength of its posts including without limitation, administrative posts and technical posts, and that of a discipline and cadre of the authority.

According to NADRA Employees (Service) Regulations, 2002 Section (9) Appointing Authorities:-The authority competent to make appointment to various posts shall be as follows, namely:

Post	Appointing Authority
Post in BS-19 & 20 or equivalent O or T pay scales and above	Authority
Post in BS-17 & 18 or equivalent O or T pay scales	Chairman
Posts in BS-16 or equivalent O or T pay scales and below	Director General concerned

According to NADRA Employees (Service) Regulations, 2002 Section (13) Medical fitness (1) A candidate for initial appointment must be in good mental and bodily health and free from any physical defect likely to interfere with the discharge of his duties. (2) A candidate who after such medical examination by the Medical Officer, or as the case may be, the Medical Board as may be nominated by the Chairman, is found not to satisfy these requirements shall not be appointed. (3) The medical certificate of health of an initial recruit shall be submitted in such form as may be prescribed by the authority which shall be affixed to his first pay bill.

According to NADRA Employees (Service) Regulations, 2002 Section (15) Confidentiality, security and protection of data, etc. Sub Section (4) An initial appointment shall be subject to the security clearance of the candidates by such means and through such agency(ies) as the authority may deem fit. Further, Sub Section (5), of regulations, the authority shall put in place all necessary measures to guard against any activities of the employees violating the provisions and spirit of this regulation and may, whenever needed, seek a fresh security clearance in relation to any employee irrespective of his pay scale and position.

During audit of NADRA for the years 2020-21 & 2021-22 while scrutiny of randomly personal files, various deficiencies regarding selection, promotion,

medical certificates, security clearance and increases in salary were observed (Annex-102).

In the light of above, audit was of the view that management of NADRA had not finalized the selection & promotion policy duly approved by the Authority/BODs as per NADRA Employees (Service) Regulations, 2002, Part-II, “Procedure for initial appointment” Section (11)(5), hence all the selection, promotion and increases in the salary are held irregular.

The issue was shared with management on 29.12.2022 but the response of management was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons for finalizing the selection, promotion and fixing of salary on contractual basis by the Competent Authority & fix responsibility on the person (s) at fault.

Para-48 (NADRA-2020-22)

13.1.4.19 Irregular disposal of unserviceable hardware scrapped without following auction procedure - Rs. 19.228 million

According to rule-4 of PPRA Rules, 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 procurement process is efficient and economical. According to rule-13 (1) of PPRA Rules 2004 the procuring agency may decide the response time for receipt of bids or proposals (including proposals for pre-qualification) from the date of publication of an advertisement or notice, keeping in view the individual procurement’s complexity, availability and urgency. However, under no circumstances the response time shall be less than fifteen days for national competitive bidding and thirty days for international competitive bidding from the date of publication of advertisement or notice.

According to rule 167 of General Financial Rules subject to any special rules or orders applicable to any particular department stores which are reported to be obsolete, surplus or unserviceable may be disposed of by sale or otherwise under the orders of the authority competent to sanction the writing off of a loss caused by deficiencies and depreciation equivalent to their value [Vide Col 4 of

Schedule V to the Book of Facial Powers]. Each order declaring stores as unserviceable should record the full reasons for condemning them and how the condemned stores are to be disposed of i.e. whether by sale public auction or otherwise. The head of the office should record full particulars regarding all condemned stores in suitable list from which their disposal can be watched.

During audit of the NADRA for the years 2020-21 & 2021-22, it was observed that management auctioned the following items vehicles, computer equipment, furniture and office equipment of Rs 11.355 million during the year 2020-21 and of Rs 7.873 million during 2021-22. According to the available record regarding auction of unserviceable hardware and equipment pertaining to year 2021-22, following discrepancies were observed:

1. The response time was given less than 15 days as required by PPRA rule 13(1)
2. No approval of authority was taken before auction
3. Reserve price of equipment were not determined before initiating auction process
4. No comparative statement was found in record
5. Bid security from bidder was not taken by the management which was explicitly demanded in advertisement
6. Technical Disposal Board raised several queries; instead of giving response the management changed the TDB and queries remained unaddressed
7. The list of unserviceable item for auction provided by management shows that several item purchase dates were missing and several items dates of purchase is 2018-19 which shows that the useful life is not completed.

Audit was of the view that the auction of unserviceable hardware and equipment by management without fulfilling the codal requirements was held irregular and was doubtful. Furthermore, the management should provide complete record in support of bidding process and subsequently open auction but the same was not provided to audit.

The issue was shared with management on 29.12.2022 but the response of management was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault, explain the reasons for non-provision of complete bidding and open auction record and the sale of scraped may be got regularized from PPRA.

Para-51 (NADRA-2020-22)

13.1.4.20 Unjustified service level agreement of (US\$ 703,750) equivalent to Pak Rs. 74.100 million

According to rule 4 of PPRA 2004, the procuring agencies while engaging in procurement, 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.

According to note sheet para 3 a purchase order was formally issued for procurement of 1x card personalization machine in 22 July, 2011 for total price of US\$ 1,031,310, Para-9/N ibid MRP 5800 was procured in 2012 from M/s Datacard with 2 years warranty.

During audit of the NADRA for the years 2020-21 & 2021-22, it was noted that management entered into service level agreement with M/s Entrust Datacard Corporation for extended warranty of upgraded MX6100 machine with service level agreement fee of USD 140,750 per annum and USD 703,750 equivalent to PKR 74,100,160 (US \$ 703,750 @ 105.293 per dollar) in total over five years from 2017-18 to 2021-22.

As per Purchase Order file in respect of M/s Entrust Datacard regarding Service Level Agreement the following were observed:

1. As per noting sheet MRP 5800 was procured from M/s Datacard through competitive bidding process in 2012 at total price of USD 1,031,210 with warranty period of 2 years valid up to September, 2014. As per noting sheet vide para No. 9/N the service level agreement was not made for said machine.
2. After receipt of machine in NADRA the performance of the said machine was not found as per factory acceptance testing and site acceptance testing and management availed free maintenance service during warranty period but the machine did not perform upto required performance level. As per noting sheet para 9/N the warranty period of said machine expired in September, 2014 and the management took initiative to take up the matter with supplier in February, 2016 i.e. after lapse of 1.5 years of its warranty period.

Audit was of the view that as the performance of MRP5800 machine remained un-satisfactory during the period since its procurement then how the usage of machine was handled during 1.5 year after expiry of warranty.

3. After taking up the matter with vendor, a meeting was convened with team of supplier on 10.08.2016 and it was decided that M/s Datacard will upgrade the MRP5800 with MX6100 free of cost basis within 6-8 weeks once agreement signed and after installation of the said machine at NADRA premises and successful SAT, NADRA and M/s Datacard to sign the SLA for period of 5 years @ US\$ 140,750 per annum and Chairman NADRA accorded approval vide para 65/N dated 08.10.2016. Accordingly SLA was signed on in October 2016. Audit was of the view that it was replacement of a machine already purchased in 2012 with a proper agreement. According to the terms and conditions of said agreement, the machine was purchased with 2 years warranty period. Hence management should had to replace the machine at existing terms and condition i.e. with 2 years warranty, but the management did not do so and accepted replacement of machine with 1 year warranty instead of 2 years. Thus the replacement of machine to new terms and conditions of i.e. with 1 year warranty is hardly justified. Hence payment against SLA for one year was unjustified resultantly the expenditure of Rs 14,820,032 (USD 140,750*Rs. 105.2933 per \$) was irregular. The action of the management was not in line with above mentioned provisions of PPRA.

4. As per noting sheet vide para 9/N showed that MRP5800 procured in 2012 from M/s Datacard does not have service level agreement so the procurement was made without any SLA. The replacement of MRP5800 was required to be made with MX6100 without SLA hence the SLA signed and Payment of US\$ 703,705 for the period of five years is hardly justified.

The logic/rationale of SLA is after the expiry period of machine. Finalization and execution of SLA at the time of the replacement of the previous defective machine is almost equal to the cost of new machine which would have built in warranty of maximum two (02) years thus replacement of defective machine with warranty period of one year with SLA of almost equal to the cost of machine is irregular and in contravention of rule-4 of PPRA.

5. As per note sheet 25 (b)/N in case of replacement of MRP5800 with Mx6100 the clearance, Custom duties and taxes payable in Pakistan was responsibility of NADRA. The payment made on account of custom duties and taxes and bill of entry of the replaced machine and its delivery to NADRA

premises was not found in available record. Audit was of the view that the payment of clearance, Custom duties and taxes should have borne by the supplier instead of NADRA.

6. As per note sheet Para 65/N the Chairman accorded approval for replacement of MRP5800 with MX6100 on 08.10.2016 and the contract was signed in October, 2016 and 1st purchase order on 08.02.2017 for the period of one year from 08.02.2017 to 07.02.2018 which showed that the management did not avail the warranty period of one year.

The issue was shared with management on 18.01.2023 but the response of management is still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of procurement of services by using direct contracting in violation of PPRA rules and fix responsibility on the person (s) responsible.

Para-57 (NADRA-2020-22)

13.1.4.21 Irregular / Unjustified procurement of maintenance services of (US\$ 3.400 million) equivalent to Pak Rs 526.932 million

According to rule 42 (c), a procuring agency shall only engage in direct contracting if the following conditions exist, namely:-

- (i) The procurement concerns the acquisition of spare parts or supplementary services from original manufacturer or supplier: Provided that the same are not available from alternative sources;
- (ii) Only one manufacturer or supplier exists for the required procurement: Provided that the procuring agencies shall specify the appropriate fora, which may authorize procurement of proprietary object after due, diligence; and
- (iii) Where a change of supplier would oblige the procuring agency to acquire material having different technical specifications or characteristics and would result in incompatibility or disproportionate technical difficulties in operation and maintenance: Provided that the contract or contracts do not exceed three years in duration;

During audit of the NADRA for the years 2020-21 & 2021-22, it was noted that management issued purchase order No. NADRA/Proc/NDW/5767 dated 14.10.2019 to M/s IDEMIA for annual maintenance of current system and for the upgraded components of automatic finger identification system (AFIS) for period of one year from 01.07.2019 to 30.06.2020 of USD 1,700,000 equivalent to Rs 263.466 million (US\$1,700,000 @ Rs 154.98 per dollar). The payment was made through LC in advance against bank guarantee. The management has been acquiring the services from the said firm since 2004.

As per Purchase Order file in respect of M/s IDEMIA regarding maintenance of current system and for the upgraded components of automatic finger identification system (AFIS) the following were observed:

1. The management procured the maintenance and up-gradation services by using direct contacting method of procurement as provided in Rule-42(C) (i) since 2004 by simply obtaining quotation from M/s IDEMIA. Rule-42(C) (i) of PPRA allowed direct contracting with the condition the procurement concerns the acquisition of spare parts or supplementary services from original manufacturer or supplier. Proof relating to procurement of said system from M/s IDEMIA which being the original manufacturer/supplier may be made available to justify the application of rule 42 (C) (i) for direct contracting.

2. Rule 42 (C) (i) further demands that before going into direct contracting it was mandatory to declare that the required procurement is not available from alternative sources. The assurance of the fact that the same spare/services are not available from alternative sources which was also not done.

3. Rule 42 (C) (ii) requires that before going into direct contracting it was also mandatory to declare that only one manufacturer or supplier exist, provided that the procuring agencies shall specify the appropriate fora , which may authorize procurement of proprietary object after due diligence for required procurement may be established in support of direct contracting. The agency at the time of procurement of that system should had either procured it through competitive bidding as the prerequisite of rule-42 (C) (ii) should had been completed for onwards application of rule-42 (C) (i) for acquisition of spares and supplementary services later on.

4. Rule 42 (C) (iii) further requires that the contract or contracts do not exceed three years in duration. The management has been acquiring the maintenance and up-gradation services from M/s IDEMIA since 2004 which is almost 15 years from 2005-06 to 2019-20 by means of issuance of annually purchase order for maintenance and up gradation of the said system. The action of the management is not in line the PPRA rules.

5. Rule 4 requires that the object of procurement brings value for money to the agency and the procurement process is efficient and economical. The management has been acquiring the maintenance and up gradation services of automatic finger identification system since 2004 from M/s IDEMIA. Only in last two years i.e. 2018-19 and 2019-20 an amount of US\$ 3.400 million was paid to M/s IDEMIA by management. Keeping in the view of payment for last two years i.e. US\$ 3.400 million equivalent to Pak Rupees 526.932 million (US\$3,400,000* Rs 154.98 per dollar) it was presumed that the huge payment had been made by the management on that context which was against the basic canons of procurement.

The issue was shared with management on 18.01.2023 but the response of management was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons of procurement of services by using direct contracting in violation of PPRA rules and fix responsibility on the person(s) at fault.

Para-58 (NADRA-2020-22)

13.1.4.22 Irregular award of purchase order to single responsive bidder without financial conformance in term of rate reasonability - USD 29.700 million

According to PPRA Rule – 38 (B)(1) The procuring agency shall consider single bid in goods, works and services if it-

- a) Meets the evaluation criteria, ensures compliance of specifications and other terms & conditions expressed in advertisement or bid solicitation documents;
- b) Is not in conflict with any provision of the Ordinance;

- c) Conforms to the technical specifications;
- d) Has financial conformance in terms of rate reasonability:

In this regard PPRA has clarified that procuring agency shall make a decision with due diligence and in compliance with general principles of procurement like economy, efficiency and value for money. PPRA further clarified that the re-advertisement would be a preferred option.

During audit of NADRA for the years 2020-21 & 2021-22 it was observed that the management has invited tender for the procurement of 30 million Smart Cards in February 2022 by applying single stage two envelope procuring method, three bidders M/s SELP, M/s GEMALTO and M/s IDEMIA submitted their bids. Technical bids were opened on March 10, 2022, M/s GEMALTO and M/s IDEMIA were technically disqualified whereas M/s SELP was technically qualified and subsequently financial bid of the technically qualified bidder was accepted on April 7, 2022. Thus the management accepted single bid with quoted price of \$0.99 per card, with a total cost of \$29.700 million. In contravention to Rule-38(B) (1) the financial conformance in terms of rate reasonability was not sought which was required to ensure value for money.

Audit was of the view that undue favour was extended to the M/s SELP by awarding contract for supply of 30 million smart cards USD 29.700 million without financial conformance in term of rate reasonability as required under above rule hence issue of purchase order held irregular.

The issue was shared with management on 29.12.2022 but the response was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons for non-consideration of financial conformance in term of rate reasonability as required by rules besides fixing responsibility thereof;

Para-59 (NADRA-2020-22)

13.1.4.23 Irregular procurement of 30 million smart cards of US\$. 29.700 million

According to Rule 8 of PPRA, all procuring agencies shall devise a mechanism, for planning in detail for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date and benefits that is likely to accrue to the procuring agency in future.

Rule-11 of PPRA demanded that all procuring agencies shall provide clear authorization and delegation of powers for different categories of procurements and shall initiate procurement, once approval of the competent authorities concerned has been accorded.

According to rule-178 of GFR volume-I except in cases covered by any special rules or orders of Government, no work should be commenced or liability incurred in connection within until

- i administrative approval has been obtained from the authority appropriate in each case;
- ii Sanction, either special or general, of competent authority has been obtained authorizing the expenditure;
- iii a properly detailed design and estimate has been sanctioned; and
- iv Funds to cover the charge during the year have been provided by competent authority.

During audit of NADRA for the years 2020-21 & 2021-22 it was noted that the management issued supply order for procurement of 30 million smart cards to M/s SELP @ US \$ 0.99 per unit cost total price US \$ 29.700 million.

As per Purchase order file in respect of M/s SELP regarding Procurement of 30 million smart cards the following were observed:

1. No annual procurement planning was done by the management which is violation of PPRA. However, for the comments of annual procurement plan was demanded vide requisition No 18 dated 16.09.2022 but the same was not made available which showed that no consolidated annual procurement plan was prepared by authority which is violation of PPRA rule.
2. Record showed that although separate administrative approval was accorded by chairman vide para-13 of note sheet dated 13.12.2021 but the

determination of re-order level, re-order quantity, need and cost estimation was ignored. The production department initiated the requirement alongwith RFP in one go which was approved by the Chairman. The action of the management was not in line with above mentioned rules and also showed the contract kept open end for the cost point of view.

3. Record showed that no specific budget allocation under the relevant head was made by the management. According to the noting sheet, the procurement pertains to the financial year 2022-23 and budgetary recommendation is required. In order to ascertain the budgetary provision and its availability for procurement of 30 million smart cards the budget provision was demanded for the financial year 2022-23 however, the same was not made available to audit this showed that budget was not prepared by the authority.

Audit was of the view that non-adherence of rules resulting into mis-procurement of USD 29.700 million.

The issue was shared with management on 29.12.2022 but the response was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons for issuance of purchase order in contravention above rules besides fixing responsibility thereof;

Para-60 (NADRA-2020-22)

13.1.4.24 Irregular procurement of 30 million smart cards without verifying bidding documents and without obtaining security clearance of the final selected bidder from Government Intelligence Agencies - US \$ 29.700 million

As per clause 11.6 of bidding documents states that security clearance of final selected bidder may be carried out from relevant Pakistani Govt. Security Agencies.

During the scrutiny of procurement file regarding 30 million smart cards it was observed that management was required to get security clearance from Security Agencies of Govt. of Pakistan of final selected bidder. Record pertaining

to security clearance of smart cards from any concern government intelligence organization was demanded vide requisition dated 29.09.2022, the same was not made available to audit. This showed that no security clearance was obtained from Security Agencies furthermore, bids submitted by bidders were reviewed and it was found that no verification of bidding documents/allied reference letters was carried out by management to ensure the authenticity and veracity of these documents.

Audit was of view that issuance of purchase order to M/s SELP without obtaining security clearance from Security Agencies and none confirmation of bidding documents/allied reference letters is held irregular.

The issue was shared with management on 29.12.2022 but the response was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons for non-obtaining security clearance from Security Agencies and non-verification of bidding as required under clause 11.6 of bidding documents besides fixing responsibility thereof;

Para-61 (NADRA-2020-22)

13.1.4.25 Procurement of 30 million smart cards in violation of NADRA smart cards procurement SoP resulted into excess procurement of smart card valuing US \$ 4.500 million

According to Rule 8 of PPRA, all procuring agencies shall devise a mechanism, for planning in detail for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date and benefits that is likely to accrue to the procuring agency in future.

According to Procurement of Smart ID Cards SoP 8/SoP-23 ISO 9001:2015 minimum stock level of smart cards equivalent to 06 month consumption will be maintained in order to avoid any unforeseen situation, the demand for procurement of smart cards shall commence well before time in order to ensure uninterrupted production operation. Re-order level of stock= (Maximum Consumption per month * Maximum delivery time in month) and In

light of past experience minimum 30 months stock will be reordered, based on average consumption of previous years.

During audit of NADRA for the years 2020-21 & 2021-22 it was observed that the management of NADRA has issued purchased order for procurement of 30 million smart cards to M/s SELP on 26.04.2022 US \$ 29.700 million. Record showed that the procurement was made without determining the re-order quantity and re-order level of stock as per their own Sops. Further the management placed order of 30 million smart cards whereas management was required to issue purchase order equal to re-order quantity 25,463,830. Procurement of excess quantity of 4,546,170 smart cards valuing of US \$ 4.500 million (4,546,170 @ US \$ 0.99 per card) was made in excess 4,546,170 detailed working is given below:

Average consumption of smart cards per month (worked out total consumption of 19 divided by 19 months (17,073,281/19)	898,593.74
Minimum stock level should be (898,593.74*6)	5,391,562
Re-order level of stock= (Maximum Consumption per month * Maximum delivery time in month) (Average Consumption x 8 months lead time as per noting 30 to 35 weeks) (898,593.74 x 8 month)	7,188,750
Re- order quantity: In light of past experience minimum 30 months stock will be reordered, based on average consumption of previous years. Re-order Quantity (Average previous Year Consumption x 30 Months) (848,461 x 30 months)	25,463,830
Purchase order dated 26.04.2022	30,000,000
Excess quantity procured	4,546,170
Rate per cards	US \$ 0.99
Excess procurement value	US \$ 4,500,708

It is to be mentioned here that at the time of initiating and issuance of current purchase order for procurement of 30 million smart cards, sufficient quantity 16.673 million smart cards were available. Supply against the earlier/previous purchase order issued 16.10.2020 has already been under completion. The supply and stock position of previous ordered quantity as on 26.04.2022 (i.e., at the time of issuance of purchase order) is under:

Ordered quantity:	30 million smart cards
Balance Qty still to be made by the vendor	13.418 million smart cards
Stock Position:	3.255 million smart cards
Available stock:	16.673 million smart cards

It was also noted that average consumption of smart card from last 19 months is 898,584 smart cards per month. Keeping in view that average per month consummation 19 months stock was available with management. Hence initiation of above procurement was made without definite requirement. Keeping in view the average consumption, the ordered quantity was sufficient for more than 3 years.

Audit was of the view that the procurement of smart cards was made in haste by violating the rules and SoPs. Further sufficient stock for 19 months was available at the time of initiating the procurement process this showed that exiting controls were compromised which also tantamount to malafied intention of management.

The issue was shared with management on 29.12.2022 but the response was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons for non-obtaining security clearance from Security Agencies and non-verification of bidding as required under clause 11.6 of bidding documents besides fixing responsibility thereof;

Para-62 (NADRA-2020-22)

13.1.4.26 Non-drafting of regulations for procurement by NADRA and resultant discrepancies

According to Section 45 (1) of NADRA ordinance 2000, the authority may by notification in the official gazette, make regulation, not inconsistent with the provisions of this ordinance or the rules, for carrying out of its functions under the ordinance and any other matter for which under the ordinance, provision may be made by regulations.

During audit it was noticed that NADRA did not make any regulations for procurement due to which the Job Description of Head of Procurement, Constitution of the different committees and their TORs were not rationalized.

It was also observed that following Technical Procurement Committee constituted vide ION No. NADRA/CS/12 dated 07.09.2021 was available in NADRA which initially checks and scrutinizes the different aspects of all

procurements of technical nature before seeking its administrative approval from the competent authority.

Sr. No.	Particulars	Designation
1.	Chief Project Officer:	President
2.	D.G Network	Permanent Member
3.	HOD Software Development:	Permanent Member.
4.	HOD Warehouse Development:	Permanent Member
5.	HOD Research & Development:	Permanent Member
6.	D.G/Director of concerned Directorate/ Department:	Visiting Member
7.	Expert/Specialist on the Subject specially invited Within/outside NADRA For expert opinion:	Visiting Member
8.	Director Procurement	Secretary

Furthermore the TORs of the above technical committee were not found on record. Constitution of TPC without TORs is against the spirit of relevant rules. By virtue of the nomenclature, the said committee was supposed to evaluate the technical aspects of the any technical/complex procurement but the record shows that the committee considered only the general aspects of the procurement. The said case was approved by the TPC in light of stock position, rate of consumption, time line of procurement process and delivery of cards. This showed that TPC failed to evaluate of technical and complex aspect of the instant procurement. Secondly the approving authority of the said committee was not mentioned in order.

While processing the case for procurement of smart cards, following members of the above mentioned committee did not attend the meeting HOD Research & Development Permanent Member, Expert/Specialist on the Subject specially invited Within/outside NADRA for expert opinion: Visiting Member and Director Procurement Secretary which needs justification

It was also observed from the above referred ION dated 07.09.2021 that the previous committee was constituted on 07.04.2021 and just after 5 months, a new committee was constituted.

Secondly, following Technical Evaluation Committee was constituted vide ION No. NADRA/Proc/Laminate/CNIC/Tender/13/2022/01 dated 15.02.2022.

President: President to be nominated by CNIC Production (Deputy Director or above)
Members: To be detailed by CNIC Production (Assistant Director or above)

It was noticed that the technical and financial bids were opened by the following designated tender opening committee on 10.03.2022 and 07.04.2022.

President:	Mr. Imran Hashim, Deputy Director
Members:	Mr. Arshad Noor, Assistant Director
	Mr. Mudssar Alam, Assistant Director
	Capt. Retd. M. Humayun Jan, Assistant Director

It was pertinent to notice that the technical bids were opened by the above committee on 10.03.2022 and the evaluation was done by Technical Evaluation Committee headed by Head of CNIC Production with 3 members consisting of 2 directors and 1 AD and the committee submitted its recommendation on 29.03.2022 i.e. 19 days after opening of technical bid which needs justification.

Similarly, financial bid of the single bidder was opened on 07.04.2022 i.e. after 09 days and accepted the rate offered by M/s SELP without obtaining rate reasonability from the open market as required under the rules.

The authorization for keeping the Technical & Financial bids of the bidders was rest with head of procurement. Audit was of the view that time taken for technical evaluation i.e. 19 days which were too much.

Furthermore, the one stage two envelop method of procurement was adopted, accordingly bids were received on 10.03.2022 and technical bids were opened on same date whereas the financial bids were opened on 07.04.2022 and remained kept with management. Keeping the financial bid for such a long time of 26 days is reflected non-transparent process of keep financial bid security and integrity gives reasonable doubt about the final rate of bid of single bidder (as other financial bids of participants are not available for comparison).

Had the proper regulation been made such types of delay and doubt could have been avoided.

The issue was shared with management on 29.12.2022 but the response was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain the reasons for non-making regulations as required under ordinance of authority furthermore non-defining TORs of the Technical Procurement Committee and resultant discrepancies in procurement.

Para-63 (NADRA-2020-22)

13.1.4.27 Implementation of Project without preparation of PC-I

According to Chapter 3 of Project Management guidelines of Planning Commission of Pakistan, “the Project Management Life Cycle has five distinct phases:

1. Identification & Formulation
2. Appraisal & Approval
3. Implementation
4. Completion/ Closure; and
5. Ex-Post Evaluation

According to Para-3.2 of Project Management guidelines of Planning Commission of Pakistan, Development Projects are prepared on the approved format i.e. PC-I Proforma. Planning Commission has devised three proforma in 2005, one each for infrastructure Sector, Production Sector and Social Sector.

During audit of Foreign Aided Project “FATA TDP-ERP Project” under grant # TF0B0010 implemented by NADRA, it was observed that National Database & Registration Authority (NADRA), entered in to a project implementing agreement with International Development Association (IDA) on 23 September, 2015 pursuant to a financing agreement between the GoP and IDA. Under this agreement, the objective was to assist GoP to strengthen the implementation of its Temporary Displaced Person- Emergency Recovery Project (FATA-TDP-ERP) by establishing fifteen (15) state of the art One Stop Shop (OSSs) in the merged area of KP (erstwhile FATA Region). The program consists of three components. iii. Component-3, is a TA Component for strengthening program management and oversight which was allocated to NADRA being implementing entity. As per TA Component 3, NADRA share was US \$ 30,793,300 million.

The NADRA management was requested to provide PC-I of the project (Component 3 implemented by NADRA). NADRA management intimated that

PC-I of the Project (Component 3) was not prepared and it was implemented under three agreement i.e. Project Agreement, Agency Agreement, Implementation Agreement.

Audit was of the view that the implementation of project (Component 3) by NADRA without preparation of PC-I and its approval from the competent forum needs to be justified.

The issue was shared with management on 18.01.2023 but the response of management is still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify the reasons for non-preparation of PC-1 as required under Project Management Guidelines besides fixing responsibility.

Para-64 (NADRA-2020-22)

13.1.4.28 Unverified record of charging of HR cost of NADRA HQ employees to the project - Rs. 310.376 million

According to the reliability principle of the International Accounting Standard (IAS-1) “Only those transactions that can be proven should be recorded. No transaction shall be recorded without evidence supporting transactions”

During audit of Foreign Aided Project “FATA TDP-ERP Project” under grant # TF0B0010 implemented by NADRA, it was observed from the financial statements for the year 2021 that expenditure of Rs. 479.899 million was incurred on the project staff salaries & allowances during the year 2020-21. On examination of breakup of this cost, it revealed that an amount of Rs. 310.376 million was charged to the project on account of HR Cost of NADRA HQ employees.

Audit requested the management to provide the record pertaining to detail of employees/ criteria/ formula against which the amount of Rs. 310.376 million was charged to the project on account of HR Cost of NADRA HQ employees. However the management failed to provide the requisite record.

Therefore, in the absence of any record/ criteria/ formula against which the amount of Rs. 310.376 million was charged to the project on account of HR

Cost of NADRA HQ employees, audit is unable to verify the expenditure of Rs. 310.376 million.

The issue was shared with management on 18.01.2023 but the response of management is still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter for charging HR cost of HQ to Project, furthermore, complete record may be provided to audit.

Para-65 (NADRA-2020-22)

13.1.4.29 Unverified record of different heads of accounts - Rs. 62.396 million

According to the reliability principle of the International Accounting (IAS-1) “Only those transactions that can be proven should be recorded. No transaction shall be recorded without evidence supporting transactions”

During audit of Foreign Aided Project “FATA TDP-ERP Project” under grant # TF0B0010 implemented by NADRA, it was observed from the financial statements for the year 2021 that expenditure of Rs. 62.396 million pertaining to different heads of accounts was charged to the project on account of these heads of NADRA HQ. Detail is given hereunder:-

Sr.#	Account Code	Head of Account	Amount in Rs.
1.	52701	Electricity	20,241,521
2.	52702	Gas	263,991
3.	52902	Equipment Rentals	247,249
4.	53101	POL of vehicles	13,755,156
5.	53102	POL of generators	10,223,488
6.	52501	TA/DA	6,486,719
7.	52403	R & M- Machinery & Equipment	6,460,668
8.	52802	Courier	4,717,565
Total			62,396,357

Audit requested the management to provide the record pertaining to expenditure incurred on these heads or criteria/ formula against which the amount of Rs. 62.396 million was charged to the project on account of these heads of accounts. However the management failed to provide the requisite record/

criteria/ formula under which the expenditure on account of these heads of accounts against NADRA HQ was charged to the project.

Therefore, in the absence of any record/ criteria/ formula against which the amount of Rs. 62.396 million was charged to the project on account of tabulated heads of accounts against NADRA HQ, audit is unable to verify the expenditure of Rs. 62.396 million.

The issue was shared with management on 18.01.2023 but the response of management is still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter for provision of record and complete record may be provided to Audit.

Para-66 (NADRA-2020-22)

13.1.4.30 Irregular appointments of consultants - Rs. 42.973 million

According to Section V, Regulation 5.3 of World Bank Procurement Regulations, “When approaching the national market, as agreed in the Procurement Plan, the country’s own procurement procedures may be used”. Regulation 5.4 (a) further states that for national open competitive procurement, open advertising of the procurement opportunity at the national level is applied.

According to Procurement of Consultancy Services Regulations, 2010 the method for selection of consultants shall be determined by the Procuring agency prior to issuance of Request For Proposal from the prospective consultants. As per procedure for both the methods of selection of consultants i.e. Quality based selection and Quality and cost based selection, a request for expression of interest as laid down in Regulation 5 is advertised to invite applicants or firms to contest. A Request for proposal shall be prepared and sent to the short listed consultants following the laid down criteria.

During audit of Foreign Aided Project “FATA TDP-ERP Project” under grant # TF0B0010 implemented by NADRA, it was observed from the financial statements for the year 2021 that expenditure of Rs. 42.973 million was incurred on payment of Individual consultant’s remuneration during the year 2020-21.

Audit examined four case files of consultants i.e. Ms. Mushkbar Batool Haseeb (Planning & Services Consultant), MR. Zulqurnain Khan (GR Coordinator), Ms. Gulnaz (Planning Coordinator), Mr. Umar Jamshaid (Training Specialist) to check the procedure followed for selection of consultants on test check basis. It was observed from the relevant files that the procurement opportunities of consultancy services were not advertised in the press for inviting expression of interest from the prospective consultants. The consultants were selected without following the laid down criteria in World Bank's Procurement Regulations as well as Procurement of Consultancy Services Regulations, 2010.

The above facts show that the management did not follow the laid down procedure for selection of consultants. Hence appointment of consultants and their remuneration on account of their consultancy services Rs. 42.973 million paid during the year 2020-21 were held irregular.

The issue was shared with management on 18.01.2023 but the response of management is still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter regarding hiring of consultants contrary to rules and regularize the hiring from PPRA.

Para-67 (NADRA-2020-22)

13.1.4.31 Non-deduction of GST from the consultancy fee - Rs. 41.733 million

According to 7th schedule -section 3(2) of the Islamabad Capital Territory (Tax on Services) Ordinance 2001, GST on management consultancy services is 16 %.

During audit of Foreign Aided Project "FATA TDP-ERP Project" under grant # TF0B0010 implemented by NADRA, it was observed that NADRA being Project implementing entity appointed 30 consultants at different monthly rate of each consultant for provision of consultancy services in different areas. An amount of Rs. 260.832 million was paid on account of consultancy services during the year 2020-21.

However it was observed that the NADRA management did not deduct GST @ 16% from the consultancy service charges of consultants as required under provisions of Sales Tax Act. In this way, undue favour was extended to the consultants by non-deduction of GST from the consultancy service charges of consultants of Rs. 41.733 million (Annex-103).

Audit was of the view that due to non-deduction of GST from the consultancy service charges, the Government exchequer was put to loss of Rs. 41.733 million.

The issue was shared with management on 18.01.2023 but the response of management is still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter for non-deduction of sales tax from the consultants on account of consultancy fee, fix responsibility thereof and administrative / Financial Control needs to be strengthened.

Para-68 (NADRA-2020-22)

13.1.4.32 Undue favour due to less deduction of withholding tax on consultancy services - Rs. 10.172 million

According to section 153 (1)(b)(ii) of income tax ordinance 2001, “in case of rendering/providing services by other than company, withholding income tax @ 10% will be deducted at the time of actual payment”

During audit of Foreign Aided Project “FATA TDP-ERP Project” under grant # TF0B0010 implemented by NADRA, it was observed that NADRA being Project implementing entity appointed 32 consultants at different per month rate of each consultant for provision of consultancy services in different areas. An amount of Rs. 188.596 million was paid on account of consultancy services during the year 2020-21.

However it was observed that the NADRA management deducted withholding tax from the monthly consultancy fee of the consultants according to the slabs where their yearly income falls, by declaring them employees instead of consultants despite the fact that provision of consultancy service agreements were signed with them. In this way less deduction of income tax was made from the

consultancy services fee of the respective consultants of Rs. 10.172 million (Annex-104).

Audit was of the view that due to less- of income tax from the consultancy service charges, the Government exchequer was put to loss of Rs. 10.172 million.

The issue was shared with management on 18.01.2023 but the response of management is still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter for less deduction of Income Tax from the consultants on account of consultancy services, fix responsibility thereof and administrative / Financial Control needs to be strengthened.

Para-69 (NADRA-2020-22)

13.1.4.33 Irregular appointments without following proper procedure and criteria for selection – Rs. 46.200 million

According to Establishment Division OM No. F.53/1/2008-SP dated 16-01-2015 the Federal Government devised mechanism to ensure transparency and merit based recruitment in the Ministries Divisions/ Sub-ordinate Offices/ Autonomous/ Semi-Autonomous Bodies/ Corporations; Companies/Authorities. According to which the initial screening of the applicant would be conducted and the short listed applicants would be interviewed after verification of credentials. Further, the Departmental Selection Committee would assess the applicant on the following criteria:

- Score in the test would be 70% weightage
- DSC would allocate the 30 % weightage as follows:
- Relevant qualification/experience
- Knowledge/Skill relevancy
- Personality/Interpersonal Communication Skills

During audit of Foreign Aided Project “FATA TDP-ERP Project” under grant # TF0B0010 implemented by NADRA for the year 2020-21, it was observed that following issues are noticed during the scrutiny of record of recruitment process:-

- i. The Project management of NADRA introduced its own pay packages for project employees which was required to be vetted from the executing agency/ donor agency of the project which was not done by the management.
- ii. During scrutiny of recruitment procedure followed for appointment of 28 x project employees (Data Entry operator), it was observed that the management did not follow clearly elaborated selection criteria. Most of the selected candidates even could not qualify the English Typing Test and MCQ Test e.g. some candidates obtained 4.18, 5.09, 5.45, 6.91, 7.82, 9.09 and 11.82 marks out of 100 in English typing test. Similarly, some candidates obtained 24, 26, 28, 30 and 32 marks out of 100 in MCQ test. These all candidates were selected on the basis of interview. Audit was of the view that there should be an approved selection criteria in which passing marks against each category should be assigned in order to ensure transparency in the selection process.
- iii. Personal files of individual employees were not provided on the plea that selection process was completed in Regional Head Office, Peshawar. Hence, criteria for age and experience of each selected individual could not be verified.

Thus keeping in view the above facts appointment of 28 x employees and payment of Rs. 46.200 million on accounts of salaries was held irregular under audit.

The issue was shared with management on 18.01.2023 but the response of management is still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter regarding appointments made contrary to rules besides fix responsibility thereof.

Para-70 (NADRA-2020-22)

13.1.4.34 Irregular award of contract for hiring of vehicles - Rs. 20.012 million

According to Chapter 6 Para B (2) of Operations Manual TDP-ERP, “Minimum of three quotations shall be invited for goods procurement under a

small value contract that does not exceed USD \$ 50,000 and competitive bidding procedure shall be used for procurement under National Competitive Bidding (NCB), International Competitive Bidding (ICB)

During audit of Foreign Aided Project “FATA TDP-ERP Project” under grant # TF0B0010 implemented by NADRA, it was observed that NADRA awarded contract to M/s Shani Travels, Islamabad for hiring of three vehicles @ Rs. 100,000 per month per vehicle. Later on, one additional vehicle was also hired through the contractor @ Rs. 105,000 per month. An amount of Rs. 5.003 million was paid to the contractor on account of rental charges during the year 2020-21. A total of Rs. 20.012 million had been paid to the contractor for the period from 2016-17 to 2020-21.

It was however, observed from record that contract for hiring of vehicle was awarded to the contractor without obtaining competitive rates through press advertisement. Hence the management violated the provisions of Operations Manual TDP-ERP.

Audit was of the view that the award of contract for hiring of vehicles in violation of Operations Manual TDP-ERP/ World Bank Procurement Regulations was held irregular.

The issue was shared with management on 18.01.2023 but the response of management is still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter regarding procurement of vehicles contrary to rules besides fix responsibility thereof.

Para-71(NADRA-2020-22)

13.1.4.35 Unverified record on account of payment for up-gradation of storage - Rs. 11.437 million

According to the reliability principle of the International Accounting (IAS-1) “Only those transactions that can be proven should be recorded. No transaction shall be recorded without evidence supporting transactions”

During audit of Foreign Aided Project “FATA TDP-ERP Project” under grant # TF0B0010 implemented by NADRA, it was observed from the financial statements for the year 2021 that expenditure of Rs. 11.437 million was incurred on the project for the up gradation of storage during the year 2020-21. As per detail of assets purchased for the project, payment on account of up-gradation of storage was made vide cheque # 1615756 dated 5 May, 2021 to M/s DWP Technologies (Pvt.) Ltd.

The relevant voucher of this item was not available in the Payment Vouchers provided to the Audit Team. Audit requested the management to provide the record pertaining to the up gradation of storage amounting to Rs. 11.437 million. However, the record of said payment was not provided.

Audit was of the view that in the absence of any record, audit was unable to verify the expenditure of Rs. 11.437 million.

The issue was shared with management on 29.12.2022 but the response of management is still awaited

No DAC meeting was arranged till finalization of this report.

Audit recommends to provide detail justification along with complete record regarding procurement of up-gradation of storage and stream line the system of internal control for better financial management.

Para-72 (NADRA-2020-22)

13.1.4.36 Irregular award of contract to technically disqualified supplier - Rs 29.789 million

According to clause 22 (ii) of bidding document/RFP, “Bid Evaluation Parameters” for technical evaluation bidders must get 75 passing marks out of 100 marks whereas 25 marks for technical specification which are mandatory to obtain for all Lots and 50 marks must be obtained from rest of 75 marks of bid evaluation point system. Further clause – 3 of General Terms & Conditions states that technical evaluation will be performed on the details of Hardware specification offered by bidders. Details provided will be analyzed by technical evaluation board and will be compared with technical specification.

During audit of NADRA, Islamabad for the years 2020-21 & 2021-22 it was noted that the management invited bids for the supply of equipment (Lot-A to Lot-G) vide tender No 49/2020 on 08.06.2020. Lot-D Form Scanner for quantity 786 Nos. technical bids were opened on 02.07.2020 and forwarded to the technical evaluation board on 06.07.2020 with the direction to submit an evaluation report by 15.07.2020. However, technical evaluation was carried out on 07.08.2020, the board technically disqualified M/s. ABM Data System vide technical evaluation report on the grounds “specified bit depth 24 bits or above” was required, but the supplier offered 8 bits and 0 marks were given the disqualification was communicated to the bidder vide letter No. NADRA/Proc/49/2020 dated 12.08.2020.

During scrutiny of the record, it was observed that the management had qualified the M/s. ABM Data System who already disqualified the bidder vide technical evaluation dated 17.08.2020 and financial bids opened on 24.08.2020 and awarded the contract for the supply of Form Scanner to M/s. ABM Data System vide purchase order dated 01.03.2021 for Rs 29.789 million being the lowest bidder, which showed that the above-referred clause of the bidding document was ignored.

Audit was of the view that undue favour extended to technically disqualified supplier in violation of above mentioned rules thus award of contract to technically disqualified supplier is held irregular.

The issue was shared with management on 29.12.2022 but the response was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter for award of contract by violating its own evaluation criteria besides fixing responsibility against the person(s) at fault.

Para-09 (NADRA-2020-22)

13.1.4.37 Loss due to award of contract to 2nd lowest bidder - Rs 37.014 million

According to rule 30 (2) of public procurement code 2015, for the purpose of comparison of bids quoted in different currencies, the price shall be converted

into single currency specified in the bidding documents. The rate of exchange shall be the selling rate, prevailing on the date of opening of bids specified in the bidding documents, as notified by the State Bank of Pakistan on that day.

According to rule 36 (b) (viii & ix) of Public Procurement Rules, 2004 provides that after the evaluation and approval of the technical proposal the procuring agency, shall at a time within the bid validity period, publicly open the financial proposals of the technically accepted bids only. Rule-38 provides that the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the contract, within the original or extended period of bid validity.

During audit of NADRA, Islamabad for the year 2020-21 & 2021-22 it was noted that the management invited bids for procurement of 702 Nos Live Fingerprint Scanner vide tender No.35/2021 dated 16.04.2021. Purchase order was issued to M/s. IDEMIA vide No. NADRA/Proc/HoD/6830 dated 15.09.2021 amounting to Rs 101,817,413. Record showed as per tender document sale register 08 Nos of supplier purchase bidding document, M/s. IDEMIA purchase bidding documents on 03.05.2021 on last date of bid. Further, probe of record revealed that as per NADRA letter dated 07.06.2021, technical specification of bids were sent to technical board for evaluation of items alongwith their technical bids however, technical specification of M/s. IDEMIA was not found in record. But when technical evaluation was done the technical bids of M/s. IDEMIA was considered for evaluation by the technical evaluation whereas the said bid was not referred alongwith other bids attached with letter dated 07.06.2021. Which showed the bid of M/s. IDEMIA was received after closure of date fixed in tender. After technical evaluation 03 bidders were technical qualified but technical evaluation report was not found in record and their financial bid was opened on 24.06.2021. Comparative statement shows that M/s. Digital Data System quoted rates in USD 315,900 on CIF basis as per above referred PPRA for the purpose of comparison of bids quoted in different currencies, the price should be converted in single currency specified in bidding document with its exchange sale rate. When the price of M/s. Digital Data System converted in PK rupees it comes to Rs 64.803 million ($\$315,900 \times 158.278$), M/s. IDEMIA quoted Rs 101,817,413 and M/s. Intellitech Business Solution Rs 104.528 million. The

management rejected the bid of M/s. Digital Data System on the basis price quoted in USD without taxes, GST on CIF basis. Due to non-acceptance of bid of M/s. Digital Data System authority sustained loss of Rs 37.014 million (Rs 101,817,413 – Rs 64,803,375).

Sr. #	Name of Supplier		Rate quoted Rs
01	M/s. Digital Data System		64,803,375
	Bid quoted CIF basis (\$315,900 x 158.278)	Rs.50,000,000	
	Add: taxes Custom duty (50,000,000 x3 %)	Rs 1, 500,000	
	Additional custom duty (50,000,000 x 2%)	Rs 1,000,000	
	Sales tax (52,500,000 x 17%)	Rs 8,925,000	
	Income tax (61,425,000 x 5.5%)	Rs 3,378,375	
02	M/s. IDEMIA		101,817,413
03	M/s. Intellitech Business Solution		104,527,935

Audit was of the view that M/s. IDEMIA purchase bidding documents and submitted on 03.05.2021 and technical bid open on the same date at 11:30 AM which cast doubt that management extended undue favour and sustained loss of Rs. 40.392 million.

The issue was shared with management on 29.12.2022 but the response was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter for award of contract to 2nd lowest instead of 1st lowest besides fixing responsibility against the person(s) at fault.

Para-11 (NADRA-2020-22)

13.1.4.38 Incurrence of Expenditure out of budget without got approved from the Federal Government - Rs. 49,159.956 million

According to Clause-26 of NADRA Ordinance, 2000, the authority shall in respect of each financial year submit for the approval of Federal Government by such date and in such form as may be specified by the Federal Government a statement showing the estimated receipt and current development expenditure and the sums which are likely to be required from the Federal Government during the next financial year.

According to Delegation of Power of Chairman in exercise of its power under section 37 of NADRA Ordinance, 2000 the authority is pleased to delegate all its powers and functions under the ordinance and the rules and regulation

made thereunder to the Chairman of the authority with effect from November 18, 2005, except the following powers and functions: (h) to approve annual budget of the authority.

During the audit of NADRA for the years 2020-21 and 2021-22, it was observed that the management prepared budget of Rs 29,067 million and Rs 30,316 million for the financial years 2020-21 and 2021-22 respectively against budgeted amount of Rs 49,159.956 million (Rs 21,698,645,135 in 2020-21 and Rs 27,461,491,435 in 2021-22) was incurred under head of accounts as per above mentioned section of NADRA ordinance the budget was required to be approved from the Federal Government but the management did not obtain approval of budget from Federal Government and incurred expenditure. The expenditure incurred out of unapproved budget is violation of provisions of NADRA ordinance.

Audit was of the view that incurrence of expenditure of Rs 49,159.956 million without approval of budget from Federal Government is held irregular.

The issue was shared with management on 29.12.2022 but the response was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to state the reasons for non-submission of budget to Govt. for approval, expenditure incurred during 2020-21 & 2021-22 may be got regularized from the Govt. besides fixing responsibility on the person (s) at fault. Furthermore, compliance of NADRA Ordinance 2000 may be ensured in future.

Para-23 (NADRA-2020-22)

13.1.4.39 Irregular / un-justified appointment for the post of Deputy General Manager in O-9 - Rs. 29.17 million

According to advertisement published in daily News Papers dated 24.02.2011 by the NADRA management for filling the following vacancies.

Name of Position	Qualification	Experience	Domicile
Deputy General Manager	Master Degree in Business Administration from reputed HEC recognized University	14 years of IT and Sales/Marketing experience, candidates having additional degree of Computer Science will be preferred. Experience of Account Management for any multinational IT company and understanding of Database and DWH will be preferred	Merit

During audit of NADRA for the years 2020-21 & 2021-22 it was observed that management of NADRA hired Lt Col (R) Sheikh Muhammad Jafer Iqbal against the post of Deputy General Manager vide appointment letter dated 19.09.2011. The candidate selected did not have requisite qualification i.e. Master Degree in Business Administration as the highest qualification of the employee was Bachelor of Science (BS) at the time of selection. Thus the appointment contrary to advertisement is held irregular. During the period from 19.09.2011 to 30.09.2022 as per detail given as under:

Particulars	Date	Scale	Per month Salary (Rs.)	Total Amount (Rs.)
Appointment as Deputy General Manger	19.09.2011 to 28.02.2018	O-9	93,064	8,282,696
Increase in Salary	01.03.2018 to 31.03.2020	O-9	333,726	8,343,150
Increase in Salary	01.04.2020 to 30.09.2022	Promoted from O-9 to O-10	399,742	12,392,002
Total				29,017,848

Audit was of the view that the appointment of officer made contrary to the prescribed requirements of the post and payment on account of salary is held irregular.

The issue was shared with management on 29.12.2022 but the response was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reason for hiring of the above mentioned employee without having the requisite qualification besides fixing responsibility person (s) held responsible.

Para-33 (NADRA-2020-22)

13.1.4.40 Non-Finalization of Inquiry despite lapse of considerable time

According to NADRA Ordinance, 2000 section 30(2)(g) which states that “Any person who is an employee of Authority, and is involved in the issuance of a fake National Identity Card, or the officer-in-charge of that Branch shall, in addition to any other penalty to which he may be liable under any other law, be punishable with rigorous imprisonment for a term which may extend to five years (Submitted *ibid.* for “one year”) or with fine not exceeding one hundred thousand rupees, or with both.

During audit of NADRA for the years 2020-21 & 2021-22 it was noted that the management of NADRA reported various cases of issuance of CNICs to the, Suspected, Non-Nationals, Afghan, fake and Aliens. The management of NADRA arranged to conduct inquiries to probe into the matter. The investigations of the inquiries have not been finalized even after lapse of 2 to 5 years:

Case #	Subject of Inquiry	Details of cases	Inquiry Order Date	Inquiry Completion Date	Penalty	Time duration
1971	Issuance of suspected NICs	Issuance of 682 No. of suspected NICs	Order of Inquiry dated 14.02.2020	As per available record inquiry continued till September, 2022	No penalty imposed	2 years & 7 months
1231	Inquiry regarding fake processing Quetta	4 CNICs of suspect individual processed	Charge Sheet date 15.12.2016	As per available record inquiry not concluded till 31.12.2021	No penalty imposed	5 years
1221	Inquiry on account of fake/Alein NIC processing	Two No. of NICs of Non-National processed	Reporting date 02.10.2014	Appointment of authorized officer dated 27.06.2016 as per given record.	No penalty imposed	3 years
1215	Inquiry on issuance of CNICs to Non-Nationals, Quetta and Karachi	28 NICs issued to the Afghan Nationals	Order of Inquiry Date 29.06.2016	Inquiry continued till September, 2019 as per given record.	No penalty imposed as per given record	3 years

In the light of above, audit was of the view that management of NADRA has failed to conclude the inquiry matters and to impose penalty as per NADRA Ordinance, 2000 section 30(2)(g) after lapse of more than 2 to 5 years.

The issue was shared with management on 29.12.2022 but the response was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons for not concluding the subject inquiry despite lapse of two years and expedite the inquiry with a view to fix responsibility on the person(s) at fault.

Para-34 (NADRA-2020-22)

13.1.4.41 Blockage of funds due to non-adjustment of long outstanding advance payment to suppliers - Rs. 4,172.307 million

According to rule 10 of General Financial Rules every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety. Among the principles on which emphasis is generally laid are the following:— 5 (i) Every public officer is expected to exercise the same

vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money

During audit of NADRA for the years 2020-21 & 2021-22 it was observed that management paid an amount of Rs. 5,948.055 million on account of advances to various suppliers and adjusted an amount of Rs. 1,775.747 million during the year and Rs 4,172.307 million were still to be adjusted which showed that the management failed to obtain the requisite goods or services for which the advance payment was made:

Advances paid to Suppliers during 2020-22 (Rs.)	Amount adjusted (Rs.)	Not adjusted till the end of Financial Year (Rs.)	% of Adjustment
5,948,054,816.94	1775,747,196.28	4,172,307,620.66	30

Furthermore, advances were made to Deputy Director Projects Rs 3,470.796 million, M/s IDEMIA Rs 1,040.244 million, M/s Technoart Engineering Rs 55.358 million, M/s Selp Rs 470.180 million, M/s Ameerjee Valleejee Rs 19.274 million and M/s Selp SAS Rs 54.553 million. The adjustment schedule, aging and security against advances be shared with audit.

In the light of above, Audit was of the view that management of NADRA neither obtained the goods or services nor recovered the advances paid to the suppliers till end of the financial year i.e. June, 2022.

The issue was shared with management on 29.12.2022 but the response was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the reasons for not providing the services or goods/recovery of advance payment till end of the financial year besides fixing responsibility on the person (s) at fault.

Para-36 (NADRA-2020-22)

13.1.4.42 Mis-procurement of different items without open tender due to splitting - Rs 71.794 million

According to rule-12 (1) of PPRA 2004, Procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani Rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency:

According to rule-20 of PPRA 2004, each procuring agency shall use open competitive bidding process as the principal method of procurement of goods, services and works. Further as per para 9 ibid save as otherwise provided and subject to the regulation made by the authority, with the prior approval of the Federal Government, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned.

During audit of NADRA for the years 2020-21 & 2021-22 it was observed that the management procured the different items during the financial years 2020-21 & 2021-22 after splitting into different supply orders through quotation instead open competition after keeping the amount of every supply order less than the three million to avoid the open tendering and with gap of 10 to 15 days. Whereas, the management was required to procure all items together after an open bidding through electronic and print media. This resulted in miss-procurement in below given items through splitting Rs 71.794 million instead of open competitive bidding:

S. #	Description	Work Order/Purchase Order issued	Amount (Rs)
1.	Renovation Work	20 Nos.	9,210,671
2.	Procurement of Printers	46 Nos.	8,183,515
3.	Procurement of Desktop Computer and Laptops	57 Nos.	17,492,327
4.	Procurement of Stationery Items	15 Nos.	4,844,950
5.	Procurement of Office Furniture	42 Nos.	10,763,464
6.	Procurement of Motor Cycles	21 Nos.	4,756,400
7.	Procurement of LEDs and LCDs	26 Nos.	6,697,681
8.	Procurement of Air Conditioners and Invertors	15 Nos.	4,301,985
9.	Procurement of Office Equipment	31 Nos.	5,543,452
Total			71,794,445

Furthermore, no procurement plan of authority was prepared and uploaded on NADRA web site which was violation of the above referred PPRA rule.

Audit was of the view that the management was required to make procurement on competitive rates which was not done hence management committed violation of PPRA rules.

The issue was shared with management on 29.12.2022 but the response was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to prepare and published annual consolidated procurement plan on authority's website to avoid splitting or regrouping besides fixing responsibility thereof.

Para-46 (NADRA-2020-22)

13.1.4.43 Irregular award of contract for purchase of spare parts of printer - Rs. 3.861 million

According to PPRA Rule – 38 (B)(1 & 2) The procuring agency shall consider single bid in goods, works and services if it-

- Meets the evaluation criteria, ensures compliance of specifications and other terms & conditions expressed in advertisement or bid solicitation documents;
- Is not in conflict with any provision of the Ordinance;
- Conforms to the technical specifications;
- Has financial conformance in terms of rate reasonability;

The procuring agency shall make a decision with due diligence and in compliance with general principles of procurement like economy, efficiency and value for money.

According to rule – 28 (2) of PPRA 2004, all bids shall be opened publicly in the presence of the bidders or their representatives who may choose to be present, at the time and place announced prior to the bidding. The procuring agency shall read aloud the unit price as well as the bid amount and shall record the minutes of the bid opening. All bidders in attendance shall sign an attendance sheet.

According to instruction 4 of advertisement dated 09.02.2022, all vendors are requested to provide request for issuance of tender documents on company letter head including nomination of authorized representative (name and designation) for presence at tender opening. At the time of tender opening company, representative must possess company employee card.

During Audit of NADRA for the years 2020-21 & 2021-22 it was noted that Management issued work order dated 10.05.2022 for the purchase of spare parts of HP M855DN from M/s. Jamal & Brothers of Rs 3,860,883.

Audit observed that the management published tender for supply of consumables (HP-M855DN heavy duty color LaserJet printer) on 10.02.2022 and closing date for bid submission was 28.02.2022, two firms i.e. M/s Jamal & Brothers and M/s. Allied Computer Services bought the tender/bidding documents only M/s Jamal & Brothers submitted their bid. As per attendance sheet bid was opened on 28.02.2022, but no representative of vendor was present therein. The evaluation committees qualify the M/s Jamal & brothers. As per record the financial bid of M/s Jamal & Brothers being single responsive bidder was compared with the quotation of M/s COMPSI Pvt. Ltd dated 01.04.2022 and subsequently issued purchase order to M/s Jamal & Brothers dated 16.05.2022 of Rs 3.861 million for the provision of spare parts printer HP M855DN the action of evaluation committee is against the rules of PPRA and undue favour was extended to supplier.

Audit was the view that both technical bid and financial bid were opened without presence of any representative of the firms furthermore, without financial

conformance in term of rate reasonability as per above referred rules hence procurement of printer HP M855DN held irregular.

The issue was shared with management on 29.12.2022 but the response was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility thereof:

Para-47 (NADRA-2020-22)

13.1.4.44 Irregular procurement of Teslin Sheets and Lamination Rolls - Rs 560.948 million

According to note sheet No. NADRA/CNIC PROD/Teslin/01 para 3 dated 07.05.2021, in 47th meeting of NADRA authority dated 29.03.2016 held at NADRA, HQ, Islamabad has decided to switch over the Teslin based cards to the smart technology on the following grounds:

- a) Smart Card is highly sophisticated, secure and advance identity document.
- b) Latest technology which is virtually impossible to forge or imitate.
- c) NADRA adopted Teslin technology more than fifteen years ago, which is out dated
- d) The issue, challenges and risk associated with Teslin cards are of Inventory of Teslin card is fast depleting and due to upgradation of technology the Teslin vendor scarce.

According to rule 38B (1&2) of PPRA, the procuring agency shall consider single bid in goods, works and services if it -

- (a) meets the evaluation criteria, ensures compliance of specifications and other terms & conditions expressed in advertisement or bid solicitation documents;
- (b) is not in conflict with any provision of the Ordinance;
- (c) conforms to the technical specifications;
- (d) has financial conformance in terms of rate reasonability:

According to Rule-12 (2) of PPRA 2004, all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

According to rule-20 of PPRA 2004, each procuring agency shall use open competitive bidding process as the principal method of procurement of goods, services and works.

During audit of NADRA for the years 2020-21 & 2021-22 it was noted that the management issued purchase order No. NADRA/Pro/CNIC/6043 dated 13.03.2020 to M/s PPG Industries Inc for supply of Teslin sheets qty. of 175,000 @ US\$ 0.950 per sheet total US\$ 166,250 and CFR Karachi Sea Port US\$ 2,387.40. As per general ledger management paid to supplies Rs 103.039 million. Furthermore management issued purchase order No. NADRA/ Proc/ NIC/ 6122 dated 11.06.2020 to M/s Opsec Security Inc for supply of Lamination Rolls qty of 600 @ US\$ 2,100 per roll total price of US\$ 1,260,000. As per general ledger, an amount of Rs 457.909 million was paid to the supplier.

As per purchase order file regarding procurement of Teslin sheet and Lamination Rolls from M/s PPG Industries Inc and Opsec Security Inc, following were observed:

1. The management procured Teslin sheets by using direct contacting method of procurement as provided in Rule-42(C) (i) since 2004 by simply obtaining quotation from M/s PPG Industries Inc. Rule-42(C) (i) of PPRA allowed direct contracting with the condition the procurement concerns the acquisition of spare parts or supplementary services from original manufacturer or supplier. Proof relating to procurement of Teslin sheet from M/s PPG Industries Inc which being the original manufacturer/supplier may be made available to justify the application of rule 42 (C) (i) for direct contracting.
2. Rule 42 (C) (i) further demands that before going into direct contracting it was mandatory to declare that the required procurement is not available from alternative sources. The assurance of the fact that the same item/goods are not available from alternative sources which was also not done.
3. As per purchase order the Management procured Lamination Rolls from M/s Opsec Security Inc against the tender No.14/2020 however, complete record relating to the said tender was not found in record the same may be provided to audit for scrutiny.

4. According to note sheet No. NADRA/CNIC PROD/Teslin/01 para 3 dated 07.05.2021, in 47th meeting of NADRA authority dated 29.03.2016 held at NADRA, HQ, Islamabad has decided to switch over the Teslin based cards to the smart technology. As board decided to switch on smart card technology hence the procurement of Teslin sheets and lamination Rolls is hardly justified.

Audit was of the view that the management was required to consume the available stock of Teslin based cards and completely switch to smart card technology as decided in 47th BoD meeting hence the procurement of Teslin based card material in violation of above referred rules is held irregular.

The issue was shared with management on 29.12.2022 but the response was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility thereof.

Para-49 (NADRA-2020-22)

13.1.4.45 Non-determination of cost price/appraisal of local projects under taken with different organizations/departments

According to para 2.1 of Guidelines for Project Management provides that in order to achieve the objective of efficient utilization of natural and economic resources of the country, it is necessary that development projects are planned and executed with vigilant management. For achievement of stipulated targets, it is imperative to entrust management and supervision of the project during implementation stage to capable and competent persons of required qualifications, experience and caliber. Moreover, Para 3.6 of the ibid guidelines provides that the rationale behind the project appraisal is to provide the decision-makers yardsticks for the selection/rejection of projects. If the project is found technically sound, financially and economically viable and socially desirable only then project is approved.

During audit of NADRA, HQ Islamabad for the year 2020-21 & 2021-22 it was noted that the management signed 21 contract agreements with different Government departments, Authorities and Organizations for provision of different types/kind of services i.e. Issuance of Senior Citizen Card, Bio Metric

Verification Services, Establishment & Operation of NSER Rollout, Automation of Stamps and Registration Documents, Pensioner Proof of Life, Issuance of Vehicles Registration Card etc.

According to above provisions of Guidelines for Project Management financial and economic viability was to be determined / assessed before approval of the projects. Security of record related to above 21 projects audit observed that management of NADRA executed the said projects without determination / assessment of financial and economic viability from NADRA point of view which is violation of above referred provisions of project management guidelines. Further following detailed information, record may also be shared with audit.

- The Details/total cases of Arms License Processed by NADRA.
- Revenue Collected by NADRA under these projects in each relevant heads with supporting documents.
- Total cost/expenditure incurred on these Projects year wise including cost of machinery, equipment, IT installation and other human resource alongwith supporting documents.
- Banks Account Details relevant to these projects.
- Total outstanding amount against clients of these projects.
- Total No. of Applicants entertained by NADRA for Housing NAPDHA in both phase I & II and Phase III.
- Total bio metric verification of pensioner done by NADRA.
- Total Number of cards issued by NADRA to SESSI.
- Technical Specifications of SESSI employees' cards.
- Total application received for E-Visa.
- Amount transfer to MOFA and M/o Interior regarding E-Visa project

Audit was of the view that non-determination of financial & economic viability of projects is not only violation of Project Management Guidelines but also showed poor performance of the management.

The issue was shared with management on 29.12.2022 but the response was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to state reasons for non-provision of record may be investigated under intimation to audit and appropriate action may be taken against the person(s) held responsible in non-provision of record to audit besides provision of requisite record be provided to audit.

Para-53 (NADRA-2020-22)

13.1.4.46 Irregular/non-transparent hiring of security companies - Rs 421.048 million

According to rule 4 of PPRA, 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.

According to rule-20 of PPRA, Save as otherwise provided hereinafter, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During audit of NADRA for the years 2020-21 & 2021-22 it was observed that the management paid Rs 421.048 million on accounts of payment of security to various security companies hired for different regional head offices throughout in country. The under mentioned security companies deputed in various regional offices and their hiring process was initiated therein.

S. No.	Security Service Provider	Amount paid during July, 2020 to June, 2022
1	28931-Safety & Security Services (Pvt.)	16,113,150
2	30790-Omer Razzaq Enterprises (Pvt.)	360,267
3	31769-Aj.Security Service (Private)	50,074,547
4	32449-Security Organizing System Pvt.	13,472,537
5	32905-Rahbar Guards And Security Services	60,629,932
6	33249-Griffin Security Services (Pvt.)	87,977
7	33249-Griffin Security Services (Pvt.)	17,501,920
8	33997-Msm Security Guards (Pvt.) Ltd	19,795,043
9	5097-Indus Security Services	2,030,789
10	5209-Yaldram Security Services	98,639,572
11	6405-Askari Guards (Pvt.) Limited	142,342,682
	Total	421,048,416

Audit was of the view that in the absence of the relevant record audit could not verify the hiring process of security companies thus payment made to them is held irregular.

The issue was shared with management on 29.12.2022 but the response was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to provide detail justification regarding payments made to various parties alongwith complete record related to hiring of above security companies and stream line the system of internal control for better financial management.

Para-55 (NADRA-2020-22)

13.1.4.47 Procurement of smart cards without consultation of National Security Printing Corporation Karachi

According to clause 1 (1&2) of the MoU between National Security Printing Company and NADRA dated 20.02.2018, both parties intend to sign a contract agreement in future for procurement of smart cards with required security features furthermore, NSPC and NADRA will hold discussion and negotiation to finalize the terms and conditions of the contract in future on any such date when NADRA has consumed it already purchased stock of smart cards.

During audit of NADRA for the years 2020-21 & 2021-22 it was noted that the management issued supply order for procurement of 30 million smart cards to M/s SELP @ US \$ 0.99 per unit cost total price US \$ 29.700 million. During scrutiny of record pertaining to procurement of 30 million smart cards the following were observed:

1. The management of NADRA and National Security Printing Company signed a Memorandum of Understanding (MoU) for two years i.e. 21.02.2018 to 20.02.2020 for procurement of pre-printed smart cards with security features between NSPC and NADRA wherein the objective of MoU was both parties will sign the contract in future for procurement of smart cards with required security features and NPSC and NADRA will finalize the term & conditions of contract in future on any such date when NADRA has consumed it already purchased the stock of smart cards.

2. Further going into the matter a letter dated 12.11.2021 was received from NSPC wherein it was stated that NSPC has acquired all requisite machines/equipment for the production of pre-printed smart cards so as to meet the requirement of M/o Interior for the E-Data page for launching E-Passport and in light of previously signed MoU between NADRA and NSPC for issuance of Pre-Printed Polycarbonate CNIC Cards. Furthermore, the Managing Director of NSPC also requested to NADRA management that directives to the concerned procurement quarter may please be issued to limit the procurement of Pre-Printed Smart Cards to the period of one year's consumption/requirements at time of publishing tender for procurement of Smart Pre-Printed CNIC cards for the year 2022-23 the management of NADRA did not limit the procurement of smart cards to the period of one year's requirement.
3. In response to the NSPC letter dated 12.11.2021 the Chairman NADRA sent a team to visit NSPC on 26.11.2021 with directions to submit the report on the readiness of NSPC for the production of pre-printed Smart Polycarbonate cards. Accordingly, the NADRA team visited NSPC premises and convened a detailed meeting with the NSPC team, and submitted a visit report to the chairman. It is pertinent to mention here that the report contains the viewpoint of NSPC and NADRA as well but the visit report is unsigned. Audit was of the view that the report must be signed and acknowledged by the NSPC.

Audit was of the view in light of the MOU signed between NSPC and NADRA, the procurement of pre-printed smart cards with security features should had been printed from NSPC or at least an NOC from the concerned body was required before proceeding as this procurement have security concerns at national level. Furthermore, not limiting the procurement to one year's consumption is held irregular.

The issue was shared with management on 29.12.2022 but the response was still awaited.

No DAC meeting was arranged till finalization of this report.

Audit recommends to explain and justify that why smart card procurement was not limited to one year's consumption/requirements and investigate the matter and fix responsibility on the person (s) held responsible.

Para-73 (NADRA-2020-22)

13.1.4.48 Non-establishment of IT steering committee to provide ownership and guidance for NADRA IT operations

⁸An IT Steering Committee is the central piece of an organizational structure with regards to the overall IT management function of an entity. It comprises of members of the Board and is formed to provide ownership, strategic vision and supervision of all major IT activities and processes undertaken by the entity. It ensures that final responsibility for dealing with an Information System business solution rests with the highest tier of the entity i.e. its Board. This has the onwards impact of timely and efficient implementation of IT initiatives.

During Information Systems audit of NADRA for the year 2016, it was observed that NADRA had not formed an IT Steering Committee comprising of senior management to provide ownership and supervision of IT activities undertaken by the entity. The NADRA board was not involved in strategic IT planning, monitoring and supervision of major IT activities launched by management. Similarly the Board was not involved in approval and review of critical business procedures, resource allocation and business agreements. Thus there was complete lack of ownership of the Board with regards to core IT functions undertaken by the management.

Audit is of the view that due to non-formation of IT steering committee the core IT operations were being run in a disintegrated manner with teams working in silos in an arbitrary fashion having no ownership or strategic direction from the Board. There was a lack of strategic planning and vision for the IT growth and sustainability of the organization. Due to such lack of central ownership, individual initiatives by sections were being implemented without accessing their risks and benefits from an overall NADRA wide perspective. It was likely that if the current practice was continued an unmanaged mesh of IT activities would be faced by the management.

⁸ 2.5.2 of CISA Review Manual 2011

Management in its reply dated July 18, 2017 stated that NADRA management had launched an initiative to formulate its separate IT policy which would enable NADRA to take measures to establish an IT Steering committee. The reply was generic and openhanded. Already substantive years have passed in the working NADRA without IT steering committee. Matter needed to be expedited with concrete steps and actions.

Audit requires the management to establish IT steering committee comprising of members of NADRA Board having comprehensive TORs (approved by the Board).

Para-4.1.1 (IS Audit, NADRA 2015-16) AY 2016-17

13.1.4.49 Non-formulation of IT Policy

⁹An IT Policy is an overarching entity wide document pertaining to the sustainability management and growth of IT business solutions in an organization. It lays the framework for daily operations in order to meet the goals set by the governing body. It is supported by procedures and/or processes that define how the work is to be accomplished and controlled. These goals are set by the senior management to accomplish the organization's mission and at the same time to comply with regulatory and legal requirements.

During Information Systems audit of NADRA for the year 2016, it was observed that NADRA had not formulated any IT policy. IT operations were being run in an arbitrary fashion with different sections working independently without any overall policy alignment with NADRA core business objectives. An IT policy was necessary to clearly define the manner in which IT was to be implemented, sustained, managed and enhanced in the organization as per its vision and core objectives. The key responsibilities of the senior management and operational management were to be defined in the policy to ensure proper supervision and responsibility of all IT functions during normal activities as well during contingencies.

Audit is of the view that lack of an IT policy indicated poor IT management in NADRA and a great risk of IT mismanagement in the absence of a guiding policy documents approved by the NADRA Board.

⁹ 2.8.1 of CISA Review Manual 2011

Management in its reply dated July 18, 2017 stated that keeping in view the recommendations of the auditor NADRA would draft a separate IT policy in near future.

Audit recommends that a comprehensive IT policy as per best international practices may be formed through approval from NADRA Board and notified accordingly.

Para-4.1.2 (IS Audit, NADRA 2015-16) AY 2016-17

13.1.4.50 Absence of designated authority for declaring disaster

¹⁰A disaster recovery plan comprises of various documents and methodology aimed at preparing an organization to deal with a disaster based event. A critical role in this regard is that of the authority designated to declare a disaster. Only once a disaster is declared can a DRP get initiated. Delays and early actions both can have negative impacts making the role of disaster management authority even more important.

During Information Systems audit of NADRA for the year 2016, it was observed that management had not notified any authority to declare a disaster. Different wings of NADRA were working independently and maintaining their own procedures for contingency scenario. However it had not been defined that in what conditions NADRA as an organization would put into action these plans and who was the person responsible for taking the first step (declaring disaster) in this regard. This meant that crucial time would be lost in deciding who should declare the disaster and when causing significant loss to the organization.

Audit is of the view that any disaster scenario represented a lot of chaos and urgency filled with confusion. It was therefore imperative that clear responsibilities were assigned to an authority for declaring a disaster enabling the organization to promptly respond in a coherent manner without delay.

Management in its reply dated July 18, 2017 stated that all technical heads report to the GM Technology (DG T) NADRA who was the focal person for all technical outages. He officially would recommend the Chairman NADRA to declare a disaster or any similar untoward situation. Reply was not tenable as the

¹⁰ 4.7.4 of CISA Review Manual 2011

IT operations of NADRA extended far beyond the domain of GM Technology. Operations of other GMs/DGs using various IT systems were equally important towards smooth working of NADRA as an IT organization such as GM/DG Data warehouse, GM/DG Projects, GM/DG HR, GM/DG Regions. Hence a clear mechanism and an authority for declaring a disaster indicated from any quarter of the organization was required.

Audit recommends that NADRA may formally notify a designated authority for declaring a disaster along-with a comprehensive set of conditions defining a disaster for NADRA covering all its operations, having approval from competent authority.

Para-4.1.3 (IS Audit, NADRA 2015-16) AY 2016-17

13.1.4.51 Absence of change management board for software development

¹¹The change management process is normally used to manage and control changes to assets, such as software, hardware, and related documentation. Change controls are needed to ensure that all changes to system configurations are authorized, tested, documented and controlled so that the systems continue to support business operations in the manner planned, and that there is an adequate trail/record of changes. In this context the change management board represents of body of senior management officials reviewing and authorizing changes to the IT solution

During Information Systems audit of NADRA for the year 2016, it was observed that there was no change management board comprising of senior management to review necessary changes to critical NADRA applications. Changes to NADRA business applications such as NIS application was done by the software development department. No change management board was notified for the software development department. Local sectional resources available during a day would sit together in an informal meeting and discuss the change. No minutes of such meeting were recorded. The developer alone was responsible for making the changes as he/she found best. Therefore, no senior

¹¹ 2.10.3 of CISA Review Manual 2011

management was involved in the proper review and assessment of system changes which was a major internal control weakness.

Audit is of the view that a change management board comprising of senior management was required to review each proposed change, consider its implications and accord formal approval before the change could be implemented. Absence of such a forum presented weak internal control over software development and posed a significant risk to the organization as unauthorized changes and poorly developed changes could be implemented. The responsibility for this key IT function could not be fixed on any senior management tier.

Management in its reply dated July 18, 2017 stated that in Technology & Development Directorate, a senior employee (Director) who managed a team of Software Engineers acted as a process owner. All change requests were implemented with the permission of the process owner. Reply of the management was factually incorrect and misleading. No formal record in hard or soft copy format of any change management Board activities was available with management. As per discussion with relevant staff the same was not implemented.

Audit recommends notification of a change management board comprising of senior management for all software related changes having defined TORs including recording of meeting minutes.

Para-4.2.3 (IS Audit, NADRA 2015-16) AY 2016-17

13.1.4.52 Non-formulation of comprehensive Business Continuity Plan (BCP)

¹²A BCP document outlines the strategy to be followed by senior management to sustain its core business operations in the advent of any contingencies such as a disaster, financial crunch, human resource short fall etc. The BCP acts as an overarching plan covering both IT and non IT areas critical to the organization. It mandates that complete risk assessment of all assets (IT/HR) is done and Business Impact Analyses (BIA) made for failure of all key operations of the organization. Based on this BIA the management outlines its

¹²2.13.1 of CISA Review Manual 2011

business continuity strategy and allocates dedicated resources for these objectives. This ensures that the organization responds in a well-organized and coherent manner to any contingency and is able to sustain its operations smoothly. It also establishes the due ownership of the senior management towards the IT business sustainability of the organization.

During Information Systems audit of NADRA for the year 2016, it was observed that management had not formulated any NADRA wide Business Continuity Plan (BCP). Some individual IT teams had made their own sub BCPs on different patterns at their level without regular reviews. Even such individual BCP plans were un-comprehensive and outdated. Non formulation of a NADRA wide BCP put the entire IT operations of NADRA under significant risk in the advent of any contingency. Even in the absence of any contingency not having a BCP meant that proper planning for sustainability and growth of key IT functions was not being done by senior management. For example replacement of key infrastructure after a defined time frame (such as five years), maintenance of a minimum level of sanctioned strength in key technical sections and training/replacements of key HR employees was not being done.

Audit is of the view that not having a NADRA wide BCP approved by NADRA Board put the sustainability of key IT operations and their future growth under significant risk of mis-management and failure.

Management in its reply dated July 18, 2017 stated that to manage a business disruption, the BCP team (of technology directorate) had started to develop a comprehensive business continuity plan (BCP) for each business unit within the directorate. Reply was not tenable as a NADRA wide BCP covering all its directorates/regions/offices was needed to effectively address the issues highlighted by audit.

Audit recommends that a comprehensive NADRA-wide BCP as per best international practices may be formed with provisions for periodic review and through approval from NADRA Board.

Para-4.3.1 (IS Audit, NADRA 2015-16) AY 2016-17

13.1.4.53 Non-formulation of NADRA-wide Disaster Recovery Plan (DRP)

¹³A Disaster Recovery Plan (DRP) constituted a key internal control system established to manage availability and resource critical process/IT services in the event of interruption. It was intended to make the disaster response and recovery efforts swift, efficient and effective to achieve synergy between recovery teams. It typically comprised of procedures for declaring a disaster, criteria for plan activation, linkage with overarching plans such as Business Continuity Plan (BCP) recovery teams and their responsibilities, recovery procedures and important contact information. A DRP also mandates that Recovery Point Objective (RPO) and Recovery Time Objective (RTO) are defined as per requirement of organization and recovery strategies made accordingly.

During Information Systems audit of NADRA for the year 2016, it was observed that management had not made any NADRA wide Disaster Recovery Plan (DRP). Some Individual IT teams had made their own SOPs for coping up with a disaster which did not have any integration with other sections and did not cater for interdependencies. Even these individual SOPs were not comprehensive and lacked clarity. This meant that in the advent of any disaster great confusion would take place in NADRA as individual teams would act incoherently. Moreover no RPO and RTO had been defined hence all backups/recovery strategies were based on arbitrary knowledge-base rather than on systematic analysis having due approval of senior management.

Audit is of the view that not having a NADRA wide DRP was a major internal control weakness. It also represented a considerable inherent risk to the critical business operations of the organization as things were managed in an arbitrary fashion.

Management in its reply dated July 18, 2017 stated that critical data and systems had functional Disaster Recovery Plans and alternate sites assigned for that purpose. However, all project applications and operations could not had a DRP due to the cost of establishing and maintaining an alternate site could be

¹³ 4.7 of CISA Review Manual 2011

very high. Therefore, developing an alternative site (DR Site) for business applications was not feasible for NADRA in present circumstances. Reply was not tenable as management had reiterated the facts shown by Audit and misinterpreted Audit's assertions. In the observation, Audit had not recommended a new DR site rather it had highlighted need/justification for a NADRA wide DRP.

Audit recommends that a comprehensive NADRA-wide DRP as per best international practices may be formed with provisions for periodic review through approval from NADRA Board.

Para-4.3.2 (IS Audit, NADRA 2015-16) AY 2016-17

13.1.4.54 Non-replacement of outdated hardware at the data center

¹⁴Asset management was an important element in the overall operations of an Information System. All IT equipment needed to be as per business requirements and upto date in order to function efficiently. In IT due to rapid change in technology, depreciation was always at higher side and systems also became obsolete at short interval after short period. Hence it was necessary to replace/upgrade critical business assets timely for smooth operations.

During Information Systems audit of NADRA for the year 2016, it was observed that the data center contained various kinds of hardware equipment. The hardware solutions were extensive and highly advanced in nature. Each hardware solution had been acquired internationally for a specific purpose by NADRA. Thus different NADRA business functions were run on different dedicated hardware machines. For these machines maintenance contracts with their manufacturers were done.

One such hardware solution stored the entire citizen data of Pakistan having all attributes. This equipment had been purchased in 2009 and its service contract (of three years) renewed twice. Presently short term (quarterly) service contract with the manufacturer were in place. This equipment had lived its useful life, was outdated and needed replacement. Using outdated hardware for the citizen data storage was a major risk as the hardware equipment had lived its useful life and was susceptible to faults and failure.

¹⁴ 4.3.2.1 of CISA Review Manual 2011

Audit was of the view that hardware responsible for storing citizen data was the most important asset of NADRA hence the obsolete version was needed to be replaced quickly.

Management in its reply dated July 18, 2017 stated that no obsolete, outdated and out of support equipment was being used for citizen data processing at NW & IS data center. Reply of the management was factually incorrect. Management needed to thoroughly recheck its records before replying to Audit and avoid giving incomplete/misleading information to readers of the subject report.

Audit recommends immediate replacement of outdated hardware at the main data center as well as at the DR site.

Para-4.3.3 (IS Audit, NADRA 2015-16) AY 2016-17

13.1.4.55 Non-replication of face (facial) verification data at DR site

A disaster recovery plan encompassed restoration of critical applications including arrangements for alternative processing facilities in case the usual facilities were significantly damaged or could not be accessed. Depending upon the scope of operations to be restored in the event of disaster, different type of recovery sites were needed to be setup.

During Information Systems audit of NADRA for the year 2016, it was observed that NADRA had acquired a purpose built machine for face verification of Pakistani citizens. The machine alongwith its processed data was housed in the main data warehouse site at NADRA headquarters. Replication for other NADRA services and data was done at NADRA's DR site except for face verification. The face verification equipment and data was not replicated at DR site. This meant that in case of a disaster at main data site, the face verification data would have to be regenerated for entire population of citizens from their source photographs. This is likely to be a long expensive exercise and would thus adversely impact the critical business of NADRA during such an eventuality.

Audit was of the view that non-replication of face verification equipment and data at the DR site was a significant inherent risk to the business operations of NADRA. Necessary remedial measures were required.

Management in its reply dated July 18, 2017 stated that at the time of procurement of FRS, the point of having a FRS DR was carefully considered and it was decided by the higher management that in the current scenario there was no need of the DR for FRS. Reply was not tenable as the prevailing security situation in the country warranted most comprehensive measures with regards to citizen information.

Audit recommends that replication for face verification equipment and data be carried out at DR site on urgent basis.

Para-4.3.5 (IS Audit, NADRA 2015-16) AY 2016-17

13.1.4.56 Non-conducting of a comprehensive business impact analysis

¹⁵In order to ensure sustainability of business operations in case of a disaster it was important for organizations to have comprehensive business continuity plan containing disaster recovery plans and initiatives. An important aspect was to undertake business impact analysis and identify all business critical IT processes, applications, equipment and HR resources. Then accordingly a disaster recovery strategy would entail having necessary backups for all business critical IT solutions.

During Information Systems audit of NADRA for the year 2016, it was observed that management had not carried out a NADRA-wide business risk assessment and business impact analysis exercise. Business Impact Analysis (BIA) was done by an organization to evaluate its critical processes (and IT components supporting them) and to determine time frames, priorities and interdependencies. BIA was necessary to evaluate the impact of downtime of a particular process/application. This impact was calculated in terms of time, data loss and also by assigning financial values. Then based on this analysis different strategies for business continuity in event of downtime were worked out.

As NADRA's core business was IT based it was important for management to have accurate impact analysis in order to be aware of what financial cost NADRA would have to bear if any of its critical processes went down for a significant period. This analysis would then allow NADRA to develop

¹⁵ 4.7 of CISA Review Manual 2011

appropriate cost effective business continuity strategy to avoid financial and credibility loss in the event of business disruption. It would also help NADRA to efficiently maintain its information system assets. Not having done the same was considered by Audit as poor financial and information systems management.

Audit was of the view that not having carried out NADRA-wide business impact analysis exercise indicated poor supervisory management and costly implementation of IT resources.

Management in its reply dated July 18, 2017 stated that to manage a business disruption, the BCP team (of technology directorate) had started to develop a comprehensive business continuity plan (BCP) for each business unit “within the directorate”. Reply was not tenable as a NADRA wide BIA covering all its directorates/regions/offices was needed to effectively address the issues highlighted by audit.

Audit recommends to conduct a comprehensive BIA to streamline management of information assets.

Para-4.3.8 (IS Audit, NADRA 2015-16) AY 2016-17

13.1.4.57 Verification of CNICs on non-updated data

Data integrity was a measure to ensure that the data residing in an information system was accurate, complete, consistent and confidential. The reliability of any data maintained and generated by the information system depended upon the adequacy of data integrity resilience measures taken for system implementation. Hence data integrity was a main application control.

Further data consistency meant that all the data residing in a DBMS was available to all its users in one and the same state. The data would move consistently from one state to the next as a result of any modification. All users would view this consistent data and there would be no anomaly where one set of users had access to an older version of data and another set of users had access to a new version of the same data.

During Information Systems audit of NADRA for the year 2016, it was observed that updation to all kinds of National Identity Card (NIC) data (CNIC, POC, NICOP, CRC, FRC) including modification, insertion and deletion of this database was done at the DR site maintained by NADRA. Whereas all queries

pertaining to verification of existing NIC data were addressed at the main data warehouse site at NADRA Headquarters. During office hours on an average, after every 2-3 hours, the NIC data updated at DR site was replicated at the main site using in-house replication program. During this period of 2 to 3 hours, verification at main data site was done against non-updated data. This represented a significant inherent business process risk as important updates made in the NIC data at DR site were not available at main site during verification.

NADRA's main verification product named Verisys was housed at the main data warehouse site. It was widely used for data verification purposes by Banks, Telecom companies, Passport offices and other external clients of NADRA. In the existing scenario this verification was being done on a database which was not upto date.

Audit is of the view that the replication window of 2 to 3 hours for NIC data posed considerable creditability risks to NADRA business operations. Such replication methods were required which ensured that verification was always done on the latest database state.

Management in its reply dated July 18, 2017 stated that it was correct that all the updates are performed at remote DR site while Verisys uses the main data warehouse site. All the changes were replicated to the main HQ site Database within 2-3 hours. This approach was used due to the technical issues related to system performance. Management reply has further confirmed audit observation.

Audit recommends NIC verification on updated data always.

Para-4.5.1 (IS Audit, NADRA 2015-16) AY 2016-17

13.1.4.58 Non-segregation of duties at NRCs

General IT controls establish a framework of overall control for the IT activities and provide assurance that the overall control objectives are satisfied. This includes controls over the use of IT applications for the purpose of data insertion, up-dation, modification etc.

The concept of the segregation of duties, approval authorizations as defined in HR policy documents need to be mapped on to IT application user roles in order to have strong IT general controls and reliability on the IT applications implemented.

During Information Systems audit of NADRA for the year 2016, it was observed that NADRA had developed an in-house application named National Information System (NIS) for all kinds of data processing pertaining to its core business. (i.e. CNIC, NICOP, CRC, POC, FRC production). All NADRA Registration Centers (NRC) used NIS application for data entry of CNIC and other NADRA products. To manage user rights to NIS application NADRA had formulated an NIS application user policy dated October 06, 2015. Analysis of this policy document revealed that it had given conflicting assignments to different users making the working at NRCs non-transparent.

The officer incharge (OIC) of an NRC had the responsibility of granting approval of a CNIC application based on the data entry done by “other dedicated staff”. This was necessary to ensure transparency in operations through segregation of duties, as the person entering the CNIC data was different from the person verifying and approving the data. However, as per NIS user policy the OIC having admin and approval rights could also do data entry as well as most of the system functions at NRC (which were the assignments of other staff). Thus conflicting system access was allowed to the OIC. Segregation of duties and transparency in CNIC processing could not be established as the person entering the data was the same as the one verifying and approving it.

Audit is of the view that user access rights given to OIC were excessive and against transparency as segregation of duties could not be enforced with the OIC being able to carry out all tasks.

Management in its reply dated July 18, 2017 stated that OIC had approval and administrative rights and due to shortage of staff at DAUs, OIC could perform data entry as a special case, in absence of staff member to ensure transparency and for monitoring purposes. Management reply was not tenable as OICs had data entry authorization as a matter of routine due to subject deficiency in the NIS user policy.

Audit recommends the review of NIS application user policy to ensure segregation of duties and transparency at the NRC level.

Para-4.5.2 (IS Audit, NADRA 2015-16) AY 2016-17

13.1.4.59 Significant business risk due to assigning of OIC rights to a number of employees at NRCs

NIS application user policy dated October 2015 states that what system roles were to be given to different employees at NRCs.

¹⁶General IT controls establish a framework of overall control for the IT activities and provide assurance that the overall control objectives are satisfied. This includes controls over the use of IT applications for the purpose of data insertion, up-dation, modification etc.

The concept of the segregation of duties, approval authorizations as defined in HR policy documents need to be mapped on to IT application user roles in order to have strong IT general controls and reliability on the IT applications implemented.

During Information Systems audit of NADRA for the year 2016, it was observed that management had implemented an NIS application user policy dated October 2015 which showed what system roles were to be given to different employees at NRCs and how segregation of duties was to be enforced in the system. As per this policy only two persons at an NRC could be assigned the system privileges of OIC (officer incharge-one for the designated OIC and the second for his backup/second shift). OIC privileges gave Admin and Approval rights for all CNIC products. A sample of active NIS application users across 72 NRCs as on February 12, 2017 was taken for analysis. It was found that a large number of employees at NRCs had complete OIC system privileges given to them (Annex-105).

The above analysis clearly illustrated that abnormally excessive privileges were available to many employees at NRCs at any given day. The system did not check the number of employees at an NRC already assigned OIC privileges before granting the same roles to new users. This meant that all privileges could be given to all employees of an NRC which was major application control weakness. There was no segregation of duties and transparency in the NRC working environment.

¹⁶ INTOSAI IT Audit Hand Book

Audit is of the view that granting of OIC privileges to excessive number of employees and having no system control for preventing the same was a major business risk and control weakness in NADRA.

Management in its reply dated July 18, 2017 stated that Role assignment module was decentralized and clear instructions/SOP about revoking/granting of NIS roles had been given to the Regions. Management reply had confirmed audit's view point.

Audit recommends provision of OIC privileges to minimum number of employees as per their designation and seniority at the NRC and implementation of system controls to ensure this check. Moreover, responsibility may be fixed against those who have consistently violated NIS application user policy under intimation to audit.

Para-4.5.7 (IS Audit, NADRA 2015-16) AY 2016-17

13.1.4.60 Non-transparent granting of OIC privileges to lower staff

NIS application user policy dated October 2015 states that system roles were to be given to different employees at NRCs

¹⁷General IT controls establish a framework of overall control for the IT activities and provide assurance that the overall control objectives are satisfied. This includes controls over the use of IT applications for the purpose of data insertion, up-dation, modification etc. The concept of the segregation of duties, approval authorizations as defined in HR policy documents need to be mapped on to IT application user roles in order to have to strong IT general controls and reliability on the IT applications implemented.

During Information Systems audit of NADRA for the year 2016, it was observed that management had implemented an NIS application user policy dated October 2015 which prescribed what system roles were to be given to different employees at NRCs and how segregation of duties was to be enforced in the system. As per this policy Admin and Approval privileges (OIC role) for NIC products were given to manager level staff only to implement strong internal controls. The manager level staff at NRC included Assistant Director, Deputy

¹⁷ INTOSAI IT Audit Hand Book

Assistant Director, Superintendent and Assistant Superintendent based on available HR. Contrary to the same, the said privileges were given to the lower staff i.e. Junior Executives and Senior Executives (both data entry operators) who were appointed for data entry at NRC. A sample of active NIS application users across 72 NRCs as on February 12, 2017 was viewed for analysis. It was found with concern that a large number of lower staff at NRCs had admin and approval privileges. i.e. 74 Junior Executives and 71 Senior Executives had been given admin and approval privileges in 59 NRCs. It showed complete lack of transparency and segregation of duties at the NRCs which was quite alarming.

Further it was analyzed that granting of Admin and Approval rights was not necessarily due to shortage of senior staff at the NRC. Even where senior staff was available these rights had still been given to lower staff employees. In 59 NRCs out of the 72 viewed by audit, there were senior employees available at the NRCs but rights to junior staff had been given indicating poor management.

Audit was of the view that granting of Admin and Approval rights to lower staff employees despite having senior employees was a major business risk and internal control weakness in NADRA.

Management in its reply dated July 18, 2017 stated that role assignment module was decentralized and clear instructions/SOP about revoking/granting of NIS roles had been given to the Regions. Management reply had confirmed Audit's view point.

Audit recommends that assigning the Admin and Approval rights to junior staff at NRCs should be stopped and implementation of internal controls through system be ensured. Moreover, responsibility may be fixed against those who have consistently violated NIS application user policy under intimation to audit.

Para-4.5.9 (IS Audit, NADRA 2015-16) AY 2016-17

13.1.4.61 Creation of NIS application user without employee number

Application controls are controls over input, processing and output functions. These controls help ensure data accuracy, completeness, validity, verifiability and consistency, thus achieving data integrity and data reliability.

Therefore applications needed to have such internal controls that relevant type of record could only be entered/updated through valid and identifiable users IDs. This aspect was important for information security, audit trails as well as for data reliability.

During Information Systems audit of NADRA for the year 2016, it was observed that Officials at Head Office created/updated NIS application user rights at a time of new appointment, transfers, retirement etc. However, it was found with concern that any person even if he was an outsider and not a NADRA employee could have his user created and rights given in the NIS application. The system at the time of assigning user rights did not check whether the user was a valid working employee of NADRA. There was no linkage between the HR data and system user data to ensure stringent rights management and access control. On sample analysis basis an NIS user was found whose user ID was based on his CNIC Number (15201-4108730-9) instead of his employee Number which showed that he was not an employee of NADRA at that point in time.

Audit is of the view that the system's inability to check whether a user was an employee of NADRA before assigning system rights was a major application control weakness and business risk as it created an environment for mismanagement and fraudulent activities.

Management in its reply dated July 18, 2017 stated that mentioned accounts were already banned for use. Management reply was not tenable as the question was not whether subject user was banned. In fact, audit's observation was that creation of such a user in the first place indicated weak application controls. Practically any person with CNIC could become an NIS application user irrespective of whether or not he/she was a NADRA employee.

Audit recommends strengthening of system controls by linking HR data with system user data to ensure that only NADRA employees can be given system access. Investigate the current exception and fix responsibility under intimation to audit.

Para-4.5.10 (IS Audit, NADRA 2015-16) AY 2016-17

13.1.4.62 Unauthorized users active for NIS Application (Application control)

¹⁸Application controls are controls over input, processing and output functions. These controls help ensure data accuracy, completeness, validity, verifiability and consistency, thus achieving data integrity and data reliability.

Therefore applications needed to have such internal controls that relevant type of record could only be entered/updated through valid and identifiable users IDs. This aspect was important for information security, audit trails as well as for data reliability.

During Information Systems audit of NADRA for the year 2016, a sample of active NIS application users across 72 NRCs as on February 12, 2017 was viewed for analysis. It was found that 17 users did not have any designation but had active system roles as Annex-106.

Designation was a primary attribute given to any NADRA employee at the time of his/her appointment. The ERP Nos. illustrated above showed that they were NADRA employees. Hence clarification was required on how active NIS application users were present (as on Feb 12, 2017) without having any designation.

Management in its reply dated July 18, 2017 stated that the matter had been thoroughly analyzed and issue had been taken up with GM Technology for enhancing the user administration in conjunction with HR department.

Audit recommends to investigate the matter and strengthen the system controls. The time frame of report generated may be kept under consideration while expediting the same.

Para-4.5.13 (IS Audit, NADRA 2015-16) AY 2016-17

¹⁸ CISA review manual 26th edition by ISACA

13.2 Islamabad Employee's Social Security Institution

13.2.1 Introduction

ICT Employees Social Security Institution (IESSI) provides Health Care Facilities and Cash Benefits to its secured workers, and their dependents, working in industries or commercial establishments in Islamabad. The objectives and functions are to provide benefits to certain employees/workers or their dependents in the event of Sickness, Maternity, Employment, Injury or Death and for matter ancillary thereto in the Capital Territory.

13.2.2 Comments on Audited Accounts

13.2.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the years 2021-22 till December 31, 2022.

Audit recommends that the annual audited accounts for the year 2019-20 to 2021-22 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*Annex-2*).

13.2.3 Compliance of PAC Directives

No PAC meeting has been conducted so far hence, no compliance is outstanding.

13.2.4 Audit Paras

13.2.4.1 Revenue loss due to non-investment of funds - Rs. 349.013 million

According to Para 03 of the Finance Division letter No. F.4(2002). BR. II, dated. 02.07.2003, under the new policy, public sector enterprises and local/autonomous bodies can deposit their working balances required for their operations with any public or private bank subject to the requirements that the process of selection of banks should be transparent. Therefore, prior to placing deposits with the bank under this new policy, and incase the total working balances exceeds rupees 10 million, the selection of banks as well as the terms of

deposits will be approved by the concerned board of directors/governing body on the basis of competitive bids from at least 03 independent banks.

According to Para 06 (1) of the ICT Employee's Social Security (Contributions) Rules, 2016 vide SRO No. 118(KE)/2016, dated. 03.03.2016, the amount set aside in accordance with rule 3 shall be invested by the institution as to one half in liquid investments and as to the other half either in non-liquid investments or otherwise.

During audit of the Islamabad Employee's Social Security Institution, for the year 2012-13 to 2021-22, it was observed that funds to the tune of Rs. 1,068.201 million were lying in different bank accounts in saving/daily basis accounts as on 30.06.2022. Since inception of the institution in 2012-2013, management failed to devise clear plan for determining the working balance of said years and investment of the surplus funds in different banks as per Finance Division's as well as institution's own investment policy to earn a higher profit on the funds available with the company.

Audit was of the view that due to poor financial management, institution was deprived of the expected higher income of Rs. 349.013 million due violations of the Govt. instructions and IESSI investment policy.

Exit meeting was held on 19.12.2022. Management replied that the Governing Body in its 13th meeting held on 11.09.2018 decided that the surplus funds may be deposited in PLS account with NBP. The institution had been making efforts to get allotted a plot from CDA for construction of office and hospital. In last meeting, the Chairman CDA directed to include this item in agenda of next Board meeting of CDA.

It was highlighted that the Finance Division's O.Ms dated. 02.07.2003, 22.09.2005 and 23.12.2014 had been withdrawn vide Finance Division's O.M No.F.4 (1) NTR / 2002-666 /2022, dated 18th May 2022.

Reply was not tenable as Governing Body had already directed to invest the surplus funds for earning more profit. Further audit had raised observation on the funds lying unspent since 2013 to April 2022 in which Finance Division's instructions for surplus funds were required to be complied with.

No DAC meeting was arranged till finalization of this report.

Audit recommends to do immediate planning for keeping the working capital for the utilization during the year and preparing an investment policy for investment of the excess available funds with the authority. Besides that Justification for non-investment of the funds in fixed deposit accounts for earning more profit since establishment of the institution be provided and fixing responsibility for non-investment of the funds on the individual(s) held responsible.

Para-01 (IESSI – 2012-13 to 2021-22)

13.2.4.2 Non-preparation and submission of annual audited financial accounts

According to rule 11 of the ICT Employee's Social Security (Contribution) Rules, 2016, read with Clause (3) of the Section 32 of the Provincial Employee's Social Security Ordinance, 1965 (X of 1965), the accounts of the institution shall be audited by an external auditor appointed by Government, at such times and in such manner as may be prescribed. And Section 33(1) of the said ordinance requires that the institution shall, within six months after the closing of a financial year, submit to Government an annual report of its work and activities during that financial year, and such report shall cover such matters as may be prescribed.

During audit of the Islamabad Employee's Social Security Institution, for the year 2012-13 to 2021-22, it was observed that External Chartered Accountant firm was required to be appointed with the approval of the Auditor General of Pakistan for the external audit of the institution but management failed to hire the services of the firm and thus the annual financial accounts of the institution could not be maintained since inception of the institution i.e. 2013.

Audit was of the view that in the absence of certified annual financial accounts, audit could not authenticate the final accounts of the institution submitted to the Audit, therefore, held irregular and violation of the rules.

Exit meeting was held on 19.12.2022. Management replied that Chartered Accountant Firm M/s Mushtaq & Co. had been engaged for audit of the accounts of IESSI and were in preparation of the financial accounts of IESSI which would be finalized shortly and submitted to Audit. Department admitted the stance of

Audit but failed to produce the audited financial accounts to Audit till finalization of the report.

No DAC meeting was arranged till finalization of this report.

Audit recommends justification for non-maintenance of annual accounts and its submission to the Government within the prescribed time limit and initiation of the disciplinary action against the individuals held responsible. Also ensure immediate appointment of the external auditor for Audit of the annual accounts.

Para-02 (IESSI – 2012-13 to 2021-22)

13.2.4.3 Loss to IESSI due to non-transferring of assets by PESSI

According to notification No. 1(26-Home/83-4478 dated 30.11.2012, IESSI was separated from the PESSI with immediate effect and According to another notification No. I (26)-Home / 83-373 dated. 31.01.2013, Chief Commissioner, Islamabad Capital Territory, constituted ICT Employee's Social Security (IESSI) with effect from 01.01.2013.

During Audit of the Islamabad Employee's Social Security Institution, for the year 2012-13 to 2021-22, it was observed that in light of the above notifications, Chief Commissioner, Islamabad Capital Territory had withdrawn the conferment of powers, upon Director Social Security Government of Punjab as collector 1st class, within the revenue limits of Islamabad Capital Territory with immediate effect and constituted ICT Employee's Social Security (IESSI) with effect from 01.01.2013 for performing the same functions within the revenue limits of Islamabad territory.

Audit observed that PESSI Govt. of Punjab failed to transfer the assets of the institution consisting of balance contribution amount, dispensary and hospital situated in Islamabad and other assets as on 30.11.2012 and thus the newly established institute was deprived of its own assets till date of audit causing loss to the IESSI.

Audit was of the view that matter may be taken up with the PESSI for immediate transferring of all assets.

Exit meeting was held on 19.12.2022. Management replied that despite several meetings and written requests the PESSI still did not transfer the share of IESSI in assets as well as funds held as on 30.11.2012. The ICT Government was being requested to constitute a committee of appropriate level for settlement of the issue with the Government of Punjab and PESSI. Audit was of the view that the matter may be taken with the Provincial Government of Punjab by the Chief of ICT for immediate transferring the assets to IESSI.

No DAC meeting was arranged till finalization of this report.

Audit recommends justification for non-transferring of the assets of the institution by PESSI and case may be taken up with PESSI/Punjab Government for transferring the assets & liabilities of the institution.

Para-03 (IESSI – 2012-13 to 2021-22)

13.2.4.4 Loss to IESSI due to non-recovery of contribution and penalty amount from dormant establishments - Rs. 70.274 million

According to Rule 06 of the ICT Employee's Social Security (Contributions) Rules, 2016, if any employer fails to pay the total amount of contribution within the period prescribed in Rule 5, the amount payable shall be increased by one-half percent per day up to ninety days and after expiry of the prescribed time, subject to the maximum increase not more than fifty percent of the actual contribution as the case may be with the approval of the commissioner.

During Audit of the IESSI for the years 2012-13 to 2021-22, it was observed that 141 establishments working under the administrative jurisdiction of the institution were remained dormant since long and monthly contribution amounting to Rs. 49.849 million was outstanding against them.

Audit was of the view that management neither recovered the contributions nor penalty amounting to Rs. 20.425 million (40,849,255 x 50%) from these establishment causing an overall loss of Rs. 70.274 million (Rs. 49,849,255 + 20,424,628) to the institution.

Exit meeting was held on 19.12.2022. Management replied that Rs. 1.454 million had been recovered so far. Efforts were in hand for early recovery of

outstanding contribution however lockdown due to COVID-19 had adversely affected the business activities which hampered the collection of the contribution.

Reply was not tenable, as no efforts were made to recover the remaining amount of Rs. 68.820 million (Rs. 70,273,883 – 1,454,000) from the dormant establishment under intimation to Audit.

No DAC meeting was arranged till finalization of this report.

Audit recommends to recover the amount involved from the establishments or initiate cases under Section 66 of the ICT Employee's Social Security (Occupational Diseases) Regulations 2017. Disciplinary action against the responsible person(s) should also be initiated.

Para-04 (IESSI – 2012-13 to 2021-22)

13.2.4.5 Irregular payment of pension to pensioners transferred by PESSI - Rs. 17.980 million

According to notification No. 1(26- Home / 83-4478 dated 30.11.2012, IESSI was separated from the PESSI with immediate effect and According to another notification No. I (26)-Home / 83-373 dated. 31.01.2013, Chief Commissioner, Islamabad Capital Territory, constituted ICT Employee's Social Security (IESSI) with effect from 01-01-2013.

During Audit of the Islamabad Employee's Social Security Institution, for the year 2012-13 to 2021-22, it was observed that in light of the above notifications, Chief Commissioner, Islamabad Capital Territory had withdrawn the conferment of powers, upon Director Social Security Government of Punjab as collector 1st class, within the revenue limits of Islamabad Capital Territory with immediate effect and constituted ICT Employee's Social Security (IESSI) with effect from 01-01-2013 for performing the same functions within the revenue limits of Islamabad territory.

Upon separation of both offices, PESSI immediately transferred the disablement and survivor's pensioner's pension cases of 35 employees of the establishment units working in Islamabad territory and thus the liability shifted to the IESSI. Audit further observed that that PESSI has not transferred the assets of the IESSI till date of Audit, therefore was required to pay the pension of these

employee's till final settlement of the transfer of assets and liabilities of the IESSI.

Audit was of the view that as monthly contributions of these employee's was collected by the PESSI therefore payment of pension w.e.f. 01.01.2013 to 30.06.2022 amounting to Rs. 17.680 million (Rs. 6,585,348 survivor's pension + Rs. 11,094,314 disablement cases) was held irregular.

Exit meeting was held on 19.12.2022. Management replied that upon creation of IESSI in 2013, case of 35 pensioners of ICT area was provided by PESSI for payment of their monthly pension. Had the IESSI not taken care of these pensioners, the contribution collection would have adversely affected. However, matter was taken up with PESSI for transferring the assets to the IESSI but did not respond positively. However, it was being taken up again and the issue of pension liability would be addressed as well.

Reply was not tenable as no fruitful results shown to the Audit.

No DAC meeting was arranged till finalization of this report.

Audit recommends justification for payment of pension liability relating to the PESSI, provide justification for non-transferring the assets of the IESSI and Initiation of immediate action for taking up the case with the PESSI and recovery of the pension payments made so far.

Para-05 (IESSI – 2012-13 to 2021-22)

13.2.4.6 Non-recovery of dis-honored cheques from industrial units - Rs. 7.163 million

According to Para 5.3.3.3 of the Accounting Policies and Procedures Manual, if a cheque is dishonored by the drawer's bank, the payer's indebtedness to the Government is retained and appropriate recovery action will be taken, including notification by the bank to the concerned administrative department. Persons required to pay the Government by a fixed date must take steps to ensure that their payment reaches the bank by the due date for payment.

During Audit of the Islamabad Employee's Social Security Institution, for the year 2012-13 to 2021-22, it was observed that different establishment units

under the jurisdiction of the IESSI issued cheques to the institution on account of monthly contribution of their employee's.

Audit observed that cheques of 94 and 129 establishment units in 2020-21 to 2021-22 respectively were dis-honored by the banks but management failed to recover the amount in lieu thereof from these units resultantly Rs. 2.620 million and Rs. 4.543 million (total Rs.7.163 million) could not be recovered in two years.

Exit meeting was held on 19.12.2022. Management replied that persuasion for recovery of dishonored cheques is a continuous process. Out of dishonored cheques amounting to Rs. 7.163 million, an amount of Rs. 4.995 million had been recovered.

Reply was not tenable as no efforts toward recovery were observed by Audit before pointing out the issue. Remaining amount of Rs. 2.168 million (Rs 7,162,831 – Rs 4,994,502) may immediately be recovered along with the penalty according to rules of the IESSI.

No DAC meeting was arranged till finalization of this report.

Audit recommends to recover the amount involved from the units along-with penalty as per rules. Besides, initiation of disciplinary action against the units and imposing penalty for fraudulent action and initiation of the disciplinary action against the individuals held responsible.

Para-06 (IESSI – 2012-13 to 2021-22)

13.2.4.7 Avoidable expenditure on rent and irregular hiring of office building - Rs. 61.329 million

According to Para 07 of the minutes of the 10th meeting of Governing Body of ICT employee's Social Security Institution (IESSI) held on 25.07.2017, Governing Body showed great concern over spending of millions of rupees on rent of office building despite having sufficient surplus fund and directed to identify a building/plaza/plot for purchase on competitive rates.

Para 02 of the Finance Division regulation wing letter No. F.8(69) R. 14/83/2001-452 dated. 18.10.2001 requires that ministries/divisions/departments should strictly follow the hiring instructions/procedures and not to enter into any

lease agreement with a private party, involving higher rental rates than the permissible ones, without prior permission of Finance division.

During Audit of the Islamabad Employee's Social Security Institution, for the year 2012-13 to 2021-22, it was observed that IESSI paid Rs. 61.329 million on account of office building rent w.e.f. 12.4.2013 to 13.4.2023. The office had a closing balance of Rs. 1,068.201 million as on 30.06.2022 in their bank accounts but management failed to comply with the orders of the governing body for initiating the case for purchase of building / plaza / plot till date of audit.

Audit further observed that building was hired without rent assessment of the building by the Pak PWD office furthermore due to lack of interest of the management, office own building could not be purchased to date. Audit considered that had the management purchased the plot/building in time, would save the institution from payment of rent of office building Rs. 61.329 million.

Exit meeting was held on 19.12.2022. Management in its reply stated that efforts had been made to purchase a constructed/semi-constructed building or plot for office and hospital. Case for allotment of the plot had been taken up with the CDA and as and when the plot will be allotted by the CDA, the office building will be constructed on it. A committee was also constituted to for hiring of office building.

Reply was not tenable as sufficient funds were utilized on account of building rent but no efforts were made by the management for purchase of its own building despite repeated directions by the Governing Body (GB); Rent assessment by the Pak PWD was also not shown to Audit.

No DAC meeting was arranged till finalization of this report.

Audit recommends justification for non-purchase of office building despite having sufficient funds and provide reasons for non-compliance of the GB Directives. State reasons for payment of rent to the building owner without proper assessment.

Para-07&08 (IESSI – 2012-13 to 2021-22)

13.2.4.8 Loss to IESSI due to non-recovery of contribution from in-active establishments - Rs. 27.552 million

According to column 05 of the Schedule to Part III of the ICT Employee's Social Security (Contributions) rules, 2016, monthly contribution @ 06 % P.M. of the remunerated at a wage and including Rs. 461.50 per day or fixed by ICT minimum wages board whichever is higher shall be recovered from the employers of the employee's working in different industries etc.

Under section 66-(Offences and penalties) of the ICT employee's social security institution regulations 2017 read with the section 66 of chapter VII of the provincial employee's social security ordinance, 1965 (X of 1965), if any person

(a) Fails to pay any contribution which under this ordinance he is liable to pay

(b) Fails or refuses to submit any return required by regulations or makes a false return

He shall, without prejudice to any action to which he may be liable under section 23 or section 70 or any other provision of this ordinance, be punished with imprisonment which may extend to three months, or with fine not exceeding one thousand rupees, or with both.

During audit of the Islamabad Employee's Social Security Institution, for the year 2012-13 to 2021-22, it was observed that 79 establishment units in the Islamabad territory under the jurisdiction of the IESSI were non- active and not paying share of contribution of their employee's to the institution since long.

Audit was of the view that due to lack of financial management and control, the institution had sustained an approximate loss of Rs. 27.819 million for average minimum 05 employees but the management neither recovered the due share from these units nor took any positive steps for imposing penalty on the institutions under the regulations of the ICT IESSI 2017.

Exit meeting was held on 19.12.2022. The position of inactive establishments had been verified recently. It had been observed that out of 79 establishments, 04 establishments had been activated and 25 were closed, further 9 units did not fall under the ambit of IESSI. However, the remaining 41 units were being pursued for early activation/recovery of contribution.

Audit verified the recovery of Rs. 266,625. However, remaining amount of Rs. 27.552 million (Rs. 27,818,910 - Rs. 266,625) may immediately be recovered from the in-active establishments.

No DAC meeting was arranged till finalization of this report.

Audit recommends justification for non-contribution by the non-active establishments to the institution. State reasons for not taking corrective steps for imposing penalty on the establishments and fix responsibility on the individuals held responsible for loss.

Para-11 (IESSI – 2012-13 to 2021-22)

13.2.4.9 Irregular expenditure on local purchase of medicines without tendering process - Rs. 449.975 million

Para 12 of the PPRA 2004 requires that procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani Rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.

During Audit of the Islamabad Employee's Social Security Institution, for the year 2012-13 to 2021-22, it was observed that an expenditure of Rs. 449,975,389 was incurred under the head "A02101 Purchase of drugs and medicines" on account of local purchase (LP) of medicines from M/s Mullar & Phipps, Goduc, Imperative Life Care and Zaidi Trader, bio-visions etc.

The medicines were procured directly from these companies without following open competition through advertising in newspaper causing violation of PPRA 2004 rules.

Audit further observed that each Provincial Government and Federal Government has formed a Medicines Coordination Cell (MCC) which approves the procurement of medicines of different companies after pre-qualification of the companies and competition through open tendering system between different approved suppliers/firms for provision of the medicines in the relevant financial years but the management of the IESSI violated the prescribed procedure and

directly procured the medicines at high cost from the above companies. This irregularity not only violated the government approved policy but also sustained loss to the institution.

Exit meeting was held on 19.12.2022. Management stated that IESSI purchased lifesaving drugs and medicines for Chronic Patients directly from the manufacturers, through their authorized distributors, which was covered under Rule 42 (c) of, PPRA (Public Procurement Rule) 2004. Medicines were procured at less rates than the market. It is pertinent to mention here that the total expenditure on local purchase of such Drugs/Medicines during the financial year (2012-13 to 2021-22) was Rs. 64.867 million instead of Rs. 685.514 million as quoted by the Audit.

Reply was not tenable as management was required to follow the Federal Govt. health department MCC rules for procurement of the medicines. Further detail of medicines procured has already been provided by the management itself therefore considered as authentic.

No DAC meeting was arranged till finalization of this report.

Audit recommends justification for direct procurement of medicines from the companies in violation of Government policy and tendering process. Besides, state reasons for non-procurement of medicines from approved firms/suppliers and conduct a fact-finding inquiry to probe into the matter for calculating actual loss to the institution and fixing responsibility.

Para-12 (IESSI – 2012-13 to 2021-22)

13.2.4.10 Irregular expenditure on empaneling hospitals without tendering- Rs. 1,099.823 million

Para 12 of the PPRA 2004 rules requires, that procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani Rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.

During Audit of the Islamabad Employee's Social Security Institution, for the year 2012-13 to 2021-22, it was observed that an expenditure of Rs.

1,099.823,227 was incurred under the head A-02107 “payment of panel hospitals” during above years on account of payment to different hospitals on the panel for providing medical facilities i.e. doctor’s consultation, medicines, lab. Tests, ultrasound etc. to the secured workers of the industrial units through different MOUs.

Audit observed the following: -

1. The hospitals were taken on the approved panel without open competition through competitive bidding process by advertisement in the newspapers causing violation of the PPRA 2004 rules.
2. Hospitals were not technically and financially pre-qualified for providing the medical services to the institution.
3. Approved Government hospitals were ignored in providing the medical facilities and thus private hospitals were benefited at the cost of the public exchequer.
4. Medical Coordination Cell (MCC) approved rates were ignored and reimbursement of medicines and other tests were made according to MoUs (needs elaboration) which were very high as compared to the approved Government rates.
5. The institution failed to offer their own rates to the panel’s hospitals for providing medicines, lab tests, ultrasounds and other tests to the patients at economical rates of MCC and thus each hospital was benefited at the cost of the government.
6. 70 to 80 % of the expenditure under the head “payment to panel hospitals” was charged by the hospitals under the head ‘medicines’ but management failed to control the expenditure on medicines.

Audit was of the view that due to lack of managerial control and lack of interest of the management, the institution has incurred huge expenditure on the empanelment of the hospitals which was considered as violation of the PPRA 2004 rules.

Exit meeting was held on 19.12.2022. Management replied that private hospitals were taken on the directives of the Governing Body (GB).

It was further stated that the institution in light of section 46(4) and 46 (5) of the Provincial Employee's Social Security Ordinance 1965" states that the institution may enter into agreement with Government, any local authority, private body or individual in regard to the provision of medical care to the persons entitled to it under this Ordinance. Further many autonomous bodies under administrative contract of Federal Government such as PTV, OGDCL, and PMDC etc. had adopted similar procedure for empanelment of Hospitals. Tendering of the hospital cannot be done as the required outlets were not centralized and the need of the medical outlets was in different areas of ICT territory.

Reply was not tenable as PPRA 2004 rules were not followed in taking hospitals on panel.

No DAC meeting was arranged till finalization of this report.

Audit recommends justification for approving the panel hospitals without competition through advertisement and violation of the PPRA 2004 rules. Provide justification/Reasons for allowing different rates of medical care facilities to the secured workers. Conduct a fact-finding inquiry to probe in to the matter for incurring expenditure in violation of PPRA 2004 rules and fix responsibility on the individuals held responsible.

Para-13 (IESSI – 2012-13 to 2021-22)

13.2.4.11 Non-recovery of withholding tax from panel hospitals / dispensaries - Rs. 57.642 million

Under Section 153(1)(b), Part III Division III, of the income tax ordinance 2001 requires, that withholding tax at the rate of 08 % and 16 % from the filer and non-filer companies respectively for rendering of services.

During audit of the Islamabad Employee's Social Security Institution, for the year 2012-13 to 2021-22, it was observed that an expenditure of Rs. 733,680,099 was incurred on account of payment to the approved panel hospitals for providing medical facilities to the secured workers of the industrial units through different MOUs. The local office being withholding agent, neither deducted withholding tax at the government prescribed rates from the bills of the

hospital nor obtained annual tax returns from panel hospitals to authenticate the payment of tax to the FBR.

Audit was of the view that due to lack of financial control, income tax amounting to Rs. 57,641,923 was not recovered causing loss to the public exchequer.

Exit meeting was held on 19.12.2022. Management replied that the tax for which the organization was under obligation to deduct had been paid by the respective panel hospitals/dispensaries which could be verified from their tax profiles therefore the tax could not be charged from this organization under section 161 which would be contrary to provision of section 161(1B), whereas the recipients had discharged its income tax liability.

Further different court judgments existed in which honorable court had decided that the authorities concerned have to verify whether tax, required to be deducted or collected, of a person had been paid or not.

Reply was not tenable as IESSI being withholding agent, was responsible for deducting the income tax at source.

No DAC meeting was arranged till finalization of this report.

Audit recommends justification for non-deducting withholding tax from the hospitals and initiate immediate recovery of the amount involved from the hospitals along with disciplinary action against the individuals held responsible.

Para-14 (IESSI – 2012-13 to 2021-22)

13.2.4.12 Irregular creation of outstanding liabilities - Rs. 111.868 million

According to Para 106 of the General Financial Rules Vol-1, a disbursing officer may not on his own authority authorize any payment in excess of the funds placed at his disposal but absence of funds should not necessarily prevent the payment of any sums really due by Government. If the disbursing officer is called upon to honor a claim which is certain to produce an excess over the allotment or appropriation at his disposal, he should take the orders of the administrative authority to which he is subordinate before authorizing payment of the claim in question.

During audit of the Islamabad Employee's Social Security Institution, for the year 2021-22, it was observed that management created a liability of Rs. 111.868 million under the heads of accounts "Payment of panel hospitals" and "Re-imbursement of medical bills" in the months of March to June 2022 therefore held irregular and violation of the government rules.

Exit meeting was held on 19.12.2022. Management replied that due to un-avoidable circumstances of medical treatment like liver transplant, kidney and bone marrow transplant, increase in the cost of medicines approximately 45% and increase in the number of patients from 162,033 to 230,434, expenditure in excess was created. However, the budget against the above un-avoidable expenditure was got approved from the BG.

Reply was not tenable as the same expenditure had not yet been entered in to the financial accounts of the institution till finalization of the report.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify incurrence of expenditure over and above the budgetary estimates, provide justification for creating huge liability and initiate fact-finding inquiry to probe into the matter. Besides, disciplinary action may be taken against the individuals held responsible.

Para-16 (IESSI – 2012-13 to 2021-22)

13.2.4.13 Irregular expenditure on re-imbursement of medical bills of private hospitals - Rs. 9.826 million

Para 02 (iv) of the SOPs vide notification No. 8/1/2016-IESSI (Admin) dated. 21.08.2019 requires that treatment will only be permissible at nearest federal / provincial government hospital / establishment located within the district of patient's residence. In case such facility is not available in government hospital / establishment, treatment can be obtained from a private hospital provided that incharge of government hospital issues a certificate for non -availability of such facility.

According to Para 04 (g) of the Ministry of Health notification No. F-5-3/2001-Chief (H) dated 16.03.2006, in case the patient is referred to some other hospital by his authorized medical attendant, a copy of such referral letter/move sanction, as may be, must be attached with the claim. Para 06 of the above letter

requires that if any patient has to get medical treatment from any un-authorized /private hospital /military hospital/clinic, in emergency, he is required to produce emergency certificate from the treating doctor showing nature of disease and treatment given duly countersigned by the nearest authorized medical attendant (AMA) as specified in Para 04 of the guidelines.

During audit of the IESSI for the year 2019-20 to 2021-22, it was observed that management paid Rs. 7.590 million, Rs. 15.680 million and Rs. 16.770 million (total Rs. 40.040 million) in above years respectively under the head “A02102 Reimbursement of medical bills” on account of medical treatment given to the secured workers in different costly private hospitals outside the panel hospitals of the institution.

Out of the total expenditure incurred on medical re-imbursements, an amount of Rs. 9.826 million was allowed to 69 secured workers or their dependent patients in private hospitals like Al-Shifa hospital, Quaid e Azam or Kulsoom hospital in Islamabad on presenting emergency chit / certificate issued by these private hospitals. Audit was of the view that such medical services were available in the Islamabad government hospitals like PIMS, Holly Family and RIC etc. therefore, re-imbursement of such medical bills from the private and costly hospitals without any refer chit/non- availability certificate issued by the government hospitals was held irregular and violations of the government as well as IESSIs’ own medical rules/SOPs.

Exit meeting was held on 19.12.2022. Management replied that it was the main responsibility of IESSI to provide medical facility to the secured workers. Dependent’s families of some of the workers was residing at their native places. In case of ailment they were entitled for treatment and claims were paid according to policy/SOP of the department. Medical treatment rules of the Federal Government also allowed treatment from private hospitals in case of emergency.

Reply was not tenable as all the cases pointed out by audit related to Islamabad territory where Govt. hospitals like PIMS, holy family etc. existed therefore re-imbursement of medical bills of private hospitals were considered as violation of the Govt. health policy.

No DAC meeting was arranged till finalization of this report.

Audit recommends justification for providing medical facilities to the patients in private hospitals without referral certificate from government hospitals. State reasons for payment of medical bills in violation of the IESSI's and government rules. Fix responsibility on the individuals held responsible for payment in violation of the rules.

Para-18 (IESSI – 2012-13 to 2021-22)

13.2.4.14 Non-appointment of Commissioner and Vice Commissioner

According to clause 18 (1) of the provincial employee's' social security ordinance, 1965 (X of 1965) dt. 14.05. 1965, there shall be a commissioner and a vice commissioner of the institution both to be appointed by Government. (2) The commissioner shall of the institution: and

- (a) Be the Chief Executive of the institution and shall act as Secretary to the Governing body;
- (b) Be responsible to the Governing Body in respect of all matters relating to the structure, administration and personnel of the institution; and
- (c) Have such powers regarding appointment, transfer, promotion, dismissal and other matters affecting the staff of the institution as are provided for by regulations.

(3) The vice commissioner shall perform the duties of the commissioner when the latter is absent or prevented from acting and the commissioner may assign to the vice-commissioner the responsibility for the directions of certain services or delegate to him any of his own powers under this ordinance, the rule and the regulations

During audit of the IESSI for the year 2012-13 to 2021-22, it was observed that according to instructions contained in the ordinance and regulations of the IESSI, two executive/managerial posts of Commissioner and Vice Commissioner were on the sanctioned strength of the IESSI since establishment of the institution. Chief Commissioner ICT, has filled the posts temporarily since 2013-14 by delegating the powers of commissioner and vice commissioner to different management cadre officers from time to time working under his control.

Audit was of the view that due to non-filling of the posts on regular basis and engagement of the officers of the other offices has led to different managerial issues like non- finalization of the annual financial accounts, approval of the HR policy, non- conduction of the meetings of the governing body on regular basis, panelment of hospitals and re-imburement of medical bills etc. could not be resolved in time resulting in inappropriate functioning of office operations.

Exit meeting was held on 19.12.2022. Management replied that the ICT Government has appointed one of the Directors, ICT Chief Commissioner's office as Commissioner, IESSI on additional charge basis who is performing the functions of the office regularly/properly. Similarly, one of the senior assistant commissioners has been entrusted the additional charge of the post of Vice Commissioner who is also looking after the functions of the office up to the entire satisfaction of his seniors.

Department admitted the fact in its reply, therefore the posts of Commissioner and vice commissioner may immediately be filled without delay to ensure institution's smooth operation.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify appointment of officers on temporary basis. Further, immediate appointment of regular officers on the post of Commissioner and Vice Commissioner be made.

Para-20 (IESSI – 2012-13 to 2021-22)

13.2.4.15 Irregular appointment of officers / officials without advertisement and recruitment rules - Rs. 88.244 million

Para 4.2 (i) of chapter 04 of the Esta Code (Edition 2021), the department concerned should specifically justify why it is not possible to fill in a vacancy in accordance with the procedure laid down in the civil servants (Appointment, promotion and transfer) rules, 1973 and the recruitment rules and where it is considered necessary to fill in a post on contract, it shall only be for a period not exceeding two years. The professional qualification, experience, and age limit (where necessary) required for the post shall be prescribed in consultation with the establishment division. The post should be advertised and selection made by a departmental selection committee.

According to Sl. No. 2 of the (part-f) of the Esta code, Appointments (by Promotion, Transfer or Direct Recruitment) to the posts for which recruitment rules do not exist or have not been finalized in consultation with Establishment Division/FPSC, may not be made in the absence of recruitment rules and in future, the proposals regarding recruitment rules referred to this Division after the expiry of three months of the creation of posts, will not be entertained by the Establishment Division.

During audit of the IESSI for the year 2012-13 to 2021-22, it was observed that a number of officers and officials in BPS 01 to BPS 17 were appointed by the management of IESSI since the institution's founding in 2012-13 and an expense of Rs. 70.480 million (Rs. 20.641 million, Rs. 27.743 million, Rs. 22.096 million) was incurred on paying their Pay & allowances.

Further, different individuals were appointed on temporary basis for a period of 89 days during the years 2019-20 under the head "payment to others for services rendered". Audit observed that extensions in their services were regularly granted by the management and the individuals are still working since 2019 or earlier to that. An expenditure of Rs. 17.764 million (Rs. 4.836 million + Rs. 6.185 million + Rs. 6.743 million) was incurred during the year 2019-20 to 2021-22 which was held irregular and violation of the IESSI own and govt. rules.

Audit observed the following:

1. Officers and officials were initially appointed for three months before being hired on a contract basis and without a competitive process for a year.
2. All the officers and officials were then directly appointed on contract basis for a fix period of one year or till the availability of suitable candidate whichever is earlier.
3. Appointments were made without competition through advertisement in daily newspapers.
4. IESSI was established in 2013 but till date of audit no recruitment rules have been framed. As a result, appointments made without suitable recruitment rules are regarded as violating both government directives and guidelines for the creation of recruitment rules.
5. Some officers were appointed in BPS-17 on higher fix pay than the initial of the relevant pay scales and other allowances and increments as admissible to

the regular employees were allowed without any justification which requires recovery from the officers.

6. After a period of one year, the same employees were again re-appointed for another fresh one year period by issuing the fresh appointment order instead of granting extension up to the permissible time period for previous one.
7. Increments were also allowed to the officers and officials despite the fact that appointment orders were issued for one year which was violation of the contract policy.

In light of above audit was of the view that appointments were made by favoring the dear ones in violation of the Govt. approved contract policy therefore held irregular.

Exit meeting was held on 19.12.2022. Management stated that at the commencement of the IESSI and due to ban on recruitment, Governing Body being competent forum, decided to make appointments of staff on short term basis. Subsequently, the Governing Body decided that the contract appointment of present incumbents may be extended on 01 year contract basis on standard terms and conditions.

Reply was not tenable as advertisement was the basic requirement for appointment in all Govt. and autonomous bodies.

No DAC meeting was arranged till finalization of this report.

Audit recommends justification for appointment of the officers and officials without advertisements and competition. State reasons for allowing regular allowances to the officers appointed on higher pay. Perform re-fixation of the pay of the officers and officials after consultation with Finance Division.

Para-22 & 23 (IESSI – 2012-13 to 2021-22)

13.2.4.16 Non-conduction of actuarial present value of pension cases

Clause 53 of chapter V of the manual of social security laws in Pakistan, states that where according to the findings of a court, and employment injury was sustained by a secured person by reason of a wrongful act or omission of the employer or his agent, the employer or his agent shall reimburse to the institution the actuarial present value of any periodical payment or the amount of any lump sum payment which the institution is liable to make under this ordinance and

such actuarial value shall be determined in accordance with the regulations. According to S.R.O. No. 117(KE)/2017 of the ICT employee's' social security (actuarial present values) regulations, 2017,

The actuarial present value of any disablement pension or of any survivor's pension payable to the widow, widows, needy widower or of parent, the second person shall be determined by multiplying the monthly rate of such pension by the figure indicated in column (2) of schedule- 1 to these regulations corresponding to the age last birthday of the beneficiary on the date of death of the secured person.

During audit of the ICT employee's' social security institution for the year 2012-13 to 2021-22, it was observed that disablement and survivor's pensions were being paid to different secured workers of the industrial units working in Islamabad territory. Upon checking of the relevant record of the different cases, it was observed that disablement and survivors' pensions were approved on the recommendations of the medical board and inspection officers' reports. However, it was observed that the inspection officer's report only shows that the accident or death occurred at the site but was silent to know, whether there was employer's fault or not. In the absence of the proper inspection report, the actuarial valuation of the pension could not be determined.

Audit therefore was of the view that management not only failed to properly assess the actual cause of the accident or death of the secured worker but also did not conduct the actuarial valuation of the pension from the firm for future pension requirements of the institution therefore, institution was deprived of the benefit of the actuarial valuation according to law and reducing the burden of the pension payment.

Exit meeting was held on 19.12.2022. Management replied that the observation pertains to disablement pension which is admissible in accidental cases during performance of duty by employees/workers. Such cases are verified by the field staff to find the factual position and to ascertain any lapse on the part of the employer.

Reply was not correct as non- conducting of actuarial valuation is violation of the IESSI's rules & regulations.

No DAC meeting was arranged till finalization of this report.

Audit recommends justification for non-conduction of actuarial valuation of the pension cases. Besides, taking remedial action for knowing the exact cause of the accident or death of the worker.

Para-26 (IESSI – 2012-13 to 2021-22)

13.2.4.17 Loss due to increase in expenditure as compared to receipts of IESSI - Rs. 44.981 million

Para 12 of the General Financial Rules Vol-1 requires that a controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the fund allotted to spending units are expended in the public interest and upon objects for which the money was provided.

Scrutiny of the receipts and expenditure incurred during the financial years

2012-13 to 2021-22, it was observed that yearly receipts of the department were increasing at a very low space ranging from 03 % to 20 % since 2017-18 to 2021-22 whereas the yearly expenditure incurred during the said years increasing at high level ranging from 34 % to 62 %. Audit observed that due to high increase in the expenditure figures as compared to actual receipts, the institution has suffered a loss of Rs. 44.981 million in the financial year 2021-22. The loss was due to the following reasons:

1. Management failed to control the expenditure especially under the head “medical care/payment to panel hospital”.
2. No. of secured workers could not be increased by the revenue section of the institution causing less receipts.
3. Non- investments of the surplus funds for increasing in the income of the institution.
4. Lack of analysis of the establishments under the territory of the IESSI to know the year wise contribution by each establishment and cost incurred on their medical facilities/services.
5. Cost per patient is increasing day by day but the management is unable to control the Panel hospital’s expenditure.

6. No. of secured workers have been increased from 03 to 11 % since 2017-18 to date of audit which is very low as compared to the cost on workers.
7. Non- conduction of the regular meetings of the governing body since 2019.

Audit was of the view that the institution had been operating at loss since 2021–22 as a result of the management's lack of interest in the institution's business and financial control.

Exit meeting was held on 19.12.2022. Management replied that the revenue staff has to make efforts to collect the contribution to achieve the target fixed by the Governing Body. Accordingly, there has been reasonable growth in contribution collection over the years. As far the increase in the expenditure, it may be attributed to COVID-19, many-fold increase in prices of medicine and sizable increase in number of patients. It is worth mentioning here that delivery of Social Security Services according to law is the primary objective of IESSI. However, efforts are being made to further boost up the contribution collection.

Reply was not tenable as due to lack of interest of the revenue staff, institution has suffered loss in the financial year 2020-21 which might further increase in the coming years.

No DAC meeting was arranged till finalization of this report.

Audit recommends justification for poor performance of the revenue staff and over expenditure under the head medical care. Also reasons for non-increase in the revenue of the department be stated and immediate action for preparation and submission of the annual audited financial statements to know the factual position of the department be made.

Para-29 (IESSI – 2012-13 to 2021-22)

13.2.4.18 Revenue loss due to non-inspection of industries and other establishments

Section-22 clause (1)(b)(c) and clause (4&5) of the provincial employees' social security ordinance 1965 requires that:

(1) Any official of the Institution duly authorized by a certificate in a form specified in the regulations, may, for the purpose of inquiring into the correctness of any of the particulars stated in the records or returns referred to in section 21 or

for the purpose of ascertaining whether any of the provisions of this Ordinance have been complied with— require an employer to furnish to him such information as he may consider necessary; or

- at any reasonable time enter any establishment or other premises occupied by such employer and require any person found incharge thereof to produce and allow him to examine such accounts, books and other documents relating to the employment of persons and payment of wages, or to furnish to him such information, as he may consider necessary and
- examine, with respect to any matter relevant to the purposes aforesaid, the employer, his agent or any person found in such establishment or other premises, or any other person whom the said official has reasonable cause to believe to be or to have been a secured person.

During audit of the IESSI for the years 2012-13 to 2021-22, it was observed that secured workers of the different establishments/industries were increasing at a very low level especially after the financial year 2016-17 ranging from 03 to 11 % each year. Physical inspection of the industries and other establishments as required under the ordinance was not carried out accordingly to know the actual no. of workers of the industries and that actually secured with the IESSI. Some visit reports furnished to the audit do not show that required inspection has been carried out by the staff. Non- conduction of the physical inspection of the industries etc. by the revenue staff of the IESSI has led to the following issues:

1. Revenue staff was not conducting the physical inspection of the establishments under the territory of the IESSI
2. The security firms Wiser and SOS had 183 and 129 registered employees, respectively, but according to IESSI records, there were only 25 and 26 workers. Revenue officers failed to know its actual number of employees from Govt. Departments to obtain the required contribution from companies.
3. Revenue staff occasionally visited the establishments but no data regarding increase or decrease in the number of workers was given in their monthly visit reports.

4. No. of secured workers were not being increased at the pace at which the expenditure on the secured workers is increasing, hence the institution sustained a loss Rs 37.981 million in the financial year 2021-22.
5. Different establishments were still out of the ambit of IESSI, hence the institution was being deprived of their due revenue.
6. Dormant institutions were not being operationalized since long.
7. Fresh establishments were not being entered in to the social security network.
8. There was lack of internal control of the revenue officers over their staff.
9. Most of the visit reports were not countersigned by their revenue officers which shows lack of interest of the officers towards their duties.

In light of above, audit was of the view that due to lack of internal control of the management, the institution was unable to increase its secured workers and reduce the cost of medical care facilities.

Exit meeting was held on 19.12.2022. Management replied that Physical inspections/visits of establishments were carried out by the field staff in their respective areas on daily basis for persuasions of defaulters, new registration and increase in number of eligible workers for registration. Efforts were in hand to trace further such establishments to increase the number of their registered employees and recovery of the amount.

Reply was not correct as revenue staff was not properly conducting physical verification causing low recovery position.

No DAC meeting was arranged till finalization of this report.

Audit recommends to state reasons/justification for non-conduction of physical inspection by the revenue staff and take corrective measures by the competent forum for physical inspection by third party to know the actual no. of workers to be secured for the purpose of social security benefits.

Para-31 (IESSI – 2012-13 to 2021-22)

13.2.4.19 Loss due to non- deduction of tax from medicine bills - Rs. 19.20 million

Section 153 (1) (b), Part III Division III, of the income tax ordinance 2001, requires that withholding agent is required to deduct withholding tax @

01% and 02 % on sale of pharmaceuticals from filer and non-filer companies respectively.

During audit of the Islamabad Employee's Social Security Institution, for the year 2012-13 to 2021-22, it was observed that an expenditure of Rs. 685.514 million was incurred on account of purchase of medicines from different distributors / retailer companies / firms to the hospitals for rendering services to the secured workers. The local office being withholding agent, neither deducted withholding tax at source from the bills of the suppliers at the government prescribed tax rates nor obtained tax exemption certificates from the FBR.

Audit was of the view that due to lack of financial control, income tax amounting to Rs. 19.20 million was not recovered causing loss to the public exchequer.

Exit meeting was held on 19.12.2022. Management replied that:

- i) The total expenditure on procurement of drugs and medicines through local purchase during the financial year (2012-13 to 2021-22) work out to Rs. 64.867 million and not Rs. 685.514 million as marked out by Audit officer in his report.
- ii) The applicable rate of withholding tax for filler distributors was at rate of 0.5% which worked out to be Rs. 324,335 in case of non-filler it worked out to Rs. 648,670.
- iii) All of the distributors were filler and showing the amount received from IESSI in their annual income tax return
- iv) From the 1st July-2022 the withholding tax had regularly been deducted at source, from the payment of all the distributors and deposited with the R.T.O.

Reply was not correct as record of medicines expenditure in the expenditure statements was Rs. 685.514 million instead of Rs. 64.867 million and tax had not been recovered so far from these companies.

No DAC meeting was arranged till finalization of this report.

Audit recommends justification for non-deducting withholding tax from the hospitals and take immediate recovery of the amount involved from the suppliers or the individuals held responsible along-with disciplinary action.

13.2.4.20 Over payment of increments to contractual employees - Rs. 1.977 million

Para 4.2 (i) of chapter 04 of the Esta Code (Edition 2021), the department concerned should specifically justify why it is not possible to fill in a vacancy in accordance with the procedure laid down in the civil servants (Appointment, promotion and transfer) rules, 1973 and the recruitment rules and where it is considered necessary to fill in a post on contract, it shall only be for a period not exceeding two years. The professional qualification, experience, and age limit (where necessary) required for the post shall be prescribed in consultation with the establishment division.

According to clause (01) (3 & 4) of the appointment orders issued to different officers in BPS-16 to 17, vide orders dated. 09.11.2018, period of appointment was for one year w.e.f. 01.10.2018 or till regular appointment against the post whichever is earlier and pay was fixed at the minimum of the relevant pay scale. Annual increment shall be admissible as under the normal rules.

During audit of the IESSI for the years 2012-13 to 2021-22, it was observed that 13 officers were appointed in BPS-16 to BPS-17 since 09.11.2018 to date of audit. According to office orders issued to each officer, the appointments were made for a fix period of one year or till regular appointment against the post whichever is earlier. After completion of one year period, another fresh appointment order was issued to each officer on the same terms and conditions along with annual increment for the previous year's services.

Audit observed that since the appointment orders were only valid for a maximum of one year and the competent authority chose not to extend the contract's term, rather new appointment orders were issued for another one-year period, making the allowance of increments illegal and in violation of the service rules.

Audit was of the view that due to lack of financial control, the officers were overpaid Rs. 1.977 million in 03 years period w.e.f. 2018-19 to 2021-22 causing loss to the public exchequer.

Exit meeting was held on 19.12.2022. Management replied that according to provision of Ordinance, the Governing Body is the competent forum for administrative and financial matters in respect of IESSI

The Governing Body was apprised of the facts that due to non-finalization of service regulations, the recruitment process/regulations of service of employees could not be finalized. The Governing Body in its 13th Meeting held on 11.09.2018 decided that the contract of all existing employees to be made on yearly basis instead of 89/90 days to ensure job security and improvement in performance. In Accordance with item 04 of the contract, the employees were allowed annual increments. On completion of one-year contract, approval of competent authority for extension of contract was solicited. However due to typographic error the extension of service could not be mentioned in the office order. As the contract appointment of employees were extended on expiry of previous contract, they were allowed annual increments which is according to standard terms and conditions duly approved by the ICT Government.

Reply was not tenable as corrigendum in the contract extension was made on the observations of audit whereas appointment orders were issued for maximum period of one year.

No DAC meeting was arranged till finalization of this report.

Audit recommends to state justification for payment of annual increments to the fix period contract employees besides initiation of immediate recovery of the amount involved from the officers concerned.

Para-33 (IESSI – 2012-13 to 2021-22)

13.2.4.21 Irregular payment of allowances to contractual employees on lump sum pay package - Rs. 3.776 million

Para 02 of the Finance Division O.M. No. F.4(3) R-4/2011/Division dated, August 7th 2018, the ad-hoc relief allowance will not be applicable to those public sector corporations and autonomous/ semi-autonomous bodies which have adopted different pay scales/ allowances. In case of such organization the grant of ad-hoc relief allowance subject to the existing conditions will be allowed with the concurrence of standing committee of finance division on the recommendations of the respective board of directors/governors.

During audit of the IESSI for the years 2012-13 to 2021-22, it was observed that 04 officers were appointed in BPS-17 and one in BPS-19 in the year 2017-18 on fix pay package with regular allowances as allowed to federal government employees. According to audit, considering the aforementioned directives from the finance division, these fix pay officers were not eligible for the provision of regular allowances. Audit considered that allowing regular allowances amounting to Rs. 3.776 million was violation of the finance division instructions thus this transaction held irregular and needed to be recovered.

Exit meeting was held on 19.12.2022. Management replied that Governing Body is the competent forum and approval of Finance Division in the case of IESSI was not mandatory. It is pertinent to mention that as a precedent, Establishment Division appointed Retired Section Officers, Deputy Secretaries and Joint secretaries as Section officer on fixed pay package. During the currency of contract appointment, ad-hoc relief 2011 @ 15 % of basic pay was allowed to such officers. Accordingly, AGPR Islamabad also allowed ad-hoc increases in the salary of such officers. On the same analogy the case was placed before the Governing Body being competent forum. The Governing Body unanimously approved in their 13th meeting vide item 4, the grant of ad-hoc increases to the officers of IESSI appointed on contract on fixed pay

Reply was not tenable as payment of the ad-hoc relief was paid in violation of the finance division's notification.

No DAC meeting was arranged till finalization of this report.

Audit recommends to justify grant of regular allowances with fixed pay contract. Besides, recover the overpayment made to the officers under intimation to audit or regularize the expenditure from the competent forum.

Para-34 (IESSI – 2012-13 to 2021-22)

Chapter-14

Ministry of Maritime Affairs

Overview

Ministry of Maritime Affairs in Islamabad is the central administrative authority of the Government of Pakistan primarily assigned to facilitate the ports and shipping industry of Pakistan by providing policy guideline to encourage port development and growth in shipping while maintaining safety standards. The Ministry is headed by the Federal Minister for Maritime Affairs assisted by the Secretary, Maritime Affairs. In Karachi Director General (Maritime Affairs) represents Ministry.

Aims & Objectives

- To formulate and implement plans and policy in conformity with International best practice to transform the ports of Pakistan into modern, competitive, user friendly and a transshipment hub of the region with hinterland connectivity.
- To encourage private ship owning under Pakistan flag by creating favourable conditions.
- To improve governance of the ports while focusing of modern and innovative approaches of land lard posts strategies.
- To maintain safety and security standards as per international Maritime Organization (IMO) Conventions with strenuous efforts aimed at maintaining world class standards of marine pollution control
- To ensure and maintain quality of Pakistani seafarers in accordance with the Standards for Training Certification and Watch-keeping (STCW) 1978 Convention.
- To promote Deep Sea Fishing of Pakistan.
- To regulate the export of Fish and Fisheries Products and also to bring a pronounced positive change in the Harbour Environment.

Governing Laws and Policies

- i. GPA Ordinance, 2002
- ii. KoFHA Ordinance, 1982
- iii. Pakistan National Shipping Ordinance, 1979
- iv. Companies Ordinance 1984
- v. PP Rules 2004.

(Rs. in million)					
S#	Description	Total	Audited	Expenditure audited FY 2021-22	Revenue/ Receipts audited FY 2021-22
1	Formations	4	4	40,941.095	63,407.972

Classified Summary of Audit Observations

Audit observations of Rs. 260,079.800 million were raised as a result of this audit. This amount also includes recoverable of Rs.26,814.560 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)		
S#	Classification	Amount
1.	Non-production of record	-
2.	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR / Employees related irregularities	120.457
B	Procurement related irregularities	7,749.080
C	Management of Accounts with Commercial Banks	1,650.000
4	Value for Money and service delivery issues	32,154.490
5	Others	218,405.780

14.1 Gwadar Port Authority

14.1.1 Introduction

Gwadar Port Authority (GPA) was established as a separate organization, after promulgation of the GPA Ordinance No. LXXVII of 2002 dated October 17, 2002, for construction, operations, management, and maintenance of Gwadar Deep Water Port.

The Government of Pakistan has adopted the landlord concept for development of Gwadar Port. This means that GPA will drive the overall development of the port and will raise the funds for development of general port infrastructure (primarily dredging of channels and construction of breakwaters), while private sector investors will be the primary source for the development of terminals and cargo handling capacity. Reputable private investors/operators will be sought on a Build–operate–transfer (BOT) basis for the design, construction and operations of the various terminals that are foreseen. In the longer term, as much as possible, different cargo types will be handled by dedicated terminals. This will allow for terminals to be developed and operated by dedicated operators who are specialized in these particular operations.

14.1.2 Comments on Audited Accounts

14.1.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 1986-87 to 2021-22 despite a number of reminders.

Audit requires that the annual audited accounts of the years 1986-87 to 2021-22 be provided immediately and timely finalization be ensured in future, besides, fixing responsibility for non-finalization of annual audited accounts (***Annex-2***).

14.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% age of compliance
2010-11	1	1			
2011-12	-	-			
2012-13	1	1			
2014-15	4	1	3	18.1.4.1, 18.3.2.1, 18.1.3,	25%
2013-14	5	1	4	16.1.2, 16.1.3.1, 16.1.3.2, 16.1.3.3	20%
2015-16	5		5	17.1.4.3, 17.1.2.1, 17.1.4.1, 17.1.4.2, 17.1.4.4	0%
2016-17	5	4	1	15.1.2.1, 15.1.3, 15.1.4.1, 15.1.4.2	80%
2017-18	4	2	2	14.1.4.1, 14.1.4.3	50%
2019-20	1		1	10.1.4.1	0%
Total	16				0%

The overall compliance of PAC directives needs improvement.

14.1.4 Audit Paras

14.1.4.1 Irregular / unjustified award of contracts for consultancy services - Rs. 507.377 million

Rule 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules.

During audit of Gwadar Port Authority (GPA) for the year 2021-22, it was observed that the management awarded contracts of consultancy services amounting to Rs.507.377 million and failed to produce evidence as detailed below:

(Rs.in million)				
S#	Description	Contractor	Violation	Amount
1	Feasibility study of capital dredging of berthing areas & channel for additional terminal	M/s National Engineering Corporation (NEC)	The management could not produce relevant documentary support to substantiate their claim of receiving single bid only which raises doubts about fair, transparent and competitive procurement activity	260.836
2	Study on making the Gwadar port more competitive”.	M/s CCCC-FHDI Engineering Company	The management could not produce relevant documentary support to substantiate their claim of receiving single bid only which raises doubts about fair, transparent and competitive procurement activity	246.541
Total				507.377

Furthermore, according to clause 6.3 of the agreement, the payment will be made after submission of different reports / deliverables with invoice but management paid an amount of Rs.91.296 million to consultant against 04 reports despite the submission of only one report i.e inception report by consultants M/s National Engineering Corporation (NEC).

Audit was of the view that the management failed to provide the requisite record despite reminders and verbal requests due to which transparency of procurements could not be ascertained. Furthermore, consultant was paid an amount of Rs.91.296 million without submission of four (04) feasibility study reports of the project.

The matter was reported to the management on November 23, 2022. The irregularity was discussed in the DAC meeting held on December 30, 2022. The management apprised that:

1. The contract was awarded after completion of all codal formalities including advertised in PPRA website and newspaper. DAC directed the management to provide complete record for award of contract to audit for verification.
2. The contract was awarded after completion of all codal formalities including advertised in PPRA website and newspaper. DAC directed the management to provide complete record for award of contract to audit for verification.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

(DP Nos. 706 & 707)

14.1.4.2 Irregular transfer of funds - Rs.287.500 million

According to Controller General of Accounts Office Letter No. 574/CGA/AC-IV/I-I/2011 dated 20th June, 2012 and para-2 (VI) of the Revised Procedure for Operation of Assignment Accounts, the transfer of funds from the assignment account for deposit into chest or any bank account is completely forbidden. Moreover, as per O.M of the Finance Division (Expenditure Wing) issued vide No.F.2 (2)-BR-II/2008-695/2017, dated 16.06.2017, Principal Accounting Officer of the concerned Ministry will ensure that no such transactions take place. In case of any deviation/violation from the prescribed procedure, the head of the organization and officers / officials of AGPR will be held responsible and a case will be forwarded to be proceeded under E&D rules against all concerned.

During audit of Gwadar Port Authority (GPA) for the year 2021-22, it was observed that the management transferred all funds from Assignment Account and deposited into Deputy Commissioner, Gwadar Account vide dated 22-10-2021 and then incurred expenditure on account procured of private land measuring 100 acres at total cost of Rs.287.500 million for establishment of OFF Dock terminal.

Audit was of the view that the transfer of funds from assignment account to other accounts was in violation of rules and held irregular / unjustified.

The matter was reported to the management on November 23, 2022. The irregularity was discussed in the DAC meeting held on December 30, 2022. The management apprised that it was decided that the Deputy Commissioner Gwadar is the best judge for the cost of as per land acquisition act. Therefore, the GPA forward the letter to D.C tonevaluate the cost of land of GPA. Subsequently, necessary funds were given to the office of the Deputy Commissioner for disbursement and acquisition of land. DAC directed the management to provide complete record of transfer of funds to Deputy Commissioner regarding acquisition of land to audit for verification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.1.4.3 Irregular procurement of land - Rs.287.500 million

Rule 12 (2) of PPRA Rules, 2004 provides that all procurement opportunities over three million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu and Rule 23 states that procuring agencies shall formulate precise and unambiguous bidding documents that shall be made available to the bidders immediately after the publication of the invitation to bid.

During audit of Gwadar Port Authority (GPA) for the year 2021-22, it was observed that the management purchased 100 acres @ 2.5 million per acre amounting to Rs.287.500 at Gwadar through Deputy Commissioner without complete process in violation rules.

Audit was of the view that management failed to purchase land on competitive rates which showed favoritism to the lessors.

The matter was reported to the management on November 23, 2022. The irregularity was discussed in the DAC meeting held on December 30, 2022. The management apprised that it was decided that the Deputy Commissioner Gwadar is the best judge for the cost of as per land acquisition act. Therefore, the GPA forward the letter to D.C evaluate the cost of land of GPA. Subsequently, necessary funds were given to the office of the Deputy Commissioner for disbursement and acquisition of land. DAC directed the management to submit revised reply with full justification and detailed process for acquisition of land by Deputy Commissioner to audit for verification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.1.4.4 Non-deduction of taxes - Rs. 130.170 million

According to second schedule taxable services section (3) under heading (9814.5000) technical scientific and engineering consultants are become liable

amount of Sales tax involved shall be paid Balochistan Government's head of account "B-02387-Balochistan Sales tax on Services" @ of 15%.

Para 2 (1) of Balochistan Finance Act, 2013 states that:

3. A tax on the capital value of an immovable property, to be called the capital value tax, shall be payable by every person which acquires by purchase, gift, exchange, power of attorney other than revocable and time-bound (not exceeding sixty days).
4. The immovable property and the rate of tax referred to in sub-section (3) shall be as under:

Description of immovable property	Rate of tax
Where the value of immovable property is recorded	4% of the recorded value of the landed area or value specified in valuation table

During audit of Gwadar Port Authority (GPA) for the year 2021-22, it was observed that the management awarded different contracts valuing Rs.1,215.644 million to consultant/contractors, but the management did not deduct the Sales Tax amounting to Rs.118.670 million (Annex-107).

Furthermore, it was also observed that the management procured land measuring 100 acres at total cost of Rs.287.500 million for establishment of OFF Dock terminal. The proposed land was procured through Deputy Commissioner Gwadar but management did not deduct Capital Value Tax (CVT) amounting to Rs.11.500 million @ 4%.

Audit was of the view that non-deduction of taxes from Consultants / Landlord reflected negligence and violation of above rules.

The matter was reported to the management on November 23, 2022. The irregularity was discussed in the DAC meeting held on December 30, 2022. The management apprised that:

1. Tax could not be implemented in the contract agreement. DAC directed the management that the tax should be recovered from consultants / contractors / suppliers under intimation to audit.
2. Capital value tax was not applicable for acquisition of land and requested to Deputy Commissioner (Collector) information regarding deduction of Capital value tax. DAC directed the management that matter should be referred to Baluchistan Revenue Authority (BRA) for clarification that

either Capital Value Tax (CVT) was applicable for acquisition of land from private landlord by Deputy Commissioner, Gwadar or not.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

(DP Nos. 720 &722)

14.1.4.5 Non surrendering of excess amount – Rs.129.059 million

Rule 95 of GFR states that all anticipated savings should be surrendered to Government immediately these are foreseen but not later than 15th May of each year in any case, unless they are required to meet excesses under some other unit or units which are definitely foreseen at the time.

As a general rule, the excess amount must be surrendered to Government Treasury before the date of 15 May of every closing year.

In May of each year, the head of the department must forward to the Accountant-General, a copy of his account for April in Form G.F.R.7. In subsequent months, it will suffice to send an abstract of the expenditure up to-date under the various heads of disbursements.

All anticipated savings should be surrendered to Government immediately they are foreseen without waiting till the end of the year, unless they are required to meet excesses under some other unit or units which are definitely foreseen at the time. No saving should held in reserve for possible future excesses.

During audit of Gwadar Port Authority (GPA) for the year 2021-22, it was observed that the budget of Rs. 2,194.601 million was released however the management utilized only Rs.2,065.541 million and did not surrender the remaining amount as detailed below:

(Amount in Rs.)		
Released Budget	Budget Utilized	Lapsed amount
2,194,601,246	2,065,541,848	129,059,398
(Source: Gwadar Port Authority)		

Audit was of the view that the management failed to utilize / surrender the amount which reflected inefficiency and negligence.

The matter was reported to the management on November 23, 2022. The irregularity was discussed in the DAC meeting held on December 30, 2022. The management apprised the DAC that GPA surrendered the amount of Rs.129.059 million on the same date as per directives Ministry of Maritime affairs. DAC directed the management to provide record to audit for verification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.1.4.6 Non recovery of rent and revenue – Rs.112.357 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Gwadar Port Authority (GPA) for the year 2021-22 it was observed that the management failed to recover various outstanding dues from various parties amounting to Rs.112.357 million as summarised below: (Annex-108)

S#	Description	Amount (Rs)
1.	Non-recovery of rent from Services and General administration	14,132,743
2.	Non-recovery of outstanding dues from mole holders	1,791,000
3.	Non-recovery of rent and late payment from PNSC	24,392,000
4.	Non recovery of outstanding dues from various tenants	47,149,000
5.	Non recovery of port operation revenue from concession holder	24,893,000
Total		112,357,743
<i>(Source: Gwadar Port Authority)</i>		

Audit was of the view that non-recovery reflected negligence and weak recovery mechanism.

The matter was reported to the management on November 23, 2022. The irregularity was discussed in the DAC meeting held on December 30, 2022. The management apprised that

1. Amount has been recovered from Service and General administration (S&GAD) and deposited in GPA fund account. DAC directed the

management to provide complete record of recovered amount for verification to audit.

2. An amount of Rs.1.445 million has been recovered from the mole holder and remaining dues of Rs.0.445 million will be recovered at the end of December, 2022. DAC directed the management to provide complete record of recovered amount for verification to audit and further efforts should be made of remaining amount.
3. Letter has been issued for recovery of rent from PNSC. DAC directed the management serious efforts should be made to recover the outstanding amount and intimate to audit.
4. An amount of Rs.1.339 million and Rs.0.376 million against HQ 44 Division and other has been recovered. Further, letter has been issued to various tenants for outstanding amount. DAC directed the management to provide complete record of recovered amount for verification to audit and further efforts should be made of remaining amount.
5. An amount of Rs.16.000 million has been recovered and efforts are being made to recover the remaining amount from china overseas port holding company. DAC directed the management to provide complete record of recovered amount for verification to audit and further efforts should be made of remaining amount.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

(DP 714,716,717,718 &721)

14.1.4.7 Re-appropriation of funds from one head to another - Rs.26.240 million

According to guidelines for project management issued by Federal Minister/Deputy Chairman of Planning Commission vide clause 4.2 (a) an authority may not meet by re-appropriation, expenditure which it is not empowered to meet by appropriation. (b) lump-sum provision for expenditure included in a grant may not be appropriated or re-appropriated.

(c) i. From development to current expenditure and vice-versa;

ii. From to, or within the employees related expenses, from operating expenses-communication-Telephone & Trunk Calls, Telex, Tele-Printer and Fax, Electronic Communication; Utilities: Gas, Water; Electricity; secret service expenditure, unfrozen expenditure for disaster preparedness & relief and occupancy costs

During audit of Gwadar Port Authority (GPA) for the year 2021-22, it was observed that an amount of Rs.26.240 million has been re-appropriated from different head of accounts in violation of rules. The details are as under: -

S#	Head of Account	Amount (Rs.)	
		Re-appropriation (-)	Re-appropriation (+)
1	A01111-Autonomous /Semi Auto	6,080,000	
2	A0121X-Autonomous /Semi Auto	20,160,000	
3	A01160-Autonomous / Semi Auto		260,000
4	A01298-Autonomous/Semi Auto		4,000,000
5	A03985-Autonomous / Semi Auto		21,980,000
Total		-26,240,000	26,240,000
(Source: Gwadar Port Authority)			

Audit was of the view that re-appropriation of funds from one account to another was in violation of rules and held irregular / unjustified.

The matter was reported to the management on November 23, 2022. The irregularity was discussed in the DAC meeting held on December 30, 2022. The management apprised that the fund has been re-appropriated after fulfillment of all codal formalities as per rules & regulations and approved by the Chairman GPA. DAC directed the management to provide complete record along approval of Principal Account Officer (PAO) for re-appropriation of funds with full justification to audit for verification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.1.4.8 Irregular expenditure without appointment of Medical Officer - Rs.21.312 million

According to clause 53 of GPA Ordinance, 2002, the Board may, with the prior approval of the Federal Government, engage consultants on such terms and conditions as may be determined.

During audit of Gwadar Port Authority (GPA) for the year 2021-22, it was observed that the management incurred an expenditure of Rs.21.312 million on account of medical charges without the appointment / examination of Medical Officer. Due to non-availability of consultant/senior medical officer the management has been facing lot of difficulties for basic first aid, consultancy and referral process.

Audit was of the view that the management failed to appoint Medical Officer which reflected negligence, therefore payment amounting to Rs.21.312 million was held irregular and unjustified.

The matter was reported to the management on November 23, 2022. The irregularity was discussed in the DAC meeting held on December 30, 2022. The management apprised that expenditure incurred for officer / official and their dependents and parents in order to avail the facility, panel hospital, haven been taken and only those patient are referred to Karachi for further investigation and treatment who has serious health problem are referred. Further management explained that post of medical process is under process which will be filled within a short period of time in accordance with GPA service regulation. DAC directed the management to verify the authentication of all expenditure incurred by official / officer an accounts of medical re-imbursement. Further, DAC directed to appoint the medical officer. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.1.4.9 Non-imposition of liquidity damages - Rs.5.960 million

Clause 47.1 of condition of contract on amount of Liquidated Damages states that “ maximum of 10% of contract price stated in the Letter of Acceptance be imposed.

Project: Acquisition of marine services vessel for Gwadar port

05-11-2020 Notice to Commence services, Clause 2.1 of SC of Contract

05-11-2021: Expected date of Completion as per Contract Agreement

28-03- 2022: Actual Completion

05 months delayed: Extensively delayed the project

During audit of Gwadar Port Authority (GPA) for the year 2021-22, it was observed that the management awarded the contract for acquisition of marine services vessel for Gwadar port to M/s Zabad Construction Company & Supplier amounting to Rs. 298.000 million. The agreement was signed on 27.10.2020 for a period of 12 months. The contractor did not complete the work within stipulated time and completed the work with 05 months delay. Despite the delay, the management did not impose liquidated damages (L/D) charges amounting to Rs. 5.960 million.

Audit was of the view that non-imposing of LD charges on delayed work reflected undue favor.

The matter was reported to the management on November 23, 2022. The irregularity was discussed in the DAC meeting held on December 30, 2022. The management apprised that the payment was delayed by GPA due to release of funds to GPA by the ministry during the execution period. DAC directed the management to provide complete record with full justification to audit for verification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.1.4.10 Unjustified expenditure on rent - Rs. 4.000 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Gwadar Port Authority (GPA) for the year 2021-22, it was observed that the management hired bungalow at Karachi having covered area of 2200 Sq. ft. for 13 staff members since 2012 only for co-ordination purpose. According to the last agreement, the rate per month of bungalow was Rs.247,000 in addition of utilities expense total annual expenditure stood at Rs.4.000 million.

Audit was of the view that retaining of office only for co-ordination purpose which resulted in exorbitant expenditure of Rs.4.000 million stood wasteful.

The matter was reported to the management on November 23, 2022. The irregularity was discussed in the DAC meeting held on December 30, 2022. The management apprised that GPA has acquired an office in Karachi for better working connection in various stock holders which are related to the authority. The matter was submitted to Board and directed to continue remain open the GPA office at Karachi. DAC directed the management to take up the matter with Board. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.1.4.11 Non disposal of condemned vehicles - Rs.3.100 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Gwadar Port Authority (GPA) for the year 2021-22, it was observed that various vehicles valuing Rs.4.100 million were lying non-functional / obsolete since long and were not disposed off as detailed below:

(Amount in Rs)			
S#	Make & Model	Registration#	Value/Cost (estimate)
1	Kia Sportage 2004	GP-8930	250,000
2	Suzuki Potohar 2004	GA-9138	250,000
3	Suzuki Potohar 2004	GP-8978	250,000
4	Toyota Prado 2004	GR-18	250,000
5	Toyota Hilux D/C 2004	GP-8931	300,000
6	Hyundai Van 2004	GA-9117	250,000
7	Suzuki Bolan 2004	GA-8593	250,000
8	Kia Sportage 2004	GA-9873	300,000
9	Water Bowzer		200,000
10	China Bus – I & II		400,000
11	Kalash Van		400,000
Total			3,100,000
<i>(Source: Gwadar Port Authority)</i>			

Audit was of the view that the management failed to dispose off the redundant vehicles resulting in a loss of Rs.3.100 million.

The matter was reported to the management on November 23, 2022. The irregularity was discussed in the DAC meeting held on December 30, 2022. The management apprised that all vehicles have been declared condemned and submitted for auction to convener of auction committee for further process accordingly. DAC directed the management to complete the auction of condemned vehicles within one month and intimate audit accordingly. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.1.4.12 Irregular hiring of services of consultant - Rs. 2.400 million

Rule 12 (1) of PPRA Rules, 2004, states that over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani Rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency. Further, rule 09 stipulates that limitation on splitting or regrouping of proposed procurement; save as otherwise provided and subject to the regulation made by the Authority, with the prior approval of the Federal Government, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned.

During audit of Gwadar Port Authority (GPA) for the year 2021-22, it was observed that the management appointed/ hired M/s Mazar & Co, Chartered Accountant amounting to Rs.2.400 million without obtaining quotation / competitive bidding in violation of rule. Further it was also observed that full-fledged accounts department under the head of Director (Finance) is also functional, they can easily prepare the annual account. However, management hired the services of consultant at cost of Rs.2.400 million which stand irrational.

Audit was of the view that the hiring on direct contracting was a serious violation of rules. Thus, contracts amounting to Rs.2.400 million stand irregular.

The matter was reported to the management on November 23, 2022. The irregularity was discussed in the DAC meeting held on December 30, 2022. The management apprised that Chartered accountant firm was hired for converting the

accounting entries for in double entry system. DAC directed the management to submit revised reply along complete documentary evidence. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.1.4.13 Irregular hiring of External Auditors - Rs. 2.080 million

Rule 12 (2) of PPRA Rules, 2004, states that all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During audit of Gwadar Port Authority (GPA) for the year 2021-22, it was observed that management appointed two (02) audit firms namely M/s. BDO Ebrahim & Co and M/s Crowe Hussain Chaudhary & Co amounting to Rs.2.080 million as External auditor for the year 2016 to 2021 without open competitive bidding.

Audit was of the view that the award of contract without open tender was a serious violation of PPRA Rules, 2004.

The matter was reported to the management on November 23, 2022. The irregularity was discussed in the DAC meeting held on December 30, 2022. The management apprised that GPA required the services of at least two auditors to carry out the audit of GPA accounts for the financial year 2016 to 2021 and tender was floated in PPRA website and GPA website but meanwhile ministry as directed for re-imitating tender and selection of auditor from State Bank of Pakistan Panel, two firms M/s BDO Ebrahim & Co and M/s Crowe Chaudhary and Co. were selected by the management. DAC directed the management to provide complete record to audit for verification of prequalification process for hiring external auditor as per State Bank panel after cancellation of the contract. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.1.4.14 Non-finalization of annual audited accounts

Section (e) of Gwadar Ordinance, 2002 states that the auditor shall report to the Federal Government upon the Annual Balance Sheet and accounts and in their report state whether in his opinion the Balance Sheet is full and properly drawn up so as to exhibit a true and correct view of the state of the Authority's affairs, and in case they have called for any explanation or information from the

Board, whether it has been given and whether it is satisfactory. Thus, management violated the instructions given Ordinance.

During audit of Gwadar Port Authority (GPA) for the years 2021-22, it was observed that the management failed to finalize its annual audited accounts for the years 2016-17 to 2021-22 which is clear violation of above mentioned rules.

Audit was of the view that the management was required to finalize its accounts timely so that true and fair picture of the state of affairs of the organization may be ascertained.

The matter was reported to the management on November 23, 2022. The irregularity was discussed in the DAC meeting held on December 30, 2022. The management informed that Audit & Accounts Committee as per recommendation of GPA Board have been constituted and notified. Other Committees as and when required will be considered as per recommendation of GPA Board and audit observation was noted for further compliance. DAC directed the management to constitute Committees as per Public Sector Enterprises (Corporate Governance Rules), 2017 and share with audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.1.4.15 Non-verification of degrees / certificates

According to Establishment Division D.O No.6 (28) 2011-DG-II Mar 08, 2011 the Prime Minister directed that measures should be taken to authenticate degrees/ certificates of all Federal Government employees of the respective Ministries/ Divisions, their attached departments, subordinate offices and autonomous bodies under their administrative control.

During audit of Gwadar Port Authority (GPA) for the year 2021-22, it was observed that the management did not get verified degrees / certificates till date of following officers / officials:

S#	Name of Employees	Designation	Date of Joining
1.	Capt. Gul Muhammad	Director Marine / Operation	22-06-2016
2.	Muhammad Abbas	Tug Engineer	07-01-2005
3.	Syed Sualeh Shah	Admin Officer	29-12-2004
4.	Syed Shoaib Iftikhar	Superintendent	02-01-2012

(Source: Gwadar Port Authority)

Audit was of the view that non-verification of degrees reflected weak internal control in the organization.

The matter was reported to the management on November 23, 2022. The irregularity was discussed in the DAC meeting held on December 30, 2022. The management apprised that the sanction strength of GPA was 419 against working strength of 316. Out of which, 185 posts are from BS-01 to BS-06 for which laid down qualification is middle as per GPA service regulation for which no verification is required. The degrees / certificates of remaining employees out of 03 have been verified from concerned institution and 01 under process. DAC directed the management to provide verification record of 04 employees along with those employees who possessed matric and onward qualifications. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.2 Korangi Fisheries Harbour Authority

14.2.1 Introduction

The Korangi Fisheries Harbour Authority (KoFHA) was established under Ordinance No. XVI of 1982 for making all arrangements for planning, construction, operation, management and maintenance of Korangi Fisheries Harbour for exploiting fisheries resources beyond territorial waters.

The Harbour was completed in 1992 at a cost of Rs.938.14 million including foreign component of Rs.644.24 million (US\$ 26.121 million) financed by Asian Development Bank.

14.2.2 Comments on Audited Accounts

14.2.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 2015-16 to 2021-22 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2015-16 to 2021-22 be provided immediately and timely finalization be ensured in future, besides, fixing responsibility for non-finalization of annual audited accounts (***Annex-2***).

14.2.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% age of compliance
2003-04	5	4	1	180.2	80%
2010-11	5	1	4	16.1.4.1	20%
2011-12	1	1			100%
2012-13	1	1			100%
2013-14	8	1	7	16.2.2.1, 16.2.2.2, 16.2.2.3, 16.2.2.4, 16.2.2.5, 16.2.3, 16.2.4.1	13%
2014-15	3	1	2	18.2.3, 18.2.2.1	33%
2015-16	7	1	6	17.2.4.1, 17.2.4.4, 17.2.2.1, 17.2.3, 17.2.4.2, 17.2.4.3	14%
2016-17	3	2	1	15.2.2.1, 15.2.2.1	67%
2017-18	2	1	1	14.2.2.1	50%
2019-20	3		3	10.2.4.1, 10.2.4.2, 10.2.4.3	0%
Total	38	13	1		34%

The overall compliance of PAC directives needs to be improved.

14.2.4 Audit Paras

14.2.4.1 Irregular investments without policy – Rs. 650.000 million

Clause 03 (b) of Government of Pakistan Finance Division letter dated July 02, 2003 states that the process of selection of bank /(s) should be transparent. Therefore, prior the placing deposits with a bank under this new policy, and in case the total working balances exceed Rs 10.00 million, the selection of the bank /(s) as well as the terms of deposits will be approved by the concerned Board of Directors/Governing Body on the basis of competitive bids from at least three independent banks.

Clause 03 (c) The risk associated with keeping deposits should be diversified. Therefore, in cases where total working balance of an enterprise exceeds Rs.10 million, not more than 50% of such balance shall be kept with one bank;

Furthermore, according to Finance Division letter dated September 05, 1982, the funds provided, acquired or generated by autonomous / semiautonomous bodies and corporations are public funds, which could not be

utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with prescribed rules.

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2021-22, it was observed that the management deposited its funds amounting to Rs. 650.000 million in different banks without any investment policy.

Audit was of the view that investments in banks without any policy was a serious violation of rules mentioned above.

The matter was reported to the management on October 06, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that the investment was made in the line of finance division instruction and through competitive bidding. However, audit confronted the management point of view and informed that investment was made in one Bank i.e. National Bank of Pakistan which is against the instructions of Finance Division circular for to diversify the investment. DAC directed the management to diversify the investment and get the relevant documents verified from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.2.4.2 Non-reconciliation of expenditure – Rs.111.539 million

Rule 89 (4)(viii) of Chapter 5 (VI) of GFR states that the head of the department and the Accountant General will be jointly responsible for the reconciliation of the figures given in the accounts maintained by the head of the department with those that appear in the Accountant General's books. Unless in any case there are special rules or orders to the contrary such as those contained in paragraph 90, the reconciliations should be made monthly the initial responsibility resting with the Accountant General. The reconciliation need not be very close; its extent should be determined by the following considerations: (1) that the account figures finally published will be those maintained by Accountant General and (2) that the main object of the reconciliation is to ensure that the departmental accounts are sufficiently accurate to render possible an efficient departmental control of expenditure.

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2021-22, it was observed that the management incurred an expenditure of Rs.111.539 million, however, figures of the subject expenditure was not reconciled with the office of Accountant General Pakistan Revenues, sub-office Karachi. Resultantly, audit remained unable to ascertain the genuineness of the incurred expenditure.

Audit was of the view that the non-reconciliation of expenditure was a sheer violation of rules and regulations.

The matter was reported to the management on October 06, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that assignment account has been reconciled with AGPR and the same is available for verification. DAC directed the management to provide the documents of monthly reconciliation made by the management to Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.2.4.3 Non recovery of annual ground rent & utility charges – Rs.74.260 million

Article 24 of KoFHA Ordinance, 1982 states that all fees and sums due on account of property for the time being vested in the Authority and all arrears of tolls, charges, rates and dues imposed under this Ordinance or any rules or regulations may be recovered as arrears of land revenue, in addition to the other modes provided by this Ordinance.

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2021-22, it was observed that a sum of Rs.74.260 million in lieu of annual ground rent and utility charges was outstanding as on June 30, 2022 (Annex-109).

Audit was of the view that the management failed to take steps to recover the outstanding amount which showed negligence and weak recovery mechanism.

The matter was reported to the management on October 06, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The

management informed that main reason of outstanding dues on account of annual ground rent charges non-agreement between KoFHA with lessees (Business Units) on increase annual ground rate. It was also informed that majority of amount recovered. DAC directed the management to provide the documents of recovered amount for verification and pursue the case as per land allotment policy to recover the remaining amount. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.2.4.4 Irregular encashment and transfer of CP Fund to Revenue account – Rs.14.973 million

Section 07 of KoFHA Employees CP Fund Regulations, 1994 states that (1) The Fund Shall be invested in the Federal investment bonds and treasury bills through auction; (2) Interest accrued on Fund's deposits or investment shall be credited to the Fund and (3) At the end of each financial year, interest at such rate as may be fixed by the Federal Government in regard to the General Provident Fund shall be drawn from the Fund and added to the principal.

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2021-22, it was observed that management encashed Contributory Provident Fund (CPF) amounting to Rs.14.973 million and transferred into revenue account for further investment in TDRs and other usage in violation of the rules mentioned above.

Audit was of the view that the management utilized CPF against the regulations and purchased Defence Saving Certificates.

The matter was reported to the management on October 06, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that the amount deducted from the salary of officers and the same invested in profitable instruments with certain maturity period. If the same withdraw prematurely, the bank penalize the KoFHA and deduct the certain amount on return of the investment. To avoid encashment CPF payment made from revenue account which is in authority of MD. DAC directed the management to get the facts verified from audit by providing relevant document

with justification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.2.4.5 Irregular award of repair and maintenance work - Rs.11.711 million

Rule 44(b) of PPRA Rules, 2004, states that where the procuring agency requires signing of a written contract, from the date on which the signatures of both the procuring agency and the successful bidder are affixed to the written contract. Such affixing of signatures shall take place within a reasonable time. Furthermore, Rule 35 states that the procuring agency shall announce the result of bid evaluation, in the form of final evaluation report giving justification for acceptance or rejection of bids at least 15 days prior to the award of procurement of contract. Provided that in case where technical proposal is to be evaluated separately, prior to opening of financial proposal, the technical evaluation report shall be announced before opening of the financial proposal.

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2021-22, it was observed that the management paid contract to the prequalified bidder M/s. Malik Brothers and paid mobilization advance 50% to the contractor merely for start of the work in violation of the above stated rules. Furthermore, in addition to the award of contract following irregularities were also noticed during the scrutiny of relevant file:

- 1- Bid evaluation report was prepared on 13th of June, 2022 whereas bid Tender Committee awarded contract being lowest evaluated bid on 17th June, 2022 which is clearly showing that the management selected the contractor before recommendation of tender committee.
- 2- The work order was issued on 17th of June, 2022 against the condition to execute the contract agreement and deposit 8% performance security to initiate the work but management paid 50% of mobilization advance amounting to Rs.6,000,000 against the contractor demanded 21st of June, 2022.
- 3- Remaining 50% amount of Rs.5,241,019 alongwith additional item cost of Rs.470,000/= was paid to contractor on 24th of June, 2022.

- 4- The contract as per scrutiny of relevant file was completed within 05 days from 17th of June, 2022 to 22th June, 2022.
- 5- The prequalified record of contractor was also not available in the contract files and neither completion certificate nor contract agreement was available in the file.

Audit was of the view that the management extended undue favour to the contractor and in violation of the PPRA rules paid total contract amount within 05 days without fulfilling the codal formalities and in violation of the rules.

The matter was reported to the management on October 06, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that the repair maintenance work was carried out by the pre-qualified contractor M/s. Malik Brother Engineering works. The agreement was entered into with the contractor on 20-06-2022, the activity time of repair maintenance was sorted out by the authority wherein the work was to be completed before 30th June, 2022. Furthermore, extension in contract was awarded to the contractor due to bad weather and heavy rain. DAC directed the management to provide revised reply along with supporting documents to audit for verification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.2.4.6 Irregular award of contracts - Rs.10.576 million

Rule 04 of PPRA Rules, 2004 states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Rule 20 of PPRA Rules, 2004 states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2021-22, it was observed that the management awarded the following contracts in violation of PPRA Rules as detailed below:

(Rs. in million)				
S#	Description	Name of Contractor	Amount	Violation
1.	Contract for providing van services to the staff	M/s. Ali Muhammad	4.684	Contact without tender
2.	Procurement for IP surveillance system	M/s. Effective Solution	5.000	Contact without tender & un-registered GST Supplier
3.	Repair & maintenance for Gate No. 2 and MD Secretariat Washroom	M/s. Malik Brothers	0.892	Additional work against BoQ and excess payment of Rs. 0.360 million which is more than 15 % of contract amount
Total			10.576	
(Source: Korangi Fisheries Harbour Authority)				

Audit was of the view that management awarded the contracts in violation of rules and extended undue favor to the contractors which showed favoritism.

The matter was reported to the management on October 06, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management stated that:

1. The contract was awarded through tender and all record available for verification. DAC directed the management to provide tender file along with relevant documents to audit for verification.
2. The Authority procured CCTV Cameras in emergency by invoking section 14(a) of PPRA and related procurement was made to the National Security. DAC directed the management to provide revised reply to the audit with justification of procurement was made in the line of PPRA.
3. Authority awarded contract to prequalified supplier as per PPRA sub rule 16(a), and it is a normal practice under repair and maintenance under civil work that estimated cost most of the times escalated from the BOQ and due to modification in toilet gate no.2 at harbor management allowed to extra cost which was also not more than 15%. DAC recommended for verification of relevant record by audit.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.582 , 583 & 584)

14.2.4.7 Non-abolition of vacant posts - Rs.8.260 million

Clause 13 (2) of KoFHA Employees (Service) Regulations, 1988 states that the Board may at any time, abolish, create or change duties and responsibilities of a post at its discretion.

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2021-22, it was observed that the sanction strength of the employees is 79 against the working strength of 50 employees with vacant 29 posts whose budget was being allocated without any proposed planning of recruitment. Finance Division allocated budget under Employees Related Expenses amounting to Rs.36,558,000 for the year 2021-22 whereas the actual expenditure incurred was Rs.28,218,903. Later on, the management re-appropriated Rs.8,260,028 and utilized it under general expenses.

Audit was of the view that the management failed to abolish the vacant posts and utilized the budget in general expenses instead of employee's related expenses which stood irregular and unjustified.

The matter was reported to the management on October 06, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that time being the deep sea fishing halted, these all posts would be activated as per completion of harbor. DAC directed the management to provide record with justification of budget utilization of vacant seats and correspondence made with the ministry for abolition of vacant seats. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.2.4.8 Loss of interest income due to delay in investment - Rs.8.192 million

Rule (4) (3) of Corporate Governance Rules, 2013 states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters.

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2021-22, it was observed that that the surplus funds of Rs.310.000 million were remained idle at UBL for a period of three (03) months i.e. December 29, 2021 to April 29, 2022. Due to delay investment of surplus funds, the

management sustained loss of interest income of Rs.8.192 million (Rs.310.000 million*10.17% /12 * 3 months).

Audit was of the view that delay in investments reflected weak financial management.

The matter was reported to the management on October 06, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that due to resignation of the Chairman of Investment Committee, the investment was not made in time. DAC directed the management to get the record verified from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.2.4.9 Mis-use / misclassification of Assignment Account budget - Rs.7.203 million

Rule 11 to 17, sub-clause (5.6) of GFR states that all Heads of Departments are responsible for enforcing financial order and strict economy at every step. They should ensure that all financial rules are strictly adhered to. 5.7 (i) The duty of controlling officer is not only to that the total expenditure is kept within the limits of the appropriation, but he has also to see that the funds are expended in the public interest and for those objects only for which the money was provided.

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2021-22, it was observed that the management misused / mis-classified the assignment account from one head to another head as detailed below:

(Amount in Rs.)			
S#	Account Head	Head of Account	Expenditure
Operating Expense:			
1.	Computer stationery	Purchase of Desktop Expenditure	149,198
2.	Repair maintenance of office building	Purchase of office Cabinets, Tables	220,393
3.	Computer Stationery	Purchase of Desktop computer for MD Secretariat	475,590
4.	Repair maintenance of office building	Purchase of 02 AC	157,097
5.	Purchase of plant and machinery	Purchase of 02 AC	177,152
6.	Purchase of IT equipment	Purchase of refurbish CPU computer	220,605
7.	Purchase of furniture and fixture	Repair & maintenance of furniture and fixture	440,064
8.	Office Building	Purchase of office chairs	378,432
9.	Office Buildings	Purchase of Security Cameras	2,500,000
10.	Purchase of Plant & Machinery	Purchase of Photocopier machine	210,000
11.	Office Buildings	Installation of Cameras and Final payment	2,275,000
Total			7,203,531
(Source: Korangi Fisheries Harbour Authority)			

Audit was of the view that the management incurred expenditures through misclassification and incurred total expenditures of Rs.7.204 million in violation of rules which showed weak internal controls.

The matter was reported to the management on October 06, 2022. The irregularity was discussed in the DAC meeting held on 29th December, 2022. The management informed that the expenditure is incurred from budgeted operating expenses and booked accordingly in the same head of account. DAC directed the management / PAO to inquire the matter for utilization of budget as per approved budget head and in line with Finance Division Instructions. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.2.4.10 Irregular / unjustified reimbursement of medical charges - Rs. 4.006 million

Section (5) of Medical Facilities Regulations, 1984 of Korangi Fisheries Harbour Authority states that the Managing Director may: (a) appoint Medical

Officers panel on retainer ship basis in areas where the employees reside (c) approve a panel of essential specialists whom the Medical Officers may refer cases for consultation and opinion.

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2021-22, it was observed that the management reimbursed Rs.4.006 million on account of medical charges including out-door and hospitalization charges without approval from authorized Medical Officer in violation of above rule.

Audit was of the view that the expenditure on account of medical charges in absence of approved medical officers and panel of essential specialists stood irregular / unjustified.

The matter was reported to the management on October 06, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that medical reimbursement was paid as per rules and as per policy clause-2 for reimbursement up to 1.5 basic pay, but this authority has used this policy prudently and saved Rs.160,000 on reimbursement of medicines because the authority does not allow any employee to reach its maximum limit. DAC directed the management to provide relevant record along with justification to Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.2.4.11 Irregular payment of bonus and honorarium - Rs. 3.568 million

Finance Division through O.M. No. F.3 (5) R.12/80(R.14) Vol-II/2001/544 dated November 30, 2001 applicable to all Autonomous Bodies/Public Sector Enterprises, the payment of bonus to the employees is subject to concurrence of Finance Division. Further, the bonus should be paid to the employees on the basis of operational profit of the organization.

Clause 27 of KoFHA Employees (Service) Regulations, 1988 states that the Board may grant honorarium to employees in deserving cases as remuneration for extra work which may be laborious in nature and occasional in character so as to justify a special reward. The amount of honoraria shall not exceed one month's pay of the employee concerned or Rs.1,000 whichever is less

in each case. In the case of recurring honorarium this limit applies to the total of recurring payments made to individual in financial year.

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2021-22, it was observed that during the year management received a grant of Rs.111.587 million from Government of Pakistan as the Authority has been sustaining operational losses and did not perform the operation of deep sea fishing since 2005. However, the management paid a bonus of Rs.1.535 million and honorarium of Rs.2.033 million to its officers and staff without concurrence from Finance Division and approval from BoD.

Audit was of the view that payment of bonus to employees without concurrence from Finance Division and approval from BoD stood irregular.

The matter was reported to the management on October 06, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that:

1. The bonus for the period 2021-22 was paid to the employees on performance base and same will be placed before Board in next coming meeting. DAC directed the management to get the bonus regularized from the BoD.
2. KoFHA operates its operation through-out day and night without any break, employees/officers are performing in this context, extra ordinary work. DAC directed the management to get the regularization of honorarium from the BoD and Ministry.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

(DP Nos.579 & 581)

14.2.4.12 Irregular award of contracts to un-registered Contractors / Suppliers - Rs. 2.124 million

Rule 42 of PPRA Rules, 2004, states that a procuring agency may utilize the following alternative methods of procurement of goods, services and works, namely:- (b) request for quotations.- A procuring agency shall engage in this

method of procurement only if the following conditions exist, namely:- (i) Where the value of procurement is more than one hundred thousand Pakistani Rupee but does not exceed five hundred thousand Pakistani Rupee, the procuring agency may engage in procurement through request for three quotations from GST registered firms, original equipment manufacturers or authorized dealers, without resorting to bidding.

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2021-22, it was observed that the management awarded different works to the un-registered GST contractors / suppliers in violation of the rules. The details are as under:

S#	Name of Supplier	Description of work	Amount of work (Rs)	Date of award	Date of payment
1.	M/s. Malik Brother Engineering Works	Cleaning Drain Nala of KoFHA	330,000	09-06-2022	10-06-2022
		Repair & Maintenance of Jetty	475,980	-	-
2.	M/s. Effective Solution	Purchase of HP Printer M701N	139,500	10-06-2022	09-06-2022
3.	M/s. Kanza Printer	Purchase of Printing items	498,549	10-06-2022	10-06-2022
5.	M/s. Imtiaz&Shahbaz Furniture House	Payment of repair & maintenance Furniture	460,800	04-06-2022	08-06-2022
6.	M/s. Global Business Machines	Purchase of photostate machine	220,000	10-06-2022	16-06-2022
Total					2,124,829
<i>(Source: Korangi Fisheries Harbour Authority)</i>					

Audit was of the view that management extended undue favor and awarded the contracts to unregistered GST contractors / suppliers.

The matter was reported to the management on October 06, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that:

1. All the suppliers are registered with FBR and SRB as per nature of their business. DAC directed the management to provide relevant record along with justification to audit.

2. Repair maintenance work was carried out by the prequalified contractor. DAC directed the management to provide relevant record along with justification to audit.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

(DP Nos. 578 & 593)

14.2.4.13 Non-preparation of annual accounts

Clause (18) (1) of Korangi Fisheries Harbour Ordinance, 1982 states that the accounts of the Authority shall be maintained by the Authority in such forms as may be prescribed by the Auditor General of Pakistan consistent with the requirements of this Ordinance.

Section (10) of Public Sector Companies (Corporate Governance) Rules, 2017 states that every Public Sector shall, within one month of the close of first, second and third quarter of its year of account, prepare a profit and loss account for, and balance sheet as at the end of that quarter, whether audited or otherwise, for the Board's approval. Annual report including annual financial statements shall be placed on the Public Sector Company's website:

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2021-22, it was observed that the management failed to finalize its annual accounts since 2015.

Audit was of the view that due to weaknesses in underlying accounting system have caused delay in timely preparation of accounts and timely completion of audit.

The matter was reported to the management on October 06, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. DAC directed the management that matter alongwith correspondence made with Ministry for preparation of account may be shared with audit and to take up the matter with PAO for preparation of audited accounts. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3 Pakistan National Shipping Corporation

14.3.1 Introduction

Pakistan National Shipping Corporation (the Holding Company), its subsidiary companies and associates (together 'the Group') were incorporated under the provisions of the Pakistan National Shipping Ordinance, 1979 and the Companies Ordinance 1984, respectively. The Group is principally engaged in the business of shipping, including charter of vessels, transportation of cargo and other related services.

14.3.2 Comments on Audited Accounts

14.3.2.1 The working results of the Corporation for the year 2021-22 as compared with the preceding years are given below:

(Rs. in million)					
Particulars	2021-22	% Inc / (Dec)	2020-21	% Inc / (Dec)	2019-20
No. of Ships	11		11		11
Cargo carried by owned and chartered vessels	11.97	7.9	11.09	25.88	8.81
Operation Revenue					
Own vessels	15,805.60	57.21	10,053.97	(18.12)	12,279.63
Chartered vessels	2,520.27	103.41	1,239.01	(4.39)	1,295.86
Total income from shipping business	23,572.43	96.12	12,019.37	(11.46)	13,575.49
Rental Income	239.01	8.34	220.62	(3.27)	228.08
Other income/other operating activities	5,298.93	222.57	1,642.72	73.62	946.17
Total revenue	29,110.37	109.69	13,882.70	(5.8783776)	14,749.75
Operating expenses					
Fleet expenses Direct and indirect	(19,595.88)	99.88	(9,803.74)	8.25	(9,056.29)
Admin expenses	(1,216.63)	17.60	(1,034.52)	(7.66)	(1,120.28)
Other expenses including Real Estate Exp	(540.54)	67.97	(321.81)	(19.51)	-399.83
Total expenses	(21,353.05)	91.33	(11,160.07)	5.52	(10,576.40)
Operating profit/(loss)	7,757.32	184.92	2,722.63	(26.76)	3,717.21
Finance Cost	(530.66)	(4.83)	(557.61)	(50.89)	(1,135.46)
Profit/(Loss) before Taxation	7,226.66	233.79	2,165.02	(16.14)	2,581.75
Profit/(Loss) after Taxation	5,649.89	149.44	2,265.03	(6.17)	2,413.88

(Source: Annual Audited Accounts)

14.3.2.2 Total fleet expenses increased by 99.88% in year 2022 from Rs.9,803.74 million in 2021 to Rs.19,595.88 million in 2022 which needed justification.

14.3.2.3 Admin expenses increased by 17.60% in year 2022 from Rs.1,034.52 million in 2021 to Rs.1,216.63 million in 2022 which needed explanation.

14.3.2.4 Other expenses including real estate increased by 67.97% from Rs.321.81 million in 2021 to Rs.540.54 million in 2022 which needed explanation.

14.3.2.5 Finance Cost increased by 4.83 % from Rs.557.61 million in 2021 to Rs. 530.66 million in 2022 which needed explanation.

Ratio Analysis:

	UOM	2022	2021	2020	Comments
Profitability ratios; The combined effects of liquidity, asset management and debt on operating results					
Profit before tax	%	22.72	19.10	18.70	Shows positive upward trend in Profit as compared to previous years.
Operating leverage ratio	%	109.34	262.46	131.97	Depicted uneven trends and huge downward trend as compared to previous year needs justification.
Return on equity	%	13.33	6.10	6.96	Shows positive upward trend as compared to year 2021.
Liquidity ratios; The ability of the company to pay off its debts as they come due over the short term period					
Current ratio	%	3.38	3.71	3.16	Industry trend always lies between 1.4% and 1.6% whereas PNSC current ratio shows uneven trends, needs justification.
Activity / turnover ratios; The ability of the company to effectively manage its vessels					
Asset turnover ratio	Times	0.52	0.27	0.30	Shows positive upward trends.
Market ratios; An indication of what investors think of company's past performance and future prospects					
Price earnings ratio	Times	1.13	4.24	4.14	Shows downward trend as compare to the years 2021 and 2020.
Share price at year end	Rs	48.26	72.70	75.56	Share price was much low as compared with its preceding years.
Capital structure ratios; It measures the percentage of funds provided by sources other than equity					
Financial leverage ratio	Times	0.11	0.16	0.21	Shows downward trend.
Debt to	Times	0.11	0.13	0.17	Shows downward trend in times as

equity ratio					compared with its preceding years.

14.3.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2003-04	6	5	1	181	83%
2006-07	18	17	1	189	94%
2008-09	5	4	1	212	80%
2010-11	13	13			100%
2011-12	13	2	11	22.3.2.1, 22.3.2.2, 22.3.2.3, 22.3.2.4, 22.3.2.5, 22.3.2.6, 22.3.2.7, 22.3.2.8, 22.3.2.9, 2.3.2.10, 22.3.4.1	15%
2012-13	6	2	4	22.1.2.1, 22.1.2.2, 22.1.2.3, 22.1.2.4	33%
2013-14	10	7	3	16.3.2.1, 16.3.4.2, 16.3.4.4	70%
2014-15	12	9	3	18.3.2.1, 18.3.2.2, 18.3.2.3, 18.3.3, 18.3.4.1, 18.2.4.2, 18.2.4.3, 18.3.4.4, 18.3.4.5, 18.3.4.6, 18.3.4.7	75%
2015-16	11	1	10	17.3.2.1, 17.3.2.2, 17.3.2.3, 17.3.2.4, 17.3.3, 17.3.4.1, 17.3.4.2, 17.3.4.3, 17.3.4.4, 17.4.2.1	9%
2016-17	10	1	9	15.3.2.1, 15.3.3, 15.3.4., 15.3.4.2, 15.3.4.3, 15.3.4.4, 15.3.4.5, 15.3.4.6, 15.3.4.7	10%
2017-18	12	1	11	14.3.2.1, 14.3.2.2, 14.3.2.3, 14.3.3, 14.3.4.1, 14.3.4.2, 14.3.4.3, 14.3.4.4, 14.3.4.5, 14.3.4.6, 14.3.4.7	8%
2019-20	4	2	2	10.3.4.1, 10.3.4.2	50%
Total	120	64	56		53%

The overall compliance of PAC directives needs improvement.

14.3.4 Audit Paras

14.3.4.1 Poor performance of Board in respect of procurement of vessels - Rs. 13,486.000 million

Clause 10 (1) on “Responsibilities of Board of Directors and its members” of Listed Companies (Code of Corporate Governance) Regulations, 2017 provides that in exercise of powers under Section 183 of the Act and in terms of Section 204 of the Act, the Board of Directors of a company shall carry out its fiduciary duties with a sense of objective judgment and in good faith in the best interests of the company and its stakeholders.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the Board passed the resolution that in order to expand the business and to meet the obligations under the CoA (CONTRACT OF AFFREIGHTMENT) with refineries, the management shall bring up proposals for fleet expansion for deliberation in the next Board meeting so as to avail the Long Term Financing Facility (LTFF) scheme announced by State Bank of Pakistan in 403rd meeting dated September 30, 2020, Later on, the ED (SP&P) apprised the Board that due to impact of Covid-19, current prices of LR-1 Tankers have started to come down and the Finance Department submitted financial feasibility of two products i.e. LR Tanker and Aframax Bulk Carrier. The Board then accorded the approval for one second hand Aframax Bulk Carrier at US\$ 23.8 million, one second hand LR-1 tanker at US\$ 20.2 million and one second hand Ultramax Bulk Carrier at US\$ 18.0 million. As a result, Rs.13,486 million were allocated for fleet development program. Afterwards, the Board accorded approval to award the mandate to MCB Bank for loan financing of Rs.10 billion for the procurement of three vessels. However, for the purchase of two secondhand LR-1 tankers and one secondhand Aframax tanker was accorded in 2018, and first tender floated on Dec 20, 2020 for the purchase of Aframax vessel was scraped thrice due to flaws in the bidding procedures. Moreover, international tender for procurement of one secondhand LR-1 tanker was published on January 13, 2021 but the price negotiations with the shortlisted bidders were still ongoing. Also, the bid opening date for Ultramax Bulk Carrier was 2nd July 2021 but PNSC was unable to procure it till date.

Audit was of the view that Board despite of lower vessel prices due to the impact of Covid-19 and SBP's LTFF loan scheme failed to procure a single vessel till date which raises serious questions on the performance of the Board.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that while COVID-19 did bring down the assessed vessel prices, however sellers abstained from selling their assets or were demanding a price significantly above market levels sensing the future of the market due to which PNSC could not complete procurement within the intended time frame. DAC directed the management to get the documents, providing justifications for the delay in purchase of ships verified by Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.2 Non-recovery of outstanding dues – Rs.4,347.984 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that an amount of Rs. 4,347.984 million was lying outstanding against various parties as on June 30, 2021 (Annex-110).

Audit was of the view that non-recovery of such a huge accumulated outstanding amount from the concerned parties showed lack of interest and inadequate efforts for timely recoveries.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that that outstanding amount was being pursued and will be recovered soon. DAC directed the management to expedite the recovery of outstanding dues and get the same verified by Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.3 Non-achievement of revenue targets - Rs.789.487 million

General Manager, Commercial Division, Pakistan National Shipping Corporation (PNSC) is required to utilize vessels allocation in a profitable manner; prepare and maintain vessel schedule; ensure proper execution of the voyage, etc.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management failed to achieve its budgeted revenue targets as detailed below:

(Amount in Rs)				
Year	Budgeted Revenue Target (Profit after tax)	Actual Revenue Target (Profit after tax)	Difference	% Difference
2020-2021	2,365,036,000	1,576,549,000	789,487,000	33%

(Source: Pakistan National Shipping Corporation)

Audit was of the view that the management missed the revenue targets by 33% which showed inefficiency and poor performance.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that the revenue forgone due to increase in FOC expenses as compared to last year and various technical failures and off-hires. DAC directed the management to submit a comprehensive reply, along with previous five years data of Budgeted vs Actual Targets for analysis to Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.4 Operating losses on tanker & bulk carriers– Rs.539.061 million

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

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that out of 125 voyages, 37 performed poorly which resulted in a loss of Rs.539.061 million as detailed below:

(Amount in Rs.)						
S#	Ship	Total No. of voyages	No. of voyages in loss	Revenue	Expenditure	Loss
1	M.T Shalamar	21	3	177,803,831	216,105,337	-38,301,506
2	M.T Quetta	26	9	414,434,425	477,073,017	-62,638,592
3	M.T Lahore	27	5	275,347,178	294,736,266	-19,389,088
4	M.T Bolan	6	4	175,520,450	268,907,245	-93,386,795
5	M.T Karachi	24	3	114,881,611	139,394,839	-24,513,228
6	M.T Khairpur	14	10	374,967,800	552,894,187	-177,926,387
Sub-total		118	34	1,532,955,295	1,949,110,891	-416,155,596
1	M.V Sibi	2	1	234,464,343	257,492,015	-23,027,672
2	M.V Multan	3	1	107,509,872	149,333,023	-41,823,151
3	M.V Chitral	2	1	137,234,139	195,288,456	-58,054,317
Sub-total		7	3	479,208,354	602,113,494	-122,905,140
Grand-total		125	37	2,012,163,649	2,551,224,385	(539,060,736)

(Source: Pakistan National Shipping Corporation)

Audit was of the view that the management failed to effectively plan and utilize the Bulk Carriers in a profitable manner therefore resulted in a loss of Rs539.061 million.

The matter was reported to the management in July, 2022. The irregularities (a) (b) above were discussed in DAC meeting held on December 29, 2022. The management informed that each and every voyage and its feasibility is properly worked out with regard to profit/loss before fixing ships but weak market indicators and trading restrictions affected vessel earnings. DAC directed the management to submit a revised comprehensive reply containing justification for such loss to the satisfaction of Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.5 Non-settlement of insurance claims - Rs.317.721 million

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

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that 18 insurance claims amounting to Rs.317.712 million were lying un-settled since 2018 with NICL and Protection & Indemnity (P&I) Club.

Audit was of the view that claims were not settled in time which reflected poor performance.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that settlement of claims depends on the assessment of Insurer and where litigation is involved their settlement depends on disposal by the Court, however efforts have been made by PNSC to settle the amount as soon as possible. DAC directed the management to expedite the settlement of pending claims under intimation to Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.6 Loss due to non-imposition of liquidity damages - Rs.234.900 million

Clause 9 &10 of Instructions for the Bidders states that penalty / liquidated damages would be charged as follows:

1. Karachi Dry docking @US\$ 7000/ per day for first 5 days and US\$ 14000/, per day for the delay in excess of 5 days in case of delay in repairs by Shipyards with margin of 10% enhancement of work scope.
2. Hyderabad Dry docking @ US\$7000/ per day for first 5 days and US\$ 12000/, per day for the delay in excess of 5 days

3. Quetta Dry docking @US\$ 8,000/ per day for first 5 days and US\$ 14,000/, per day for the delay in excess of 5 days

Clause 09 (b) provides that the evaluation would also consider the opportunity cost i.e. US\$ 18,625/- per day (Karachi), Quetta US\$ 15,353/- per day, Hyderabad US\$ 7,298/- per day.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management awarded dry-docking contracts to following shipyards, which made considerable delays in completion of dry docking works which resulted into a loss of income amounting to Rs.234.900 million:

S. #	Vessel Name	Name of Contract awarded	Approved days	Actual days	Difference / late completion (1)	Opportunity cost loss in US \$ (2)	LD Charges (3)	Total Loss US\$ (1*2+3)
1	Karachi	M/s. Colombo Dockyard PLC	22	46	24	18,625	14,000	783,000
2	Hyderabad	M/s Cosco Shipping China	14	16	2	7298	7,000	28596
3	Quetta	M/s. Drydock World Dubai	33	56	23	15,353	14,000	675,119
Total								1,486,714
Total Rs @158								234,900,812
(Source:Pakistan National Shipping Corporation)								

Audit was of the view that management extended undue favour, and sustained a loss of Rs.234.900 million, by not imposing LD charges on the shipyards.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that the Liquidity Damages have been imposed on the concerned Shipyards for delay in completion of work, however the recovery has not yet been realized. DAC directed the management to expedite the recovery and get the same verified by Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.7 Irregular award of dry-docking contract - US\$ 1.258 million equivalent to Rs.215.136 million

Rule 04 of PPRA Rules, 2004, states that the 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. Further, Rule 10 (1) states that the procuring agency shall allow the widest possible competition by defining such specifications that shall not favour any single contractor or supplier nor put others at a disadvantage.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management awarded the contract of dry docking and repairs of Afframax oil tanker MT Quetta to M/s Dubai Dry Dock World amounting to US\$ 0.900 million. Following irregularities were observed:

1. M/s Dubai Dry Dock World did not quote the rate of 30 items in its bidding documents, despite clear directions to shipyards for invitation of tender that in case of not quoting of any single item of the scope of work the bidder shall be disqualified.
2. The Sensitivity Analysis Committee reduced the scope of work/ cost and the same was reduced by 43% from US\$ 2.035 million to US\$ 1.161 million without justification.
3. Large Expenditure Committee (LEC) approved the tender for a further reduction of 56% below the original bid of M/s Dubai.
4. The contract was awarded for US \$ 998,110 and the dry docking cost was later increased by US\$ 120,338 against the approved LEC cost.

Audit was of the view that the management extended un-due favour to the bidder by irrationally reducing the scope of work/ cost by 51% after the tender was awarded thereby depriving other bidders from the advantage of competitive bidding.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that scope of work is not overestimated to favour any

vendor rather they are considered to have readily available quotations of all items in hand because if we don't have quotations for all items, the vendor tends to charge higher cost if extra job is needed. DAC directed the management to provide sensitivity analysis reports and LEC minutes, for the purpose of verification by Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.8 Irregular procurement of services of Protection and Indemnity Club - US\$ 1.387 million equivalent to Rs. 215.000 million

Rule 12(2) of PPRA Rules, 2004, states that all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. In cases where the procuring agency has its own website it may also post all advertisements concerning procurement on that website as well.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management procured the services of M/s Steamship Mutual, a Protection and Indemnity Club amounting to Rs.215.000 million (US\$ 1.387 million*Rs.155) per year without inviting tenders.

Audit was of the view that the management extended undue favour and appointed the insurer without adopting tendering process in violation of rules.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that the insurance service under mutual insurance model do not fall under procurements so PPRA is not applicable. DAC directed the management to get an opinion from PPRA regarding the matter and further directed to conduct a market survey to determine whether the current membership was the most beneficial for PNSC or not. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.9 Exchange loss on foreign currency accounts – Rs. 159.527 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that The chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management is maintaining six (6) foreign currency accounts in NBP, UBL, Bank Alfalah and Bank AlHabib. It was observed that the management sustained exchange loss on these foreign currency accounts, amounting to Rs. 159.527 million as detailed below:

S. #	Month	Amount (Rs)
1	July 2020	5,594,652
2	August 2020	10,798,084
3	September 2020	5,486,797
4	October 2020	62,922,141
5	November 2020	9,593,357
6	February 2021	17,906,118
7	March 2021	47,226,352
Total		159,527,501
<i>(Source: Pakistan National Shipping Corporation)</i>		

Audit was of the view that the management failed to effectively plan and utilize balances lying in foreign currency accounts and incurred a huge loss of Rs. 159.527 million which showed inefficiency and poor performance.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that this was due to rupee appreciation against foreign currencies. DAC directed the management to provide Dollar-Rupee Exchange Rates Analysis of the period to Audit to determine the factual position. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.10 Irregular award of dry-docking contract - US\$ 0.872 million equivalent to Rs. 138.639 million

Rule 04 of PPRA Rules, 2004, states that the 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. Further, Rule 10 (1) states that the procuring agency shall allow the widest possible competition by defining such specifications that shall not favour any single contractor or supplier nor put others at a disadvantage.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management awarded the contract for dry docking and repairs of Afframax oil tanker MT Karachi to M/s Colombo Dockyard PLC amounting to US\$ 872,769. Following irregularities were observed:

1. M/s Colombo Dockyard PLC did not quote the rate of all items in its bidding documents, despite clear directions to shipyards for invitation of tender that in case of not quoting of any single item of the scope of work the bidder shall be disqualified.
2. The lowest evaluated bidder quoted bid amount of US\$ 1.683 million, after adding the total opportunity cost, the evaluated bid stood at US\$ 2.553 million (Rs.405.551 million).
3. The Sensitivity Analysis Committee reduced the scope of work/ cost by 35% from US\$ 1.683 million to US\$ 1.104 million without justification.
4. Large Expenditure Committee (LEC) approved the tender for US\$ 0.900 million with a further reduction of 47% below the actual quoted bid amount of M/s Colombo Dockyard PLC.

Audit was of the view that the management extended un-due favour to the bidder by irrationally reducing the scope of work/ cost by 48% after the tender was awarded thereby depriving other bidders from the advantage of competitive bidding.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that scope of work is not overestimated to favour any vendor rather they are considered to have readily available quotations of all items in hand because if we don't have quotations for all items, the vendor tends to charge higher cost if extra job is needed. DAC directed the management to provide sensitivity analysis reports and LEC minutes, for the purpose of verification by Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.11 Irregular award of contract of Enterprise Resource Planning - US\$ 0.752 million equivalent to Rs. 120.395 million

Rule 04 of PPRA Rules, 2004, states that the 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. Further, Rule 10 (1) states that the procuring agency shall allow the widest possible competition by defining such specifications that shall not favour any single contractor or supplier nor put others at a disadvantage.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management awarded the contract for procurement, deployment and implementation of Enterprise Resource Planning (ERP) software to M/s Danaos Management Consultants amounting to Rs.120.395 million (US\$ 752,474*Rs.160). Following irregularities were observed. In response, initially only one bidder participated quoting a financial bid amounting to US\$ 511,064/ (81.770 million). However, afterwards, the then Chairman PNSC held a meeting of PNSC procurement committee, on the advice of PPRA, on Nov 15, 2018 wherein the committee decided to re-tender with necessary changes in the bidding documents to get competitive bids. Subsequently, the tender was re-float on December 16, 2018 wherein three bidders participated, the bids were opened on 18 January 2019 and again only M/s. Danaos was declared technically qualified. It is interesting to note that in the

revised tender M/s. Danaos increased its bid by 47% in mere 8 months and the quoted bid price went from US\$ 511,064 to -- a huge difference of US\$ 241,410. It is worth mentioning here that no stipulated date of start and date of competition was written in the RFP which showed the project was not time bound in violation of rules. The agreement was signed on May 30, 2019, however the Payment Schedules revealed that only 45% payments against the milestones were paid to the consultant till May, 2022 and 55% milestones / work yet had to be completed till tentative date of completion i.e 30 June, 2022. Also, copy of the agreement was not sent to NAB as per the rules.

Audit was of the view that due to poor planning by the PNSC management, the project cost went upto 47% in 8 months because of retendering and despite PPRA's advice bidding document clauses were not changed / amended in the revised tender to attract more competitive bids. Non-participation in the first and technical disqualification in the revised tender of other top ERP providers raises questions on the viability of the "Specifications" incorporated in the bidding documents; since only M/s Danaos repeatedly qualified in both the cases. Also, rate reasonability was not determined to check the market prices as only one financial bid was available. Due to the reasons given above it seems undue favour was extended to the successful consultant making the entire procurement process irregular.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that PNSC approached several ERP development firms to encourage wide participation in the tenders with a view to attract competitive prices and tender specifications were not designed to benefit any single ERP provider or ERP solution. DAC directed the management to conduct a fact-finding inquiry and share the report with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.12 Non-achievement of revenue targets - Rs. 97.139 million

General Manager, Commercial Division, Pakistan National Shipping Corporation (PNSC) is required to utilize vessels allocation in a profitable manner; prepare and maintain vessel schedule; ensure proper execution of the voyage, etc.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management failed to achieve the budgeted revenue targets of the following tankers:

S#	Name of Tanker	Budgeted Revenue Target US\$	Actual Revenue US\$	Difference US\$	Difference in Rs. @160
1	MT Lahore	10,920,264	10,845,848	74,416	11,906,560
2	MT Karachi	9,976,350	9,576,542	399,808	63,969,280
3	MT Bolan	6,053,644	5,920,746	132,898	21,263,680
Total		26,950,258	26,343,136	607,122	97,139,520
<i>(Source: Pakistan National Shipping Corporation)</i>					

Audit was of the view that non-achievement of budgeted revenue targets reflected poor assessment, lack of realistic target setting and overall ineffective planning.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that due to COVID-19 pandemic, revenue targets could not be achieved. DAC directed the management to submit a comprehensive reply to the satisfaction of Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.13 Loss due to grounding of vessel – Rs.85.586 million

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

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the Vessel M.V Hyderabad grounded at

Houston/Galveston Port, USA due to main Engine failure on 24-12-2020. The repairs were completed on 06-03-2021. After the inquiry, Captain and Chief Engineer of the vessel were found responsible but no financial penalty was imposed on either of them. An expenditure amounting to US\$ 558,624 (Rs.85.586 million) was incurred on account of repairs.

Audit was of the view that the grounding incident resulted in Ship being stuck and delay in voyage caused loss in terms of opportunity cost. Moreover, an expenditure Rs.85.586 million was incurred on repairs which was a loss.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that loss due to grounding incident of subject vessel was being processed with P&I Club, therefore the loss adjustment could not be duplicated so no financial penalty was imposed or recovered from incumbents. DAC directed the management to expedite the recovery of claim and get the same verified by Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.14 Loss of rental income due to non-utilization of properties - Rs. 79.644 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management failed to rent out the following owned properties resulting into loss of expected rental income amounting to Rs. 79.644 million:

(Amount in Rs)					
S#	Name of Property	Vacant Area (Sq.Ft)	Demanding Rate per (Sq.Ft)	Amount per month	Amount per year

1	PNSC Building	21,044	100	2,104,400	25,252,800
2	Muhammadi House	113,315	40	4,532,600	54,391,200
				Total .	79,644,000
<i>(Source:Pakistan National Shipping Corporation)</i>					

Audit was of the view that the management failed to rent out the above properties resultantly the same were lying vacant without earning revenue.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that efforts were made to rent out vacant spaces but due to downward business trends we could not receive any positive response. DAC directed the management to take serious efforts in renting out vacant spaces and get the same verified by Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.15 Irregular award of dry-docking contract to a disqualified bidder - US\$ 0.450 million equivalent to Rs. 72.000 million

According to emails sent to bidders for quotations in respect of dry docking of MV Hyderabad by PNSC it was mentioned that you are advised to send your quotation on the attached excel format without leaving any item unquoted. Failure to comply this will result in disqualification of tender.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management awarded a contract for dry docking of MV Hyderabad to M/s Cosco Shipping Heavy Industry Co amounting to Rs.72.000 million (US\$ 0.450 million*Rs.160) who did not quote rate of 28 items out of 180 items as per bidding instructions. Despite of this non-compliance, the tender was awarded.

Audit was of the view that the management awarded the contract to the dis-qualified bidder which reflected undue favor.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that all three shipyards did not quote for all items, the bids

could not be disqualified since there was no time for re-tendering due to the urgency or the ship's damages would have increased. DAC directed the management to get the tender documents verified by Audit along with the then status of the Ship i.e. maneuverability. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.16 Irregular procurement of spare parts – Rs.40.180 million

Rule 04 of PPRA Rules, 2004 states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Rule 20 of PPRA Rules, 2004 states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management procured spare parts for the Vessels from different suppliers / agents amounting to Rs.40.180 million. However, it was observed that the alternative sources / suppliers were also available in the market. Contrary to this, the management extended undue favour and directly placed the orders from the following suppliers in violation of PPRA Rules (Annex-111).

Audit was of the view that the management extended undue favour to the suppliers by invoking rule 42 c (i) and directly procured the spare parts amounting to Rs. 40.180 million.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that procurement of spares through maker's recommendations from its authorized distributors is beneficial for insurance claims in case of damage. DAC directed the management to provide record of suppliers solely authorized by the concerned OEMs. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.17 Irregular procurement of ship store/items – Rs. 32.040 million

Rule 9 of PPRA Rules, 2004, states that save as otherwise provided and subject to the regulation made by the Authority, with the prior approval of the Federal Government, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website."

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management procured ship stores/ item for its vessels from following sixteen (16) local suppliers amounting to Rs.32.041 million in piecemeal and on splitting basis:

S#	Name of Supplier	Amount (Rs)
1	M/S A.H.Enterprises	4,897,570
2	M/S. A.S.K.Tailors	4,375,014
3	M/S. Adenwalla & Sons	1,013,260
4	M/S Ayub Engineering	3,686,995
5	M/S. Al Mufaddal Supply	305,153
6	M/S. Azam Enterprises	1,098,450
7	M/S. Burhan Hardware & Tools Company	3,419,705
8	M/S Fatemi Traders	1,794,962
9	M/S. Hashemi Safron	2,182,250
10	M/S. Muhammad Ali & Brothers	2,820,702
11	M/S. Pak Impex Corporation	512,500
12	M/S. Quality Enterprises	1,934,430
13	M/S Regal Electronics	452,300
14	M/S. S.A.Traders	1,055,264
15	M/S Saeed Sons Corporation	2,016,241
16	Samreen Enterprises	475,725
Total		32,040,521
<i>(Source:Pakistan National Shipping Corporation)</i>		

Audit was of the view that the ship stores were of routine nature procurement and could have been planned annually whereas competitive rates from market should have been obtained through advertisement in newspapers as well as on authority website.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that the management engaged in open competitive bidding process and all tenders were updated on PPRA & PNSC websites. DAC directed the management to get the tender documents verified by Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.18 Irregular appointment without advertisement – Rs. 31.216 million

According to Establishment Division OM dated April 17, 2003 (referring to a decision of Supreme Court of Pakistan) (i) all initial appointments should be made through open advertisement (ii) all selections for appointment should be through duly constituted Selection/ Promotion Committee/Board (iii) there should be pre-determined criteria for each post (iv) no provision for relaxation of rules should be given in favor of any individual.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that Mr. S. Zeeshan Taqvi was appointed to the post of Manager, Finance at a remuneration of Rs.130,000 per month for the period of two years on contract basis on Feb 03, 2010. Later on, he was promoted to General Manger on November 29, 2016 at a remuneration of Rs.395,500 per month for the period of one year on contract without open advertisement.

Audit was of the view that the management extended un-due favour to the incumbent. Hence, payments amounting to Rs.31.216 million were held irregular and unjustified.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that there has been no violation in rules and regulations in terms of appointment of the said employee. DAC directed the management to

provide to Audit, the duly approved HR and contractual promotion policy along with copy of contracts of the incumbent with PNSC, as Manager and as General Manager. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.19 Irregular implementation of car monetization policy - Rs. 30.260 million

According to Finance Division letter No. F.1 (I) Imp/94 dated June 26th, 1999, any proposal for revision in the salaries, allowances and perquisites of the supervisory and executive staff of Public Sector Corporation /Autonomous / Semi-Autonomous bodies and organization is required to be carried out by the BoD / Governors with prior approval of the Finance Division (Regulation Wing).Further, the Finance Division (Regulation Wing) vide office order # F.3(2)R-4/23011 dated 14th July 2017 issued Office Memorandum on the subject “Revision of Management Position Scales (PM-I, MP-II, MP-III) applicable in the Corporations/Autonomous Bodies working under the Federal Government; para (iv) provides that monetization of transport facility shall remain the same as per existing rates given below:

1.	MP-I	Rs 95,910
2.	MP-II	Rs 77,430
3.	MP-III	Rs 65,060

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management paid an amount of Rs.32.790 million of car monetization to 40 employees as per monetization policy effective from 14th October 2020 in violation of the above mentioned monetization policy as detailed under:

(Amount in Rs.)								
S#	Category of Employee	PNSC Policy Amount	As per Govt Policy Amount	Difference Amount	%	Excess Payment amount for 9 months	No. of Officers	Excess Payment
1	Executive Directors (MP-II)	170,000	77,430	92,570	119	833,130	5	4,165,650
2	General	120,000	65,066	54,934	84	494,406	8	3,955,248

	Managers (MP-III)							
3	Managers	100,000	Not given	100,000	100	900,000	15	13,500,000
4	Deputy Managers	80,000	Not given	80,000	100	720,000	12	8,640,000
	Total	470,000	142,496	327,504		2,947,536	40	30,260,898

(Source: Pakistan National Shipping Corporation)

Audit was of the view that the management implemented the policy in violation of Federal Government's directions and hence the policy was held irregular and unjustified.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that the said allowance was offered in lieu of the corporation maintained car and included driver salary, fuel cost, maintenance, insurance and redeemed proportion of cost etc. DAC directed the management to get the concurrence of Finance Division in order to regularize the policy and the same be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.20 Loss due to renting out properties at lower rates - Rs. 28.503 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management rented out its properties to various tenants at the rates lower than the demanding / market rates which caused the Corporation a loss of Rs.28.503 million (Annex-112).

Audit was of the view that due to mismanagement and undue favour extended to the tenants by renting out its properties at lower rates than the actual market demanded rates, the corporation sustained a loss of Rs.28.503 million.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that loss calculated by Audit was based on arbitrary and incorrect assumptions since the current demanding rate and existing rental rates of tenants could not be compared with each other. DAC directed the management to get the same verified from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.21 Irregular procurement of ship spare parts – Rs.28.000 million

Rule 9 of PPRA Rules, 2004 provides that save as otherwise provided and subject to the regulation made by the Authority, with the prior approval of the Federal Government, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management procured spare items amounting to Rs.36.366 million for Port Qasim Authority (PQA) on account of repairs and maintenance of vessels from local suppliers on quotations basis.

Audit was of the view that the spares / stores item were of routine nature procurement and could have been planned annually whereas competitive rates from markets should have been obtained through advertisements.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that PNSC workshop was providing repair and maintenance (R&M) services to PQA through a formal three years contract, we receive work orders and procurement was done separately for each order, the nature of contract was such that PNSC workshop could not procure in anticipation because the spares and material stocks may not be used frequently

which could lead to increased inventory cost of PNSC workshop. DAC directed the management to initiate the pre-qualification process of OEMs / Suppliers as per PPRA rules. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.22 Loss on sale of bunkers of vessels - Rs. 27.633 million

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

During audit of Pakistan National Shipping Corporation of Pakistan (PNSC) for the year 2020-21, it was observed that the management incurred losses of Rs.27.633 million on sale of bunkers of following vessels:

S#	Name of Vessel	Loss (Rs)	S#	Name of Vessel	Loss (Rs)
1	MV Sibi	5,088,289	3	MV Multan	10,152,001
2	MV Hyderabad	12,392,920	Total Loss		27,633,210
(Source:Pakistan National Shipping Corporation)					

Audit was of the view that excess purchase in bulk quantity led to non-utilization of fuel which was subsequently sold at a total loss of Rs.27.633 million, which reflected poor planning.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that the loss was not due to disposal of bunker rather it was the difference in market value of bunker sold / transferred to charter vs the value of bunker when the vessel was redelivered back to PNSC upon termination of charter. DAC directed the management to submit a comprehensive reply containing chartered parties agreement clauses showing BIMCO clause for VLSFO for verification by Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.23 Irregular appointment of Executive Director (Special Projects and Planning) - Rs. 25.803 million

Advertisement dated 18.09.2016 for the post of Executive Director (SP&PL) states following eligibility Criteria;

1. MBA/CMA/MSC (Marines) from Foreign / HEC well recognized University.

2. BA&BS Finance & Management Information System.
3. The ideal candidate should have 7 to 10 years of Experience preferably in following Fields; Marine Surveyor / Sailing, Project Development, Business Research, Financial Reporting Analysis, Preference will be given to the individuals having experience of Public Organization, Master Mariner having COC.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management appointed Mr. Khuram Mirza as Executive Director, Special Projects and Planning (SP&PL) on contract basis initially for one year at Rs.350,000 per month on 27.02.2017. Mr. Khuram possessed B.Com against the required degree of BA&BS (Finance & Management Information System) as per advertisement and also did not possess preferable experience of Marine Surveyor / Sailing, Public Organization and Master Mariner having COC. His Degree / testimonial verification was also not done since his appointment. Moreover, the regional quota was also not observed.

Audit was of the view that the management extended undue favour to the incumbent without required qualification and experience. Hence, payment of salary amounting to Rs.25.803million stood irregular and unjustified.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that there has been no violation in rules and regulations in terms of appointment of the said employee. DAC directed the management to get the documents of the incumbent verified from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.24 Loss of revenue due to ocean losses - Rs.25.401 million

According to the Contract of Affreightment (Agreement) clause regarding Ocean Losses, it is agreed that;

- (i) Ocean loss in respect of cargo carried shall not exceed 0.4% by weight of crude oil Loaded quantity as per Bill(s) of lading per voyage, compared

with measurement of shore tanks at discharge port. The quantity delivered shall be quantity actually received in the Company's shore tanks. Any unpumpable quantity of crude oil left onboard after completion of discharge shall not be adjusted against allowable ocean loss as mentioned herein. Such computations of ocean losses shall be made and settled on a voyage-to-voyage basis.

- (ii) If ocean loss on each cargo carried under this Agreement exceeds 0.4% by weight as per above clause, the Carrier shall be liable to pay the Company the cost of ocean loss in excess of 0.4% by weight and freight thereof, without prejudice to any liabilities of the Carrier.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that following PNSC vessels sustained ocean losses in excess of the permissible limit resulting into a loss of Rs.25.401 million:

S#	Vessel Name	Voyage No and Cargo Reference	Month	Ocean loss (Rs)
1.	Super Lady	0006, MU-18/20	July-20	558,588
2.	Lahore	299, MU,19/20	July-20	12,257,300
3.	Super Lady	0007, P-09/20	August-20	574,823
4.	Quetta	365, MA-36/20	October-20	11,321,329
5.	Sea Chance	0001, MD-04/21	January-21	689,774
Total Rs.				25,401,814
<i>(Source:Pakistan National Shipping Corporation)</i>				

Audit was of the view that due to poor oversight on part of the PNSC management and technical issues with the ships, the corporation sustained ocean losses of Rs. 25.401 million which directly affected its revenues.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that the discrepancies of cargo quantity were mainly due to density variation of cargo being loaded on top at shore tank and they still could not overrule the chances of ocean loss. DAC directed the management to submit a comprehensive reply to the satisfaction of Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.25 Abnormal / unjustified increase in remuneration of Executive Director (Finance) – Rs. 21.350 million

Finance Division vide OM dated Jun 29, 1999 and Sep 17, 2001 circulated a policy regarding revision of pay, allowances and perquisites for the employees of Autonomous/semi-autonomous bodies, corporations etc. working under the administrative control of Federal Government. As per this policy, salaries, allowances and perquisites of such institutions should be revised by their respective Board of Directors. However, clearance from Finance Division would be necessary to ensure a rational basis and a degree of uniformity in revisions.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management appointed Syed Jarar Haider Kazmi as Executive Director (ED) Finance / CFO at Rs. 575,000 per month for a period of one year on contract basis extendable for further one year on 01.02.2016. However, three (03) other Executive Directors besides him were also appointed during the same period at Rs. 350,000 per month with a difference of Rs.225,000 per month. Furthermore, an abnormal increase in salary and prerequisites was also noticed in favour of Mr. Jarar as compared to his peers and in 2018 alone his salary was increased up to four times (40% in total) which includes a 5.6% increase on June 19, 2018 with back date benefits of last 4 months (Annex-113).

Audit was of the view that due to the absence of approved contractual pay scales of EDs, the management extended un-due favour to the incumbent by fixing his initial salary 64% higher than other EDs and giving him 80% salary increases over a period of five years which reflected favoritism.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that all salaries adjustments/increments provided to Mr. S. Jarar Haider were in accordance with the letter and spirit of PNSC Board's approval for similar cadre. DAC directed the management to conduct a fact - finding inquiry and share the report with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.26 Irregular award of contracts for marine paints – Rs. 15.350 million

Rule 38 of PPRA Rules, 2004 provides that the bidder with the most advantageous bid shall be awarded the procurement contract, within the original or extended period of bid validity.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management awarded the contract of marine paints of Vessel Hyderabad to M/s Jotun Paints amounting to Rs.7.450 million (US\$ 46,570 * Rs.160) by rejecting the 1st lowest bidder M/s Nippon Paints who offered the rate of US\$ 42,210.

Furthermore, it was observed that the management awarded another contract of marine paints of Vessel Hyderabad to M/s Jotun Paints amounting to Rs.7.900 million. However, M/s Jotun Paints quoted areas which were not as per given specification of the bidding documents.

Audit was of the view that the management extended undue favor to the bidder which showed favoritism.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management replied that:

1. PPRA rules stipulated to award contract to most advantageous bidder not the lowest submitted bidder. The management in its reply failed to justify undue favour in award of contract to the 2nd lowest bidder.
2. Award of contract to M/s Jotun Paints was in accordance with the principles of the procurement and brought value for money. The management in its reply failed to justify undue favour in award of contract to M/s Jotun Paints.

DAC directed the management to get the record verified from Audit.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

(DP Nos.238 & 345)

14.3.4.27 Loss of income due to non-charging dead freight charges - Rs. 11.901 million

According to Contract of Affreightment (COA) PNSC with PRL Clause-1-(b), all individual cargo sizes below 71,000 Metric Tons shall have the provision of a negative tolerance of 3% for each voyage. (c):- The average minimum cargo size shall be 68,870 Metric Tons, based on the cargoes notified in each quarter of the year. In case the average minimum cargo size falls below 68,870 metric Tons, the COMPANY shall pay the CARRIER dead freight for the average minimum cargo size fallen short of 68,870 Metric Tons.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management did not charge the dead freight charges from M/s Pak Arab Refinery Limited (PARL) and M/s Pakistan Refinery Limited (PRL) amounting to Rs.11.901 million (Annex-114).

Audit was of the view that the buyers failed to meet the contractual obligations and did not pay the dead freight of Rs.11.901 million which reflected poor performance on part of the management.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management replied that:

1. PARCO had lifted short quantity of cargo in different months as per the COA Clause 1 (b) in case of OPEC cuts which forces suppliers to reduce the allocated quantity.
2. No loss had occurred to PNSC due to alleged non-charging of dead freight from PRL.

DAC directed the management to increase efforts to recover the amount from the companies and get the same verified from Audit.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

(DP Nos.207 & 230)

14.3.4.28 Losses in voyages of slot chartering – Rs. 10.329 million

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

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that 81 Slot Charter Voyages underperformed which resulted in a loss of Rs.10.329 million on account of Slot Chartering.

Audit was of the view that due to ill-planning and mismanagement, the corporation sustained losses of Rs. 10.329 million in Slot Chartering.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that these were not voyages rather adjustments related to previous years on provisional basis. DAC directed the management to submit a revised reply to the satisfaction of Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.29 Irregular hiring of chartered accountant firms – Rs. 9.466 million

Rule 20 of PPRA Rules, 2004 states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

Rule 12(2) of PPRA Rules, 2004 provides that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management hired two Chartered Accountant Firms namely M/s Grant Thornton Anjum Rehman and KPMG Taseer Hadi & Co without competitive process.

Audit was of the view that the management extended undue favour to the firms and appointed them without tendering process whereas payment amounting to Rs. 9.466 million made was held irregular and unjustified.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that PNSC could not compromise quality of external audit, therefore PNSC's directors recommended to appoint audit firms from the top 5 firms. DAC directed the management to comply with PPRA Rules and issued advisory to PNSC that in future rules were not violated.

Audit recommends implementation of DAC directives.

14.3.4.30 Less deduction of income tax on car monetization allowance - Rs. 6.248 million

Section 12 (1) of Income Tax Ordinance 2001 provides that any salary received by an employee in a tax year, other than salary that is exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head "Salary".

(c) the amount of any allowance provided by an employer to an employee including a cost of living, subsistence, rent, utilities, education, entertainment or travel allowance, but shall not include any allowance solely expended in the performance of the employee's duties of employment.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that 40 officers of various grades availed the facility of car monetization allowance at different rates wherein the management adopted two different treatments in respect of income tax calculations applicable on monetization allowance, in one case the tax of 11 officers was deducted @ 5% on the monetization allowance separately, whereas in case of the remaining 29 officers the tax was calculated after adding monetization allowance into total salary. The monetization allowance drawn by 11 officers amounts to of Rs.12.962 million and Rs.18.840 million during the years 2020-21 and 2021-22, respectively (Annex-115).

Audit was of the view that the management evaded income tax by allowing 11 officers to draw the monetization allowance separately instead of adding it to the total salary for tax calculation purposes, this resulted into less deduction of income tax of Rs.2.428 million and Rs.3.819 million (Rs.6.248 million) respectively.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that 5% tax is applicable as separate block of income and same has been deducted by PNSC, which is in accordance to Income Tax Ordinance. DAC directed the management to refer the matter to Finance Division for clarification/concurrence under intimation to Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.31 Loss due to expiry of stores inventory & consumable items – Rs. 4.951 million

Rule 5 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the 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 audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management procured tool store inventory & consumable items valuing Rs.4.951 million which could not be utilized as they stood expired and were recommended for disposal. It is pertinent to mention here that the management closed the Store Building in February 2020 and the consumable store items were neither issued to concerned requisite departments nor used till-date.

Audit was of the view that the management did not carry out need analysis therefore made excessive purchases of the items which later remained unused and expired resulting in a loss of Rs.4.951 million.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that:

1. These items were continuously utilized at ships/vessels and in PNSC workshop regarding repair.
2. After the closure of Ship Stores Department there was no space to stock the leftover store items either in Head Office or in workshop.

DAC directed the management to conduct a fact-finding inquiry and share the report with Audit.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

(DP Nos. 228 & 229)

14.3.4.32 Irregular procurement of spares on emergency basis - Rs. 4.821 million

Rule 4 of PPRA Rules, 2004, states that the 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. Further, Rule 20 of PPRA Rules, 2004, states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management procured spares for the Vessels SIBI and Malakand at the cost of Rs.4.821 million without competitive process. There was not any urgency as the items were received after a lapse of considerable time as detailed below:

S#	Name of Supplier	Spares Description	Date of Indent	Date of Purchase Order	Delivery Days quoted by Supplier	Date of Actual Delivery	Total delay in Days	Amount
1	M/s Hatchtec Marine Service	Hatch Covers Rubber Packing	01.05.2019	10.10.2019	07 Days	10.11.2020	380 days	2,443,517
2	M/s Japan Marine PTE Ltd	Main Engine Governor	03.04.2020	06.05.2020	10 Days	21.07.2020	76 days	1,158,052
3	M/s Winkong Marine Engineering Co.	HydraulicMotor	The comments of the GM procurement on noting side revealed that the urgency was not evident as the requisition was generated in December 2020 and floated in March 2021 therefore the clause 42 - d (iii) did not apply.					1,220,000
Total Rs.								4,821,569
(Source:Pakistan National Shipping Corporation)								

Audit was of the view that the management extended undue favour to the suppliers and deprived the corporation of competitive rates by not adopting the open tendering process.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that due to emergency situation and time limitation PPRA Rule 42 © was invoked and in case of Hydraulic Motor after receiving requisition from vessel for arrangement of spare motor on urgent basis the case was processed but due to technical reason and compatibility issue matter was delayed. DAC directed the management to get the record verified from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.33 Irregular procurement of bunker at exorbitant rates – Rs. 2.921 million

Rule 4 of PPRA Rules, 2004, states that the 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.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management procured bunker / fuel VLSFO over and above the indicated market prices per metric ton and paid excess amounting to Rs.2.921 million on account of difference of actual price per metric ton to indicated market price. The details are tabulated below:

(Amount in US\$)						
S#	Type of Bunker Fuel	Indicated Market Price (US\$ Per MT)	Supplier Quoted Price (US\$ Per MT)	Difference (US\$ Per MT)	Quantity Procured	Excess Amount
1	VLSFO	332.00	346.00	14.00	199 MT	2,786
2	VLSFO	328.00	331.00	3.00	1590 MT	4,770
3	LSMGO	434.00	435.00	1.00	26 MT	26
4	VLSFO	323.50	327.00	3.50	991 MT	3,468
5	VLSFO	478.50	481.50	3.00	1570 MT	4,710
6	VLSFO	486.00	488.50	2.50	778 MT	1,945
Total amount in US\$						17,705
Total amount (US\$17,705 * Rs.165)						2,921,325
(Source:Pakistan National Shipping Corporation)						

Audit was of the view that the procurement of bunker fuel without price negotiating with suppliers while paying over and above the quoted prices / rates to the supplier was a sheer loss to the corporation.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that suppliers gave their bid prices with validity of 5-20 minutes and since delays for vessels were not acceptable we have to lock the price within 5-15 minutes. DAC directed the management to get the record verified from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.34 Loss on account of payment of demurrages – Rs.2.764 million

The General Manager, Commercial Division, Pakistan National Shipping Corporation (PNSC) is required to utilize vessels allocation in a profitable

manner; prepare and maintain vessel schedule; ensure proper execution of the voyage, etc.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that PNSC chartered private ships to meet the orders from its clients and due to delays in such voyages PNSC paid an amount of Rs 2.764 million on account of demurrages to the Port Authorities during the year 2020-21. The break-up of such demurrages is tabulated below;

Cargo Details	Ship name	Voyage #	Demurrages Expenses (Rs)
MU-18/20	Super Lady	6	1,179,113
P-09/20	Super Lady	7	108,745
MD-04/21	Sea Chance	1	1,477,055
Total		14	2,764,913
(Source:Pakistan National Shipping Corporation)			

Audit was of the view that since demurrage was not an expense of routine nature but a kind of penalty imposed by the port authorities against abnormal detention of vessels beyond the permissible time limit, therefore if proper and timely arrangements had been made by the ship management, the loss of Rs.2.764 million could have been avoided.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that delays attributed to the said voyages were due to limited infrastructure / berthing congestion at discharge port Karachi which were beyond the control of PNSC. DAC directed the management to expedite the recovery from refineries and get the same verified from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.35 Irregular hiring of services of HR firm - Rs. 1.650 million

According to Note (2) of Qualification Criteria & Mandatory Requirements of Bidding Document, Only bidders obtaining 70% Marks will be considered qualified. Any bidder could not secure any mark or point in any of the sub-criteria shall also be disqualified”.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management hired the services of Head Hunting Firm M/s HRSI at the cost of Rs.1.650 million for the period of three years on 20-08-2020. However, it was observed that the successful bidder M/s HRSI failed to meet the mandatory requirements of qualification criteria of bidding documents and secured Zero marks in nine (09) sub-criteria during technical evaluation process. Instead of disqualifying the bidder, the management relaxed the mandatory qualification criteria and extend undue favour to the firm by awarding the contract.

Audit was of the view that the management extended undue favour and hired a technically dis-qualified firm. Since, the corporation had its own in-house capacity and capability of recruitment, therefore outsourcing of HR routine job was unjustified and extra financial burden on the corporation.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that M/s HRSI had not achieved “0” in any sub criterion and internal matrix was prepared for convenience of the evaluator. DAC directed the management to conduct a fact-finding inquiry and share the report with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.3.4.36 Non-formulation of Service Rules

Section 38 of Pakistan National Shipping Corporation (PNSC) Ordinance, 1979 states that the Federal Govt. may by notification in the official Gazette, make rules for the purpose of giving effect to the provisions of this Ordinance.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2020-21, it was observed that the management failed to formulate service rules / HR Manual in accordance with the above provisions i.e. regional quota, advertisement, age, qualification, experience, pay and allowances and sanctioned strength.

Audit was of the view that in the absence of approved Service Rules, appointments made were held unjustified.

The matter was reported to the management in July, 2022. The irregularity was discussed in the DAC meeting held on December 29, 2022. The management informed that PNSC Board approved PNSC Service Regulations, 1984 for the PNSC employees and was applicable to permanent employees only. DAC directed the management to formulate uniform Service Rules which should then be duly approved by Establishment Division under intimation to Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

14.4 Port Qasim Authority

14.4.1 Introduction

Port Qasim Authority was established in 1973 under the Port Qasim Authority Act, 1973 (the PQA Act). The principal activities of the Authority are to provide services of ship movement, storage, berthage, wharfage, and towage, etc., besides, developing and managing an industrial and commercial estate within its occupied area. The location of operations and principal office of the Authority is situated at Port Muhammad Bin Qasim, Karachi.

14.4.2 Comments on Audited Accounts

14.4.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 2006-07 to 2021-22 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2006-07 to 2021-22 be provided immediately and timely finalization be ensured in future, besides, fixing responsibility for non-finalization of annual audited accounts (**Annex-2**).

14.4.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% Compliance
1999-00	5	2	3	67, 68, 70	40%
2000-01	13	10	3	59, 62, 64	77%
2003-04	5	3	2	182, 183	60%
2005-06	14	11	3	225.1, 225.4, 228	79%
2006-07	1		1	194	-
2007-08	-				
2008-09	5	3	2	213, 214	60%
2010-11	7	5	2	20.3.3, 20.3.4.3	71%
2011-12	15	12	3	22.4.3, 22.4.4.2, 22.4.4.3	80%
2012-13	11	5	6	22.2.3, 22.2.4.1, 22.2.4.2, 22.2.4.4, 22.2.4.5, 22.2.4.6	45%
2013-14	13	5	8	16.4.3.1, 16.4.3.2, 16.4.3.3, 16.4.3.4, 16.4.3.5, 16.4.3.8, 16.4.3.10, 16.4.3.11	38%
2014-15	63	3	60	18.4.4.2, 18.4.4.4, 18.4.4.27,	5%

				18.4.4.26, 18.4.4.1, 18.4.4.43, 18.4.4.34, 18.4.4.29, 18.4.4.15, 18.4.3, 18.4.4.3, 18.4.4.5, 18.4.4.6, 18.4.4.7, 18.4.4.8, 18.4.4.9, 18.4.4.10, 18.4.4.11, 18.4.4.12, 18.4.4.13, 18.4.4.14, 18.4.4.16, 18.4.4.17, 18.4.4.18, 18.4.4.19, 18.4.4.20, 18.4.4.21, 18.4.4.23, 18.4.4.24, 18.4.4.25, 18.4.4.28, 18.4.4.30, 18.4.4.31, 18.4.4.32, 18.4.4.33, 18.4.4.35, 18.4.4.36, 18.4.4.38, 18.4.4.39, 18.4.4.40, 18.4.4.41, 18.4.4.42, 18.4.4.44, 18.4.4.45, 18.4.4.46, 18.4.4.47, 18.4.4.48, 18.4.4.49, 18.4.4.50, 18.4.4.51, 18.4.4.52, 18.4.4.53, 18.4.4.54, 18.4.4.55, 18.4.4.56, 18.4.4.57, 18.4.4.58, 18.4.4.58, 18.4.4.59, 18.4.4.60 PAC referred to DAC level)	
2015-16	18	1	17	17.4.4.1, 17.4.4.3, 17.4.4.5, 17.4.4.10, 17.4.4.15, 17.4.3, 17.4.4.2, 17.4.4.4, 17.4.4.6, 17.4.4.7, 17.4.4.8, 17.4.4.9, 17.4.4.10, 17.4.4.11, 17.4.4.12, 17.4.4.13, 17.4.4.14	6%
2016-17	10	2	8	15.4.2.1, 15.4.3, 15.4.4.2, 15.4.4.3, 15.4.4.4, 15.4.4.5, 15.4.4.6, 15.4.4.7	-
2017-18	10	1	9	14.4.2.1, 14.4.3, 14.4.4.1, 14.4.4.2, 14.4.4.3, 14.4.4.4, 14.4.4.5, 14.4.4.6, 14.4.4.7	10%
2019-20	3		3	10.4.4.1, 10.4.4.2, 10.4.4.3	0%
Total	193	63	130		33%

The overall compliance of PAC directives needs improvement.

14.4.4 Audit Paras

14.4.4.1 Non-obtaining approval of budget - Rs. 185,316.171 million

Section 56(1) of PQA Act, 1973 states that in the month of November each year, the Authority shall submit to the Federal Government for approval a statement of the estimated receipts and expenditure in rupees in respect of the next financial year.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the management did not obtain the approval of budget of Rs. 185,316.171 million from the Federal Government for the years 2019-20 & 2020-21 as detailed below:

(Rs. in million)			
S. #	Description	Revised budget 2020-21	Revised budget 2019-20
1	Revenue from Port operations	26,738.994	24,524.656
2	Revenue from Industrial Estate	4,206.760	2,463.886
3	Total Revenue	30,945.754	26,988.542
4	Expenditure	18,841.929	17,275.042
5	Profit from deposits	5,500.000	7,300.00
6	Income /(Loss) before Tax	17,603.825	17,013.500
7	Provision for Income tax	5,105.109	4,933.915
8	Net surplus /(Deficit)	12,498.716	12,079.585
9	Capital expenditure	6,073.052	536.702
10	Development of Industrial and Commercial Estate	1,576.000	1,044.500
Total		98,144.385	87,171.786
(Source:Port Qasim Authority)			

Audit was of the view that the management did not obtain approval of budget from the Federal Government in violation of rules.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that the budget for the year 2020-21 has been approved from Federal Government. DAC directed the management to verify the position from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.2 Non-recovery of outstanding dues from various companies/parties – Rs. 22,279.959 million

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

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that an amount of Rs. 22,279.146 million was lying outstanding against various companies/parties since long. Details of outstanding dues are given as under:

(Rs.in million)			
S#	Name of party	Nature of outstanding dues	Amount
1.	M/s. PGPCL	Royalty charges	761.172
2.	PB Amber	Insurance claim of PB Amber, Sohna, Mohna	80.189
3.	Govt/Semi Govt	Port and other services dues	932.89
4.	Pak Steel Mill		2,075.822
5.	Plot owners	PDC and allied charges	1,730.03
6.	M/s. Huaneng Fuyun Port & Shipping (Pvt.) Ltd	Land rent and other charges	409.840
7.	PSO	Wharfage charges on LNG vessels	1,356
8.	Clients/lease	Electric Charges	43.586
9.	KS&EW	Advances	31.877
10.	Clients/leasee	Water Charges	75.890
11.	M/s JS Petroleum	NUF	15.00
12.	M/s. Global Energy Infrastructure Pakistan	Annual Land Rent against LNG Terminal	10.663
13.	Tax authorities	Income Taxes	14,757
Total			22,279.959
<i>(Source:Port Qasim Authority)</i>			

Audit was of the view that the management failed to recover the outstanding amount of Rs. 22,279.146 million from the above companies/parties.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022.

1. The management informed that receivable amount Rs.761.172 million was still outstanding. DAC directed to expedite the recovery process.
2. The management informed that an amount of Rs.27.685 million has been recovered. DAC directed to verify the recovered amount.
3. The management informed that amount of Rs.67.00 million has been recovered. DAC directed the management to reconcile the recovered amount with Audit and recovery affected may be get verified.
4. The management informed that receivable amount Rs. 2,075.000 million was still outstanding. DAC directed to pursue the recovery process.
5. The management informed that partial amount has been recovered. DAC directed to verify the recovered amount of PDC charges and reconciliation of the same. DAC directed the management to verify the stance.
6. The management informed that receivable amount Rs. 1,356.000 million was still outstanding. DAC directed the management to consult with ministry to expedite the matter for recovery from PSO.
7. The management informed that receivable amount Rs. 43.586 million is still outstanding. DAC directed to verify the stance.
8. The management informed that receivable amount Rs. 31.877 million was still outstanding. DAC directed to expedite the recovery process.
9. The management apprised that an amount of Rs. 22.000 million has been recovered. DAC directed the management to get verify the recovered amount from audit.
10. DAC directed the management to expedite efforts for recovery of NUF.
11. DAC directed the management to expedite efforts for recovery.
12. DAC directed to reconcile the amount payable and amount receivable and get the facts verified from Audit.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.151, 153, 157,158,159,160,161,162,163,164,166,167 &169)

14.4.4.3 Loss due to change in category of plots - Rs. 13,030.000 million

Article 10 of Port Qasim Authority Act, 1973 states that the Authority shall prepare a master-plan and a phased master-program for the development of the Port area and the plan and program shall be submitted to the Federal Government for approval.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the management changed category of plots from ‘Warehouse to Industry’ without approval from the Federal Government. The categories were changed in 208th meeting of the BoD held on 01.03.2021, which resulted a loss of Rs. 12,990.000 million. Details are as under:

(Rs. in million)						
Zones	No. of plots	Acres	Industrial acres	Warehouse acres	Difference per acre	Total loss
	A	B	C	D	E (D-E)	F=(BxE)
Eastern Industrial Zone	379	571	30.000	40.000	10.000	5,710.000
Northern Industrial Zone	189	364	40.000	60.000	20.000	7,280.000
Total						12,990.000
(Source:Port Qasim Authority)						

Further, a Plot No. W2/22, measuring two (02) acres in EIZ was also changed from warehouse to Industry by the management on 30.4.2022, which resulted in a loss of Rs.40.000 million (4acres x Rs.10.00 million).

Audit was of the view that due to change in category of plots, the management sustained a loss of Rs. 13,030.000 million (Rs.12,990.000 million + Rs.40.000 million).

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management informed that:

1. Conversion of category of plots was made as per Land Allotment Policy (LAP) and after obtaining concurrence from Ministry of Maritime Affairs and Ministry of Law and Justice. Further, due to conversion of categories of plots, PQA was charging category fee @10% of PDC rates. DAC directed the management to get the position verified from Audit.
2. The forum that only 30 plots have been converted from warehouse to industry. DAC directed the management to get the position verified from Audit.

However, no record was produced by the management till finalization of this report.

Audit recommends for implementation of the DAC directives.

(DP Nos.118 &127)

14.4.4.4 Irregular extension of contract for supply of LNG tugs - Rs. 4,111.256 million

Rule 04 of PPRA Rules, 2004 states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Rule 20 of PPRA Rules, 2004 states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the management awarded a contract for a period of two years to M/s. Smit Lamnalco Pakistan B.V for supply four ASD LNG compatible tugs on contract/charter basis amounting to US\$ 21,170,000 on 04-04-2018. The contract was extended from time to time as detailed below:

(Amount in US\$)

S#	Period of Extension		Amount
	05.04.2020	01.10.2020	5,220,000
	02.10.2020	01.02.2021	3,567,000
	02.02.2021	02.05.2021	2,610,000
	06.07.2021	06.10.2022	12,786,860
Total			24,183,860
(US \$ 24,183,860*Rs.170 = Rs.4,111.256 million)			
<i>(Source:Port Qasim Authority)</i>			

Audit was of the view that granting of multiple extensions was a clear violation of PPRA Rules, 2004.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that the period for 180 days was inclusive part of the signed agreement. DAC directed the management to get the position verified from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.5 Non-imposition of penalty on un-constructed plots - Rs. 2,270.960 million

Annex 2 (XIV) of PQA Land allotment policy states that the allottee shall commence the construction of proposed units within one year from the date of possession of plot. In case of failure non-utilization fee at the rate of 10% of peripheral development charges (PDC) every year will be realized.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the management did not cancel the unconstructed plots of various allottees / transferees for more than five years from the date of possession of plot of North West Industrial Zone (NWIZ) and South West Industrial Zone (SWIZ) at PQA, which were allotted for industrial business purpose (Annex-116).

Audit was of the view that above allottees / transferees failed to construct the plots as per terms and conditions of allotment letter and also the management did not cancel the plots resultantly PQA caused a loss of Rs.2,270.96 million approximately due to non-imposing NUF charges.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that four (4) basic facilities have not been provided to the allottees, so plots would not be cancelled. DAC directed the management to verify the facts from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.6 Non-collection of Channel Development Cess - Rs. 2,142.000 million

As per Notification No.S.R.O (KE) 2017 dated 16-3-2017 of Government of Pakistan Ministry of Ports and Shipping Port Qasim Authority, each LNG Carrier (LNGC) entering the Port shall be levied with channel development cess as per 0705 over and above the port dues or charges for the development of passing bays in the navigation channel.0705. Rates, Channel Development Cess for LNG Carrier US\$100,000 on each arrival.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that Ministry of Ports & Shipping, Government of Pakistan issued Notification dated 16th March, 2017 to collect Channel Development Cess (CDC) US\$100,000 on each arrival of LNG ships in order to meet the expenditure of Rs.45,571.90 million required for upgrading existing channel and development of another channel as estimated by the Consultant M/s HR Wallingford, UK and its local partner M/s. Techno Consultant International. Later on, Ministry of Maritime Affairs in its notification dated 2nd April, 2021 restricted PQA to collect further (CDC) till the utilization of the available CDC amount with immediate effect. However, management collected CDC of Rs.666.587 million from LNG ships only, whereas 126 LNG ships arrived at PQA, but Cess was not collected. Due to non-convincing to Ministry by the PQA management, the organization had to sustain a loss of Rs. 2,142.000 million (126 ships x US\$ 100,000 * Rs.170).

Audit was of the view that the management did not pursue the case properly with the Ministry to generate the revenue through Cess collection. Thus,

organization sustained a loss of Rs. 2,142.000 million due to slackness and non-perusal of the case properly.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that the subject matter was still pended as PQA has communicated to the concerned authorities in this regard. DAC directed to pursue the matter at inter-ministerial level. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.7 Irregular extension of contract & non-imposition of liquidated damages – Rs. 1,618.015 million

As per Port Qasim Authority Act, 1973 (Duly Amended vide Port Qasim Authority Amendment Ordinance, 2002) Chapter VI Finance Clause. Budget (3) The Authority shall obtain specific sanction of the Federal Government in respect of each individual scheme costing rupees twenty-five-lakhs non-recurring or rupees five lakhs recurring or more to be financed out of the Port Qasim Authority Fund.

As per bidding documents Package-III: Construction of remaining road works and storm water drains in NWIZ & SWIZ Special Stipulations Clause conditions of contract 7. Time of Completion (43.1 & 48.2) 360 days from the date of receipt of Engineer's Notice to Commence. Further, Clause 8. Amount of Liquidated Damages/ delay damages/ penalties: 0.1 % of the Contract Price for each day of delay in completion of the work subject to a maximum of 10 % of Contract Price stated in the Letter of Acceptance.

Particular conditions of contract Part –II:10.1 Performance Security: the Performance Security shall be in the form of irrevocable, unconditional bank guarantee acceptable to the Employer from any Schedule Bank of Pakistan in Karachi, having AA+ rating, in favor of the Employer valid for a period of 28 days after the issue of Defect Liability Certificate.

During audit of the Port Qasim Authority (PQA) for the year 2020-21, it was observed that the management awarded contract to M/s. Sachal

Engineering Works on 14-11-2020 at the cost of Rs. 1,618.015 million with completion date was 13-11-2021 for construction of remaining road works and storm water drains in North West Industrial Zone (NWIZ) and South West Industrial Zone (SWIZ) at Port Qasim, Karachi (Package-III). On the recommendation of the project consultant M/s. ECIL management contract was extended for 161 days up to 24-4-2022 without imposing liquidated damages of Rs 161.802 million @ 10% of the contract value and without approval of the Federal Government. Further, Bank Guarantee of Rs 242.702 million dated 18-11-2020 expired on 17-11-2021 which was not extended by the contractor.

Audit was of the view that the management extended undue favor to the contractor by extending the contract and non-imposition of liquidated damages.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that the project was still not completed. However, an amount Rs. 161.802 million against performance guarantee was forfeited. DAC directed the management to verify the facts from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.8 Duplicate allotment of plots - Rs. 1,470.000 million

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

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the management allotted the plots having issues regarding “Duplicate plots” and the “Plots not on map” in the Eastern Industrial zone at PQA. There were 16 plots consisting 24 acre area of land found ‘duplicate plots’ and 26 plots consisting 25 acre area of land ‘plots not on map’ totaling 42 plots and 49 acre valuing Rs.1,470.00 million (total 49 acres @ Rs 30.00 million per acre).

Audit was of the view that the management is responsible for irregular practice and such allotment could not be done without involvement of the staff.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that the matter was pending before Ministry of Maritime Affairs, Islamabad. DAC recommended the management to conduct an inquiry and share the findings with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.9 Irregular deposit of working balance - Rs. 1,000.000 million

Government of Pakistan, Finance Division (Budget Wing) O.M.No. F.4(1)/2002-BR.II, Islamabad dated 02-07-2003, provides vide para-3 that under the new policy, public sector enterprises and local/autonomous bodies can deposit their working balances required for their operations with any public or private bank subject to the following requirements: (b) The process of selection of bank(s) should be transparent. Therefore, prior to placing deposits with a bank under this new policy, and in case the total working balances exceed Rs.10 million, the selection of bank(s) as well as terms of deposits will be approved by the concerned Board of Directors/Governing Body on the basis of competitive bids from at least three independent banks.

(c) The risk associated with keeping deposits should be diversified. Therefore, in cases where total working balance of an enterprise exceeds Rs.10 million, not more than 50% of such balance shall be kept with one bank. (e) The working balance limit of each organization should be determined with the approval of the administrative ministry in consultation with Finance Division.

During audit of Port Qasim Authority for the year 2020-21, following points were observed:

1. The management determined its working balance as Rs.1,000 million, which was invested in various banks in violation with the guidelines.

2. Surplus funds of Rs. 85,784.00 million were invested in TDRs during the month April - June 2021 into different AAA and AA rated banks at one monthly KIBOR (+/- bps) for the period of one (01) year; instead of one (01) year KIBOR (+/- bps). The details of the funds invested by PQA during the period. PQA earned only a profit of Rs. 503.720 million per month after one year on above investment. Thus, due to in-effective and imprudent decision of management, PQA sustained a loss of Rs. 600.45 million per year.
3. The management rolled over surplus funds of Rs. 2,390.00 million into Bank Alfalah on 17.5.2021 for a period of one year at the rate of TDR (KIBOR bid monthly) on 6.99% per month instead of 8.19% per annum and without obtaining quotation. The rates were offered and confirmed vide TDR confirmation letter dated 17.5.2021 to roll-over the investment of Rs. 2,390 million into Bank Alfalah. Moreover, PQA earned only a profit of -Rs.13.922 million per month @ 6.99% after one year on above investment. Audit observed that had these funds been invested in the effective manner, these funds would have generated a return of - Rs.16.312 million per month @ 8.19% invested at 01 year KIBOR. It depicted poor financial management. Hence, the investment of funds without competitive bidding is held irregular and due to imprudent decision, organization sustained a loss of Rs.28.68 million per year.
4. Surplus funds of Rs. 40,337 million were invested into various AAA rated Banks/DFIs at lower rates instead of investing at higher rates offered by Habib Bank Limited (Kibor offer -0.33 BPS @ 7.16%). It was at the discretion of management to invest into any bank/DFI 50% of surplus funds into any bank upto the 30% of bank equity but management had invested only Rs. 5,000 million into HBL. However, further margin was available for investment of surplus funds upto Rs. 67,617 million (30% of Equity 72,617 - funds invested 5000). Therefore, non-implementation of investment policy in true sense resulted into loss of Rs.111.0183 million (9.252*12) per year. The details are as under:

(Rs.in million)						
S#	Name of Institution	Date of Placement	30% of Bank Equity	Funds Invested for one year	TDR Rate	Profit / Loss per month (E*(F/12)/100)
A	B	C	D	E	F	G
1	NBP	Apr, May & Jun, 21	80,267	35,066	1-Month Kibor offer -0.60 BPS (6.89%)	201.337
2	UBL	May, 2021	49,620	5,271	1-Month Kibor offer -0.64 BPS (6.85%)	30.088
		Total		40,337		231.425
IF invested in HBL						
3	HBL	Apr, May & Jun, 21	(72,617-5000)	40,337	1-Month Kibor offer -0.33 BPS (7.16%)	240.677
Net loss per month 240.677-231.425 = 9.252						
(Source:Port Qasim Authority)						

5. Surplus funds of Rs.1500 million were invested in June, 2016 in NIB Bank, Kulsoom Court Branch at one month Kibor + 0.16% and the same investment was lien marked against two bank two guarantees. Later on in 2017 NIB bank was merged with/acquired by MCB Bank. The MCB bank rolled over the said investment by self without negotiating the terms of TDRs with PQA management at lower rate 4.75% to 12.25% from 2017 to 2022. After the lapse of one and half year the management took up the matter with Bank authorities in 2019 but no fruitful result came. Afterwards the matter was referred to Banking Mohtasib Pakistan (BMP). The matter was disposed-off and letter ref: 2020-715-N462-9443 dated July, 13, 2021 addressed to PQA Management with following remarks:

“Keeping in view the scenario explained above by the Bank and discussion held with you in BMP office that no evidence available for any specific request made to the MCB bank for rebooking of TDRs on special rates, Banking Mohtasib Pakistan has directed to close your Complaint and to inform you accordingly.”

Due to failure by the management to prove its contention, the PQA sustained loss of Rs.142.050 million. The details of profit received and receivable on TDR amount Rs. 1500 million is as under:

S#	Period	Mark-up Received From MCB Bank		Mark-up Receivable on agreed Rate with NIB Bank	
		Rate	Amount (Rs)	Profit Rate	Amount (Rs)
01	July 2016- June 2017	KIBOR + 0.15%	92,861,173	01Month KIBOR+0.16%	96,143,699
02	July 2017- June 2018	4.75%	70,599,315	01Month KIBOR+0.16%	97,828,082
03	July 2018- June 2019	4.736%	70,910,247	01Month KIBOR+0.16%	145,590,274
04	July 2019- June 2020	12.25%	184,253,425	01Month KIBOR+0.16%	194,177,108
05	July 2020- June 2021	For Rs.1000M @ 6.1% & For Rs.500M @ 4.985%	85,788,425	01Month KIBOR+0.16%	114,412,192
06	July 2021 - Jan 2022	For Rs.1500M @ 6.50%	70,431,507	01Month KIBOR+0.16%	68,743,151
Total			574,844,091		716,894,505
Difference			142,050,414 (716,894,505 - 574,844,091)		
(Source:Port Qasim Authority)					

Audit was of the view that the management did not obtain approval from the administrative ministry in consultation with Finance Division for determination of working balance limit and invested funds imprudently in the banks, resulted loss to the organization.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that:

1. Summary for approval has been sent to Finance Division. DAC directed to verify the facts.
2. Funds were being invested on monthly profit basis. DAC directed the management to verify the profit analysis for investment in daily product account (DPA) account.
3. Funds were being invested on monthly profit basis. DAC directed the management to verify the profit analysis for investment in daily product account (DPA) account.

4. Surplus funds of Rs.40,337 million were invested into various AAA rated Banks/DFIs as per PQA investment policy. DAC directed to get verify the stance.
5. The matter was subsjudice. DAC directed to pursue the case vigorously.

Audit recommends implementation of the DAC directives.

(DP Nos.155, 156, 170, 174 & 175)

14.4.4.10 Loss due to non-establishment of LNG Terminal and non-forfeiture of fees – Rs. 990.723 million

The Economic Coordination Committee (ECC) of the Cabinet considered the summary dated 4th March 2019 submitted by the Ministry of Maritime Affairs regarding setting up of an additional LNG terminal at Port Qasim–ECC decision in Case No. ECC-25/6/2019, dated 12th February, 2019 and directed Ministry of Maritime Affairs to take all necessary steps for establishment and operationalization of 3rd LNG terminal by winter 2020.

Para 27 Acceptance of Final LOI Acceptance of the terms and conditions of this Letter of Intent should be conveyed by M/s. Tabeer Energy counter signature within a period of 30 days for Negotiations and award in terms of clause 8.1 of the Project Guidelines 2019. The failure to convey acceptance for any reasons within the stipulated 30 days period unless extended by PQA would be considered as non-acceptance and will result in cancellation of this letter without liability of any sort to the Government of Pakistan or its agencies or PQA and the partial concession fee of US\$ 2 million will be forfeited.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the ECC in March 2019 directed the management to take all necessary steps for establishment and operationalization of a third LNG terminal. The management in compliance issued provisional Letter of Intents (LOIs) to all the five potential LNG developers. In response, two firms i.e. M/s. Tabeer Energy (Pvt.) Ltd. and M/s. ENERGAS Terminal (Pvt.) Ltd. accepted LOI and submitted concession fee equivalent to US Dollars 2.000 million out of US\$ 10.000 million. The management appointed M/s. DNV.GL as PQA Consultant to provide the scope of services/consultancy services for two projects of M/s. Tabeer Energy

(Pvt.) Ltd. and M/s. ENERGAS. Final LOI along with draft Implementation Agreement (IA) was issued on 20-05-2020 date of acceptance extended upto 19-03- 2021. However, Implementation Agreement is still not finalized and signed both the parties. Had the LNG terminal been commissioned during the year 2020, authority could have earned royalty of Rs 630.723 million besides Annual Land Rent, utilization of Sea water charges, Port dues, Berth Fee Pilotage, Wharfage for LNG vessels. The calculation of royalty to be earned as under:

(Amount in Rs.)				
Period	Quantity in MT	US\$ Rate per MT	Conversion Rate	Amount
January to December 2021	Average LNG 184,422 MT handle in one month *12 months= 2,213,064 MT.	1.90	150	630,723,240
(Source:Port Qasim Authority)				

Furthermore, the management did not forfeit the amount of Rs.360.000 million (US \$ 2.00 million) on account of concession fee from M/s Tabeer Energy in violation of above rules.

Audit was of the view that management did not adhere to the Economic Coordination Committee (ECC) directives Thus, due to non-establishment/ commissioning of LNG terminal country faced imminent shortage of gas since 2020.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that the subject matter was still pending as PQA had communicated to the concerned authorities in this regard. DAC directed to pursue the matter at Inter-Ministerial level.

Audit recommends implementation of the DAC directives.

(DP Nos.121, 122 &123)

14.4.4.11 Non-utilization of channel development cess - Rs. 666.587 million

S.R.O (KE) 2017 dated 16-3-2017 of Government of Pakistan, Ministry of Ports and Shipping Port Qasim Authority states that each LNG Carrier (LNGC) entering the Port shall be levied with Channel Development Cess for LNGC US\$100,000 on each arrival.

S.RO (1)/2021 dated 02-04-2021 of Government of Pakistan, Ministry of Maritime Affairs, Islamabad, states that the Federal Government is pleased to exempt collection of Channel Development Cess till complete utilization of already collected cess amount in accordance with the said decision of the Federal Government.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the management collected Rs.666.587 million from LNG carriers under the head of Channel Development Cess (CDC). Afterwards, Government of Pakistan (GoP) Ministry of Maritime Affairs directed that the management shall not collect the CDC till utilization of the available CDC amount with immediate effect. However, the amount of Rs 666.587 million still remained available in PQA accounts which resulted in blockade of funds.

Audit was of the view that the management neither contacted the Ministry of Maritime Affairs nor utilized the collected amount of CDC.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that the subject matter was still pended as PQA has communicated to the concerned authorities in this regard. DAC directed to pursue the matter at Inter-Ministerial level.

Audit recommends implementation of the DAC directives.

14.4.4.12 Loss of revenue due to less charging of royalty - Rs. 440.389 million equivalent to US\$ 2.516 million

According to Clause 4.3 (b) (ii) (b) of Implementation Agreement (IA) signed between PQA and QICT “Within two years from the Date of Commercial Operations PQA shall ensure a minimum draught of 14 meters is available at all times”. Further, Clause 4.3 (b) (ii) (c) of IA, “ Failure of PQA to provide and maintain draught in terms of Clause 4.3 (b) (ii) (b) shall entitle QICT to reduce Royalty by a further amount of US\$ 2.00 per move”.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the management awarded a contract for the project of 2nd Container Terminal of Qasim International Container Terminal (QICT)-2 on Built Operate Transfer (BOT) basis directly to M/s. Dubai Port (DP) World company for the period of 30 years at the rate of US\$ 9.20 per move as well as transfer of old Terminal QICT-I for further period of 30 years on the same rates before expiring of the agreement. However, the management charged US\$7.20 per move on both terminals instead of actual rates of US\$ 9.20 per move in violation of the Implementation Agreement (IM). Details of loss are as under;

(Amount in Rs.)						
Description	Year	Total Quantity handled (Box)	Rate of difference per Box (US \$)	Loss (US\$)	Average Rate (Rs.)	Total Loss (Rs.)
QICT-I&II	2020-21	1,258,256	2.0	2,516,512	175	440,389,600
(Source:Port Qasim Authority)						

Audit was of the view that undue favour was extended to the contractor by reducing US\$ 2 per move which resulted in a loss of Rs. 440.389 million.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that the clauses of the Implementation Agreement (IA) were being set with reference to the ToRs by the Ministry. DAC directed the management to verify the facts from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.13 Loss due to imprudent decision of dry docking - Rs. 271.986 million

According to Section-IX Note-17, the Gazette of Pakistan dated June 17, 2010 monsoon season start from 16th May to 15th September in Pakistan

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that dry docking of M.T. Kadiro, 2012 was dry docked at KS&EW for 95 days during peak operational period from 10-12-2020 to 15-03-2021 instead of dry docking during the monsoon season, which resulted in loss of Rs 271.985 million. Details are as under:

Pilotage Fee per vessel (A)	Kadiro served average 2 vessels per day (B)	Dry Dock days (C)	Loss (Rs.) (D)= B*C
US\$ 0.26 more than 30,000 to 40,000 GRT	US\$0.26x32,387 GRT (approx.)x 2 Vessel per day x Rs 170=Rs 2,863,010	95	271,985,950
<i>(Source:Port Qasim Authority)</i>			

Audit was of the view that the management started dry docking in peak / working season due to which the boat remained 95 days idle, which resulted in a loss of Rs.271.985 million.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that they pursue classification society for dry docking of MT Kadiro. However, classification society conducted survey and relaxed PQA for the dry docking of MT Kadiro for two to three years. Further, ships arrived at higher side during the monsoon season as compare to previous year. DAC directed that the management to provide a copy of survey reports as conducted by classification society and also verify the comparison of ships arrival for current year and previous year from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.14 Loss due to scrapping of tenders - Rs. 103.691 million

Rule 38 of PPRA Rule, 2004 states that the bidder with the most advantageous bid shall be awarded the procurement contract, within the original or extended period of bid validity.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the management scrapped the following tenders for construction of road works, storm water drains and water supply and sewerage schemes in North West Industrial Zone (NWIZ) and South West Industrial Zone (SWIZ) at Port Qasim, Karachi. Further, management retendered the same contracts and awarded the contracts at higher rates as detailed below:

Road works		
Bidder Name	Bid price (Rs.)	Status of contract
M/s. Sachal Engineering Works	1,560,383,325	Scrapped
M/s. Sachal Engineering Works	1,618,014,852	Awarded
Loss due to Excess contract value	57,631,527	
Water supply		
M/s. Noorulhaq and Brothers	376,096,889	Scrapped
M/s. Noorulhaq and Brothers	398,624,730	Awarded
Loss due to Excess contract value	22,527,841	
Sewerage work		
M/s. National Logistic Cell (NLC)	859,404,124	Scrapped
Frontier Works Organization (FWO)	882,937,435	Awarded
Loss due to Excess contract value	23,533,311	
<i>(Source:Port Qasim Authority)</i>		

Audit was of the view that due to scrapping of tender, management extended undue favor to the contractors, which resulted in loss of Rs. 103.691 million to the Authority.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that:

1. Tenders was scrapped as 10 to 11 days remained left in expiration of the bid validity. DAC directed to verify the facts from Audit.
2. Tenders was scrapped as 10 to 11 days remained left in expiration of the bid validity. DAC directed to verify the facts from Audit.
3. Tenders was scrapped as 10 to 11 days remained left in expiration of the bid validity. DAC directed to verify the facts from Audit.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.136,137 &138)

14.4.4.15 Non-imposition of liquidated damages - Rs. 93.833 million

According to Clause-5, sub-clause 5.1 Part- IV of Tender dated November 2017 for hiring of 04 LNG Compatible Azimuth Stern Drive (ASD) Tugs for PQA Act of Tugs “The Contractor shall be responsible for the complete maintenance and entire operations of the Tugs (as the case may be). Accordingly,

the Contractor shall maintain his Tug in fully operational conditions, round the clock for PQA use throughout the Charter Period.”

Clause 16 sub-clause-16.2 stated that in case of failure by Contractor to provide Tugs continuously over 72 hours, during contract period on PQA Harbour Master’s demand then the Contractor shall pay liquidated damages as compensation to PQA equal to two times the Contractual rates on prorata basis for deployment of these Tugs against each unattended/non-operational hour for the required services (BIMCO Charter Party Suspension of Hire Clause 13 with PQA clarification for L.D. is applicable).

Clause No. 02 of the agreement dated 05-10-2020 regarding Delay in completion states that “if the consultant fails to complete the assignment and deliver the tasks, or any part thereof, within the prescribed period of six months or such extended period of further six months as stated in clause 5 of the RFT, or fails to complete the whole assignment, or, if applicable, any task within the relevant time, then the Consultant shall pay to the Employer the relevant sum at Rs.100,000 as liquidated damages for every day.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the management hired a tug boat (SL Mukallah) from M/s. Smit Lamnalco @ US\$ 6,940 per day for berthing / un-berthing of ships. On 08-05-2021, a ship MV ER Los Angeles damaged the Tug / Boat SL Mukallah due to which it remained non-operational for 27 days from 08-05-2021 to 04-06-2021, however, no LD of Rs.65.583 million (US 6,940 x2=US\$ 374,760 x Rs.175) was imposed.

Furthermore, it was also observed that management hired M/s. HRSG Consulting Pvt. Ltd. on 05-10-2020 for providing consultancy services to PQA for a period of 6 months, which was extended for a further period of 6 months up to 04-10-2021. However, M/s. HRSG (Pvt.) Ltd. failed to submit the phase-wise report as per contract within the stipulated time. The contract was delayed for 283 days and the amount of penalty stood at Rs.28.250 million (283 days * Rs.100,000 per day).

Audit was of the view that the management extended undue favor by not imposing penalty of Rs.93.833 million on the consultants.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that:

1. Amount US\$ 187,380 has been recovered from the contractor. Further, management informed that as per International agreement BIMCO, contractor was liable to pay onetime payment of non-operational days. DAC directed the management to provide a copy of BIMCO agreement and to verify the recovered amount from Audit.
2. M/s HRSG consulting Pvt. Ltd. has been appointed for the work. However, the project was still not completed. DAC pended the para till completion of the project.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP 125 & 132)

14.4.4.16 Irregular payment on account of manning, operation and line maintenance – Rs. 93.562 million

According to Clause 4, part-iv (k), in case of planned laid up / non ops status of the craft for more than 30 days, by mutual consent of Employer and Contractor, manning may be reduced to half.

According to Clause 20, part-iv of Special Conditions of Contract, if any craft is laid-up or auctioned or declared BER/ Scrapped during contract period then manning & operation of such craft will be withdrawn and monthly bill of the Contractor will be reduced, accordingly.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that a contract was signed between M/s. Bahria Foundation and PQA on 14-2-2019 for manning, operation and 1st line maintenance of one pilot boat (Amber) for a period of two years (+1 year extendable) at cost per month for 1st year of Rs.5,898,780 and 2nd year of Rs.6,488,700. The Pilot Boat Amber remained non-operational for 24 months from 16-01-2020 and full payment was made to the contractor amounting to Rs.155,728,800 (Rs.6,488,700 per month x

24 months) for such non-operational period instead of half payment i.e. Rs. 77,864,400 (Rs.6,488,700/2 per month x 24 months = Rs.11,864,400).

Furthermore, a contract was awarded Pakistan National Shipping Corporation (PNSC) on 14-10-2019 for manning, operation and 1st line maintenance of five PQA crafts, one Tug, two pilot boats and two surveillance boats for a period of two years from 14-10-2019 to 14-10-2021 at Rs.108,770,160. The contract was extended for further one year up to 13-10-2022. However, the boat remained non-operational only after 2 months of the contract i.e. from January, 2020 and remained 29 months non-operational, but payment of Rs.15.698 million was made to the contractor.

Audit was of the view that excess amount of Rs.93.562 million was paid to M/s. Bahria Foundation and M/s PNSC in contravention of special condition of the contract during the period of non-operation of boat.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management informed that:

1. Due to operational requirement half of the staff on ship could not be deployed. DAC pended the Para.
2. Due to operational requirement half of the staff on ship could not be deployed. DAC pended the Para.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.128 & 173)

14.4.4.17 Irregular/un-justified extension of contract for civil works - Rs. 80.000 million

Rule 4 of PPRA Rules, 2004 states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that M/s Indusmens Corporation was awarded a contract for “Repair & Maintenance work of PQA building and offices” at a ceiling cost of Rs.80.000 million per annum vide agreement dated 1st August, 2019. M/s Indusmens Corporation submitted 1st running bill amounting to Rs.15.702 million against the contract. The management decided to withhold 30% amount i.e. Rs.4.710 million due to un-satisfactory progress of work vide letter dated March 24, 2021 for slow progress of work. Despite of that the contract was further extended up to July 30, 2021 on same terms and conditions vide letter dated 20.7.2020 in violation of above provision of PPRA Rules, 2004.

Audit was of the view that undue favour was extended to the contractor by granting extension in the contract period despite unsatisfactory work performed.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that withhold 30% amount i.e. Rs.4.710 million due to unsatisfactory progress of work. Later on, the contractor performed as per standards. DAC directed the management to verify the facts from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.18 Irregular award of extension of manning contract - Rs. 56.726 million

As per contract agreement for manning, operations and first line maintenance of five craft of PQA Clause 1, whereas the Employer is desirous to award certain works namely manning, operations & 1st line maintenance of five craft of one tug, two pilot boats and two surveillance boats hereinafter referred to as “ the Works” for a period of two years.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that a contract was signed between Pakistan National Shipping Corporation (PNSC) and PQA for manning, operation & 1st line maintenance of five PQA crafts of one Tug, two pilot boats and two surveillance boats on 14-10-2019 for a period of two years w.e.f. 14-10-2019 to 14-10-2021. Total contract

price for two years of Rs.108,770,160. However, the contract was extended for further one year up to 13-10-2022 at additional amount of Rs.56.726 million, whereas, the contract was signed for a period of two years.

Audit was of the view that the management extended the contract for a period of one year w.e.f.14-10-2021 to 13-10-2022 amounting to Rs.56.726 million in violation of contract agreement.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that extension for the period of 6 months was part of the signed agreement. DAC directed to verify the stance. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.19 Loss due to non-imposition of penalty on late delivery - Rs.51.190 million

According to S.No.8 of bidding document “the validity of supply period is 60 days the date will be started from the date of issuance of supply order”. Further, S.No14 states that “Liquidated damages at rate of 2% of the contract price per month subject to maximum 10% of the contract price will be recovered, if supply is not made within the contract period”.

Further, Article 18.25 states that if the Company shall fail to achieve completion of the Project in time pursuant to Article 3.19 hereof as a result of default attributable to the Company and not attributable to any act or omission of PQA then the Company shall be liable to pay liquidated damages for every day of delay, such damages not exceeding Rs 100,000 per day.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the management did not impose penalty/liquidated damages on M/s Azam Enterprises despite late supply of items/materials: The details are as under:

Name of Supplier	Delivery period and date	Items received on	Delay period (months)	LD maximum of 10% of contract amount per month (Rs.)	Total Loss (Rs.)
M/s Azam Enterprises	2 months (28.9.2020)	13.09.2021	12 months and 15 days	Rs.11,752,000*10%=(Rs.1,175,200 per month)	Rs.14,690,000 (Rs.1,175,200* 12.5 months)
(Source:Port Qasim Authority)					

Furthermore, An Implementation Agreement (IA) was signed between PQA and Pakistan International Bulk Terminal Pvt. Ltd. (PIBT) on 6-11-2010 to Build Operate Transfer (BOT) basis for the construction, development, operations and management of a coal and clinker / cement terminal at PQA for a period of 30 years. M/s PIBT handled 10.071 million metric tonnes quantity against the 12 million metric tonnes per year as required by IA. Details are as under:

Quantity Handled in Tons			
Year	Qty in Tons	Year	Qty in Tons
2018	2,745,048	2020	8,630,340
2019	8,553,410	2021	10,071,090

The management did not impose liquidated damages of Rs.36.500 million (Rs 100,000 * 365 days) on PIBT as it did not meet out the required handled quantity of 12 million metric tonnes per year.

Audit was of the view that the management extended an undue favor to the supplier/ contractor by non-imposing the penalty / liquidated damages amounting to Rs.51.190 million.

The matter was reported to the management on 24-05-2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management stated that:

The items were received on 9.8.2021. DAC directed the management to verify the factual position from Audit.

The capacity handling in next year was not mandatory part of agreement. DAC directed the management to verify the factual position from Audit.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.154 & 165)

14.4.4.20 Irregular award of contract of lawn / green areas -Rs.49.508 million

Rule 18 of PPRA Rules, 2004, states that the procuring agency shall disqualify a supplier or contractor if it finds, at any time, that the information submitted by him concerning his qualification as supplier or contractor was false and materially inaccurate or incomplete. Further, Rule 31 clarification of bids: (1) no bidder shall be allowed to alter or modify his bid after the bids have been opened.”

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the management invited tender for maintenance of PQA lawns / green areas in November 2020. In response, three (3) bidders submitted their bids and found technically qualified. The financial bid was opened on 18.1.2021. M/s M.M. Associates submitted bids without Sindh Sales Tax (SST), in violation of terms and conditions of tender which was accepted and the contract was awarded to M/s M. M Associates on 01-04-2021 amounting to Rs.49.508 million (Rs.2,062,830 per month *24 months = Rs.49,507,920).

Audit was of the view that award of contract in violation of tender documents reflected negligence and favoritism.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that the bidder is bound to pay SRB @13% and the contractor is required to pay the same from the quoted rates Rs.2,062,830. DAC directed the management to verify the factual position from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.21 Irregular procurement by splitting / quotation basis - Rs.36.221 million

Rule 9 of PPRA Rules, 2004, states that a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the

procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the management purchased following items amounting to Rs.36,221,757 by splitting up and in piecemeal basis. The details are as under:

S#	Description	G.L No.	Amount
1.	Furniture & fixture	1010010007	3,260,054
2.	Office equipment	1010010008	6,297,544
3.	Stock of material supply (coded & non-coded)	1050010001	15,299,208
4.	AC, LEDs, Laptops, computer printer, etc (other equipment)	1010010010	5,725,437
5.	Survey engineering equipment	1010010009	2,485,000
6.	Sundry expenditure & hire decoration items	5030200024	3,154,514
Total Rs.			36,221,757
<i>(Source:Port Qasim Authority)</i>			

Audit was of the view that procurements on splitting basis reflected violation of PPRA Rules, 2004.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that the procurement was petty nature. The procurement was made under delegation of financial power. DAC directed the management to verify the factual position from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.22 Encroachment of land - Rs. 35.391 million

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

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that a block consists of 65 plots measuring 300 sq. yards at Gulshan-e-Benazir Township Scheme during the years 2015 to 2021 amounting to Rs.35.391 million was encroached by various occupants.

Audit was of the view that despite initiating a large-scale anti-encroachment drive by the management, the land was encroached which reflected negligence and inefficiency.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that letters were sent to Deputy Commissioner Malir for removal of encroachment. DAC directed the management that the efforts should be taken for removal of encroachment. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.23 Non-construction of Combined Effluent Treatment Plant – Rs. 35.292 million

As per contract agreement between PQA and NESPAK dated November 2020, the consultant shall commence the work immediately after signing of the agreement which shall be considered as the starting date, the complete assignment with twenty two (22) months thereafter. The delay in completion of task planning and designing and tender documents within 4 months shall not be reimbursable with extra payment. The delay in Supervision due to consultant's fault also shall not be reimbursable with the extra payment.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the management hired the services of M/s NESPAK on 21-08-2020 for preparing planning, designing / review existing design, preparation of tender documents & construction supervision of Combined Effluent Treatment Plant in NWIZ and upgrading / enhancement of existing sewerage Plant already established in Edible & Molasses area at Port Qasim amounting to Rs.35.292 million. The work was required to be completed in twenty two (22) months i.e. from August 2020 to June 2022. However, the project was not completed till close of audit. Further, the management changed the location of plant at North Western Industrial Zones (NWIZ) for which no approval of Board/Federal Cabinet was obtained.

Audit was of the view that M/s. NESPAK failed to complete the final design and bidding documents of treatment Plant at NWIZ in violation of contract agreement.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The matter was informed the forum that the management has changed the location of Effluent Treatment Plant. DAC directed the management to provide a copy of BoD approval regarding change of location to Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.24 Loss due to waiver of mark-up on allied charges - Rs. 23.141 million

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

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the management waived off mark up of Rs.23,141,879 on allied charges to M/s Joint Services Embarkation Head Quarters (JSEHQ's) allottee of Land measuring 10 Acres situated in South Western Industrial Zone (SWIZ) of PQA.

Audit was of the view that the management extended an undue favor which reflected negligence and weak financial management.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised the DAC that the recovery is in progress. DAC directed the management to speed up the recovery process and share the position to Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.25 Loss due to non-imposition of compensation charges - Rs. 20.253 million

Clause 9.4 of Implementation Agreement of PQA and QICT states that QICT shall ensure that all PQA Charges collected by it on behalf of PQA are paid directly into a Bank Account nominated by PQA for the purpose, within seven (07) Days of the following month.

Further, clause 9.5.2 states that in the event the Royalty payments due from QICT to PQA are not paid within the period specified in Clause 9.1.3 or the PQA charges due from QICT to PQA are not paid within the period specified in Clause 9.4, PQA shall be entitled to receive compensation from QICT at the rate of six percent (06%) simple interest per annum.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that M/s. Qasim International Container Terminal Pakistan Ltd. (QICT) delivered cheques of Rs. 337,548,370 of Wharfage Charges to the management after seven days of the following months instead of depositing directly into Bank Account as per contract terms. Resultantly, the management not only suffered a markup loss of 20 to 30 days but also suffered a loss due to non- imposition of compensation charges of Rs.20.252 million (Annex-117).

Audit was of the view that the management extended undue favor to M/s. QICT by receiving cheques after 20 to 30 days which were required to be deposited within seven days of the following months.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that compensation charges against QICT amounting to Rs.124,518 during the year 2020-21 has been recovered. DAC directed the management to verify the facts from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.26 Loss due to less work performed by dredger - Rs. 18.849 million

Clause 7.2 of contract agreement for Manning, Repair and maintenance of PQA “Trailing Suction Hopper Dredger (TSHD) Hopper Capacity 7,000 CUM

dated 7th November 2016 states that the performance and assessment of manning and maintenance of dredging will be gauged against a minimum requirement of annual 05 million cum dredging liquidated damages for manning and maintenance shall be levied per day delay in completion of annual 05 million cum dredging at rate of 3 times of manning and maintenance cost per day.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the total volume of quantity dredged during the 4th year was 4,881,329.99 Cubic Meter (CuM) and in the 5th year it was 4,812,564.51 (CuM) which is less than the required work performance as per contract agreement. The dredging work for 4th and 5th year i.e. 10.00 million CuM was to be carried out, whereas actual dredging work of 9.694 million CuM was done, however the management did not impose LD to the contractor as per contract amounting to Rs.18.849 million as detailed below:

Year	Annual amount of payment (US \$)	Per day Rate (US \$) (A)	Rs. (B) (A *Rs.170)
4 th	6,550,000	6,550,000/ 365*3=5,3835.616	9,152,054
5 th	6,940,000	6,940,000/ 365*3=57,041.095	9,696,986
Total			18,849,040
(Source:Port Qasim Authority)			

Audit was of the view that the management extended undue favor to the contractor by not imposing the LD as the dredged work was not performed as per required dredged quantity.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that performance of the dredged material was measured at cumulative basis for five years. DAC directed the management to verify the position from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.27 Loss of revenue due to charging lesser rates - Rs. 18.807 million

Rule 5 of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Board shall exercise its powers and carry out its fiduciary duties

with a sense of objective judgment and independence in the best interest of the company.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the management charged nominal wharfage charges from clients on account of import and export of different commodities (Annex-118). Thus, PQA charged very nominal rates on account of wharfage charges as compared to KPT Port. Above comparison shows that same commodities were handled at PQA as well as at KPT but there was a huge difference between the rates of both ports due to which PQA sustained a revenue loss of Rs.18.807 million.

Audit was of the view that management did not manage the port affairs properly which caused losses.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that wharfage charges were regulated by Government of Pakistan. DAC directed the management to verify the position from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.28 Loss due to less deduction of sales tax - Rs. 18.484 million

According to Para 2 (1) (3) of Sales Tax S.R.O. No.660 (I)/2007 dated June 30, 2007, “All withholding agents shall make purchases of taxable goods from a person duly registered under the Sales Tax Act, 1990, provided that under unavoidable circumstances and for reasons to be recorded in writing, purchases are made from unregistered persons, the withholding agent shall deduct sales tax at 13% of the value of taxable supplies made to him from the payment due to the supplier”.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the management awarded the contract to M/s Frontier Works Organization (FWO) for “(Pkg-1 construction of remaining sewerage facilities) in North West Industrial Zone (NWIZ) and South West Industrial Zone (SWIZ) at Port Qasim, Karachi amounting to Rs.882.937 million on November 13, 2020.

However, the management paid the contractor without deducting the sales tax of Rs.18.484 million @ 13% as detailed below:

(Rs)				
I.P.C#.	Gross Amount (IPC)	SST @13%	Deducted	Difference
1.	84,354,426	10,966,075.38	-	10,966,075
2.	106,308,498	13,820,104.74	12,230,181	1,589,924
3.	174,500,101	22,685,013.13	20,075,233	2,609,780
4.	94,105,031	12,233,654.03	10,826,243	1,407,411
5.	127,813,425	16,615,745.25	14,704,199	1,911,546
Total loss				18,484,737
(Source:Port Qasim Authority)				

Audit was of the view that the management extended undue favor to the contractor by not deducting the sales tax of Rs.18.484 million.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that sales tax had been deducted on bill amount instead of gross amount. DAC directed the management to verify the position from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.29 Irregular award of contracts without tender – Rs. 16.727 million

Rule 20 of PPRA Rules, 2004 states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

Rule 12(1) of PPRA Rules, 2004, states that all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the management awarded contracts to following contractors without open competition as detailed below:

	(Rs.in million)

S#	Name of Contractor	Description	Amount
1.	M/s. Bureau Veritas Pakistan (Pvt.) Ltd	Conducting a survey of PQA vessels	8.375
2.	M/s. Seamax Marine Services	Hiring of one pilot boat	8.352
Total			16.727
(Source:Port Qasim Authority)			

Audit was of the view that the contracts was awarded in violation of PPRA Rules, 2004 which stood irregular and unjustified.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022.

1. The management agreed with the contention of the audit. DAC directed the management to conduct an in-house inquiry and share the findings with Audit.
2. The management apprised that the contract was awarded due to an emergent situations. DAC directed the management to verify the facts from Audit.

However, no record was produced by the management till finalization of this report.

Audit recommends for implementation of the DAC directives.

(DP Nos.135 & 172)

14.4.4.30 Loss due to damage of channel buoys - Rs. 14.232 million

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

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that M/s. China Shipbuilding Trading Co. (CSTC) operated Dredger Indus Dolphin hit the approach channel buoy No.10 and dragged the buoy around 355 meters. Furthermore, River King Master, a vessel damaged channel buoy B-3 on 17-07-2020. PQA provided the services of pilot and tug to assist River King Master. In this regard M/s. Czaarstec (local agent of River King Master) gave an undertaking to repair damaged works within 30 working days which was not done till date. Details of damage are as under:

S#	Buoy-12	Amount	Buoy-3	Amount
1.	Cost of repairing buoy body and re-painting	\$3,200	Estimated total cost of Buoy	\$58,500
2.	Price of mooring chain, shackles and sinker	\$9,000	Pilotage/Tug charges	Rs 547,482
3.	Cost for recovery of buoy and chain	\$4,300		
4.	Cost of laying new buoy	\$3,200		
Total cost (A)		\$19,700		\$58,500
Equivalent to Rs. (@175 per US\$		Rs.3,447,500		Rs.14,232,482
(Source:Port Qasim Authority)				

Audit was of the view that the management extended undue favor by not recovering the damaged charges from the vendors.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that an amount of Rs.242,000 has been recovered. DAC directed to verify the recovered amount from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.31 Non-collection of stamp duty - Rs. 8.829 million

As per Sindh Govt. Gazzette Notification Ext. Jul 10, 2019 part-IV, Schedule-I of Stamps Act-1899, (vii) after Article 32, (iv) in the Article 29, for the existing entries there-against in column 2, the following shall be substituted:-
‘At the rate of one per cent (1%) of value in the valuation table or at the floating rate charged on the actual value.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the stamp duty of Rs.8.829 million was not collected at the rate of 1% of the total contract value of Rs.882.937 million from M/s Frontier Works Organization (FWO).

Audit was of the view that the stamp duty was not collected which reflected negligence and inefficiency.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management informed that M/s. FWO has taken up the case with Sindh Board of

Revenue for revalidation of exemption certificate with regard to stamp duty and same would be deposited once received. DAC directed the management to verify the position from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.32 Non-implementation of Oracle Financial - Rs. 7.500 million

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

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the management appointed M/s. Inbox Business Technologies for computerization (implementation of Oracle Financial) of Finance Department at a cost of Rs.7.573 million in 2009. However, Finance Department was not integrated with Oracle Financial modules. Due to non-implementation of Oracle Financial modules the authenticity of transactions are in doubt. Thus, due to non-ordination of Finance Department and Computer Department, the implementation of Oracle Financial could not be realized.

Audit was of the view that the management failed to implement the Oracle Financial Modules with an object to bring transparency in financial matters after lapse of more than 13 years.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that advance payment of Rs.3.500 million was made to the contractor. DAC directed the management to verify the position from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.33 Irregular award of contract to 4th lowest bidder - Rs. 5.045 million

Rule 36 (b) (ix) of PPRA, Rules, 2004 states that the bid found to be the lowest evaluated bid shall be accepted”. Furthermore, Rule 38 states that the bidder with the lowest evaluated bid shall be awarded the procurement contract.

During audit of Port Qasim Authority (PQA) Karachi, for the year 2020-21, it was observed that the management awarded the contract for the procurement of Lubricants for main engines & onboard PQA Crafts to M/s Allied Engineering & services at Rs. 5,045,553 being the 4th lowest bidder.

Audit was of the view that the management extended undue favour to the 4th lowest bidder by violating PPRA rules.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that the 1st lowest bidder was dis-qualified due to non-providing of dealership certificate. DAC directed to conduct fact-finding inquiry and share with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

14.4.4.34 Non-verification of educational degrees / certificates

The Secretary, Government of Pakistan, Establishment Division vide his DO letter dated March 08, 2011 communicated the instructions of the Prime Minister as under: Measures should be taken to authenticate degrees/certificates of all federal Govt. employees of respective Ministries/Divisions, their subordinate offices and autonomous bodies under their administrative control.

During audit of Port Qasim Authority (PQA) for the year 2020-21, it was observed that the management did not verify the educational certificates and experience certificates of 65 officers / staff for verification till date.

Audit was of the view that non-verification of educational degrees and experience certificates at the time of initial appointment is violation of the government rules and regulations.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that out of total 65 officers there only 29 officers’

educational certificates (Matric and Intermediate) are awaited for verification from concerned Boards / Universities. DAC directed the management to share the position with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives besides verification of degrees / certificates of remaining employees.

14.4.4.35 Non-preparation / finalization of annual accounts

Section 10 (I) Public Sector Companies (Corporate Governance) Rule, 2013 provides that every Public Sector company shall, within one month of close of first, second, and third quarter of its year of account, prepare a profit and loss account for, and balance sheet as at the end of, that quarter, whether audited or otherwise, for the board approval. Annual report including annual financial statements shall be placed on the public sector company's website.

During audit of Port Qasim Authority for the year 2020-21, it was observed that the annual accounts have not been prepared / finalized since year 2016-17 till date.

Audit was of the view that the management failed to fulfill its basic responsibility to submit the position and status of the company's affairs to the stakeholders.

The matter was reported to the management on May 24, 2022. The irregularity was discussed in the DAC meeting held on December 31, 2022. The management apprised that the accounts shall be finalized / prepared by June 2023. DAC directed to expedite the process for finalization of annual accounts and share the outcome with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

Chapter-15

Ministry of National Food Security and Research

Overview

The Ministry of National Food Security & Research is mainly responsible for policy formulation, economic coordination and planning in respect of food grain and agriculture. It also includes procurement of food grains, fertilizer, import price stabilization of agriculture produce, international liaison, and economic studies for framing agricultural policies.

Aims & Objectives

A Food Secure Pakistan. To ensure a modern and efficient food production and distribution system that can best contribute towards food security and nutrition, in terms of availability, access, utilization and stability.

Governing Laws and Policies

- Rules of Business

Audit Profile of Ministry of National Food Security and Research

(Rs. in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2021-22	Revenue /Receipts audited FY 2021-22
1	Formations	3	1	87,541.88	89,551.58
2	Assignment Accounts (excluding FAP)				-
3	Authorities /Autonomous Bodies etc. under the PAO	3	1	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs. 65,763.268* million were raised as a result of this audit. This amount also includes recoverable of Rs. 22.854 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Non-Production of record	0
2	Reported cases of fraud, embezzlement and misappropriation	4.190
3	Irregularities:	
A	HR/Employees related irregularities	1,185.144
B	Procurement related irregularities	12,820.484
C	Management of accounts with Commercial Banks	34.610
4	Value for money and services delivery issues	2,730.802
5	Others	48,988.038

* Observations pertaining to previous years are included

15.1 Pakistan Agricultural Storage and Services Corporation Limited

15.1.1 Introduction

Pakistan Agricultural Storage and Services Corporation Limited (PASSCO) was incorporated on August 31, 1973 as a non-listed public limited company. It is involved in the implementation of the Federal Government's policy of support price program of food grains, equitable distribution of food commodities and maintenance of their reserve stock.

The objectives of the Corporation are to purchase, acquire, sell, supply, market, distribute, exchange, and dispose of, import, export and store agricultural commodities. The Corporation is under the administrative control of Ministry of National Food Security and Research.

15.1.2 Comments on Audited Accounts

15.1.2.1 The working results of the Corporation for the year ended March 31, 2022 as compared to the previous years are as under:

	2021-22	% Inc / (Dec)	2020-21	% Inc / (Dec)	2019-20	% Inc / (Dec)	2018-19
Sales	75,756.62	10	68,763.47	23	56,079.88	75	31,978.97
Cost of sales	70,633.85	2	69,222.34	20	57,819.90	50	38,651.32
Gross (loss)/ profit	5,122.77	1,216	(458.87)	(74)	(1,740.02)	(74)	(6,672.35)
Allowance for incidentals	8,585.07	(17)	10,368.10	12	9,256.54	227	2,832.46
Profit/ (loss) after allowance for incidentals	13,707.84	38	9,909.23	32	7,516.52	296	(3,839.89)
Operating expenses	(8,227.56)	113	(3,857.88)	132	(1,660.46)	(13)	(1,913.16)
Administrative and general expenses of HO	(589.469)	17	(505.73)	(3)	(520.74)	8	(480.6)
Administrative and general expenses of Field Offices	(942.387)	17	(808.89)	(15)	(955.7)	(3)	(987.29)
Cost differential	4,916.17	8	4,564.75	(69)	14,840.63	(20)	18,607.34
Other income	293.714	(42)	507.63	49	340.78	40	243.3
Other expense	0	0	0	(100)	134.87	0	0
Finance cost	(7,148.62)	24	(5,767.30)	(55)	(12,817.36)	32	(9,686.25)
Profit/ (Loss) before tax	2,009.70	(50)	4,041.81	(41)	6,878.54	254	1,943.45
Taxation	(1,054.69)	30,063	(3.52)	(99)	(592.57)	69	(351.18)
Profit/ (Loss) for the year	955.003	(76)	4,045.31	(33)	6,016.23	278	1,592.26
Accumulated Profit	18,811.15	0	18,841.67	30	14,539.36	75	8,289.33

(Source: Annual Audited Accounts)

Accumulated profit of the Corporation reached to Rs. 18,811.15 million as on March 31, 2022. PASSCO sells wheat on the instructions of Federal Government and Finance Division allowed the PASSCO to charge incidental charges and cost differential to the borrowing government agencies on actual expenditures incurred. In this scenario the earning of huge profit by the corporation is unjustified which needs justification with full facts and figures.

15.1.2.2 As per Note-26, the cost of incidental is Rs. 5,382.90 per metric tonne but management charged incidental charges @ Rs. 6,822.73 per metric tonne to the borrowing agencies. Further management charged transportation charges on imported wheat @ Rs. 6,893 on average basis instead of actual cost average rate of Rs. 5,546 per metric tonne. Due to this reasons trade debts at Note-18 were at higher side. Thus, management overstated the trade debts and violated the matching principle of accounting standard.

15.1.2.3 As per Notes-28.1 and 29.1, the expenses on account of compensated absences increased from Rs. 34.195 million to Rs. 141.525 registering increase of Rs. 107.33 million which needs justification with full facts and figures.

15.1.2.4 As per Note-35.1, the direct shareholding of the Government of Pakistan is 25% and indirect shareholding is 26.66% held by stated owned banks i.e. National Bank of Pakistan and Zarai Taraqiati Bank Limited. Thus, Government of Pakistan held 51.66% direct and indirect shareholding of PASSCO. Further Note-35.2 describes that the administrative control of the corporation is also under the Government of Pakistan. This position shows that PASSCO is a Public Sector Company and should comply with Rule 24(2) of Corporate Governance Rules-2017 which states that every Public Sector Company shall ensure that the statement of compliance with the rules is reviewed and certified by external auditors, where such compliance can be objectively verified, before publication by the Public Sector Company but the same was not done which needs justification.

15.1.2.5 As per Note-16 under the head of store and spares, management having stock of Gunji kits of huge quantity of Rs. 673.901 million as on March 31, 2022 which was Rs. 15.082 million only as on March 31, 2021. This represents blockage of huge funds and payment of interest on the procurement of Gunji kits as the corporation carried out business on credit arrangements. The

procurement and utilization of Gunji kits needs to be justified with reference to wheat target assigned and actual wheat handled during the year under review.

15.1.2.6 The receivable from Government of Pakistan decreased to Rs. 40,743.528 million from Rs. 42,827.354 million in the year 2021-22. The non-payment of outstanding amounts by government timely caused high borrowing and PASSCO had / has to pay huge financial cost to the banks. Efforts need be made to take up the matter at appropriate level to resolve the issue of outstanding balance of Rs. 40,743.528 million.

15.1.2.7 The quantity of strategic reserve of the Corporation is 1.00 million metric tonne but management has total covered capacity of only 0.562 million metric tonne. During the year 2021-22 not a single godown was constructed or planned to be constructed in future by management. Due to non-construction of godowns each year management had to bear huge cost of Gunji kits and polythene which were used for open stacking of wheat and also were at risk of severe climate condition in case of open stock of wheat.

15.1.2.8 The Gearing Ratio is commonly used by financial analysts to understand the overall capital structure of the company and a gearing ratio between 25% to 50% is typically considered optimal or normal for well established companies. As per Note 37.5, PASSCO gearing ratio is 87% during the year 2021-22 which was 73% in 2020-21. The higher gearing ratio indicated chances of default. Hence, it needs to be reduced for better capital management.

15.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1988-89	11	09	02	297, 300	82
1989-90	07	05	02	318, 319	71
1990-91	07	05	02	233, 237	71
1991-92	07	06	01	222	86
1992-93	14	12	02	121, 122	86
1993-94	06	04	02	100, 102	67
1995-96	15	12	03	105, 106, 108	80
1996-97	15	12	03	118, 122, 123	80
1997-98	05	04	01	98	80
1999-00	04	03	01	141	75
2002-03	04	02	02	82.1, 82.3	50
2008-09	23	17	06	83, 84, 86, 87, 90, 91	74
2009-10	12	10	02	81, 82	83
2010-11	16	13	03	8.1.2.7, 8.1.4.1, 8.1.4.2	81
2013-14	11	0	11	11.1.1, 11.1.2.1, 11.1.2.2, 11.1.2.3, 11.1.3, 11.1.4.1, 11.1.4.2, 11.1.4.3, 11.1.4.4, 11.1.4.5, 11.1.4.6	0
2014-15	37	23	14	13.1.2.3, 13.1.2.12, 13.1.2.14, 13.1.2.15, 13.1.3, 13.1.4.4, 13.1.4.5, 13.1.4.6, 13.1.4.8, 13.1.4.12, 13.1.4.13, 13.1.4.14, 13.1.4.15, 13.1.4.18	62
2015-16	27	13	14	12.1.2.3, 12.1.2.6, 12.1.3, 12.1.4.1, 12.1.4.2, 12.1.4.3, 12.1.4.4, 12.1.4.7, 12.1.4.9, 12.1.4.10, 12.1.4.11, 12.1.4.13, 12.1.4.15, 12.1.4.17	48
2017-18	17	15	02	16.1.3, 16.1.4.11	88
2018-19	15	05	10	13.1.2.1, 13.1.2.2, 13.1.2.3, 13.1.2.4, 13.1.3, 13.1.4.1, 13.1.4.4, 13.1.4.5, 13.1.4.6, 13.1.4.7	33
2019-20	02	00	02	12.1.4.2, 12.4.4.3	0
Total	255	170	85		67

Overall compliance of PAC directives was not satisfactory which needs to be improved.

15.1.4 Audit Paras

15.1.4.1 Irregular appointment of General Manager having irrelevant experience - Rs. 2.774 million

According to Rule-78 of HR Policy of PASSCO vetted by the Establishment Division, the preferable academic, educational other professional qualification and experience for direct recruitment for GM Field required Masters in Economics/ MSc/ MBA/ PhD Degree or equivalent preferably foreign qualified having at least 30 years post qualification practical experience of Monitoring the Procurement and handling of Wheat/Food Grains, Storage/ Disposal/ Logistics and import of wheat etc. Preference will be given to Senior Retired Officers of Provincial or Federal Food related Departments, who would have headed such Operations, not less than 05 Years.

During audit of Pakistan Agricultural Storage and Services Corporation Limited (PASSCO) Lahore for the year 2021-22, it was observed that management published an advertisement on March 09, 2020 regarding appointment of four General Managers. According to approved HR policy mentioned above the required post qualification experience was 10-years of relevant field for GM (Field) but Mr. Imran Nazir who was appointed as GM Field having irrelevant experience.

Due to weak internal control, management published the irrelevant experience in the advertisement for appointment of General Manager Field.

Audit was of the view that due to appointment of irrelevant person, management failed to get maximum benefit if appointed a suitable candidate.

Management in its reply dated Nov 23, 2022 stated that it was to apprise that as per approved HR Policy, criteria for the recruitment of General Managers were 10 years' experience but upon approval of MD PASSCO same has been redefined as 20 years' experience. Recruitment was carried out after approval from the proper forum i.e. Executive Committee. The reply of the management was not correct as the HR policy-2011 approved by the Board shown 30 years' experience for appointment of GM (Field) further how the MD change the policy without the approval of the Board.

During DAC meeting held on January 20, 2023, management apprised the committee that Mr. Imran Nazir was appointed as GM and not GM Field with the requisite relevant experience as per the published advertisement. DAC did not accept the reply of the management and directed to inquire the matter at Ministry level and submit the report with 30-days.

Audit recommends compliance of DAC directives.

Para-9 (PASSCO – 2021-22)

15.1.4.2 Loss due to splitting of two tenders of transportation of wheat - Rs. 378.306 million

According to PPRA Rule-8, all procuring agencies shall devise a mechanism, for planning in detail for all proposed procurements with the object of realistically determining the requirements of the procuring agency within its available resources, delivery time or completion date and benefits that are likely to accrue to the procuring agency in future.

During audit of Pakistan Agricultural Storage and Services Corporation Limited (PASSCO) Lahore for the year 2021-22, it was observed that ECC approved the import of wheat of 3.00 Million M.Ton through TCP for PASSCO on March 31, 2021. In response of this management signed agreement with TCP for import of 0.300 million M.Ton wheat on 23rd Feb 2021 and advertised a tender on July 03, 2021 for shifting of said wheat from Karachi/Gwadar Port to different zones of PASSCO. In response of this, five firms participated and only M/s NLC declared technically qualified on July 19, 2021. Order for shifting of 0.3 million M.Ton was awarded to M/s NLC on the rate quoted in the bid on August 04, 2021.

Meanwhile another agreement was signed by PASSCO with TCP on July 08, 2021 for procurement of 1.500 million M.Ton imported wheat which was already approved by ECC on March 31, 2021. As the tender for shifting of 0.3 million M.Ton imported wheat was in process, the management should include the quantity of 1.500 million M.Ton wheat for shifting in different zones in the already published tender. The management did not to do so and another tender for shifting of 1.500 million M.Ton wheat was published on August 17, 2021 and the

rate of shifting of imported wheat get at higher side from the previous quoted by M/s NLC.

Due to ill planning, management failed to get benefit and incurred extra expenditures on transportation which caused loss to corporation.

Audit was of the view that management paid extra expenditures of Rs. 378.306 million which caused to increase the incidental charges and the same will be borne by the government agencies.

Management in its reply dated Nov 23, 2022 stated that as per agreement with TCP, PASSCO was bound to pay 10,000 \$ per vessel per day as demurrage charges in case of non-lifting of cargo in time. Keeping in view the above, PASSCO did not issue addendum which could have delayed/jeopardize the import operation. Moreover, the average rate for transportation of wheat for 0.300 MMT was Rs 6,949.5 per M. Ton and Rs 6,841 per M.Ton for transportation of 1.500 MMT imported wheat this caused saving of Rs. 151.949 million (Rs.108.5 x 1,400,451 MM Tons). The reply of the management was not correct as the management was in process to final the next agreement of 1.500 Million M.Ton and arrival of the first vessel of 1.500 Million M.Ton wheat was also Aug 5, 2021 so management could be given corrigendum to save transportation charges. Moreover, management discussed in reply the average rate of Karachi and Gwadar Port which is higher side as the no vessel was arrived at Gawadar port and as per actual payment to NLC management paid average Rs. 5,363/M.Ton for 0.300 million M.Ton and Rs. 5,545/M.Ton for 1.500 Million M.Ton which caused loss of Rs. 182/M.Ton.

During DAC meeting held on January 20, 2023, management apprised the committee that PASSCO advertised the bid notice for transportation on July 03, 2021 for shifting of 0.300 million M.Ton imported wheat from Karachi Ports to PASSCO zones. The estimate time for first vessel in this regard was August 08, 2021 and loading of wheat started on August 11, 2021. Due to which PASSCO did not issue addendum which could have delayed/jeopardized the import operation. According to audit the estimated arrival of the vessels of 0.300 Million

M.Ton wheat and 1.500 M.Ton wheat was same therefore the transportation of wheat tender should also be given combined to avoid loss. DAC kept the para pending.

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

Para-10 (PASSCO – 2021-22)

15.1.4.3 Loss due to shortage of 69.658 metric ton wheat at Okara Zone – Rs 4.19 million

According to Para-20 (j) of Wheat procurement Policy 2021, Incharge, Project Manager (PM) and Zonal Head (ZH) will be personally responsible for any discrepancy/ shortage of Bardana and deviation from the procedure.

During audit of Pakistan Agricultural Storage and Services Corporation Limited (PASSCO) Lahore for the year 2021-22, it was observed that a quantity of 48.732 M.Ton at Okara and 20.926 M.Ton Manga valuing Rs. 4.19 million of wheat crop 2020 (imported) were found short.

Due to weak internal control, management failed to control shortage of wheat at zone.

Audit was of the view that management sustained a loss Rs. 4.19 million due to shortage of wheat at zone.

Management in its reply dated Nov 23, 2022 stated that the case of shortage of 48.732 M Tons at Okara was under litigation as PASSCO had filed civil suit against Mr. Pervaiz Iqbal Shahid, Purchase Inspector (Dismissed from service) for recovery of Rs. 3,019,378. As far as recovery on account of shortage of 20.926 M Tons imported wheat 2020 in Manga Mandi Godowns was concerned, disciplinary proceedings were initiated against Mr. Anwar Shaheen Ex-Purchase Inspector Incharge Manga (Okara zone) and recovery had been imposed. Amount of loss would be recovered from officials through recovering order after due process. Management required to pursue the case for Rs. 3.019 million vigorously and recover the remaining amount from other culprits at the earliest.

DAC meeting held on January 20, 2023, directed the management to provide the recovery status of the actual amount. DAC kept the para pending.

Audit recommends compliance of DAC directives.

Para-13 (PASSCO – 2021-22)

15.1.4.4 Irregular award of contracts to NLC for transportation of wheat and gunny bags - Rs. 12,432.850 million

According to Rule-32 of PPRA Rules-2004, no procuring agency shall introduce any condition, which discriminates between bidders or that is considered to be met with difficulty. In ascertaining the discriminatory or difficult nature of any condition reference shall be made to the ordinary practices of that trade, manufacturing, construction business or service to which that particular procurement is related.

During audit of Pakistan Agricultural Storage and Services Corporation Limited (PASSCO) Lahore for the year 2021-22, it was observed that management advertised four tenders regarding transportation of wheat and gunny bags worth Rs. 12,432.850 million. In bidding documents management inserted a discriminatory clause i.e. financial stability for Rs. 100.00 million. In response of these criteria four to five firms namely M/s Logistic One, M/s Faisal Movers, M/s Fret link International, M/s Sania Enterprises and M/s National Logistic Cell participated in the tenders and all firms except M/s NLC were declared disqualified. During review of the technical evaluations of the firms for the tenders, it was noticed that M/s Faisal Movers qualified all the conditions except financial stability of Rs. 100 million in the bank account. The said condition was created discrimination between the firms as the M/s Faisal Movers had more than 3.00 billion turn over and financial statements shown profit of Rs. 143 million in 2020-21 but did not qualify. Due to this discrimination clause only one firm M/s NLC get all four tenders without any competition and management failed to get best competitive rates. It is also pertinent to mention here that the amount of two tenders was less than 100 million, the inclusion of financial stability of 100 million shown malafide attention. Further, M/s Faisal Movers provided transportation services to Food Departments of Punjab, KP, Baluchistan and Sindh as well as defense department of the Pakistan.

Due to weak internal control, management failed to implement the PPRA rules in letter and spirit.

Audit was of the view that management granted undue benefit to the M/s NLC and failed to get competitive rates which leads to mis-procurement.

Management in its reply dated Nov 23, 2022 stated that clause regarding bank statement of minimum 100 million was added due to excessive cash flow was required (First bill was processed after almost one month of loading of 1st vehicle from the port) which would roughly mean the transporter will have to pay upfront for almost 2500 to 3000 vehicles. Further, if the contractor does not have sufficient working capital he would have failed to provide the desired number of vehicles, which would have halt the cargo discharge operation resulting in high demurrage cost and disruption in provision of wheat up country. As far as the other procurement contracts are concerned including jute bags, there is not much need of liquid cash in comparison to contract for transport. Moreover, the risk for demurrage cost is not involved in execution of other procurement contracts rather the stake of supplier is involved in such cases, while in transportation contract wheat of PASSCO would be in their hands, which can lead to a major loss in case of default. The reply of the management was not correct as the core service related to transportation which was required maximum number of vehicles but management did not require the same in tender. Moreover, in two tenders which having amount less than 100 million then the requirement of 100 million stability is also unjustified.

DAC in its meeting held on January 20, 2023, directed the management to explain the position regarding violation of PPRA Rules before PAC.

Audit recommends implementation of DAC directives.

Para-16 (PASSCO – 2021-22)

15.1.4.5 Non-recovery of incidental cost of wheat from Food Department of Gilgit Baltistan – Rs. 10.660 million

Finance Division vide its letter dated June 18, 2020 fixed incidental charges of Rs. 6,822.73 per metric for the year 2018-19 to claim the borrowing agencies.

During audit of Pakistan Agricultural Storage and Services Corporation Limited (PASSCO) Lahore for the year 2021-22, it was observed that management sold wheat to Food Department of Gilgit Baltistan during the year 2018-19 as per instruction of government after charging of incidental cost @ Rs. 6,748.68 per metric ton on provisional basis. Management claimed amounting to

Rs. 10.660 million on account of difference of incidental cost to Food Department, GB during the year after approval of Finance Division which was still recoverable.

Due to weak control, management failed to recover the difference of incidental charges from the Food Department of Gilgit Baltistan till to date.

Audit was of the view that management paid interest on cash credit limits obtained from commercial banks hence early recovery of Rs. 10.660 million was the need of the time.

Management in its reply dated Nov 23, 2022 stated that a minor amount from Gilgit Baltistan which pertains to the difference of incidentals for the year 2018-19. PASSCO is regularly pursuing the matter for clearance of the same. The reply of the management was not correct as the incidentals for the year 2018-19 has been approved by the Finance Division in 2020 but lapse of two years the amount is still outstanding.

DAC in its meeting held on January 20, 2023, directed the management to provide adjustments with agency concerned to audit for verification. No record was provided till finalization of the report.

Audit recommends compliance of DAC directives.

Para-18 (PASSCO – 2021-22)

15.1.4.6 Appointment of officials without advertisement - Rs. 22.924 million

According to order of Supreme Court of Pakistan passed on in Human Rights case No.104 of 1992 on December 26, 1992, the Court observed that Federal Government, Provincial Governments, Statutory bodies and Public Authorities are making initial appointments, both adhoc/regular without publicity and properly advertising the vacancies and at times by converting adhoc appointments into regular appointments. This practice is prima facie violation of Fundamental Rights (Article-18 of the Constitution) guaranteeing to every citizen's freedom of profession.

During audit of PASSCO for the year 2021-22, it was observed that management hired 118 employees in scale 2 to scale 14 officials on work charge basis without advertisement.

Due to weak administrative control, management failed to implement the decision of the Supreme Court and granted undue favor to the officials.

Audit was of the view that management deprived the candidates from the fundamental rights who have required qualification/experience and appointments were made on pick and choose basis.

Management in its reply dated Nov 23, 2022 stated that advertisement for filling of vacant position against permanent posts was published while for hiring/engagement of work charge/daily wagers employees, no advertisement was published. It is pertinent to mention here that engagement of 68 work charge employees of class-4 were allowed by the BoD in addition, it has been specified at Rule No.8 (c) of HR Policy that PASSCO management has been empowered for the smooth functioning of PASSCO to engage work charge employees for the vacant posts of lower cadres. As such, against more than 300 vacancies only 118 employees were engaged against the very essential requirements. The reply of the management was not correct as the most of the employees working since five years which depicts that management retained against regular posts. So the retention of the employees without advertisement is against the fundamental rights as mentioned above.

DAC in its meeting held on January 20, 2023, directed the management to explain the position regarding appointments without advertisement before PAC.

Audit recommends implementation of DAC directives.

Para-19 (PASSCO – 2021-22)

15.1.4.7 Irregular payment of additional delivery charges - Rs. 102.813 million

According to letter of DGM (Field) dated May 07, 2021 addressed to all zonal heads of PASSCO for payment of additional delivery charges Rs. 50 to Rs. 80 per bag to growers who bring their wheat from far off areas (40 to 110 KMs), depending upon the distance involved.

During audit of PASSCO Zonal Offices for the year 2021-22, it was observed that management while procuring wheat paid additional delivery charges to growers/traders and farmers without any supporting documents and evidence of distances. The management paid Rs. 102.813 million extra delivery

charges to all growers/traders and farmers without observing clear instructions of Head Office mentioned above.

Due to weak operational and financial control, management of zonal offices paid additional delivery charges without demanding the required documents.

Audit was of the view that management of zonal offices granted undue benefit to the farmers on the cost of government exchequer as the same was booked to government agencies through incidental cost.

Management in its reply dated Nov 23, 2022 stated that in order to achieve additional wheat procurement the farmers were incentivized through offering of delivery charges from Rs. 50 to 80 due to high prevailing rate of wheat in the market. The reply of the management was not correct as the management did not achieve the target of wheat procurement and further the payment of additional delivery charges were made without provisioning of required documents.

DAC in its meeting held on January 20, 2023, directed the management to explain the position regarding payment of delivery charges before PAC.

Audit recommends implementation of DAC directives.

Para-20 (PASSCO – 2021-22)

15.1.4.8 Unnecessary procurement of Gunji Kits resulting into loss of interest- Rs. 88.091 million

According to Finance Division letter No F.15(13)R-14/82 dated Sep 5, 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 PASSCO for the year 2021-22, it was observed that management had 4,302-Gunji Kits before start of procurement wheat crop-2021 for open stacking of 1,561,626 M.Ton wheat which was procured against local wheat target 1,400,000 M.Ton, carry over 300,000 imported wheat stock and for expected imported wheat of 300,000 M.Ton. Management procured only 814,106

M.Ton local wheat but no imported wheat received upto July 2021. In August 10, 2021, management received approval regarding imported of 1,500,000 M.Ton wheat and at that time management had 3,469-Nos Gunji Kits for stacking of 1,259,363 M.Ton wheat and having covered capacity of 307,000 M.Ton and there was no need to procure further Gunji kits but management procured further 510-Nos Gunji kits @ Rs. 157,786 for Rs. 80.471 million unnecessarily and paid Rs. interest of Rs. 7.62 million ($\text{Rs. } 80.471 \times 9.47\%$ rate of interest). It is necessary to mention here that during field visit of six zones, it was observed that zonal management had sufficient balance of Gunji kits and there was no need as their utilization reports. Further in the whole year management retained open stacking maximum 951,399 M.Ton.

Due to poor operational control, management failed to access actual requirements and procured excess Gunji kits without need.

Audit was of the view that as the corporation business was running on loan therefore management suffered loss of Rs. 7.62 million due to unnecessarily purchase of Gunji kits.

Management in its reply dated Nov 23, 2022 stated that 0.864 MMT indigenous wheat was procured against the given target of 1.2 MMT in procurement operation 2021. However, logistic planning of required items was done in December 2020 for 1.7 MMT including 1.4 MMT indigenous and 0.3 MMT imported wheat. After the completion of local procurement operation, the balance quantity of logistic items was utilized for the imported wheat operation of 1.6 MMT in 2021 against the assigned figure of 1.8 MMT imported wheat. It may be noted that the gunji kit has a shelf life and usage life of 5 and 4 years respectively. Therefore, the balance quantity of Gunji kits, if any, was ultimately used in procurement/ imported operation 2022. The reply of the management was not correct as the management included the 0.300 million M.Ton twice during purchase of 900-Gunji kits and 510-Gunji Kits due to which management procured excess kits. Further, management paid interest on this excess purchase whole the year.

DAC in its meeting held on January 20, 2023, directed the management to explain the position regarding unnecessary procurement of Gunji kits without requirement before PAC.

Audit recommends implementation of DAC directives.

Para-21 (PASSCO – 2021-22)

15.1.4.9 Loss due to non-utilization of Godowns - Rs. 38.412 million

According to Clause-18 of Procurement Policy 2021, Godowns located in non-operational areas will be fully utilized for storage of imported wheat.

During audit of Pakistan Agricultural Storage and Services Corporation Limited (PASSCO) Lahore for the year 2021-22, it was observed that management procured 1,674,566.804 M.Tons imported wheat through TCP at Karachi Port. Management hired the services of M/s NLC for transportation of said imported wheat to different zones and average rate was Rs. 3,359/M.Ton for Hyderabad and Sukhar godowns. Management having storage capacity of 18,000 M.Ton in Karachi but did not transport the imported wheat to this Godowns for storage. Management shift the wheat from Karachi port to Hyderabad and Sukkar godowns instead of Karachi godowns and paid extra transportation charges of Rs. 38.412 million.

Due to weak operational control, management failed to save the transportation cost by shifting of wheat to Karachi godowns as per capacity of wheat to store.

Audit was of the view that management suffered a loss of Rs. 38.412 million due to non-shifting of wheat to Karachi godowns from port. The same loss Swas booked to government agencies through incidental cost.

Management in its reply dated Nov 23, 2022 stated that quantity of 17,600 M.Tons local wheat was shifted from Tando Allah Yar, Matyari and Hala in Hyderabad Zone in 2018 from open storage to covered storage in Korangi Godowns. However, the shifted wheat was badly affected due to adverse climatic atmosphere of Karachi in Korangi Godowns. Since 2018 onwards, no wheat stocks were kept in Korangi Godowns due to their vulnerability to adverse climatic conditions. Only dead stocks were stored in Korangi Godowns. The

reply of the management was not correct as the godowns were constructed for wheat storage purpose.

Audit was of the view that and ultimately burden on the government and government agencies.

DAC in its meeting held on January 20, 2023, directed the management to explain the position regarding non-utilization of Karachi Godowns before PAC.

Audit recommends implementation of DAC directives.

Para-31 (PASSCO – 2021-22)

15.1.4.10 Non-achievement of wheat procurement target of 385,895 metric ton

According to clause-4 of Wheat Procurement Policy 2021, Economic Coordination Committee (ECC) of the Cabinet had fixed 1.200 million M.Tons as PASSCO's procurement target for wheat Crop 2021.

During audit of Pakistan Agricultural Storage and Services Corporation Limited (PASSCO) Lahore for the year 2021-22, it was observed that the management could procure 0.814 million M.Tons of wheat against target of 1.200 million M.Tons which is only 68% of the Procurement Target 2021. It was also noticed that in Sindh and Baluchistan Provinces the management could achieve only 2.41% and 21% respectively against procurement target set by ECC of Cabinet which indicating non-serious attitude regarding operations. It is pertinent to mention that management also gathered data for cultivation of wheat crop from the zonal offices and set target internally which was 1.400 million M.Tons.

Due to weak operational management, the target of wheat procurement was not achieved.

Audit was of the view that due to non-achievement of target, government of Pakistan import the wheat to that extent and paid handsome cost of wheat in foreign currency.

Management in its reply dated Nov 23, 2022 stated that during procurement operation 2021, the wheat support price in Punjab was Rs. 1800 per 40 Kg as against Rs. 2000 per 40 Kg in Sindh & Baluchistan. It was therefore not

possible to purchase wheat at Rs. 1800 per 40 Kg when the Govt. of Sindh and Baluchistan was buying the same wheat at Rs. 2000 per 40 Kg from the farmers. The target in 2-provinces could not therefore be achieved and it compromised the overall target of 1.2 MM Tons. The reply of the management was not correct as the management allocated target to zones as per data provided by the zonal offices regarding cultivation of wheat in the area.

Audit was of the view that the management get data from zones regarding cultivation of wheat and on the basis of this ECC decided targets which should be achieved by the management of PASSCO.

DAC in its meeting held on January 20, 2023, directed the management to explain the position regarding non-achievement of wheat procurement target before PAC.

Audit recommends implementation of DAC directives.

Para-33 (PASSCO – 2021-22)

15.1.4.11 Non-appointment of Chief Financial Officer and Chief Internal Auditor

According to Rule-13(1) of the Public Sector Companies (Corporate Governance) Rules 2013, the Board shall appoint a chief financial officer, a company secretary and a chief internal auditor.

During audit of PASSCO for the years 2019-20 & 2020-21, it was observed that the PASSCO was formed as a public limited company in 1973 and after the introduction of Public Sector Companies (Corporate Governance) Rules 2013 the company was required to appoint Chief Financial Officer and Chief Internal Auditor but same were not appointed by the management in violation of rule-13(1) of the Public Sector Companies Corporate Governance Rules 2013 which was held irregular.

Audit was of the view that the management was required to appoint Chief Financial Officer and Chief Internal Auditor but same were not appointed in violation of the provision of the Public Sector Companies Corporate Governance Rules 2013 which was held irregular. In addition to this existing Audit & Inspection wing does not have any formal approval of audit plan with the concerned Ministry, meaning by that the working of A&I wing depends upon the

sole discretion of the management without adopting any execution plan of internal audit.

In the DAC meeting held on 31.05.2022, the management explained that Corporate Governance Rules 2013 were not applicable to PASSCO.

The DAC directed the management to submit revised reply. The para was kept pending.

Audit recommends to implement the recommendations of the DAC.

(Para 1.1 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.12 Irregular composition of Board of Directors

According to Clause-2(d) of the Public Sector Companies (Corporate Governance) Rules 2013, “Independent Director” means “a Non-Executive Director who is not in the service of Government of Pakistan or of any statutory body or anybody or institution owned or controlled by the Government and who is not connected or does not have any other relationship, whether pecuniary or otherwise, with the Public Sector Company, its associated companies, subsidiaries, holding company or directors. The test of independence principally emanates from the fact whether such person can be reasonably perceived as being able to exercise independent judgment without being subservient to any form of conflict of interest.”

During audit of PASSCO for the years 2019-20 & 2020-21, it was observed that the six members of the PASSCO Board of Directors were from consortium of commercial banks who lend cash credit finance to PASSCO for wheat operations every year. This resulted into composition of Board of Directors having conflict of interest. The detail is given in Annex-119.

Audit was of the view that the management was required to appoint board members free of conflict of interest but representatives of the leading consortium of banks were part of the PASSCO Board of Directors which was held irregular and violation of the provisions of Public Sector Companies (Corporate Governance) Rules 2013.

The management in its reply dated January 25, 2022 stated that PASSCO arranged funds through open bidding with lowest interest rates and shareholders

did not have any impact on this borrowing. Therefore, there was no conflict of interest.

The reply was not acceptable as PASSCO Board members had conflict of interest as their banks lent cash credit finance to PASSCO. But same was not declared by the respective members in violation of the Public Sector Companies (Corporate Governance) Rules 2013.

Audit recommends explaining the reasons composition of the PASSCO Board of Directors having conflict of interest.

(Para 1.3 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.13 Non-convening regular meeting of PASSCO Board of Directors

According to Rule-6(l) of Public Sector Companies (Corporate Governance) Rules 2013, the Board shall meet at least once, each quarter of a year, to ensure that it discharges its duties and obligations to shareholders and other stakeholders efficiently and effectively. In case of noncompliance, the same shall be reported to the Commission with reasons of noncompliance, within fourteen days of the end of the quarter in which the meeting should have been held.

During audit of PASSCO for the years 2019-20 & 2020-21, it was observed that the PASSCO board did not meet regularly i.e. in each quarter of years 2018, 2019 and 2020 in violation of the Rule-6(l) of Public Sector Companies (Corporate Governance) Rules 2013 which was held irregular as detailed below:

S. No.	Date	Meeting No.
1.	30.07.2018	133
2.	25.01.2019	134
3.	04.04.2019	135
4.	01.07.2019	136
5.	06.09.2019	137
6.	02.03.2020	138
7.	23.06.2020	139
8.	09.11.2020	140
9.	15.04.2021	141

Audit was of the view that the Board was required to meet regularly i.e. in each quarter of the year but only three meetings each were convened which was

violation of Rule-6(l) of Public Sector Companies (Corporate Governance) Rules 2013 and held irregular.

In the DAC meeting held on 31.05.2022, the management explained that PASSCO regularly conducted its Board of Directors meeting since its inception. In 2015, 2016, and 2017, 4, 5, 4 meeting were held respectively. However from 2019 onwards whole world was affected by Covid-19. Similarly PASSCO was also affected with Covid-19 therefore meeting were not held regularly due to lock down and closure of offices due to Covid-19.

The DAC directed the management to submit detailed reply and kept the para pending.

Audit recommends to implement the recommendations of the DAC.

(Para 1.4 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.14 Non-initiation of action on significant matter highlighted in Auditor's Report – Rs. 45,762.608 million

According to Rule-(6), The terms of reference of the audit committee may also include the following, namely: (a) determination of appropriate measures to safeguard the Public Sector Company's assets; (b) review of financial results; (c) review of quarterly, half-yearly and annual financial statements of the Public Sector Company, prior to their approval by the Board, focusing on, (i) major judgment areas; significant adjustments resulting from the audit. (d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary).

During audit of PASSCO for the years 2019-20 & 2020-21, it was observed that M/s A. F Ferguson & Co. during annual audit of the accounts of the company for the year ended on March 31, 2020 highlighted significant matter regarding claims of the company for cost differential valuing Rs. 45,762.608 million including claims more than two years old valuing Rs. 7,760.869 million as on March 31, 2020 with the observation that they had received no confirmation for this balance from the GoP. Despite highlighting the significant issue by the auditors, PASSCO Board had taken no action for the early confirmation and

recovery of recoverable amount from Government of Pakistan which was held irregular.

Audit was of the view that the PASSCO Board through administrative ministry was required to take up the matter with Government of Pakistan for an early confirmation and recovery of Rs. 45,762.608 million including more than two years old recoverable amounts from Government of Pakistan. The matter was not discussed in the meeting of BoD Audit Committee and concrete efforts were also not made by PASSCO Board which was held irregular.

In the DAC meeting held on 31.05.2022, the management explained that auditors did not report the matter in their auditor's report rather than it was highlighted in letter to BOD. The BOD had always directed the management to take steps for early receipts of receivables. In compliance of BOD direction, management regularly take-up matters regarding recovery of GOP receivable with MNFS&R. However, GOP allocates a specific amount of budget in annual Budget for PASSCO which they release during the year.

The DAC was not satisfied with the explanation of the management and kept the para pending.

Audit recommends to explain the reasons for non-initiation of concrete action in this matter; and take immediate action in this regard for an early recovery of Rs. 45,762.608 million.

(Para 1.6 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.15 Avoidable expenditure on transportation of imported wheat – Rs. 2,416.056 million

According to Rule 5(5) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall establish a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety, especially with respect to handling of public funds.

During audit of PASSCO for the years 2019-20 & 2020-21, it was observed that the management imported wheat from Russia on the direction of Economic Coordination Committee of the Cabinet during September 2020. The 445,486.411 m. ton imported wheat was first transferred to below mentioned PASSCO zones by incurring transportation cost valuing Rs. 2,410.940 million

and then transported to government agencies afterwards by incurring additional transportation cost. This resulted into extra expenditure on transportation of imported wheat valuing Rs. 2,416.056 million as detailed below:

S No	Name of zone	Qty dispatched (M. Tons)	Rate per M. Ton (Rs.)	Total value (Rs.)
1.	Hafizabad	54,528.571	5,956	324,772,169
2.	T. T. Singh	38,979.669	5,321	207,410,819
3.	Okara	80,446.675	5,795	466,188,482
4.	Sahiwal	44,448.290	5,442	241,887,594
5.	Burewala	47,386.444	5,440	257,782,255
6.	Vehari	39,476.826	5,362	211,674,741
7.	Khanewal	59,660.642	5,203	310,414,320
8.	Multan	69,711.247	5,144	358,594,655
9.	Khairpur	10,709.044	3,232	34,611,630
10.	Dera Allah Yar	1,078.833	2,521	2,719,738
	Total	446,426.241		2,416,056,403

Audit was of the view that the management was required to transport the imported wheat direct to the recipient agencies instead of transportation to above PASSCO zones and afterwards shifting of same to recipient agencies.

In the DAC meeting held on 31.05.2022, the management explained that PASSCO was neither bound by any provision of law nor they know the final destinations of the recipient agencies. Each and every recipient agency had its own transportation contractor who was responsible to transport wheat to their final destination as per directions of the recipient agencies / province. Same practice was done in case of indigenous wheat that was collected / procured from their designated purchase areas and then transported, at their own, by the recipient agencies bearing all costs of transportation.

The DAC directed the management to provide required documents. The para was kept pending till compliance.

Audit recommends to implement the recommendations of the DAC.

(Para 2.6 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.16 Non-utilization of godowns – Rs. 127.885 million

According to Finance Division letter No F.15 (13)R-14/82 dated Sep 5,1982, 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 PASSCO for the years 2019-20 & 2020-21 it was observed that the management constructed following 13 godowns during 2019 and 2020 having storage capacity of 14,994.6 m. ton after incurring capital cost of Rs. 127.885 million to overcome the shortage of covered storage capacity but same were lying vacant and not a single wheat grain was stored in these godowns since their construction. This resulted into non-utilization of newly constructed godowns despite incurring capital cost of Rs. 127.885 million as detailed below:

S No	Name of godown	Date of completion	Cost incurred (Rs.)	Storage capacity (M.Ton)
1.	Musa Virk (3 x godowns)	30.04.2020	31.731	1,363.2
2.	Hyderabad (2 x godowns)	25.03.2019	18.411	2,726.4
3.	Sukkur (8 x godowns)	21.11.2019	77.743	10,905
4.	Karachi			18,000.00
5.	Charsadda			4,089.60
	Total		127.885	14,994.6

Furthermore, Karachi & Charsadda Godowns having 18,000 m. ton and 4,089.60 m. ton were also lying un utilized since long and management has no plan for the capacity utilization or renting out these godowns which was held irregular.

Audit was of the view that the purpose of the construction of these 13 godowns was to increase the covered storage capacity of the corporation to keep strategic reserves and SAARC reserves and avoid unnecessary storage cost in shape of rented godowns for open storage of wheat but not a single grain was stored in these newly constructed godowns and Karachi & Charsadda which was bad planning on the part of PASSCO management. Either the site selection for these newly constructed godowns was incorrect or procurement in these areas was not assigned to PASSCO by the government. Furthermore, PASSCO Audit & Inspection Wing / Pre Audit Function of F&A Wing did not object the vacant godowns since their construction which shows the effectiveness and independence of PASSCO Audit & Inspection Wing and Pre-Audit Function.

In the DAC meeting held on 31.05.2022, the management explained that procurement operation was underway during the 2020 when these three newly constructed godowns at Musa Virk were handed over. However, due to high humidity in the godowns especially at the floor it was feared that wheat might get

damaged. However, these godowns were fully utilized and filled with imported wheat during the same year. At Hyderabad two godowns were constructed and wheat was stacked in one godowns however, the other one was not used as the floor of platform was incomplete. It was difficult to unload the vehicles. Sukkur godowns were handed over in the month of Feb, 2021 instead of 21st Nov, 2019.

DAC directed the management to provide the documents regarding completion period of godowns along with respect Completion Certificates. Also provide the documentary evidence of wheat stacking period of each godown. As per documents provided by the management the audit stance prevail hence para was kept pending.

Audit recommends to implement the recommendations of the DAC.

(Para-2.10 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.17 Extra transportation cost on filling of non-operational area godowns – Rs. 79.954 million

According to Finance Division letter No F.15 (13) R-14/82 dated September 5, 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 PASSCO for the years 2019-20 & 2020-21, it was observed that PASSCO had 330 covered storage godowns out of which 205 were located in non-operational area and PASSCO has to incur huge transportation expenditure to fill these godowns after procurement from operational areas. This resulted into extra expenditure of Rs. 79.954 million:

S No	Year	Transportation (Rs in million)
1.	2017	41.025
2.	2018	23.639
3.	2019	7.645
4.	2020	7.645
	Total	79.954

Audit was of the view that the management was required to construct these godowns in operational area to save heavy transportation incurred each year

to fill these godowns. Thus unwise decision of the then management resulted into extra expenditure of Rs. 79.954 million till 2020.

In the DAC meeting held on 31.05.2022, the management explained that most of godowns were constructed during 80's era when the procurement by provincial food department and PASSCO was being done concurrently and there was no concept of operational / non-operational areas. However, through a notification by Punjab Govt., wheat procurement areas (16 Tehsils) were allotted to PASSCO. Those 16 Tehsils were now called operational areas of PASSCO. PASSCO assets in shape of silos / godowns office that were located in other tehsils of Punjab were now called non-operational areas where wheat procurement could not be undertaken and these silos / godowns were filled by transporting procured wheat and transporting it from their operational areas, entailing transportation cost.

The DAC was not satisfied with the explanation of the management and directed the management to provide figures and submit revised reply for verification.

Audit recommends to implement the recommendations of the DAC.

(Para-2.11 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.18 Non-renting out of godowns resulting into loss of revenue income – Rs. 14.500 million

According to 139th meeting of PASSCO Board of Directors dated: June 23, 2020, the BoD directed the management to rent out Korangi Karachi Godowns.

During audit of PASSCO for the years 2019-20 & 2020-21, it was observed that the PASSCO Board of Directors in its 139th meeting held on June 23, 2020 directed the management to rent out the vacant Korangi Godowns Karachi but no action was taken by the management. This resulted into loss of rental income amounting to Rs. 14.500 million as detailed below:

No of godowns	Capacity in m. ton	Per month rent (Rs.)	Period	Total (Rs.)
2	18,000	500,000	01.04.2019 to 31.08.2021	14,500,000

Audit was of the view that the management was required to rent out the vacant godowns According to direction of the Board of Directors to earn revenue from the available resources but no action was taken by the management which resulted into loss of Rs. 14.500 million.

In the DAC meeting held on 31.05.2022, the management explained that in compliance of the direction given by the BOD during its 139th meeting dated 23.06.2020 every effort was made for renting out the said godowns but due to the outbreak of Covid-19 epidemic the property sector was relatively slower. Moreover, the same godowns were being utilized till date for the imported wheat for storage of Bardana.

The DAC directed the management to provide strategic plan of renting out of godown.

Audit recommends to implement the recommendations of the DAC.

(Para-2.13 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.19 Irregular payment of pay and allowances despite poor operational activities of PASSCO – Rs. 1,028.051 million

According to Rule 5(5) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall establish a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety.

During audit of PASSCO for the years 2019-20 & 2020-21, it was observed that the Economic Coordination Committee (ECC) of Cabinet, Government of Pakistan assigned wheat procurement targets of 1,100,000 and 1,800,000 m. ton for Wheat Crop 2019 and 2020 respectively to PASSCO. Due to poor operational activities the management failed to assess the ground realities and could achieve wheat procurement targets up to 62% and 65% as detailed below:

Crop year	Target (M. Ton)	Achievement (M. Ton)	% of achievement	Less achievement (M. Ton)	% of less achievement
2019	1,100,000	679,414	62%	420,586	38
2020	1,800,000	1,178,376	65%	621,624	35
Total	2,900,000	1,857,790		1,042,210	

Despite poor operational activities the management incurred expenditure worth

Rs. 2,813.595 million on Human Resource during 2019-20 and 2020-21. The same human resource cost was subsequently claimed from Government of Pakistan as incidental charges. Due to achievement of wheat procurement targets by 62% and 65% respectively during Crop 2019 and Crop 2020, management incurred wasteful expenditure on human resource cost valuing Rs. 1,028.051 million as detailed below:

Crop year	Target (M. Ton)	Achievement (M. Ton)	Head Office Admn & General cost (Rs.)	Field Offices Admn & General cost (Rs.)	Total human resource cost (Rs.)	% of wasteful HR cost (Rs.)
2019	1,100,000	679,414	520,742,000	955,695,000	1,476,437,000	561,046,060
2020	1,800,000	1,178,376	485,479,000	851,679,000	1,337,158,000	467,005,300
Total	2,900,000	1,857,790	1,001,349,000	1,807,374,000	2,813,595,000	1,028,051,360

Audit was of the view that the management was required to make efforts for achievement of operational efficiency regarding wheat procurement targets based on borrowed funds but no sincere effort was made for the achievement of operational targets which was held irregular.

In the DAC meeting held on 31.05.2022, the management explained torrential rains and hail storms, at the critical time of near harvesting had not only damaged the standing crop, per acre yield was also affected. Overestimating the losses through natural calamity, Flour/Feed Mills and Stockists started buying wheat in big way, escalating the open wheat prices beyond the support price of Rs. 1,300 per 40 Kg, making the procurement by public sector difficult. Open export of wheat and its products to Afghanistan continued that also helped escalate open market price of wheat. Further, Higher price of wheat in open market (Average was over Rs. 1,500 to 1,600 per 40 Kgs) was witnessed in Punjab, Sindh and Baluchistan. All these factors affected the procurement targets of wheat.

The DAC directed the management to submit revised reply.

Audit recommends fixing of responsibility for non-achievement of operational targets; and payment of salaries without performance in consecutive two years.

(Para-2.15 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.20 Loss due to non-recovery of risk & cost amount from defaulting contractor - Rs. 3.910 million

According to Clause-10 of agreement between M/s H. Sheikh Noor Ul Din & Sons and M/s PASSCO dated 21.02.2020, “in case, contractor fails to deliver the agreed quantity of Woven High Density Polyethylene Stack Packages (Gunji Kits) or part thereof beyond 15 (fifteen) days of the final delivery date, PASSCO may rescind the agreement and forfeit the security deposited. Additionally, PASSCO may purchase the defaulted quantity of woven High Density Polyethylene Stack Packages (Gunji Kits) at the Supplier’s risk & Cost and in that case extra expenses incurred by PASSCO shall be recoverable from the defaulting supplier either from pending payments, dues, security or through legal recourse.

During audit of PASSCO for the years 2019-20 & 2020-21, it was observed that management entered into an agreement with M/s H. Sheikh Noor Ul Din & Sons for supply of 250 Woven High Density Polyethylene Stack Packages (Gunji Kits) upto June 10, 2020. During inspection on March 18, 2020 to March 20, 2020, team drawn samples and sent to Lab of University of Engineering and Technology for detailed analysis. According to Lab result, three samples did not match the required specifications. The competent authority i.e. MD PASSCO forfeited 7% security deposit of Rs. 1.753 million and also blacklisted the supplier for one year. Afterwards, the management invited fresh bids through short tender notice on April 11, 2020. M/s KSF Trizone Industries appeared as lowest evaluated bidder in this new tender. The rate quoted by M/s KSF Trizone was Rs. 15,638/ per unit higher than M/s H. Sheikh Noor Ul Din & Sons (Rs. 115,786 – Rs. 100,148). This resulted into extra cost of Rs. 3.910 million on procurement of 250 Gunji kits. The management vide letter dated April 28, 2020 intimated the defaulting supplier that amount of extra expenses of Rs. 3.910 million were recoverable from him. Afterwards no action was taken by the management despite clear provision of the contract. This resulted into a loss of Rs. 3.910 million due to non-recovery of risk & cost amount from defaulting firm.

Audit was of the view that management was required to recover the risk and cost amount from M/s H. Sheikh Noor Ul Din & Sons but same was not recovered which was held irregular.

In the DAC meeting held on 31.05.2022, the management explained that requirement received from Field Wing dated 11th December 2019 regarding purchase of 250 Gunji Kits. Commercial Wing signed an agreement with M/s H. Sheikh Noor Ud Din & Sons for supply of 250 Gunji Kits @ Rs. 100,145 per Kit for Wheat Crop 2020-21 dated 21.02.2020 through open competition. The samples results did not meet required specifications mentioned in the agreement. Hence, the party was blacklisted for a period of one year and performance security was forfeited in favour of PASSCO. Furthermore, PASSCO called fresh tender and signed contract with M/s KSF Trizone Industries @ Rs. 115,786 per Kit.

The DAC directed the management to provide documents regarding objection of supplier regarding forfeiture of performance security and copy of petition.

Audit recommends to implement the recommendations of the DAC.

(Para-3.6 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.21 Non-obtaining security deposit from contractor resulting into risk of loss - Rs. 160.416 million

According to Clause-17.1 of the bidding documents, “the contract will be awarded to lowest evaluated bidder provided that; such bidder have been determined to be technically qualified to satisfactorily perform the contract. The selected company will have to furnish a performance security @ 5% of total bid price in addition to 2% of the tendered value already deposited as bid money/earnest money valid till completion of contract.

During audit of PASSCO for the years 2019-20 & 2020-21, it was observed that management invited bids for supply of 48,000 bales of jute bags. According to bidding documents, the successful bidder was required to furnish performance security @ 5% of bid price in addition to 2% bid money. Subsequently, five firms were selected and contract was awarded. However, at the time of signing of agreement, the clause of performance security was changed

and instead of deposit of security at the time of award of contract, security deposit was deducted from bills of the suppliers which was undue favour. This resulted into non-obtaining security deposit at the time of contract signing:

Sr. #	Firm	Quantity to be supplied			Amount	Required amount of Security @ 5%
		Bales	Bags	Rate per Bag		
1	M/s White Pearl Jute Mills	7,165	2,149,500	222.8	478,908,600	23,945,430.00
2	M/s Madina Jute Mills	7,165	2,149,500	222.8	478,908,600	23,945,430.00
3	M/s Sargodha Jute Mills	12,090	3,627,000	222.8	808,095,600	40,404,780.00
4	M/s Indus Jute Mills	7,075	2,122,500	222.8	472,893,000	23,644,650.00
5	M/s Thal Jute Mills	14,505	4,351,500	222.8	969,514,200	48,475,710.00
Total		48,000	14,400,000	1,114	3,208,320,000	160,416,000.00

The purpose of performance security was to protect the PASSCO from subsequent non-performance by suppliers. In case of failure to perform obligation by jute mills, PASSCO had no option except to re tender the same and procure the jute bags at higher rates. Thus, PASSCO was exposed to this risk and an undue favor was granted to suppliers.

Audit was of the view that management was required to safeguard the interest of PASSCO against every possible risk but it failed.

In the DAC meeting held on 31.05.2022, the management explained that previously Commercial Wing was making contract agreements with jute mills with the arrangement of deduction of 5% performance security amount from their bills. After receipt of audit observation, jute mills were directed to deposit performance security.

DAC directed to keep the para pending till fixing of responsibility.

Audit recommends fixing of responsibility for granting this undue favor.

(Para-3.7 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.22 Irregular payment of bonus to retired employees – Rs. 5.307 million

According to Para-10 (I) of the GFR Volume-I, 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. Further According to Para-11 each head of a

department is responsible for enforcing financial order and strict economy at every step.

According to Finance Division OM No: F.3(5) R-12180(R-14) dated March 18, 2002, directed to corporations / autonomous bodies / semi-autonomous bodies that the payment of bonus would be made on the following conditions:

- i- Operational profit of the organization only excluding income from other sources;
- ii- Payment of bonus would not be made as customary but it would be on the basis of profit earned and reflected in the annual accounts of the organization;
- iii- No commitment of payment of bonus may be made during negotiations with the CBA because of the conditions mentioned above;
- iv- Managing Director and members of the BOD will not be entitled to receive bonus.

During audit of PASSCO for the years 2019-20 & 2020-21 it was observed that the management made payment of bonus to its retired officers/ staff during 2019-20 and 2020-21 without any work and justification. Furthermore, bonus was also paid to former and current MDs PASSCO in violation of above referred instructions of Finance Division dated: March 18, 2002. This resulted into irregular payment of bonus amounting to Rs. 5.307 million.

Audit was of the view that the management required to pay bonus against work done and with valid justification but bonus was paid without any work which was held irregular. The payment of bonus to MDs PASSCO was also made in violation of above referred instructions of Finance Division. Furthermore, PASSCO Audit & Inspection Wing / Pre Audit Function of F&A Wing not objected the payment of bonus to retired PASSCO employees and MD PASSCO which shows the effectiveness and independence of PASSCO Audit & Inspection Wing and Pre-Audit Function.

In the DAC meeting held on 31.05.2022, management explained that PASSCO is a Public Limited (Non-Listed) Company registered under the Companies Act, 2017. According to Companies Act, 2017 PASSCO BOD was empowered to give bonuses to PASSCO employees. PASSCO management paid

bonuses to its employees with the approval of Board of Directors in exercise of powers vested by Section 183(2) (h) of the Companies Act 2017.

DAC directed the management to provide the detail of the performance of retired employees against payment of bonus. The para was kept pending.

Audit recommends to implement the recommendations of the DAC.

(Para-4.1 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.23 Irregular appointments - Rs 19.870 million

According to Clause-2-r-iii of the PASSCO E& D Rules 2016, misconduct means corrupt or reasonably be considered corrupt, theft, fraud and will full damage or loss to the corporation's property.

During audit of PASSCO for the years 2019-20 & 2020-21, it was observed that following employees were appointed on initial two years contract up till June 30, 2015 vide approval of MD PASSCO. These employees were recruited having irrelevant /deficient qualification or were overage /superannuated at the time of appointment. On the recommendations of Inquiry Report of Ms. Rubina Safeer conducted at Ministry level the management terminated their services vide order dated June 02, 2016. This resulted into irregular appointment of officers having irrelevant qualification and overage and payment of pay and allowances valuing Rs. 19.870 million was also held irregular as detailed below:

S. No.	Name & PT No.	Designation	Months served	Pay Package	Total pay (Rs.)	Reason	Remark
1	Col ® Ghafoor Arshad 1225	DGM	43	140,733	6,051,519	Reached the age of superannuation and appointment was made on a 7 month old application	Superannuated
2	Lt Col ® Hamayun Shaukat Mirza 1586	PM	43	128,736	5,535,648	Not considered/ had not fulfilled laid down criteria of the post(Master Degree)	irrelevant Qualification
3	Lt Col ® Syed Waqar Haider 1587	PM	43	142,561	6,130,123	Did not fulfilled the laid down criteria (Master Degree)	irrelevant Qualification
4	Maj ® Javed Iqbal 2613	DPM	43	50,054	2,152,322	Not considered/ had not fulfilled laid down criteria of the post(Master Degree)	irrelevant Qualification
					19,869,612		

Audit was of the view that the appointments on deficient qualification /superannuation were made as a result of undue favour at the cost of public exchequer.

In the DAC meeting held on 31.05.2022, the management informed that matter regarding irregular induction of retired Officers from Pakistan Army had already been investigated through a regular inquiry conducted by Dr. Ghulam Muhammad, Chief Scientist. As a result of that, the disciplinary actions were taken against the accused officers/Members of Departmental Selection Committee, whereas, Ms. Rubina Safeer, Member Finance, PARC/Inquiry Officer had conducted the inquiry against Lt. Col (Retd) Raja Muhammad Younis, the then GM (HR)/Convener of Departmental Selection Committee and punitive action was accordingly taken against him.

The DAC was not satisfied with the explanation of the management and directed to submit revised reply.

Audit recommends to implement the recommendations of the DAC.

(Para-4.3 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.24 Appointment of Consultant Engineer without permission from government – Rs. 5.418 million

According to serial No-2, 7 and 8(i) of the Establishment Division, MS Wing's U.O.No.11-3/2001-MSW-III, dated January 25, 2002, a consultancy would, therefore, always be assignment specific and time bound and should be preferred only when it is considered value effective to hire services of a consultant compared to developing in-house expertise. No person retired from a government organization will be hired as a consultant only to re-employ him/her. Consultants should not be appointed to perform routine functions of an organization. Special attention should be given by the Divisions/Organizations to train and develop their own personnel to take up higher responsibilities. An objective evaluation and assessment of a consultant's performance should invariably be undertaken on a periodic basis in a manner especially designed for the job. In addition to the above, following further guidelines will also be strictly complied with, engagement of retired officers as Consultants/Advisers etc. shall require prior permission of the government.

According to the Clause-7 of the Terms of Reference of Consultant Engineer, eligible consultant should have Bachelor Degree or equivalent qualification in Civil Engineering, at least more than 20 years of progressively responsible and relevant experience of working for Government or public sector organizations in Pakistan, previous experience of working on projects funded by Government of Pakistan, familiarity with working systems, legal and policy protocols and engineering will be asset for this assignment.

During Audit of PASSCO for the years 2019-20 and 2020-21, it was observed that the management appointed Mr. Atta Muhammad a retired BS-18 Executive Engineer Highways Division Lahore (on August 17, 2017) as Consultant Engineer without any need assessment and obtaining approval of the Government which was held irregular. This also resulted into irregular payment of consultancy fee, POL ceiling and yearly bonus valuing Rs. 5.418 million. The management also neither determined specific deliverables nor any time bound assignment was given in the contract which was held irregular hence appointment of Consultant Engineer and payment of consultancy fee and POL ceiling valuing Rs. 5.235 million was held irregular.

Audit was of the view that the management was required to mention consultancy fee but there was no mention of consultancy fee to be paid in the newspaper advertisement in violation of the above mentioned directions of the MS Wing Establishment Division. Furthermore, PASSCO Audit & Inspection Wing / Pre Audit Function of F&A Wing neither audited nor objected this appointment which showed the effectiveness and independence of PASSCO Audit & Inspection Wing and Pre-Audit Function.

In DAC meeting held on 31.05.2022, the management explained that to look-after the construction works of new godowns as well as rehabilitation of old godowns at Punjab, Sindh & Baluchistan Provinces. Services of DGM (Works) were direly needed. In this regard, advertisement was published in the newspapers and after meeting the codal formalities, the Departmental Selection Committee recommended the contract appointment of Mr. Atta Muhammad as Consultant Engineer, who was duly possessed the relevant experience.

The DAC directed the Audit to check the selection process of the consultant. On the approval note no detail of the marks obtained by the 6

candidates who were interviewed. Only abilities of Ch Atta Muhammad were discussed and MD was requested to grant approval which was not acceptable in audit. Furthermore, no deliverables were fixed for the consultant engineer. The para was kept pending.

Audit recommends to implement the recommendations of the DAC.

(Para-4.5 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.25 Irregular appointment of HR Consultant – Rs. 2.602 million

According to serial No-2, 7 and 8(i) of the Establishment Division, MS Wing's U.O.No.11-3/2001-MSW-III, dated January 25, 2002, a consultancy would, therefore, always be assignment specific and time bound and should be preferred only when it is considered value effective to hire services of a consultant compared to developing in-house expertise. No person retired from a government organization will be hired as a consultant only to re-employ him/her. Consultants should not be appointed to perform routine functions of an organization. Special attention should be given by the Divisions/Organizations to train and develop their own personnel to take up higher responsibilities. An objective evaluation and assessment of a consultant's performance should invariably be undertaken on a periodic basis in a manner especially designed for the job. In addition to the above, following further guidelines will also be strictly complied with, engagement of retired officers as Consultants/Advisers etc. shall require prior permission of the government.

During audit of PASSCO for the years 2019-20 and 2020-21, it was observed that the management advertised the requirement of HR Consultant in Daily Dawn Lahore on January 05, 2019 without any need assessment/ on tailor made criteria and considering the value effective to hire services to develop in house expertise. According to advertisement job duration was one year, with Master in HRM and having 15 years' experience as HR Consultant in department of Federal/ Provincial Government or any reputable firm in private sector, having 45 to 50 years of age and salary negotiable. The salary range was left negotiable in violation of the above referred criteria. Six candidates applied for the post out of which two were declared over age and two were under age leaving two candidates including Chaudhry Maqsood Ahmed were interviewed. Finally Chaudhry Maqsood Ahmed was hired as consultant @ Rs. 125,000 per month for

one year w.e.f March 11, 2019 to March 10, 2020 without having 15 years' experience as HR Consultant. The consultant had only four years' experience as HR Consultant (2010 to 2012 with M/s EDP Services and 2016 to 2018 with M/s Excellence Delivered). Furthermore, the payment of consultancy fee according to corporation ledger was higher than agreed rate of Rs. 125,000 per month besides payment of bonus as detailed below:

S. No.	Period	Amount (Rs.)
1.	March 2019	168,919
2.	April 2019	112,612
3.	May 2019	168,919
4.	June 2019	168,919
5.	July 2019	168,919
6.	August 2019	168,919
7.	September 2019	168,919
8.	October 2019	168,919
9.	November 2019	168,919
10.	December 2019	168,919
11.	January 2020	168,919
12.	February 2020	168,919
13.	March 2020	168,919
14.	Bonus 2018	62,500
15.	Bonus 2019	62,500
16.	Bonus 2020 13/07/2020 37 BPV	337,838
	Total	2,602,478

This resulted into irregular hiring of HR Consultant without any need assessment and payment of pay and allowances valuing Rs. 2.602 million.

Audit was of the view that the consultant was hired without any need assessment and no in house expertise was developed despite engagement of HR Consultant. Salary range was also not mentioned in the advertised criteria and consultancy fee was paid higher than mentioned in the contract. Furthermore, PASSCO Audit & Inspection Wing / Pre Audit Function of F&A Wing neither audited nor objected this appointment which showed the effectiveness and independence of PASSCO Audit & Inspection Wing and Pre-Audit Function.

In DAC meeting held on 31.05.2022, the management informed that Ch. Maqsood Ahmed was appointed as HR Consultant for one year on contract basis

against monthly salary of Rs. 125,000. On expiry of 01 year contract on 10.03.2020, he was not further engaged and he left the Corporation.

The DAC directed the Audit to check the selection process of the consultant.

The advertisement was published in Daily Dawn and Daily Ausaf (which had no wide publication). Further 15 years' experience as HR Consultant with Federal, Provincial and reputed private firms was required, whereas the selected consultant had only experience of HR Consultant in M/s EOP Services w.e.f 01.11.2010 to 30.04.2012 and Excellence Delivered (Exd) Pvt. Ltd w.e.f April 2016 to May 2018. Hence, selected consultant had deficient experience. Hence his selection was irregular.

Audit recommends fixing of responsibility for irregular appointment at the time of appointment as experience and JDs were not ensured.

(Para-4.6 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.26 Irregular payment of final dues to convicted employee – Rs. 1.003 million

According to Clause-2-r-iii of the PASSCO E& D Rules 2016, misconduct means corrupt or reasonably be considered corrupt, theft, fraud and will full damage or loss to the corporation's property.

During audit of PASSCO for the years 2019-20 & 2020-21 it was observed that the management Charge Sheeted Mr. Muhammad Akbar on October 08, 2020 with the charge of misconduct for provision of bogus secondary school certificate at the time of up-gradation as Assistant Purchase Inspector (API) from Chowkidar in 1993. Regular inquiry was conducted in October 2020 and charge of misconduct was proved and competent authority awarded major penalty of compulsory retirement from PASSCO service, vide order No: PASSCO/ HR/ DC/ 2020/ 28402/ 1233 dated: December 29, 2020. The management was required to lodge criminal case against the culprit but lenient view was taken by the management and only major punishment of compulsory retirement from PASSCO service was awarded. Afterwards management also released pending dues of Rs. 1.003 million to the culprit which was held irregular. The culprit joined PASSCO service in 1982 as daily wage chowkidar.

In 1993 PASSCO management upgraded and re-designated all chowkidar who had possessed matriculation certificate including Mr. Muhammad Akbar, who was also promoted as Purchase Inspector in 2018. The PASSCO management was required to verify his matriculation certificate right at the time of up-gradation in 1982 prior to confirmation of his new designation but same was verified after lapse of 38 years which was serious lapse on the part of management and shows weakness in the internal controls of corporation. This resulted into up-gradation of API in 1993 on bogus matric certificate and payment of final dues valuing Rs. 1.003 million. The culprit on December 15, 2020 made departmental appeal against the compulsory retirement order on the plea that certain PASSCO employees were retained in the service despite submission of bogus educational certificates but his appeal was rejected and punishment was retained.

Audit was of the view that the management was required to register criminal case against above employees but lenient view was taken against these employees. Furthermore, the management was also required to effect recovery of pay and allowances paid after submission of bogus educational certificates from these employees but no recovery was effected.

In DAC meeting held on 31.05.2022, the management explained that major penalty of compulsory retirement from PASSCO Service was imposed upon him vide office order No. 1233 dated 29.12.2020. DAC was not satisfied with the explanation of the management and directed the management to initiate criminal proceeding.

Audit recommends to implement the recommendations of the DAC.

(Para-4.8 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.27 Loss due to detection of wheat shortage after retirement of accused officials – Rs. 5.547 million

According to Rule 5(5) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall establish a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety, especially with respect to handling of public funds.

During audit of PASSCO for the years 2019-20 & 2020-21, it was observed that the following employees were retired from PASSCO service and after their retirement shortages valuing Rs. 5.547 million were detected. The management initiated court cases against following employees which were pending in the court as detailed below:

S. No.	Name & Designation	PT No.	Date of retirement/ dismissal	Date of detection	Amount of shortage	Initiation of court case
1.	Aziz Ullah Samejo PI	9365	02.03.2017	28.04.2014	1,205,368	16.05.2019
2.	Syed Zaheer Ul Hassan PI		29.03.2012	29.03.2012	4,341,706	17.01.2013
	Total				5,547,074	

Audit was of the view that the management was required to retain payable amount of the above employees but same were released and shortages detected thereafter was loss to the company. Although management initiated court cases for recovery but same were pending in the court for the last many years. This would result in loss of Rs. 5.547 million.

In DAC meeting held on 31.05.2022, the management stated that the final dues of Mr. Aziz Ullah Samejo, PI were not released as civil suit had already been filed against him by Legal Cell PASSCO. Moreover, Syed Zaheer Ul Hassan, PI was dismissed from PASSCO service w.e.f 29.03.2012 and recovery amounting to Rs. 4.342 million was imposed against him due to shortage of wheat. He went for civil suit against his dismissal. Until now no final dues had been released in his favor. The case was still pending in several courts of law.

The DAC directed the management to provide the status of recovery along with bank statement. The para was kept pending till the decision of court case and recovery of the loss from ex-employees.

Audit recommends to implement the recommendations of the DAC.

(Para-4.12 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.28 Irregular appointment of Project Manager - Rs. 4.38 million

According to advertisement published in daily newspapers on November 19, 2009, maximum age limit for the post of Project Manager (BPS-18) was 40 years.

During audit of Pakistan Agriculture Storage and Services Corporation for the year 2019-20 & 2020-21, it was observed that PASSCO received various applications for the post of Project Manager in 2009. Out of these, 17 were shortlisted for interview including Mr. Mushtaq Ahmad Shahid who was 44 years of age at the time of interview. The Selection Committee granted highest marks to the officer in interview and candidate was appointed as a Project Manager. This resulted into irregular appointment of Project Manager in violation of the advertised criteria and payment of pay and allowances valuing Rs. 4.376 million as detailed below:-

S. No.	Year	Salary per month	Total (Rs.)
1	2018-19	179,091	2,149,092
2	2019-20	185,547	2,226,564
Total			4,375,656

Audit was of the view that the selection committee was required not to shortlist Mr. Mushtaq Ahmad Shahid for interview as he was overage at the time of advertisement. However, he had not only been shortlisted but appointed in violation of advertised criteria. Thus, management granted undue favor to him and violated the rights of other eligible candidates.

In DAC meeting held on 31.05.2022, the management explained that Mr. Mushtaq Ahmed Shahid had initially joined PASSCO on 28.10.1989 as Purchase Officer (BPS-16) and during 2009; he applied through proper channel for the post of Project Manager. He was accordingly shortlisted considering his 20 years prolonged service. Thus, he was not overage. Moreover, the Selection Committee after evaluation his credentials and other recruitment criteria, granted him the marks for which he was deserving, hence, the Authority appointed him as Project Manager. The DAC directed the management to provide approval of the Managing Director and rule regarding competency of MD regarding age relaxation.

Audit recommends to implement the recommendations of the DAC.

(Based on Para-4.14 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.29 Irregular payment of officiating pay beyond six months - Rs 3.672 million

According to Government of Pakistan Finance Division (Regulation Wing) O.M.No.F.2 (9)-R.3/85 dated March 18, 1987, “Immediately on the expiry of six months of the full additional charge of the particular vacant post, the post shall be treated as having been abolished and its duties automatically becoming part of the normal duties of the other existing post of the same category in the Division/Departments concerned. The post so treated as abolished shall not be revived without the concurrence of the Financial Advisor concerned.

According to Para No 136 of Human Resource Policy 2016 of PASSCO that “competent authority may appoint an employee to hold an additional charge. In case an additional charge is held by an employee, an allowance amounting to 10% of the initial basic pay of the post of which the additional charge is authorized shall be admissible to the employee. Additional charge allowance shall be admissible for holding up at least one month additional charge and maximum for 6 months.

During audit of PASSCO for the years 2019-20 & 2020-21 it was observed from pay roll and other records that the following officers/officials were allowed additional/officiating pay beyond six months. Thus, the payments of Rs 3.672 million after six months period to employees was held irregular.

Audit was of the view that the payment made in violation of Govt. orders beyond six months was irregular, as additional charge of an identical post or current charge of a higher post was assigned as a stop gap arrangement for a limited period and not for years together. A period of maximum six months was considered as sufficient for recruitment/ appointment of a regular officer on the post. Thus, the payment made beyond the prescribed time period valuing Rs 3.672 million was held irregular in audit.

In DAC meeting held on 31.05.2022, the management explained that Rule No. 136 regarding Additional Charge Allowance was not part of HR Policy-2016, rather, it was contained in HR Policy-2011, which was outdated as updated HR Policy-2016 was being implemented. Since, no specific period for holding of additional charge had been laid down in the HR Policy, moreover, against

authorized strength of 1250 employees, PASSCO as per Establishment Report of July, 2021, was facing deficiency of 318 employees.

The DAC directed the Audit to check the PASSCO Policy regarding additional charge.

Audit recommends that the employees retained on additional charge beyond six months be probed and the HR Policy 2016 be made in line with government instructions besides fixing responsibility and recovery thereof.

(Para-4.15 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.30 Unauthorized appointment & retention of staff -Rs. 27.11 Million

According to Board's Resolution by Circulation dated 24.02.2011, organizational structure of PASSCO was revised. The new structure contains 1,250 posts, out of which 309 posts are of BPS-16 to BPS-21 and 941 posts are of BPS-01 to BPS-07. There was no authorization of posts for BPS-08 to BPS-15 in this structure. Further, previous overall strength of 1,650 employees was approved in 87th BOD meeting held on 13.05.2006. That organizational structure also did not contain any post of BPS-08 to BPS-15.

During audit of PASSCO for the years 2019-20 & 2020-21, it was observed that 390 employees were working on posts carrying BPS-09 to BPS-15. As far as previous organizational structure of PASSCO is concerned, no posts of BPS-08 to BPS-15 were available in that structure as well. The management is making appointments/ promotions without following their approved organizational structure. Detail of employees working in these pay scales and their average salary is given in Annex-120.

Audit was of the view that organizational structure is prepared for efficient management of Human Resource as well to establish an internal check over excess/ shortage of posts. PASSCO has an HR Wing, consisting of almost 68 employees and headed by a GM, but they are unaware of this severe violation since long. Consequently, management is not only violating Board's approval but also running the affairs in non-professional way. Audit calculated the figure for the month of March 2021 i.e. Rs 27.112 million had this amount been calculated for two years of special audit the impact will come to Rs 650.688 million at the cost of public funds, as the PASSCO claims the cost of incidental from the Ministry of Finance.

In DAC meeting held on 31.05.2022, the management explained that as per HR Policy-2011, 227 employees in Grade No. 4 to 7 were surplus than the approved strength of 446, while, overall 350 cadre-wise employees were surplus and 84 were deficient. The DAC directed the management to share induction policy along with recruitment documents.

Audit recommends to implement the recommendations of the DAC.

(Para-4.16 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.31 Unauthorized payment of bonus to unauthentic staff – Rs. 2.674 million

According to Government of Pakistan Finance Division (Regulation Wing) O.M No: 3(5)-R-12/80 dated: May 31, 1980, concurrence of the Finance Division (Regulation Wing) is mandatory for the payment of bonus as certain autonomous bodies / semi-autonomous bodies / corporations are making payments of bonus on the assumption that payment of bonus is customary and can be made with the approval of Board of Directors.

During audit of PASSCO for the years 2019-20 & 2020-21 it was observed that the management paid bonus amounting to Rs. 2.674 million to staff of Secretary National Food Security & Research, Islamabad during last six years. The payment was held irregular as Ministry National Food Security & Research has its own budget and allocation in shape of honorarium for carrying out any extraordinary work hence payment of bonus to staff of Secretary National Food Security & Research, Islamabad by PASSCO management was held irregular.

Audit was of the view that the management was required to make payment of bonus to PASSCO staff only but same was also paid to the staff of Secretary National Food Security & Research, Islamabad which was held irregular. Furthermore, PASSCO Audit & Inspection Wing / Pre Audit Function of F&A Wing not objected the payment of bonus to staff of Ministry of National Food Security Islamabad which showed the effectiveness and independence of PASSCO Audit & Inspection Wing and Pre-Audit Function.

In DAC meeting held on 31.05.2022, the management explained that Federal Secretary, M/o National Food Security & Research was also Chairman of PASSCO Board of Directors. Since, the staff of said dignitary had to work, even/often after close of office hours and on Holiday/Closed Days, for the preparation of PASSCO's cases for Cabinet, ECC/CDWP/ECNEC's meetings and other high Govt. offices and it had been practice in vogue that on the directions of Federal Secretary, M/o NFS&R/Chairman PASSCO BOD, bonus/honorarium or special pay was being paid to the staff of Chairman on the eve of Eid-ul-Fitr & Eid-ul-Azha with the view that this will boost their efficiency.

The DAC directed the management to provide detail of payments to Secretary staff along with orders of the Secretary regarding payment of bonus in writing.

Audit recommends to implement the recommendations of the DAC.

(Para-5.1 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.32 Loss of interest due to not charging/billing receivables to responsible agencies– Rs. 181.464 million

According to Clause-2-r-iii of the PASSCO E& D Rules 2016, misconduct means corrupt or reasonably be considered corrupt, theft, fraud and will full damage or loss to the corporation's property.

During audit of PASSCO for the years 2019-20 & 2020-21 it was observed that the management has not billed the receivables amounting to Rs. 931.186 million from AJK Food Department, Gilgit Baltistan Food Department and Defence which resulted into loss of interest income valuing Rs. 181.464 million under head 30-38-2 as detailed below:

S. No.	Agency	Amount (Rs.)	Period	Interest loss (Rs.)
1.	AJK Food Department	371,350,011	2017-18 2019-20	64,664,265
2.	Gilgit Baltistan	273,607,617	2017-18 2019-20	57,184,441
3.	Defence	286,228,413	2017-18 2019-20	59,614,999
	Total	931,186,041		181,463,705

Audit was of the view that the management was required to bill the above receivables to the respective agencies during 2017-18 but same was not billed till April 2021 which resulted into loss of interest income.

In DAC meeting held on 31.05.2022, the management explained that incidental of 2017-18 had already been billed in the year 2019-20. The amount of Rs. 931.186 million related to years 2018-19 and 2019-20. Out of that, bill for Rs. 27.450 million had been generated after receiving the approval of incidentals from Finance Division for the year 2018-19. Remaining amount of Rs. 903.736 million should also be adjusted by generation of bills once the incidentals for the year 2019-20 would be received from Finance Division. The DAC directed the

management to provide record verification of amount billed / not billed and still to be billed along with recovery position to Audit for verification.

Audit recommends to implement the recommendations of the DAC.

(Para-5.2 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.33 Loss due to payment of extra interest to consortium banks – Rs. 2,737.00 million

According to Rule 5(5) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall establish a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety.

During audit of PASSCO for the years 2019-20 & 2020-21, it was observed that the management obtained cash credit finance for wheat operation during crop 2019 and 2020. The management obtained cash credit finance from consortium of banks including ABL, HBL, UBL, MCB and NBP (PASSCO equity holders) at higher rates than offered by other banks like Meezan Bank. This resulted into payment of extra financial charges valuing Rs. 2,737.00 million as detailed below:

(Rs. in million)

S. No.	Quarter	3 Months KIBOR	Basic points	Mark up rate offered by Consortium banks	Rates offered by other bank	Diff. (%)	Maximum loan	Financial impact
	April June 2019	10.99	1.50	12.49	12.29	0.2	73,650	147
	July September	12.97	1.5	14.47	14.27	0.2	100,000	200
	October December	13.85	0.99	14.84	14.80	0.04	100,000	40
	January March 2020	13.55	0.24	14.20	13.68	0.52	50,000	260
1.	April June 2020	11.22	0.10	12.32	11.67	0.65	50,000	325
2.	July September	7.26	1.10	8.36	6.76	1.6	45,000	720
3.	October December	7.25	1.30	8.55	7.14	1.41	50,000	705
4.	January March 2021	7.29	0.50	7.79	7.11	0.68	50,000	340
	Total							2,737.00

Audit was of the view that the management was required to obtain cash credit finance at most competitive rates but higher rates were paid to consortium of banks already in the PASSCO Board of Directors which was held irregular.

In DAC meeting held on 31.05.2022, the management explained that the detail provided by the auditor did not match with their record as lowest rates funds were utilized for the commodity operations so the observation of payment of extra financial charges of Rs. 2,737.00 million was incorrect as the offered funds utilized according to the lowest markup rates.

The DAC directed the audit to revisit the para.

Further, during revisit / verification of para on 10.06.2022, management did not share the documentary evidence of their figures.

Audit recommends explain of reasons for obtaining cash credit finance from the Board member banks at higher rates; fix responsibility and revise the contracts and reduce the interest rates to match with other banks.

(Para-4 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.34 Non-recovery of consultancy fee from Punjab Food Department - Rs 4.094 million

According to Clause III (3-1) of agreement dated May 05, 1994 with Punjab Food Department the fee services rendered by PASSCO would be six percent (6%) on the actual expenditure basis.

During audit of PASSCO for the years 2019-20 & 2020-21 it was observed that management engaged its works wing for job of repair & maintenance work of Punjab Food Department Godowns as a consultant in May 05, 1994 through an agreement. The fee for the services rendered by PASSCO was 6% on actual expenditure basis with reference to clause 3.1 of the agreement with Punjab Food Department. The PASSCO requested Punjab Food Department to increase consultancy fee from 6% to 20% to meet the recurring expenditure being incurred on salary of staff, travelling & other contingent expenditure. The Punjab Food Department refused to enhance the consultancy fee and discontinued the consultancy services. This resulted into non-recovery of outstanding amount of Rs 4.094 million from the Punjab Food Department.

Audit was of the view that the in-house facility to provide consultancy to the Food Department was source of other income which was turned down due to unjustified demand against agreed percentage of contract agreement. Therefore,

the demand of increase in consultancy package from 6% to 20% deprived the management from other income and recovery of consultancy charges of Rs. 4.094 million from Punjab Food Department was blocked.

In DAC meeting held on 31.05.2022, the management explained that in a meeting on 17.03.2021, Punjab Food department agreed to process all the pending bills of PASSCO amounting to Rs. 4.094 million. The DAC kept the para pending till receipt of consultancy fee from Punjab Food Department.

Audit recommends to implement the recommendations of the DAC.

(Para-5.7 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.35 Late approval of Annual Audited Accounts 2019-20 & Non-presentation of Annual Audited Accounts for the year 2020-21

According to Clause-223(1) of the Companies Act 2017, the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company. (2) The financial statements must be laid within a period of one hundred and twenty days following the close of financial year of a company: Provided that, in the case of a listed company the Commission, and in any other case the registrar, may, for any special reason, extend the period for a term not exceeding thirty days.

During audit of PASSCO for the years 2019-20 & 2020-21, it was observed that the management failed to get the annual audited accounts for the year 2019-20 approved from Shareholders in Annual General Meeting within prescribed 120 days. The Shareholders' AGM approved the annual audited accounts for the year 2019-20 on November 09, 2020 with a delay of 103 days. Furthermore, the Annual Accounts for the year 2020-21 were not audited by the Chartered Accountants till August 25, 2021 with a delay of 27 days which was held irregular as detailed below:

S. No.	Financial Statement Year	End of PASSCO Financial Year	120 days after close of F/Y	Approved by AGM	Delay (days)
1.	2019-20	31, 03,2020	29.07.2020	09.11.2020	103
2.	2020-21	31, 03,2021	Not finalized	-	27

Audit was of the view that the management was required to get the annual audited accounts audited and approved by Shareholders' within 120 days but in case of annual audited accounts for the year 2019-20 target date was not achieved. In case of annual audited accounts for the year 2020-21 annual accounts were not even audited by Chartered Accountants till August 25, 2021 which was held irregular.

In DAC meeting held on 31.05.2022, management explained that PASSCO regularly got approval of its audited accounts from its shareholders in AGM within 120 days as per rules. Due to Covid-19 situation (i.e., lockdown, closure of offices, non-availability of external auditors) the preparation and audit of annual accounts for the year 2019-20 was delayed consequently AGM was also delayed. Similarly in 2020-21 annual accounts were delayed due to Covid-19 restrictions of GoP; as soon as accounts were prepared, AGM would be held immediately.

The DAC directed the management to share Financial Statement of 2020-21 and kept the para pending.

Audit recommends to implement the recommendations of the DAC.

(Para-5.10 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.36 Loss due to investment of funds instead of repayment of loan - Rs. 23.95 million

According to Rule 5(5) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall establish a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety, especially with respect to handling of public funds.

During audit of PASSCO for the year 2019-20 & 2020-21, it was observed that management invested an average amount of Rs 1,625.00 million in different banks from October 01, 2019 to June 30, 2020. The quotations were obtained from different banks and funds were invested in banks offering highest rate. However, during the same time period, PASSCO had outstanding loans with an average of markup more than that which they received from investment as detailed below:

(Rs in million)

S. No.	Period	Amount	Avg. Mark up received	Avg. Markup Paid	Excess Markup	Excess Amount
1	Oct-Dec, 2019	1,553.36	13.22	14.36	1.14	4.427
2	Jan-Mar, 2020	1,638.17	13.02	14.17	1.15	4.709
3	Apr-Jun, 2020	1,683.49	10.66	14.18	3.52	14.815
	Total					23.951

Audit was of the view that the management was required to repay the outstanding from the surplus funds. But instead of repayment of loan, management decided to invest the funds at lower rate and incurred an extra cost of Rs. 23.95 million in the shape of mark up in nine months. It represented weak financial controls which resulted in financial loss of Rs 23.951 million to PASSCO.

In DAC meeting held on 31.05.2022, the management explained that PASSCO procures on the average 0.8 to 1.2 million metric ton per year as target assigned by GOP. The BOD of PASSCO in its 96th & 101st meeting approved the investments of indigenous funds of PASSCO such as investment income of PIB's, and rental income to form a sizeable fund which could be utilized for construction of storage facilities. The approved amount of funds allocated for construction of 51 godowns is of Rs. 509.797 million. The investment in commercial banks is made in accordance with PPRA rules. The Investment committee analyzed the bids and funds placed considering the highest profit rates.

The DAC directed the management to draw comparison to rationalize the issue, provide classification of rental income and payment of loan. The para was kept pending.

Audit recommends explanation of imprudent decision, workout total impact of the investment and loans repayment ratio and fix responsibility on persons at fault.

(Para-5.11 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.37 Irregular payment of bonus without approval of Finance Division - Rs. 57.883 million

According to Finance Division's (Regulation Wing) Government of Pakistan, O.M. dated November 30, 2001, autonomous/ semi-autonomous bodies/

corporations under the administrative control of ministries, require approval of Administrative Ministry and concurrence of Finance Division payments of bonus to the employees. The disregard to Government policy will tantamount to financial irregularity.

According to Finance Division OM No: F.3(5) R-12180(R-14) dated March 18, 2002, directed to corporations / autonomous bodies / semi-autonomous bodies that the payment of bonus would be made on the following conditions:

- i- Operational profit of the organization only excluding income from other sources;
- ii- Payment of bonus would not be made as customary but it would be on the basis of profit earned and reflected in the annual accounts of the organization;
- iii- No commitment of payment of bonus may be made during negotiations with the CBA because of the conditions mentioned above;
- iv- Managing Director and members of the BOD will not be entitled to receive bonus.

During audit of PASSCO for the years 2019-20 & 2020-21, it was observed that the management made payment of bonus to PASSCO employees without approval of the administrative ministry and Finance Division (Regulation Wing) which was held irregular. The PASSCO BoD in its 134th meeting held on January 25, 2019 approved implementation of standard bell curve policy for evaluation of PASSCO employee's performance for payment of bonus on both Eids i.e. (Eid ul Fitr & Eid ul Azha) on the basis of basic pay drawn on each Eid month with following per-determined percentage as under:

Grading	Bell curve standard	Categorization of 932 held employees against 1250 approved strength	Approved % of bonus	Financial effect for the year 2020-21	
A+ (Outstanding)	2%	18 employees	125%	28.941	Eid Ul Fitr
A (Very Good)	14%	131 employees	100%	28.942	Eid Ul Azha
B (Good)	68%	634 employees	90%		
C (Average)	14%	131 employees	50%		
D & E (Below average)	2%	18 employees	Nil		
Total				57.883	

Audit observed following shortcomings:

- i. Personal files of the employees were not provided to assess their performance according to job descriptions;
- ii. The amount was being paid for the forthcoming Eids during the financial year ending on March 31, 2022 and allowed it to be charged as expense for the year ended on March 31, 2021.
- iii. The profitability of the corporation for the year in which bell curve policy was introduced to the BoD for approval.
- iv. The concurrence of the Finance Division was not obtained According to above referred rules;
- v. The copy of previous approved percentage of bonus before 25.01.2019 was not provided.

Furthermore, it was observed that the management failed to achieve Wheat Procurement Targets of Crop 2019 and 2020 but BoD approved bonus on performance basis which was unjustified and held irregular as detailed below:

Crop year	Target (M. Ton)	Achievement (M. Ton)	% of achievement	Less achievement (M. Ton)
2019	1,100,000	679,414	62%	420,586
2020	1,800,000	1,178,376	65%	621,624
Total	2,900,000	1,857,790		1,042,210

Audit was of the view that the management was required to obtain approval of the Finance Division (Regulation Wing) as Government of Pakistan make payment of incidental charges (including departmental charges i.e HR cost) to PASSCO for wheat operation hence approval of Finance Division (Regulation Wing) was mandatory. Furthermore, while taking decision regarding unfreezing of House Rent Allowance and Utility Charges of PASSCO employees, the PASSCO management should have taken advice of the Finance Division (Regulation Wing) in 2016 but same was not obtained which was held irregular. The payment of annual bonus to PASSCO employees despite non-achievement of targets was held irregular.

In DAC meeting held on 31.05.2022, the management explained that PASSCO is a Public Limited (Non-Listed) Company registered under the Companies Act, 2017. According to Companies Act, 2017 PASSCO BOD was

empowered to give bonus to PASSCO employees. Further PAC on the recommendations of DAC settled the para regarding irregular payment of bonus.

The committee directed that Audit may review the Bonus Rules Frame Work of PASSCO and context of the settlement of bonus para by PAC. The para was kept pending.

Audit recommends compliance of the directives of the DAC.

(Para-6.1 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.38 Irregular appointment of Legal Advisors resulting into irregular payment - Rs. 6.894 million

According to Rule-14(1)(g) of rules of Business 1973, the Law, Justice and Human Rights Division shall be consulted before the appointment of a legal Advisor in any division, or any Office or Corporation under the control of Federal Govt.. Further according to circular dated November 11, 2003 issued by Law, Justice & Human Rights Division prior approval of Division is required for the appointment of Legal Advisor, and violation will be constitute as an act of misconduct.

During audit of PASSCO for the years 2019-20 & 2020-21 it was observed that management engaged and paid professional charges to Mrs. Tabinda Islam Advocate, Mr. Zahid Sikander Advocate, Rao Fahad Ajmal, Mr. Sadequain Gardner Advocate, Rai Zafar Advocate, as the legal advisor during the years 2013-14 to 2020-21 on case to case basis plus other expenses without approval of the Law, Justice and Human Rights Division. This resulted into irregular payment of Rs. 6.894 million on account of retainer ship fee as detailed below:

S. No.	Name of the Legal Advisor	2013-14 (Rs.)	2019-20 (Rs.)	2020-21 (Rs.)	Bonus (Rs.)
1	Mrs. Tabinda Islam Advocate	250,550	3,027,944	2,420,134	324,324
2	Mr. Zahid Sikander Advocate	290,000	80,000	135,000	BPV No:37 13.07.2020
3	Rai Zafar Advocate	47,000	89,000	65,000	-
4	Mr. Sadequain Gardner Advocate	105,000	-	-	-
5	Rao Fahad Ajmal Advocate	60,000	-	-	-

	Total	752,550	3,196,944	2,620,134	324,324
	G. total	6,893,952			

Audit was of the view that the management was required to obtain approval of the Law, Justice and Human Rights Division for the appointment of above legal advisors but no such approval was obtained hence engagement of legal advisor was held irregular.

In DAC meeting held on 31.05.2022, the management informed the committee that after completion of all codal formalities Dr. Waseem Ahmed Qureshi Advocate was appointed as Legal Advisor at monthly retainer fee of Rs. 80,000 who subsequently resigned. Afterwards, Ms. Tabinda Islam Advocate who was declared second on the merit list was appointed.

The DAC directed the management to provide the approval of appointment of Legal Advisors at serial No: 2 to 5. The para was kept pending till provision of requisite documents.

Audit recommends compliance of the directives of the DAC.

(Para-6.2 of SAR PASSCO 2019-21)(AY-2021-22)

15.1.4.39 Failure of 100% Compliance of PAC directives

According to Rule 5(5) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall establish a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety, especially with respect to handling of public funds.

During audit of PASSCO for the years 2019-20 & 2020-21, it was observed that the company failed to 100% comply the PAC directives, 66% compliance for the year 1988-89 to 2015-16 was still pending which was held irregular.

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1988-89	11	09	02	297,300	82
1989-90	07	05	02	318,319	71
1990-91	07	05	02	233,237	71
1991-92	07	06	01	222	86
1992-93	14	12	02	121,122	86
1993-94	06	04	02	100,102	67
1995-96	15	12	03	105,106,108	80
1996-97	15	12	03	118,122,123	80
1997-98	05	04	01	98	80
1999-00	04	03	01	141	75
2002-03	04	02	02	82.1,82.3	50
2004-05	03	0	03	53,54,55	-
2008-09	23	14	09	80,82,83,84,86,87,90,91,93	61
2009-10	11	09	02	81,82	82
2010-11	16	10	06	8.1.1,8.1.2.7,8.1.2.9,8.1.4.1,8.1.4.2, 8.1.4.5	62.5
2013-14	11	0	11	11.1.1, 11.1.2.1, 11.1.2.2, 11.1.2.3, 1..1.3, 11.1.4, 11.1.4.2, 11.1.4.3, 11.1.4.4, 11.1.4.5, 11.1.4.6	-
2015-16	26	12	14	12.1.4.2, 12.1.4.7, 12.1.4.1, 12.1.4.3, 12.1.4.11, 12.1.4.4, 12.1.4.9, 12.1.4.10, 12.1.4.15, 12.1.4.13, 12.1.4.17, 12.1.2.3, 12.1.2.6, 12.1.3	46
Total	195	129	66		66

Audit was of the view that the management was required to ensure compliance of PAC directives but 100% compliance was not made despite lapse of 5 to 30 years which was held irregular.

In DAC meeting held on 31.05.2022, the management explained that PASSCO made strenuous efforts to comply with the PAC directives. PASSCO management and M/o NFS&R were focusing to settle the outstanding paras at DAC/PAC forum. The main reason for partial compliance was that mostly cases were subjudice in different courts.

The DAC was not satisfied with the explanation of the management and directed to expedite the compliance.

Audit recommends compliance of the directives of the DAC.

(Para-6.4 of SAR PASSCO 2019-21)(AY-2021-22)

15.2 Pakistan Tobacco Board

15.2.1 Introduction

Pakistan Tobacco Board Peshawar came into existence in 1968 as a semi-autonomous body under the control of Ministry of Commerce. The principal activities of the Board is to regulate, control and promote the export of tobacco and related produce and to the grading standards, to undertake and assist research connected with tobacco industry, impart training in tobacco testing and generally to take measures in the interest of tobacco industry. It renders assistance for the development of new tobacco growing areas and establishment of model farms, to organize and assist special research connected with tobacco cultivation and generally to render assistance for improving tobacco production and to collect statistics on any matter relating to tobacco and tobacco industry.

15.2.2 Comments on Audited Accounts

15.2.2.1 The working results of Pakistan Tobacco Board for the year 2021-22 as compared with the previous years are tabulated below:

	(Rs. in million)						
	2021-22	% Inc / (Dec)	2020-21	%Inc / (Dec)	2019-20	%Inc / (Dec)	2018-19
Income							
Tobacco Cess	402.74	35	299.17	(16)	357.13	10	324.88
Farm produce	9.69	82	5.33	(43)	9.38	9	8.59
Profit on short term investments	0	-	0	-	-	(100)	12.08
Other Income/Bank Profit	9.88	82	5.44	(56)	12.38	25	9.89
Export Development Fund Income	0.19	(17)	0.23	(15)	0.27	(16)	0.32
Income from Pakistan Investment Bond	174.1	9	160.33	13	141.64	37	103.5
Misc. Income	4.11	(33)	6.11	85	3.31	(64)	9.14
Total	600.71	26	476.61	(9)	524.11	12	468.4
Expenditure							
Administrative	201.14	16	173.73	3	168.08	12	150.42
Developmental research	145.37	25	115.99	(6)	123.42	11	110.94
Marketing research	16.89	1	16.68	16	14.39	19	12.08
Financial	15.133	0	15.12	2	14.87	10	13.53
Provision of Expected credit loss	13.97	1,297	0	-	0		0
Total	392.503	22	322.52	1	320.76	12	286.97
Excess of income over expenditure	208.207	35	154.09	(24)	203.36	12	181.43

(Source: Annual Audited Accounts)

15.2.2.2 The audit of financial statements of Pakistan Tobacco Board for the year 2021-22 was conducted by the chartered firm and given adverse opinion that an amount of Rs. 99.257 million (2021: Rs. 79.722 million) has been transferred to Pakistan Tobacco Board employee' pension fund account and the same has been expense out instead of reducing the fund liability as per the requirements of IAS-19 which needs to be removed.

15.2.2.3 An amount of Rs. 37.045 million (2021: Rs. 37.045 million) appearing under the head other receivable of Tobacco cess from contractor in the financial statements. The said amount is long outstanding receivables and there is no change in the year 2021-22 which needs to be recovered at the earliest.

15.2.2.4 No short term investment had been made during the year 2021-22 whereas Rs. 211.475 million had been shown in cash and bank balances which depicts that management did not access the actual operating expenses requirement due to which management suffered interest loss which needs justification with full facts and figures.

15.2.2.5 During the year 2021-22, management had revalued the land building of Board by independent evaluator. The revaluation had resulted into decrease on building situated at Mardan amounting to Rs. 4.765 million over the book value of Rs. 22.548 million but increase in other buildings of the Board. The decrease in value of building situated at Mardan needs to be investigated.

15.2.2.6 As per note 6.1, the land of Jampur was purchased by the management after incurring to expenditures of Rs. 8.551 million but did not occupied by the management. Resultantly, the value of land was excluded from the balance sheet which requires to be investigated at higher level.

15.2.2.7 Management incurred expenditures of Rs. 145.367 million in 2021-22 on Research and Development but the income from farm produce is only Rs. 9.69 million which indicates that management failed to recover the research expenses from the production of farm which needs justification.

15.2.2.8 Management incurred expenditures of Rs. 16.887 million in 2021-22 on marketing but the working of the Board shows that management only collects the cess on the behalf of the government so the incurring of expenditures on marketing was unjustified.

15.2.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
2003-04	04	02	02	18 & 18.1, 18.2	50
2005-06	04	03	01	26	75
2007-08	05	04	01	17	80
2009-10	08	04	04	27, 28, 30, 33	50
2010-11	16	0	16	2.5.1, 2.5.2, 2.5.2.1, 2.5.2.2, 2.5.2.3, 2.5.2.4, 2.5.2.5, 2.5.2.6, 2.5.2.7, 2.5.2.8, 2.5.2.9, 2.5.2.10, 2.5.2.11, 2.5.2.12, 2.5.3, 2.5.4.1	0
2013-14	11	03	08	4.6.2.1, 4.6.3, 4.6.4.1, 4.6.4.2, 4.6.4.3, 4.6.4.5, 4.6.4.7, 4.6.4.8	27
2016-17	16	01	15	3.6.2, 3.6.2.1, 3.6.2.3, 3.6.3, 3.6.4.1, 3.6.4.2, 3.6.4.3, 3.6.4.4, 3.6.4.5, 3.6.4.6, 3.6.4.7, 3.6.4.8, 3.6.4.9, 3.6.4.10, 3.6.4.11	6
2017-18	07	06	01	4.5.3	86
2018-19	09	06	03	4.6.3, 4.6.4.2, 4.6.4.3	67
2019-20	21	09	12	12.2.2.5, 12.2.2.6, 12.2.2.7, 12.2.2.9, 12.2.2.10, 12.2.2.12, 12.2.2.13, 12.2.3, 12.2.4.1, 12.2.4.2, 12.2.4.5, 12.2.4.7	43
Total	101	38	63		38

Overall compliance of PAC directives was very poor which needs immediate attention of PAO.

Chapter-16

Ministry of Planning, Development and Special Initiatives

Overview

To manage Pakistan's socio-economic development in a strategic and sustainable manner"

Aims & Objectives

Designing and implementing methodology for leadership for planning social and economic development. Development economic programmes designed to achieve competitiveness and leadership for national economy.

Establishing and implementing an approach to strengthen partnership with public agencies private sector and other stakeholder. Coordinating efforts to formulate and achieve development objectives plan and objective to ensure efficiency in performance.

Developing the planning and implementation capabilities of public entities, to facilitate their roles in formulating and implementing plans and strategies.

Governing Laws and Policies

- Rule of Business 1973
- Economic Development Policy of Federal Govt.

Audit Profile of Ministry of Planning, Development and Special Initiatives

(Rs. in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2021-22	Revenue /Receipts audited FY 2021-22
1	Formations	2	1	57,047.541	62,816.100
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities /Autonomous Bodies etc. under the PAO	1	1	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs. 19,907.782 million were raised as a result of this audit. This amount also includes recoverable of Rs. 809.373 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities:	
A	HR/Employees related irregularities	46.354
B	Procurement related irregularities	14,956.898
C	Management of accounts with Commercial Banks	0
4	Value for money and services delivery issues	0
5	Others	4,904.530

16.1 National Logistics Cell

16.1.1 Introduction

National Logistic Cell (NLC) was established by the Government of Pakistan vide Notification No. 120/19/78-Min dated August 12, 1978 with main objective of providing uninterrupted logistic facilities in the country. NLC is also engaged in construction activities, infrastructure rehabilitation, and development sector, Management of Dry Ports & Border Terminals, Technical Institutes and Express Freight Train Service, toll collection and other engineering related activities. It is an attached department of Ministry of Planning, Development & Reform of Government of Pakistan.

The main objectives are as under:-

- Transportation of commodities from one location to other by all available means.
- Hiring/maintenance of storage facilities.
- Carrying out construction of roads and other engineering projects
- Building of truck bodies and chassis of various makes.
- Revenue generation through toll collection.
- Management of Dry Ports and Border Terminals.
- Express Freight Train Service.

16.1.2 Comments on Audited Accounts:

16.1.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the years 2021-22 till December 31, 2022.

Audit recommends that the annual audited accounts for the year 2021-22 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (**Annex-2**).

16.1.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1988-89	11	10	01	541	91
1989-90	23	19	04	635, 640, 648, 650	83
1990-91	05	03	02	491, 494	60
1991-92	08	07	01	458	88
1993-94	14	09	05	234, 235, 238, 240, 243	64
1994-95	11	09	02	257, 264	82
1995-96	06	05	01	232	83
1999-00	11	10	01	235	91
2001-02	03	02	01	213	67
2005-06	15	13	02	212, 214	87
2006-07	08	07	01	178	88
2007-08	04	01	03	154.2, 154.3, 155	25
2008-09	08	06	02	202, 207	75
2013-14	08	01	07	14.1.1 & 14.1.2.1, 14.1.4.1, 14.1.4.2, 14.1.4.3, 14.1.3, 14.1.4.4	12.5
2016-17	25	07	18	14.1.3, 14.1.4.1, 14.1.4.2, 14.1.4.3, 14.1.4.5, 14.1.4.7, 14.1.4.8, 14.1.4.11, 14.1.4.12, 14.1.4.13, 14.1.4.14, 14.1.4.15, 14.1.4.16, 14.1.4.17, 14.1.4.18, 14.1.4.19, 14.1.4.20, 14.1.4.21	28
2019-20	24	0	24	13.1.2.1, 13.1.2.2, 13.1.2.3, 13.1.2.4, 13.1.2.5, 13.1.2.6, 13.1.2.7, 13.1.2.8, 13.1.2.9, 13.1.3, 13.1.4.1, 13.1.4.2, 13.1.4.3, 13.1.4.4, 13.1.4.5, 13.1.4.6, 13.1.4.7, 13.1.4.8, 13.1.4.9, 13.1.4.10, 13.1.4.11, 13.1.4.12, 13.1.4.13, 13.1.4.14	0
Total	184	109	75		59

Overall compliance of PAC directives was not satisfactory which needs to be improved.

16.1.4 Audit Paras

16.1.4.1 Non-recovery of shortage happened during transit of edible oil - Rs 508.315 million

As per clause 4 (3) of the Corporate Governance Rules 2013, The chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules. His 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.

During the audit of NLC-Logistics branch Karachi for the year 2021-22 it was observed from the record that M/s NLC obtained a work for transportation / shifting of edible oil from Port Qasim Karachi to Al-Hilal Industries, Multan. Further, scrutiny of the record revealed that during the year 2021-22, NLC shifted 112,678 ton edible oil from Port Qasim, Karachi to the client sites. However, the clients reported shortages of Rs. 318.858 million of the products during transit.

Similarly, it was observed that during shifting of crude oil from different OGDCL owned oil fields to refineries, NLC shifted 2,538,023.394 barrels of crude oil through its own transportation fleet while 1,709,169.155 barrel through its Hired Mechanical Transportation (HMT) fleet. However, as per dispatch reports derived from the NLC system, shortage worth Rs. 189.457 million was pointed out.

Audit was of the view that safe and complete transportation of edible oil/ crude oil was the responsibility of NLC for which they failed. Thus, the amount of loss in transit, as stated above needed to be recovered from HMT contractor as well as NLC drivers and helpers.

The matter was reported to the management on January 18, 2023. The management in its reply dated 31.01.2023 stated that all shortages over & above the allowable limit was recovered from NLC drivers and HMT contractors. It was also submitted that in transportation of petroleum products, it was very natural that product would evaporate. Therefore, all oil producing companies permit

evaporation allowance up to a certain percentage. Similarly OGDCL had also allowed 1% evaporation allowance against the transport of crude oil. Deduction were made from NLC drivers from monthly pay through HQ NLC Pay Sec and HMT contractors from their bills by F&A Br HQ LS. The reply was not tenable as shortage of edible and crude oil of huge amount was reported which needed through investigation and adopt remedial measures.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter in detail for such a huge losses in transit and recover the amount in question under intimation to Audit.

(Based on Para-132 & 133 NLC, 2021-22)

16.1.4.2 Loss due to non-recovery of advance payment from the contractor - Rs 129.062 million

According to standing operating procedure (SOP)- 1/2017 Operation of Engineer Projects clause-1.11 of general conditions and particular specifications “the sub-contractor shall be allowed mobilization advance not more than 10% of the tendered amount of the works against bank guarantee if approved by the competent authority as well as receipt from the client to NLC. The advance will be given on the guarantee furnished by the schedule bank. The advance will be recovered in 5 equal installments starting from the 1st RAR as per period of agreement in case of completion period as less than 5 months. In case the subcontractor fails to execute the work in accordance with terms of the agreement, the security offered in respect of mobilization advance shall be forfeited to the credit of NLC.

During audit of PD KP for the year 2021-22, it was observed that NLC was awarded a contract “Procurement of EPC contract for design and construction of buildings and infrastructures, and design, supply, and installation of security and ICT system at Torkham Border Facilities” at a price of Rs 12,281.393 million and US \$ 31,335,483 vide letter of acceptance No. 1(21) Cus-Project/ITTMS-Imp/2015/544 dated 18.12.2018. The management of NLC sublet the work for the construction (30 buildings) to M/s Hajvairy Associates Pvt. Ltd. for an amount of Rs 1,773.019 million. Later on, the amount of contract was reduced to Rs 519.991 million for 08 buildings. The management paid an amount

of Rs 182.622 million to contractor (i.e. Rs 17.730 million mobilization advance as shown in RAR No. 01 dated December 28, 2021 + Rs 139.500 million vide Payment voucher No. 16 dated March 31, 2021 and Rs 25.391 million vide PV No. 06 dated June 16, 2021). The concerned contractor carried out total work of Rs 53.560 million but no further payment or recovery was found on record. The MOU executed with M/s Hajvairy was terminated on 10.02.2022. Later on, the said work was assigned to other contractors. Thus, an amount of Rs 129.062 million (i.e. Rs 182.622 million (-) Rs 53.560 million) was recoverable from the contractor. The list of active blacklisted firms given at PPRA website revealed that the said firm was blacklisted from 23.02.2022 to 22.02.2032 by NLC on account of submission of forged and fabricated bank guarantee.

Audit was of the view that NLC would sustain loss of Rs 129.062 million on account of outstanding amount against the defaulter firm.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that legal action had been taken and case was in court and being pursued by HQ NLC. The reply was not acceptable because the contractor produced bank guarantee and management did not verify the same on timely basis. It was evident from the PPRA website that the contractor was blacklisted due to submission of forged and fabricated bank guarantee. All payments were made before verification of bank guarantees from respective bank resultantly management could not recover sum of Rs 129.062 million from contractor.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter regarding making payment to the contractor without proper bank guarantee duly authenticated by the issuing bank, besides take legal action to effect recovery from M/s. Hajvairy Associates.

(Based on Para-82 NLC, 2021-22)

16.1.4.3 Irregular/unjustified payment of escalation to contractor - Rs. 43.210 million

As per clause 1.9 of Engineers SoPs 2017 of NLC and agreement states that no escalation/de-escalation will be admitted for works of six months or less,

however, if the same prevails over it and the client admits and makes payment against escalation claim to NLC, the sub-contractor would be permitted to claim the escalation against the works executed by him in the same proportion as that of quoted bid of sublet agreement and NLC's Bid. Payment against escalation upto 70% will only be released upon receipt of funds from client with the approval of Dir Projects. Hand receipt for release of remaining 30% escalation will be processed with final bill to CFO through HQ Engineers NLC and payment will be made on issuance of payment authority by CFO.

As per standard procedure for price adjustment given by Pakistan Engineering Council in 2009, the billed amount of the Works for each calendar month will be obtained from the checked bills submitted by the Contractor. In case the billed amount is for more than one month, the amount of the bill shall be segregated for actual work done in each month.

During audit of NLC PD North for the year 2021-22 it was noted that the management of NLC sublet the work of "construction of College/Admin building of King Hammad University for Nursing and Associated Medical Sciences" to M/s Malik Abdul Hanan & Sons for Rs 690.00 million.

It was observed that management allowed amount of Rs 43.210 million on account of escalation to the contractor on Cement and Steel. However, the management of NLC did not receive any sum of amount on account of escalation from client. As per procedure, the price escalation is calculated with adjustment factor multiplied by the value of work done. In instant case, the management calculated price adjustment by multiplying factor with total contract value (i.e. $0.54299 \times \text{Rs } 690.00 \text{ million} = \text{Rs } 37.47 \text{ million}$). However, the management allowed price adjustment of Rs 43.210 million. Further probe into the matter revealed that the contract was awarded on 16% premium on MES schedule of rates 2021, wherein contractor quoted rates of steel reinforcement of Rs 202.10 per kg whereas, Rs 160.99 per kg was used in price adjustment which was already below the quoted rates. Resultantly, the escalation allowed to contractor was held irregular / unjustified. Furthermore, the contract amount was increased to Rs 733.210 million which resulted into drop in profit margin of NLC from 20.96% to 8.54%. Furthermore, an amount of Rs 32.366 million was also given as secured advance against steel to contractor.

Audit is of the view that the payment of escalation to the contractor without receiving from client was contrary to SoP. Further, the rate quoted by the contractor was already on higher side and he was not entitled to price adjustment. Moreover, the calculation of price adjustment contrary to the escalation formula was held irregular/un-justified.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that the fixed priced contract agreement between Kingdom of Bahrain & NLC is in USD and there was no escalation in that contract. The escalation factor was being covered under the income in dollar exchange rate. The contractor quoted rate i.e. Rs 202.10/ kg incl providing, cutting, bending, binding, fixing of reinforcement. Whereas, Rs 160.99/ kg is ex-factory rate of steel/ kg only. Therefore, rate of Rs 160.99/kg was taken as base value for calculation of escalation. The reply of the management was not convincing as escalation was being paid contrary to the SoP of NLC. Further, price adjustment was being paid by multiplying factor with contract value rather than value of work done.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to justify the reason for payment made to contractor on account of escalation, expedite the recovery from the contractor besides fixing responsibility against the person(s) at fault.

(Based on Para-65 NLC, 2021-22)

16.1.4.4 Loss due to determine the contract agreement and award the same work at higher rates to another contractor - Rs. 40.745 million

According to the work schedule/BoQ for the works “Procurement of EPC Contract for Design and Construction of Buildings and Infrastructures, and Design, Supply, and Installation of Security and ICT Systems at Torkham Border Crossing Facilities” the HVAC work in Passenger Terminal is required to be executed:-

Description	Country of Origin	Units/ Quantity		Local Currency (PKR)
Package Type Unit				
PACU-01 (as per schedule)	Malaysia	Nos.	2	3,674,152
PACU-02 (as per schedule)	Malaysia	Nos.	1	2,400,441
PACU-03 (as per schedule)	Malaysia	Nos.	1	3,190,918
PACU-04 (as per schedule)	Malaysia	Nos.	2	6,381,835
PACU-05 (as per schedule)	Malaysia	Nos.	2	7,238,002
Single Split AC Unit				
AC-01 (as per schedule)		Nos.	10	588,206
AC-02 (as per schedule)		Nos.	4	302,101
AC-03 (as per schedule)		Nos.	2	171,306
CT-04 (as per schedule)		Nos.	4	377,627
Ventilation Fans				
EAF-05 (as per schedule)		Nos.	2	49,509
EAF-06 (as per schedule)		Nos.	2	49,509
EAF-09 (as per schedule)		No.	1	127,493
FAF-02 (as per schedule)		Nos.	2	430,228
SEF-01 (as per schedule)		Nos.	8	1,720,913
Total				26,702,241

During audit of PD KP, NLC for the year 2021-22 it was observed that the management sublet the work for the “Construction of Passenger Terminal & Facilitation Center 1 & 2, BCF Torkhum” to M/s. Naseer Khan Construction Company for Rs 310.157 million vide work order dated 14.05.2022. Out of the sub-let work, the cost of HVAC work in Passenger Terminal was of Rs 37.341 million. Subsequently, the HVAC work was deleted from scope of work of said contractor and awarded the same work to M/s. Iceberg Industries of Rs. 78.086 million. Resultantly management sustained loss of Rs 40.745 million (Rs 78.086 – Rs 37.341) due to award of work at higher rates (Annex-121).

Audit was of the view that the management sustained loss of Rs 40.745 million due to award of deleted work at higher rates to another contractor.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that building works were awarded to M/s Naseer Khan Construction Company including HVAC work but

the same work was deleted from their scope of work due to sensitive and specialized nature of work (HVAC) which needed to be executed through specialized/experienced contractor and also upon Client (FBR) instructions to strictly follow the approved manufacturing list. Also special provision i.e. parts data package, certificate of origin, provision of special tools, startup spare parts and operational spare parts were included in M/s Iceberg Industries Contract Agreements. The reply was not acceptable because despite sensitive and specialized nature work, the management had awarded the work to M/s Naseer Khan Construction Company which was later on deleted from their scope of work and awarded to M/s Iceberg Industries. Thus, management sustained loss due to award of same HVAC work to M/s Iceberg at higher rates.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to justify as to why the deleted work was awarded at higher rates besides fixing responsibility thereof.

(Based on Para-87 NLC, 2021-22)

16.1.4.5 Loss to public exchequer due to non-recovery of KPRA tax – Rs 155.527 million

In accordance to the second schedule of KP Finance Act, 2013 as amended, the KP Finance Act, 2021 serial No. 14 “service provided by the construction contractors architects, civil surveyors, construction consultants, designing and supervision consultants, town or real estate or property promoters, developers or planners including interior decorators or allied or ancillary profession” KPRA rate of tax @ 5% should be recovered from the payments made to consultants for services rendered.

During audit of PD KP, NLC for the year 2021-22 it was observed that management paid an amount of Rs 364.640 million to M/s. Al-Imam Pvt. Ltd and Rs 120.665 million to M/s. PID during the year 2021-22. The payment vouchers, however, revealed that KPRA Tax of Rs 24.265 million (i.e. Rs. 364.640 million + Rs 120.665 million = Rs 485.305 million * 5%) for services rendered by the consultants was not recovered.

It was further observed that management paid Rs 2,625.234 million to different contractors against the following projects during the year 2021-22 but KPRA Tax of Rs 131.262 million was not recovered from the contractors:

S. No.	Name of Project	Amount paid to contractors (Rs.)	KPRA Tax due @ 5%
1	Border Service Improvement Program, Torkham	2,509,587,332	125,479,367
2	Road construction of CPEC Pkg-1	62,610,993	3,130,549
3	Construction of River Training Works on Indus River	53,035,607	2,651,780
	Total	2,625,233,932	131,261,696

Thus, due to non-deduction of Khyber Pakhtunkhwa Revenue Authority Tax in violation of the government standing instructions, public exchequer was put to loss of Rs. 155.527 million (Rs. 24.265 million + Rs 131.262 million).

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that sub-contractors were working at site in extremely hostile environment and challenging conditions. In addition to the above, prevailing market trends and price hike were the factors which were making contractors reluctant to work at Torkham. If NLC add more taxes it would be hard for them to motivate some body to work. The reply was not tenable as non-deduction of KPRA tax was against the Government instructions which resulted into loss of Rs 155.527 million.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the reasons of non-deduction of KPRA tax in violation of government standing instructions and fix responsibility thereof. Besides, immediate steps be taken for recovery of the tax amount from the concerned contractors.

(Based on Para-91 & 109 NLC, 2021-22)

16.1.4.6 Loss to Government due to non-deduction of DRP fund – Rs 5.122 million

According to Section-11 of the “Disabled Persons (Employment & Rehabilitation) Ordinance 1981 and the Government of Khyber Pakhtunkhwa disabled persons (Employment and Rehabilitation) Rule, 1991 read with the

Establishment and Administration department Khyber Pakhtunkhwa letter No. SORV(E&AD)11-26/96Vol-III dated 25.07.2002 followed by several reminders and Federal Cabinet decision and Directorate of Social Welfare Special Education and Women Empowerment department Khyber Pakhtunkhwa circular letter No. DPR / pub / pcrdp /15374-403 dated 23.01.2012 deduction of DPR fund @ Rs 2,000 each per million may be made from the bills of the contractors/firms who have completed business of one million or above in a financial year.

During audit of PD KP, NLC for the year 2012-21 it was observed that the management made payment of Rs 2,589.701 million to several contractors / suppliers but did not deduct Rs 5.122 million on account of Disabled Persons Rehabilitation (DPR) Fund from the contractors/firms during 2021-22. The detail of payments is given at Annex-122.

Audit was the view that non-deduction of DPR fund occurred due to violation of above rules which resulted into loss to the Government.

The matter was reported to the management on January 18, 2023. The management in its reply dated 31.01.2023 stated that DPR fund @ Rs 2000.00 per million was being deducted by Government of KP from NLC against each project for rehabilitation of disable persons. It was worth mention that sub-contractors were working with NLC, hence there was no need to deduct the said fund from the contractors / firms. The reply was not tenable as DPR fund @ Rs 2,000 each per million had to be deducted from the bills of the contractors/ firms who had completed business of one million or above in a financial year.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to effect recovery from the contractors/firms and deposit the amount into Government treasury and strict compliance be made in future. Further, efforts be made to recover DPR fund from contractors/suppliers retrospectively.

(Based on Para-110 NLC, 2021-22)

16.1.4.7 Loss due to rejection of NLC claim by the client Rs. 946.557 million and irregular hiring of sub-contractor

As per clause 58 of engineering SOP of the NLC regarding recovery/ Claims Management “....All claims shall be perceived beforehand during currency of project execution documents in writing with the Client/ consultant shall be generated timely for intent, notices duly supported with the relevant documents. Further, as per clause 60.1 of the contract agreement signed with client SIDCL the contractor shall submit to the engineer after the end of each month six copies of claim, showing the amount to which the contractor considers himself to be entitled upto the end of month in respect of the value of permanent work executed or any other item in the BoQ etc. According to rules 12(2) of the PPRA, ‘All procurement opportunities over three million rupees should be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During the audit of NLC PD-Sindh Karachi for the year 2021-22, it was observed that M/s NLC entered into a contract with M/s Sindh Infrastructure Development Company Limited (SIDCL) for vertical transportation work (Escalator Works). The time for completion of the project was 180 days from the date of commencement of work i.e. July 03, 2017. However, it was observed from record that NLC procured the necessary machinery and equipment/escalator well before time, however due to non-availability of sites for installation, the same could not be erected/ installed. NLC shifted said equipment to the sites as per directions of engineer/client. Later on some equipment was damaged due to fire incident and some were stolen/disappeared as reported by the NLC staff, due to which the timely erection / installation was not made and the project was delayed. It was observed that despite successful completion of work, the client refused to pay an amount of Rs. 946.557 million on account of claim submitted by the NLC to M/s SIDCL through ‘the Engineer’. The claim was based on the facts that the client (SIDCL) failed to handover the site to NLC for installation of escalators and responsibility of security and safety of the damaged/missing machinery & equipment was upon SIDCL. The engineer / SIDCL rejected the

claim of NLC being the compensation of delay in handing over of site was already granted in shape of extension of time and payment of all costs associated in this behalf.

Further, the award of work was made by direct contracting without proper pre-qualifications by the NLC as prescribed in rule 16(1) of PPRA and in contravention to rules 25 (a) of NLC – Engineering SoP. It was also observed that insurance of work as required under the provisions of contract agreement was also required to be made by the NLC but the same was also not done.

Audit was of the view that due to poor monitoring and late lodging of claim with client / engineer, NLC suffered loss which needed to be justified.

The matter was reported to the management on January 18, 2023. The management in its reply dated 31.01.2023 stated that consignment of the Escalators reached at Karachi Port on 16 December 2017 and NLC requested Employer to provide Sites so that Escalators could be shifted to its Sites without incurring any demurrage charges, but he failed to do so. To secure the escalators, sealed boxes were then shifted to warehouses till sites were ready or any otherwise instruction by the Employer / Engineer. The escalators remained in the warehouse for the period of more than one year. Later on, the Employer vide its letter dated 19 February 2019 instructed NLC to shift the escalators on unfinished sites just to avoid the storage charges. NLC contested employer's decision to shift the escalators on the unsuitable sites hence, the employer agreed to take up the responsibility of the safety and security of the escalators stored at Site. Meanwhile, escalators suffered damages in terms of stolen parts and burning. In Sep 2021, employer approached NLC for rehabilitation of damaged escalator for timely inauguration by the then Prime Minister. NLC agreed to rehabilitate the escalators with the conditions to compensate the same. SIDCL instructed NLC to submit its claim under provision of contract for restoration of escalators. NLC submitted its claim which was rejected by Employer. NLC after failed attempts of amicable settlement, commenced arbitration against employer. Consequently, NLC won the claim in Arbitration which now made the rule of court for implementation. NLC had acquired the insurance for the time equivalent to original time for completion of the project, however, project got delayed for more

than twice the original completion time due to the failure of the client, insurance could not be procured to avoid extra loss to NLC.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter, and fix responsibility and take up the matter at higher level for recovery of NLC claim.

(Based on Para-116 & 118 NLC, 2021-22)

16.1.4.8 Loss due to less/short collection of toll fee - Rs 334.831 million

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 NLC Tolling HQ Rawalpindi for the year 2021-22, it was observed that management of NLC entered into contract agreements with National Highway Authority (NHA) for Operation, Management & Maintenance, of 33 numbers of Toll Plazas on guaranteed fixed revenue basis till the period ending 30.06.2022.

Audit observed that the management failed to collect the net guaranteed fixed revenue on 19 toll plazas during 2021-22. Resultantly heavy loss of Rs 334.831 million was incurred in operation Management & Maintenance of these toll plazas (Annex-123).

Audit was of the view that either the management of NLC offered excessive bids for these toll plazas without proper working before submission of bids or failed to effectively collect the toll fee on these plazas which resulted into heavy loss.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that due to Covid-19 waves, azadi marches and dharnas by TLP, PDM and lately PTI and finally the no confidence move (last nail) severely affected the economy and resultantly move of both goods and commuters reducing the transportation on roads, and country almost came to economically and financially default. As per contract clauses of Article 9 and 12, necessary adjustments were made in the net guaranteed installment and the payment was made as per the profit / loss arrangement. The

reply was not tenable as huge loss was incurred by NLC in the operation of toll plazas.

Audit recommends to investigate the matter and fix the responsibility thereof and recover the loss from the person(s) held responsible.

(Based on Para-25, NLC, 2021-22)

16.1.4.9 Loss to public exchequer due to non-recovery / non-collection of stamp duty from the contractors – Rs. 16.469 million

As per the Stamp Act, any instrument of the nature of memorandum of agreement made or entered into by a contractor with Government, Corporation, Local Body, Local Authority, Agency or Organization set up or controlled by the Federal or the Provincial Government, to execute any work to procure stores and materials, stamp duty @ 0.25% will be recovered and deposited into Govt. Treasury. Further according to the Government of Pakistan, Ministry of Defence letter No. MoD's U.O No. 5-1/2019(PAC-iii) dated 31 July, 2019, stamp duty is applicable and its recovery from contractor is by Provincial Government is applicable even when the contract is signed between contractor and Federal entity and the work has been performed in Cantonment Area.

During audit of NLC HQ for the year 2021-22, the management entered into different contracts for the purchase of stores and material valuing Rs. 6,587.703 million. However, stamp duty @ 0.25% amounting to Rs. 16.469 million as detailed at Annex-124 was not recovered:

Audit was of the view that non-recovery of stamp duty from the contractors was a loss to the public exchequer and government was deprived of its due receipts.

The matter was reported to the management on January 11, 2023 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to fix responsibility on the person(s) at fault besides recovery of amount involved.

(Based on Para-34 NLC, 2021-22)

16.1.4.10 Irregular cash withdrawals - Rs. 15.440 million

Rule 157(1) of FTR states that cheques drawn in favour of Government officers and departments in settlement of Government dues shall always be crossed A/c payee only not negotiable.

During the Audit of NLC HQ for the year 2021-22, the bank statement for the month of June 2022 pertaining to account No. 1440400301 showed that the management of NLC made cash withdrawals amounting to Rs. 15.440 million for the period from 01.06.2022 to 30.06.2022 as detailed below:

Date	Particular	Amount (Rs)
01.06.2022	Cash Withdrawal	400,000
02.06.2022	Cash Withdrawal	400,000
03.06.2022	Cash Withdrawal	600,000
07.06.2022	Cash Withdrawal	450,000
08.06.2022	Cash Withdrawal	2,000,000
09.06.2022	Cash Withdrawal	10,000
13.06.2022	Cash Withdrawal	800,000
15.06.2022	Cash Withdrawal	1,000,000
16.06.2022	Cash Withdrawal	1,050,000
17.06.2022	Cash Withdrawal	1,380,000
20.06.2022	Cash Withdrawal	1,000,000
21.06.2022	Cash Withdrawal	250,000
23.06.2022	Cash Withdrawal	800,000
24.06.2022	Cash Withdrawal	1,500,000
27.06.2022	Cash Withdrawal	1,150,000
28.06.2022	Cash Withdrawal	1,800,000
29.06.2022	Cash Withdrawal	400,000
30.06.2022	Cash Withdrawal	450,000
Total		15,440,000

Complete bank statements and cash book of Imprest account for the period from 01.07.2021 to 31.05.2022 was not provided for scrutiny.

Audit holds that the payments were made in cash instead of issuing cheques in the name of suppliers/vendors. Audit observed that no ceiling of imprest account was fixed.

Audit was of the view that cash payments were a violation of Rule 157 of FTR.

The matter was reported to the management on January 11, 2023 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that matter may be justified besides fixing of ceiling of imprest account. The practice of cash payment instead of cheque be discontinued forthwith and relevant record may be produced to Audit for verification.

(Based on Para-36 NLC, 2021-22)

16.1.4.11 Irregular release of payment to the contractors without obtaining sales tax invoices – Rs 1,769.886 million

As per Revenue Division Circular No. 1(42) STM/2009/99638-R dated July 24, 2013, it was reiterated to all the Ministries/Division with request to advise all the Departments, Autonomous/Semi-Autonomous bodies and Corporations under their administrative control to ensure that:

- i. In case of public works, it may be ensured that the contractors engaged make purchases only from sales tax registered persons. Since contractors carrying out government works against public tender are required to have a BOQ (Bill of Quantity), the contracting department/organization must require such contractors to present sales tax invoices of all the material mentioned in the BOQ as evidence of its legal purchase, before payment is released to them.
- ii. At the time of audit, it may be ensured that the above-mentioned legal requirements have been fulfilled.

During audit of the accounts of PD (North), NLC Rawalpindi for the year 2021-22, it was observed that the management awarded several contracts of civil works to the contractors. An amount of Rs 1,769.317 million was paid to the contractors against bills submitted for payment. Detail is given in Annex-125.

It was however, observed that neither the contractors submitted sales tax invoices in support of material purchased / used in the works nor the management demanded such information from the contractors at the time of release of payment against their claims.

Audit was of the view that in order to ensure compliance of above referred instructions of the Govt. the management should have inserted such clause through special conditions of contracts which was not done and the payment of Rs 1,769.317 million was made without observing the afore-mentioned instructions of the government. The amount paid in this account was held irregular in Audit.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that in case of supply of goods, the liability to pay the Tax should be responsibility of the person making the supply as per Sec 3, sub sec 3 clause (a) of Sales Tax Act 1990. In view of above mentioned reasons, recovery of Sales Tax was not applicable. The reply was not tenable as it was the responsibility of NLC to ensure that the contractors engaged with them made purchases only from sales tax registered persons which was not done.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that reason for non-observance of FBR instructions may be investigated with a view to fix responsibility on the person(s) at fault, necessary steps be taken to avoid such irregularities in future.

(Based on Para-42 NLC, 2021-22)

16.1.4.12 Non-recovery of outstanding receivables – Rs. 2,098.940 million

Rule-26 of GFR provides that it is the primary responsibility of the departmental authorities to see that all revenues or debts due to governments which have to be brought to account are correctly and promptly assessed, realized, and credited to the public account.

During audit of NLC PD (North) for the year 2021-22, the management provided detail of total receivables upto 30.06.2022.

Audit observed that the management had long outstanding balances from different parties under different projects. Accumulated receivables/trade debts as on 30.06.2022 stood at Rs. 2,098.940 million. Aging of the receivables is as under:

Period/Aging of receivables	Amount (Rs)
Less than 6 months	550,053,631
Receivables more than 6 to 12 months	34,702,835
Receivables more than 1 to 2 years	32,315,219
Receivables more than 2 to 3 years	180,675,350
Receivables more than 3 to 4 years	76,761,463
Receivables more than 4 to 5 years	81,298,253
More than 5 years	1,143,132,909
Total	2,098,939,660

Audit was of the view that the management failed to safe guard NLC monetary interest which reflected weak internal controls in the organization.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that in certain cases partial amount was held up by client temporarily despite of completion of all codal formalities at NLC end due to internal departmental issues i.e. non-availability of funds from respective Ministry, non-approval of VOs/ PC-1 and non-BOQ items due to change in design/ drawings etc. which are released after passing of some period. These receivables were outstanding against 14 on-going and 29 substantially completed projects out of which an amount of Rs 670.895 million had been recovered during last two quarters of FY 2022-23.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to adopt measures for early recovery of remaining outstanding dues. Besides, the amount recovered by verified from Audit.

(Based on Para-47 NLC, 2021-22)

16.1.4.13 Irregular appointment of officers on contract basis and payment of pay & allowances - Rs 34.825 million

According to the Cabinet Secretariat (Establishment Division) Government of Pakistan O.M. No.4/2/90-R- 1-I dated December 05, 1990 and subsequent instructions issued through letters dated May 26, 1999 and December 04, 2007 the re-employment after the age of superannuation in the government, semi-government, autonomous bodies and semi-autonomous bodies was required to be made by obtaining the approval of Prime Minister.

According to standing instructions contained in Sl. No. 20 of Chapter-X “Retirement & Re-employment” of ESTACODE, “the government controlled

corporations and other autonomous bodies should forward proposals for re-employment in exceptional cases to Establishment Division through administrative Ministries for seeking approval of Prime Minister. The proposal duly signed by Secretary In-charge of the ministry should be received in the Establishment Division six months before the officer is due to attain the age of superannuation. The steps taken to train the substitute should also be mentioned in proposal for re-employment”.

As per NLC Service Rule-17(b), no person who is over 60 years of age, will be employed/retained. Advisors or consultants over 60 years of age can be engaged and will be treated as re-employment for which explicit orders of Prime Minister of Pakistan would be obtained prior to employment.

During the audit of NLC for the year 2021-22, it was observed that the management of NLC appointed 57 officers / officials after the age of superannuation, without any advertisement and prior approval of the Prime Minister and made payment of Rs. 34.825 million (Annex-126) on account of salaries.

Thus, the appointments after the age of superannuation on contract basis without advertisement and without the approval of Prime Minister was non-transparent and was considered as irregular.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that being dynamic Organization, NLC Operations necessitated hiring / retention of technical / skilled manpower. Thus, in 53rd NLB meeting held on 27 Nov 2013, NLB (being governing body) approved to engage and retain tech / skilled manpower of engineers, Audit, Finance, ICT and NLC Express Freight Train (NEFT) up till 65 years of age. Further, Govt. of Pakistan, Planning & Dev Div. vide Notification dated 8th Nov 79 had delegated power to NLB for engaging / hiring personnel / staff for NLC Operations to OIC NLC. Thus, such cases were not being processed for the approval of Prime Minister. The reply of the management was not tenable as the recruitments were made in violation of Service Rules of NLC and without following the instructions on the subject.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain the reasons for hiring of staff without obtaining approval from competent authority besides investigating the matter and fixing responsibility on person(s) at fault.

(Based on Para-27 NLC, 2021-22)

16.1.4.14 Loss due to allowing CP Fund Scheme to the Retired Army Personnel - Rs 11.529 million

The Establishment Division vide its OM No. F.10/52/95-R.2 dated 18.07.1996, circulated the revised format of standard terms & conditions of contract appointments to be used in Ministries, Divisions, their Attached Departments and other organizations under them. As per format of standard terms & conditions, no contribution toward GP fund shall be required. As per Establishment Division OM No. 10/52/95-R.2 dated 21.08.2001, the terms and conditions are also applicable to the retired civil servants and a retired officer of the Armed Forces and a retired Judge of the superior courts, on re-employment in an autonomous body administered and controlled by the Federal Government.

In accordance with Board decision on Agenda Point No. 3 (Retention of Manpower - Terminal Benefits) “Board deliberately and principally approved implementation of CP Fund & Restricted Leave Encashment in NLC for contractual employees with effect from 1st July 2015”.

During audit of NLC Head quarter Rawalpindi for the year 2021-22, it was observed that the management in the light of Board decision allowed CP Fund contribution to contractual staff along with the retired army officers/officials. An amount of Rs 11.529 million was contributed by the army retired officers/official during the period from January 2021 to November 2022 (Annex-127).

Audit was of the view that retired Civil/army officers/officials were not entitled to contribute CP Fund in the light of Government instructions and Board approval was against the decision of the Government instruction. Thus, due to extending CP Fund scheme to the retired civil/army officers/officials, NLC would sustain huge loss in this account.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that NLB in its meeting held on 7 Sep 2015 had approved implementation of CP Fund Scheme to all contractual employees for their long term retention. The reply of the management was not relevant as the CP scheme was not applicable to retired officers / officials.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that the matter may be justified for allowing ex-civil/army personnel to contribute CP Fund against the Government instructions and amount may be calculated from the beginning and recovery of the amount contributed by the NLC be made. Further, deduction of CP Fund contribution from ex-civil/army officers/official; re-employed on contract basis and contribution of NLC portion may be stopped forthwith.

(Based on Para-19, NLC, 2021-22)

16.2 Pakistan Institute of Development Economics

16.2.1 Introduction

Pakistan Institute of Development Economics (PIDE) was established in 1957 by the Government of Pakistan and initially was registered under Societies Registration Act XXI of 1860.

In 1964 it was re-established as Pakistan Institute of Development Economics under the administrative control of Ministry of Education and Information vide S.R.O. 370 (K) 64 dated May 01, 1964.

Pakistan Institute of Development Economics (PIDE) has been contributing towards research and teaching in the field of development economics and its associated fields. In 2010 PIDE was declared as body corporate and degree awarding status was given through PIDE Act -2010.

Main objectives of the Institute are:

- i. To function as an agency for conducting and promoting research, surveys, seminars, conferences, experiments and demonstrations in the field of Development Economics, Islamic Economics, Economic demography and related social disciplines.
- ii. To provide facilities for training in economics and economic demographic analysis and research techniques.
- iii. Arrange to publish papers studies and such other works as are completed at the Institute or are prepared in collaboration with it or which are otherwise of substantial value to the work of the Institute.
- iv. To disseminate information and extend advice to the government and other agencies based on original research in economics and related disciplines.

16.2.2 Comments on Audited Accounts:

14.2.2.1 The working results of the Board for the year 2020-21 as compared to previous years are as under:

(Rs. in million)

	2021-22	% Inc/ (Dec)	2020-21	% Inc/ (Dec)	2019-20
Revenue:					
Restricted					
Grant for PhD	5.00	0.00	5.00	(37.50)	8.00
Grant of COVID-19	0.792	319.05	0.189		0
Grant for HEC need based scholarship	1.251	(60.44)	3.162		0
Amortization of deferred grant	3.668	80.60	2.031	22.50	1.658
	10.711	3.16	10.383	7.51	9.658
General					
Government grants	585.067	75.75	332.897	12.05	297.109
Student fee	45.576	24.32	36.660	(33.47)	55.107
Other income and recoveries	58.564	381.41	12.165	(60.85)	31.069
	689.207	80.55	381.722	(0.41)	383.286
Less saving to be refunded to GoP	50.00	-	-	-	-
Total income	649.919	78.50	392.106	(0.21)	392.945
Expenditure:					
Restricted expenditure	10.712	3.17	10.383	7.51	9.658
General					
Employee related expenses	322.270	44.03	223.745	0.70	222.195
Project Pre-investment analysis	35.003	222.07	10.868	(30.02)	15.530
Operating Expenses	69.069	123.16	30.950	(30.71)	44.669
Employee retirement benefits	174.898	55.04	112.809	17.40	96.087
Total expenditures	611.952	56.78	390.323	(0.53)	392.420
Surplus of income over expenditure	87.966	4,833.60	1.783	239.62	0.525

Source: Annual Audited Accounts

14.2.2.2 Current Assets of the organization are showing that management has invested Rs. 129.604 million in short term treasury bills with maturity of one year. The rate of return is 13.64% and is payable at maturity. According to Finance Division letter No. F.4(1)/2002-BR.II dated 02.07.2003, before making any investment under this policy, it would be necessary for public sector entities

to set up in-house ‘professional treasury management function’. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority. Transaction above the approval authority of the Investment Committee will be subject to approval of Board of Director. Hence, the approval of BoDs regarding investments may be shared with audit alongwith justification.

14.2.2.3 Advance, deposits, prepayments and other receivable increased by 418.17% to Rs. 21.950 million as on 30.06.2022 from 4.236 million as on 30.06.2021, this includes increase in advances by Rs. 12.174 million, increase in deposits by Rs. 0.858 million, prepayment increased by Rs. 1.967 million and other receivable increased by Rs. 4.891 million. These increases under the subject head needs to be justified alongwith complete breakup.

14.2.2.4 An amount of Rs. 123.202 million showing under the head of Cash at Bank as on 30.06.2022, this amount includes Rs. 62.174 million kept in current account and Rs. 61.027 million in saving accounts. The management did not determine the working balance limit as required vide Finance Division letter No. F.4(1)/2002-BR.II dated 02.07.2003 which states that “the working balance limit of each organization should be determined with the approval of the administrative ministry in consultation with Finance Division. The account of this working balance may be maintained in a current or saving bank account” {para-3(e)}. Resultantly, management sustained loss against the surplus funds over the required working capital which needs to be justified.

14.2.2.5 Accounts are showing an amount of Rs. 43.546 million under head ‘deferred grants’ as on 30.06.2022, this amount includes a grant of Rs. 8.128 million on account of covid-19 response initiative and Rs. 17.978 million on account of covid-19 LMS which is un-utilized. Non-utilization of these grants needs to be justified.

14.2.2.6 Accrued and other liabilities are showing closing balance of Rs. 72.115 million as on 30.06.2022, this amount includes Rs. 50 million as saving to be refunded to the Government of Pakistan. Another amount of Rs. 11.369 million being unspent refunded to the Government of Pakistan under the head ‘grant for Higher Education Commission. Explain the reasons for non-utilization of these grants.

14.2.2.7 Salaries & Benefits increased by 44.03% to Rs. 322.270 million in 2021-22 from Rs. 223.745 million in 2020-21, this amount includes salaries of regular staff increased by Rs. 38.838 million and salaries of contractual staff increased by Rs. 25.516 million. The abnormal increase in the salaries of regular and contractual staff needs to be justified.

14.2.2.8 Operating Expenses has increased by 123.16% to Rs. 69.069 million during 2021-22 from 30.950 million during 2020-21, this amount includes abnormal increases in training courses expense of Rs. 12.742 million, printing-stationary & publication Rs. 1.22 million, travelling and transportation Rs. 3.521 million, conference seminar workshop Rs. 3.325 million, utilities by Rs. 7.014 million and financial assistance Rs. 6.2 million which needs to be justified.

14.2.2.9 Expenditure on account of Repair and Maintenance has increased by 613.92% to Rs. 9.871 million during 2021-22 from Rs. 1.383 million during 2020-21, this amount includes expenditure on account of repair & maintenance on office building which increased to Rs. 3.890 million in 2021-22 from Rs. 0.126 million in 2020-21. Another amount includes expenditure on account of repair & maintenance on official vehicles which increased to 4.905 million in 2021-22 from Rs. 0.529.126 million in 2020-21. These abnormal increases need to be justified.

14.2.2.10 Chartered Accountants has given qualified opinion on the basis that institute has paid Rs. 27.15 million on account of honorarium to its employee without proper authority and contravention of laid down procedure of the institute.

16.2.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
2013-14	08	05	03	14.2.2.2, 14.2.4.1, 14.2.4.3	63
Total	08	05	03		63

The compliance of PAC directives was not satisfactory which needs to be improved.

Chapter-17

Ministry of Science and Technology

Overview

The Ministry of Science and Technology concerned with Science and Technology in Pakistan and in general, Pakistan's science policy, planning, co-ordination and directing of efforts to initiate and launch scientific and technological programs as well as projects aimed at economic development.

Aims & Objectives

The ministry is established has a sanctioned strength of 176 personnel and 17 on development side. The work is divided amongst Administration & Finance Wings and five technical wings; namely, (i) Policy & Coordination, (ii) the Planning & Development, (iii) the Technology, (iv) the International Liaison, and (v) the Electronics Wing. Efforts to consolidate achievements in the priority areas included: Human-Resource Development; Transfer of Technology from R&D Institutions and Universities to Industry; Food & Agriculture; Analytical Centers for Industrial Analysis, Industrialization, Health, Electronics, Ocean Resources, New Materials, Biotechnology, Textiles, and Pharmaceuticals.

Governing Laws and Policies

- Rule of Business 1973

(Rs in million)

Sr No.	Description	Total	Audited	Expenditure audited FY 2021-22	Revenue /Receipts audited FY 2021-22
1	Formations	2	1	498.101	498.983
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities /Autonomous Bodies etc. under the PAO	2	1	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 2,212.863* million were raised as a result of this audit. This amount also includes recoverable of Rs NIL as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Sr. No.	Classification	Amount (Rs in million)
1	Non Production of record	0
2	Reported cases of fraud, embezzlement and misappropriation	0
3	Irregularities	
A	HR/Employees related irregularities	15.466
B	Procurement related irregularities	568.490
C	Management of accounts with Commercial Banks	28.224
4	Value for money and services delivery issues	258.145
5	Others	1,342.538

* Observations pertaining to previous years are included

17.1 Pakistan Science Foundation

17.1.1 Introduction

Pakistan Science Foundation was established on February 02, 1973 under PSF Act. It is working under the Ministry of Science and Technology. The organization has no share capital and it receives development and non-development grants from the Government of Pakistan. Its office is situated at G-5/1, opposite Supreme Court Building, Constitution Avenue, Islamabad.

The Foundation is functioning as a financing agency for:

- The establishment of comprehensive scientific and technological information and dissemination Centre;
- The promotion of basic and fundamental research in the universities and other institutions on scientific problems relevant to the economic development of the country;
- The utilization of the results of scientific and technological research including pilot plant studies to prove the technical and economic feasibility of processes found to be promising on a laboratory scale;
- The grant of awards, prizes and fellowships to individuals engaged in developing processes, products and inventions of consequence to the economy of the country.

17.1.2 Comments on Audited Accounts

17.1.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the years 2017-18 to 2021-22 till December 31, 2022.

Audit recommends that the annual audited accounts for the year 2017-18 to 2021-22 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*Annex-2*).

17.1.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2006-07	04	04	0	-	100
2010-11	10	07	03	22.1.2.3, 22.1.2.4, 22.1.4.1	70
2011-12	07	06	01	23.1.2.2	86
2012-13	04	03	01	23.1.2.2	75
2013-14	10	07	03	15.1.2.2, 15.1.4.4, 15.1.4.5	70
2014-15	06	01	05	17.1.2.1, 17.1.2.2, 17.1.2.3, 17.1.3, 17.1.4.1,	17
2015-16	12	04	08	18.1.2.2, 18.1.2.3, 18.1.2.4, 18.1.2.5, 18.1.2.6, 18.1.4.2, 18.1.4.3, 18.1.4.4,	33
2017-18	07	04	03	19.1.2.3, 19.1.2.4, 19.1.2.5	57
2018-19	09	01	08	17.1.2.1, 17.1.2.2, 17.1.3, 17.1.4.1, 17.1.4.2, 17.1.4.3, 17.1.4.4, 17.1.4.5,	11
Total	69	37	32		53

Overall compliance of PAC directives was not satisfactory which needs immediate attention of PAO.

17.1.4 Audit Paras

17.1.4.1 Non-completion of projects within stipulated time and non-retrival of amount - Rs. 51.670 million

In term of para-10 of agreements signed between PSF and various parties/organizations for execution of various projects that “the party will refund the expenditure incurred on the project, in case it fails to complete the project within the stipulated time without any valid reason.

During audit of Pakistan Science Foundation (PSF) Islamabad for the years

2019-21, it was observed that Steering Committee of PSF in meeting held on 04.06.2020 approved projects under 2nd call of Competitive Research Programme. Accordingly, funds amounting to Rs. 51.670 million were released for their execution within given specified time.

Record showed that executing individuals/organizations failed to complete the projects and according to above mentioned clause of the agreement the entire funds Rs. 51.670 million were to be retrieved from the respected executing authorities but the management of PSF failed to do so.

As the projects could not be completed within the stipulated time and as per agreements the entire funds of Rs. 51.670 million were to be refunded by the concerned executors or retrieved by the management of PSF.

Due to non-completion of project the amount of Rs. 51.670 million was at stake.

Matter was brought to the notice of management on 05.01.2023 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends investigating the matter and fixing responsibility on the person at fault for non-completion of projects within the stipulated time. Adherence to para -10 of agreements signed between PSF and various parties/organizations for execution of various projects be ensured or retrieve funds from the respective executing authorities and adopt remedial measures to avoid such lapses in future.

17.1.4.2 Loss to the Government due to less deposit of stamp duty – Rs. 1.000 million

According to clause-29 read with Article 22-A of Schedule I to the Stamp Act, 1899 In the absence of an agreement to the contrary, the expense of proper stamp shall be payable by the contractor in whose favor the instrument is executed. According to Article 22-A of Schedule I, the stamp duty is equal to Twenty-five paises for every one hundred rupees or part thereof of the amount of the contract subject to a minimum of twelve hundred rupees.

During scrutiny of record, it was observed that the management of PSF entered into various contracts Agreements for the Research Grants Rs. 400.191 million between PSF and Grantee Organizations. Record showed that management did not follow the provisions of Stamp Act 1899 and executed agreements with guarantee organizations just paying stamp duty of Rs.100 to Rs 200 in each agreement.

This indicated that stamp duty as per Stamp Act was not paid by the Organizations which resulted into loss of Rs. 1.000 million to the Government.

Matter was brought to the notice of management on 05.01.2023 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault. Make good the loss either from the guaranteed organizations or from the concerned or person (s) held responsible.

17.1.4.3 Irregular release of funds without clearance from relevant departments Rs. 42.946 million

According to Agenda Item No.2 of the minutes of the 2nd Meeting of Steering Committee of Competitive Research Programme, held on Jun 04, 2020, the committee accorded approval of the budgets of 03 new research projects. However the committee approved the projects for funding subject clearance from

Pakistan Engineering Council (PEC) and Higher Education Commission (HEC) to avoid any duplication.

During the audit of Pakistan Science Foundation (PSF) Islamabad for the years 2019-21 it was noticed that management released funds of Rs. 42.947 million for the execution of projects but the clearance from Pakistan Engineering Council (PEC), Higher Education Commission (HEC) and other relevant departments was not obtained before release of funds against the above named projects. Which results was clear violation of directives of Steering Committee.

Audit was of the view that in absence of NOC/clearance from the respective departments the research work and allied expenditure was at stack and the release of funds is not covered under the rules and held irregular the audit.

Matter was brought to the notice of management on 05.01.2023 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault for non-obtaining NOC/clearance from the respective departments for research work. Recover the amount or get completed the project and regularize delay from competent authority. Adopt remedial measures to avoid such irregularities in future.

Para-03 (PSF 2019-21)

17.1.4.4 Irregular payment of pay to project staff Rs. 3.960 million

Under guidelines for recruitment procedure and enrollments given in guidelines for project management, project wing planning Commission, Government of Pakistan that in case of contract recruitment the officer be selected through open competition by advertisement in the press and paid market based salary sponsored project No. PSF/CRP/C-NUST/TH (220).

In PSF following persons were engaged on contract basis for the period of 18-month w.e.f. 01.11.2020. The staff was to be engaged/appointed in accordance with the above mentioned guidelines.

S. No.	Name of Designation	BPS and No. of Posts	Per month salary	18-month salary (Rs)
1	General Manager	EBPS-19 (01)	@ Rs.125,000 per month	2,250,000
2	Process Engineer	EBPS-18 (01)	@ Rs. 125,000 Per month	2,250,000
3	Technician	EBPS-15 (02)	@ Rs. 40,000 Per month	144,000
	Total			4,644,000

No record of press advertisement criteria TOR duties & responsibilities were found on record furthermore short listing, interview and working of committee as required under rules for PSDP funded projects was found on record.

The recruitment was made on will and wish of CEO, GM (Plant) and manager HR of NHT (Novative Health Technology Pvt. Ltd).

In absence of open advertisement and approval of competent authority as required under PSDP funded projects, the entire expenditure on salary of officers/staff was held irregular in audit.

Matter was brought to the notice of management on 05.01.2023 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault for recruitment made on will and wish of CEO, GM (Plant) and manager HR of NHT (Novative Health Technology Pvt. Ltd). Recover the amount or expenditure be regularized from competent authority. Adopt remedial measures to avoid such irregularities in future.

Para-04 (PSF 2019-21)

17.1.4.5 Irregular purchase of office furniture, IT equipment and stationery Rs. 2.132 million

According to PPRA rule-13 (1) “the procuring agency may decide the response time for receipt of bids or proposals (including proposals for pre-qualification) from the date of publication of an advertisement or notice, keeping in view the individual procurement’s complexity, availability and urgency. However, under no circumstances the response time shall be less than fifteen

days for national competitive bidding and thirty days for international competitive bidding from the date of publication of advertisement or notice.”

In Pakistan Science Foundation (PSF) management made an advertisement for procurement of office furniture and IT Items in PPRA as well as PSF website on 31.01.2020 for CRP project as evident from note sheet. The date of opening of tender was 06.02.2020 and 07.02.2020 respectively. The comparative statement was finalized on 02.03.2020.

The Management action was not covered under the rule as fifteen days’ time was not allowed therefore the procurement is held irregular in audit.

Matter was brought to the notice of management on 05.01.2023 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault for not allowing fifteen days’ time. Workout the loss and recover from the person(s) held responsible or get the loss regularized from competent authority. Adopt remedial measures to avoid such irregularities in future.

Para-05 (PSF 2019-21)

17.1.4.6 Irregular procurement of equipment parts - Rs. 8.037 million

Annual Procurement Plan by every procuring agency of the Federal Government and its uploading on the PPRA website and the procuring agency's own website (if any) is mandatory, in terms of Rule 8 & 9 of the Public Procurement Rules 2004. Failure to do so straightaway leads to mis-procurement which cannot be condoned either under the PPRA Ordinance, 2002 or any other law of the land.

During audit of Pakistan Science Foundation (PSF) for the years 2019-21 it was observed that management awarded Project No. PSF/CRP/P-NTU/T-Helix (194) “Indigenous Development of Needleless Roll to Roll Pilot Scale Electro Spinning Machine” to National Textile University, Faisalabad. The steering committee on 17.03.2020 approved project cost of Rs. 19.487 million. The project was initiated on 24.07.2020 and will be completed on 23.07.2023.

The 1st Annual Fiscal Scrutiny of the project was done and shows that total amount Rs. 9.084 million (1st and 2nd installment) was 1st project year. Against which, a total authorized expenditure comes to Rs. 8.972 million. The permanent equipment's were procured for the project as under:

Sr. No.	Items	Quantity	Cost Rs.
1	Fume Hood 09-08-21	01	399,672
2	Lab Oven 04-06-2021	01	599,040
3	Multipoint Magnetic Stirrer 09-08-21	01	599,040
4	Bath Sonicator	01	200,070
5	Spin coater 09-08-21	01	200,070
6	Parts of Electro/ Spinning Machine procured		6,039,800
	Total		8,037,692

The procurement record showed that revised comparative statement signed on 14.01.2021, whereas the tenders were opened on 03-09-2020. Reasons of revised comparative statement, detail of tender document sold, detail of tender demand drafts, detail of 2% earnest money of the total quoted price by each firm, financial bids in shape of CDR, attendance of the firms who attended/participated and their authorization (if any), first comparative statement, reason for revision of comparative statement were not found on record.

It is further added that in purchase order bid ref: PSF/CRP/P-NTU/T-Helix (194) dated 08.02.2020 did not matching with initiation dated 24.07.2020 and approval of project dated 17.03.2020.

Audit was of the view that in absence of complete procurement record detailed as per PPRA Code-4 along with adjustment accounts duly linked with bank statement and proper re-consideration of the entire expenditure on procurement of permanent equipment and parts amounting to Rs. 8.038 million was held irregular in audit.

Matter was brought to the notice of management on 05.01.2023 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault. Complete record and working be shared with Audit for scrutiny

and verification of contents. Adopt remedial measures to avoid such irregularities in future.

Para-06 (PSF 2019-21)

17.1.4.7 Wasteful expenditure on PSF project - Rs. 14.242 million

According to award letter dated June 24, 2020 for 1st installment of Rs. 14.142 million for up scaling and pilot production of life saving portable ventilator devices a separate bank account in scheduled bank for the project was to be opened/operated by the Principal Investigator as the drawing and disbursing officer. The annual and final account statements of expenditure duly audited by the auditors of the institution, was to be provided by the Principal Investigator. It is also was to be ensured that proper cash and store accounts are to be maintained for the project separately to fulfill the requirements of the agreement.

Further according to clause-08 of the contract agreement for research grant between PSF and Grantee Organization the expenditure incurred from the grant will be subject of periodical audit by the foundation.

During audit of Pakistan Science Foundation, (PSF) Islamabad for the years 2019-21 it was noticed that the project Up scaling and pilot production of life saving portable ventilator devices was awarded to Dr. Murtaza Najabat Ali, Associate Professor, School of Mechanical and Manufacturing Engineering (SMME), Medical; Devices Development Center, National University of Sciences and Technology (NUST), Islamabad by the steering Committee in its meeting held on June 04, 2020 for a total amount of Rs. 14.142 million for a period of 6-months.

No detail break-up of cost incurred as required at Sr. No. 10 of check list items for PC-IV , award letter and contract agreement or any other document like M&E report, or internal Audit report was found available on record for detail audit scrutiny. Further following irregularities were also noted.

- No separate bank account
- No adjustment A/C /detailed utilization report.
- No M&E by PSF

- No Internal Audit by PSF
- No evidence of sales Tax & Income Tax & registration firm/deduction detail.
- Quotation/supply order/GRR inspection report
- Stock entry & issuance reports lager with requisition of stock/Store
- PC-IV & V
- Refund of interest income earned on account
- Present status with respect to utilization/market sale etc.
- No detail of M&E mechanism including grant/Chart/Primavera/Project performance monitoring and evaluation during execution period by PSF was found.

The revised Final Technical report was submitted by P.I presented in the 15th meeting of PSF Technical Committee on Competitive Research Programme (CRP) held on 09.11.2021, where committee suggested few revisions and raised some observations. In response, P.I incorporated all the revisions and re-submitted revised final Technical Report for necessary action.

The project was initiated on 01.07.2020 and the allowed period was 06 months. More than 15 months had lapsed but the project was still in pipeline. In PSF no mechanism for check and balance for timely completion of project existed.

Matter was brought to the notice of management on 05.01.2023 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault for non-completion of project within stipulated time period and irregularities pointed out in para. Fulfil all codal requirements and Workout progress and share with audit otherwise recover the amount from the person(s) held responsible under intimation to audit. Adopt remedial measures to avoid such irregularities in future.

17.1.4.8 Irregular procurement of equipment - Rs. 5.411 million

According to Rule-42 (c) of PPRA, a procuring agency shall only engage in direct contracting if the following conditions exist, namely:-

- (i) the procurement concerns the acquisition of spare parts or supplementary services from original manufacturer or supplier; Provided that the same are not available from alternative sources;
- (ii) only one manufacturer or supplier exists for the required procurement: Provided that the procuring agencies shall specify the appropriate fora, which may authorize procurement of proprietary object after due diligence; and
- (iii) where a change of supplier would oblige the procuring agency to acquire material having different technical specifications or characteristics and would result in incompatibility or disproportionate technical difficulties in operation and maintenance: Provided that the contract or contracts do not exceed three years in duration;
- (iv) repeat orders not exceeding fifteen per cent of the original procurement;
- (v) in case of an emergency: Provided that the procuring agencies shall specify appropriate fora vested with necessary authority to declare an emergency;
- (vi) when the price of goods, services or works is fixed by the government or any other authority, agency or body duly authorized by the Government, on its behalf; and
- (vii) for purchase of motor vehicle from local original manufacturers or their authorized agents at manufacturer's price.

During audit of the Pakistan Science Foundation (PSF) Islamabad for the years 2019-21 it revealed that management awarded grant amounting to Rs. 5.411 million for execution of project Development and Production of Indigenous Diagnostic/Angiographic Catheter in Pakistan. Scrutiny of 1st annual report for the period 01.11.2020 to 31.10.2020 of the project revealed that an amount of Rs. 6.648 million was sanctioned for permanent equipment out of which an amount

of
Rs. 5.411 million was shown as spent amount.

Inspection certification dated 21.12.2021 reflected that the machines were purchased vide order dated 19.11.2020 with reference to quotation dated 13.11.2020 for supply of machines and diagnostic catheter raw materials, total amount including all charges USD 59,790. Further scrutiny of the case disclosed that machines and raw materials purchased through direct contracting from M/s Cuumed Catheter medical Co., Ltd.

In research proposal Sr. No. 07, iii and iv. Management stated that production equipment quotation from international OEM (Original Equipment Manufacturers) has been obtained and raw materials quotations have been obtained from USA, Germany, China and Taiwan. But no survey record, Collection of quotations from various country their authorized dealers in Pakistan bid document, tender document, comparative statement and approval of competitive authority found on record.

In absence of Sole proprietor ship the procurement under PPRA as Direct contracting was held irregular in audit.

Furthermore, industrial support by MDDC, NUST amounting to Rs. 6.000 million and 25% to 30% of total project from by MDDC (Medical Devices Development Center) as industrial partner had not been shown on record.

Matter was brought to the notice of management on 05.01.2023 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault. Workout the loss and recover from the person(s) held responsible or get the loss regularized from competent authority. Adopt remedial measures to avoid such irregularities in future.

Para-08 (PSF 2019-21)

17.1.4.9 Irregular execution and non-achievement of target Rs - 125.000 million

According to GFR-10, every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety. Among the principles on which emphasis is generally laid are the following: -

- i. Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.
- ii. The expenditure should not be prima facie more than the occasion demands.
- iii. No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.
- iv. Public moneys should not be utilized for the benefit of a particular person or section of the community unless-
 - (1) the amount of expenditure involved is insignificant, or
 - (2) a claim for the amount could be enforced in a court of law, or
 - (3) the expenditure is in pursuance of a recognized policy or custom.
- v. The amount of allowances granted to meet expenditure of a particular type should be so regulated that the allowances are not on the whole a source of profit to the recipients.

During audit of Pakistan Science Foundation, (PSF) Islamabad for the years 2019-21 it was observed that a project namely Financial Support to Scientific Societies in Pakistan was envisaged to provide financial support to scientific societies to strengthen their role and facilitate them to perform tasks as per their aims, objectives and characters. The main beneficiaries of the project were the scientific societies and PhD scholars. The project was originally approved in March, 2015 with a total cost of Rs. 38.440 million. As per PC-I, the execution period of the Project was from 20th August, 2017 to 30th June 2020.

Later on PC-I was revised in January, 2018. The revised PC-I of the project was approved in DDWP meeting held on 02.04.2020 at an enhance cost of Rs. 125.000 million. In revised PC-I the completion dated of the project t was also extended upto 30th June 2023.

The revised PC-I included the progress made earlier and impact analysis of the activity which showed that management failed to achieve the targets during the period.

Besides failure in achievements the targets following discrepancies were also noted:-

- i. The performance of the societies was required to review annually by PSF, but no progress shown to audit.
- ii. Expression of interest/ Advertisement not published in 2022 for main beneficiaries i.e. Scientific Societies and PhD Scholars.
- iii. In PC-I the grants will not be limited to the existing societies. Newly registered societies which fulfill the criteria can also be provided grants, but no survey was conducted to enter new Society.
- iv. The recipient societies were bound to submit the Foundation audited accounts statement of expenditure and utilization certificates in respect of the grants from authorized auditors, Furthermore, details of their approved activities as per their respective charters. Copies of the proceedings of conferences /symposia, Journals funded under the project would so be submitted to the Foundation. Onsite monitoring of Societies would be carried out by PSF staff, No record shown to audit in this regard.
- v. Meeting of Presidents/Secretaries of societies need to be held once in a year in PSF. No record shown to audit.
- vi. In PSF there is no mechanism of monitoring, Internal Audit and Internal control during execution period. It's a serious laps on the part of management.
- vii. The data analysis system on IT was also not in operation in PSF.

Matter was brought to the notice of management on 05.01.2023 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault. Fulfill all codal requirements and address the discrepancies to Workout progress otherwise recover the amount from the person(s) held responsible. Adopt remedial measures to avoid such irregularities in future.

Para-09 (PSF 2019-21)

17.1.4.10 Wasteful expenditure on the account of premium of plot Rs - 1.900 million

According to GFR-10 every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety. Among the principals on which emphasis is generally laid are the following:- i. Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

According to provisional offer letter of allotment of plot measuring 261.11 Square Yards for establishment of Space Museum/ Planetarium/Observatory at Fountain near Pakistan Monument, Shakarparian, Zone-III Islamabad vide letter No. CDA/EM-II/27(3311)/2021-1173 dated 31.03.2021, Capital Development Authority (CDA) Board of Directors in its meeting held on 24.12.2020 allotted the above mentioned plot on 33 years lease basis subject to payment of cost of land and approval of Federal Government.

During audit of the accounts of Pakistan Science Foundation, Islamabad for the years 2019-21 it was observed that the management made a payment of Rs. 1.900 million vide cheque No. A 918131 dated 04.06.2021 to CDA on account of premium of Plot measuring 261.11sq @ Rs. 7,275 per sq. yard. The annual ground rent would increase 15% after expiry of every three years.

Under offer letter dated 31.03.2021 the approval of the Federal Government was desired within 04 months from the date of issuance of letter i.e. 31.03.2021 to 30.07.2021. A period of more than one year had lapsed but management failed to obtain the approval of Federal Government until now. Accordingly the possession of plot still had not been taken and the payment already made amounting to Rs. 1.900 million was going at stake and terms as wasteful.

Matter was brought to the notice of management on 05.01.2023 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault. Obtain the approval of Federal Government and take

possession of plot otherwise recover the amount from the person(s) held responsible. Adopt remedial measures to avoid such practice in future.

Para-10 & 18 (PSF 2019-21)

17.1.4.11 Poor execution of project and non-appointment of staff resulting into surrendering of funds - Rs. 224.631 million

In Section-13 of Revised PC-I of the project Financial Support to Scientific Societies (Phase-II) management structure & manpower requirements including specialized skill during execution and operational phases was given. In the original PC-I, four (04) project posts were approved. Out of 4, two positions were from regular strength of the PSF on additional charge basis while remaining 02 was required to be hired from open market. However due to non-availability of permanent Chairman PSF, no selection could be made in 03 years.

In revised PC-I, regular skilled staff of the PSF (08 in numbers) who directly involved in the project from the three years and one officer/staff each from Finance and Administration section of PSF will be given additional charge for execution of the revised PC-I. The revise PC- I was to be started w.e.f. 1st July, 2020.

Similarly Section-13 of Revised PC-I of the project Competitive Research Programme management structure & manpower requirements The project manager along with the staff of the Project Management Unit (PMU) will implement the project activities smoothly under guidance of the Chairman PSF. It was further mentioned that 06 regular employees of the PSF will implement the project who are already working on the similar assignments and four officers will be appointed dedicated to CRP in PPS-07 and one driver. The shortage of the staff was a big impediment. The four new officers will be inducted to make the process quick. IT officers will also be part of this project to prepare online databases and project submission system. The revise PC- I was to be started w.e.f. 1st September, 2021.

Record related to the both Projects revealed that originally the projects were to be started w.e.f. 20.08.2017 and 01.07.2019 and were to be completed on 30.06.2020 respectively. PC-I of both the projects were revised and according to

Revised PC-I the completion dated of said projects were 30.06.2023 and 30.06.2026 respectively.

It was further noticed that funds amounting to Rs. 395.200 million were released during the period 2017-18 to 2020-21. Out of total released only an amount of Rs. 244.566 million was utilized and Rs 224.631 million could not be utilized.

According the provisions of PC-I, for smooth execution of the project specialized skilled staff was to be deputed. Non-utilization of released funds clearly showed that non-skilled staff was deputed which resulted into poor execution of project and surrendering of funds amounting to Rs. 224.631 million.

Matter was brought to the notice of management on 05.01.2023 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends that non-skilled staff was deputed which resulted into poor execution of project and surrendering of funds of Rs. 224.631 million. Audit recommends to investigate the matter and fix responsibility on the person(s) at fault under intimation to audit.

Para-12 (PSF 2019-21)

17.1.4.12 Irregular payment of house rent ceiling - Rs. 5.163 million

According to Section-16 (2) of PSF Act 1973, in fixing the terms and conditions of service of its officers and servants, the Foundation shall, as nearly as may be, conform to the scales of pay, allowances and conditions of services applicable to the corresponding class of employees of the Federal Government.

Section-5 (1) of said act further states that the general direction, conduct and management of the affairs of the Foundation, including administration of its funds, shall vest in a Board of Trustee.

During the audit of Pakistan Science Foundation (PSF) Islamabad for the years 2019-21 it was noticed that management adopted Government pay & Scales since inception and all revisions/increases in pay scales/allowances made from time to time by the Federal Government needs approval of the BoT as well as

inclusion in revised Budget estimates as described in PSF Regulation of 11(ii) of 1973.

PSF Executive Committee accorded sanction of Rs. 5, 163, 421 for payment to PSF employees whose houses were hired on self-hiring basis or otherwise on account of differences arisen on revision of rental ceilings for hiring of residential accommodation in the light of Ministry of Housing and works O.M. No. F. 4(8)/92-Policy, dated 28.09.202. The amount was paid by PSF management without approval of the BOT and EC.

The approval of the PSF BoT and copy of revised Budget was demanded in audit but no record was produced to audit. In the absence of approval of the EC and BOT the payment was held irregular. Furthermore rent assessment certificate in each case of hiring in Islamabad and Rural Area of Islamabad not found in hiring files.

In absence of BoT approval for revised rent ceiling availability in revised budget estimates duly approved from BoT and proper rent assessment certificate showing covered area of each component as desired in concerned category and adoption of hiring policy, 2004 for Rural and urban area of Islamabad and Rawalpindi the entire payment of hiring is held irregular in audit.

Matter was brought to the notice of management on 05.01.2023 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault for payment without approval of the PSF BoT and revised Budget. Obtain approval of the Executive Committee and BOT for payment of revised rent otherwise recover the amount from the person(s) held responsible. Adopt proper rent assessment certificate showing covered area of each component as desired in concerned category and mentioned in hiring policy, 2004 for Rural and urban area of Islamabad and Rawalpindi. Adopt remedial measures to avoid such practice in future.

Para-13 (PSF 2019-21)

17.1.4.13 Loss due to non-obtaining of permanent equipment from various institutions - Rs. 39.980 million

According to clause -12 of contract agreement for research grant between Pakistan Science Foundation and Grantee Organization Machines, equipment, apparatus and any other thing purchased out of the grant given by the Foundation will remain the property of the Foundation and will be disposed off according to the instructions provided by the Foundation after the completion /termination of project.

During the audit of Pakistan Science Foundation (PSF) Islamabad for the year 2019-21 it was noted that management provided funds of Rs. 39.980 million for the procurement of Machines, equipment, apparatus and any other thing. According the provisions of the Contract Agreement the purchases made out of the grant given by the Foundation will remain the property of the Foundation and were to be disposed off according to the instructions provided by the Foundation after the completion /termination of project.

Following 05 projects have been completed during the period under review and permanent equipment of Rs. 39.980 million lying with the various institutions.

But the management did not take any action for their disposal caused loss to the foundation.

It was to be mentioned here the management of PSF did not frame any policy regarding disposal of permanent equipment purchased out of grant provided by PSF to various institutions/ individuals which is serious lapse on the part of the management.

It was further added the above matter is illustrative and not exhaustive. Identical cases of such nature may be worked out and include in the reply under intimation to audit.

Audit was of the view that non-taking up of the corrective action caused loss to the state.

Matter was brought to the notice of management on 05.01.2023 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault. PSF management should frame policy regarding disposal of permanent equipment purchased out of grant provided by PSF to various institutions. Fulfil all requirements and address the issue in BoT otherwise recover the amount from the person(s) held responsible. Matter is illustrative and not exhaustive, cases of such nature may be worked out and include in the reply under intimation to audit. Adopt remedial measures to avoid such irregularities in future.

Para-14 (PSF 2019-21)

17.1.4.14 Loss due to un-authorized donation of equipment due to defective agreement - Rs. 27.581 million

According to the Section-13 of the contract Agreement for search grant executed between Pakistan Science Foundation and grantee organization permanent equipment/machines purchased out of the project funds provided by the Foundation will remain the property of the Foundation. However, at successful completion of the project, all equipment items will be donated to the same institution where the project was implemented. Item of the equipment along with specification and costs be taken on stock register of the concerned department under the head “permanent equipment” as donation from Pakistan Science Foundation and a certification in this regard, duly counter signed by the Chairman of the Department and the Institutional Head, along with copies of the relevant pages of the stock register will be sent to the Foundation for record and audit purposes.

Furthermore according to Section 8.11(iii) of Manual for Development Projects (Revised 2019) efforts should always be made for polling available resources rather than resorting to fresh imports under new projects.

During the audit of Pakistan Science Foundation (PSF) Islamabad for the year 2019-21 it was noted that management provided funds of Rs. 27.581 million for the procurement of permanent equipment. After the completion of projects all the permanent equipment were kept by the respective grantee organizations by their

own without any written approval from the PSF Management. A policy was to be framed.

The above action of the grantee organizations was also not in line with provisions of Manual for Development Projects (Revised 2019) which demanded that efforts should always be made for polling available resources rather than resorting to fresh imports under new projects.

Audit was of the view that due to donation of permanent equipment foundation suffered loss of Rs. 27.581 million.

Matter was brought to the notice of management on 05.01.2023 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault. PSF management should frame policy regarding disposal of permanent equipment purchased out of grant provided by PSF to various institutions Fulfil all requirements and address the issue in BoT otherwise recover the amount from the person(s) held responsible. Matter was illustrative and not exhaustive, cases of such nature may be worked out and include in the reply under intimation to audit. Adopt remedial measures to avoid such irregularities in future.

Para-15 (PSF 2019-21)

17.1.4.15 Irregular grant of funds for stem education from competitive research programme Rs. 19.389 million

According to methodology for funding under Competitive Research Programme project, the grants will facilitate the technological transformations for a strong, dynamic and internationally competitive economy. Under the proposed scheme consortium research grant can be granted to public as well as private section researchers.

Consortium research grant will specifically focus at identifying and implementing scientific and technological solutions to issues of national importance such as Export orientation, Import Substitution, Agricultural Productivity, Healthcare, Education, Water and Climate change. Such issues need

multi-disciplinary research from different experts to resolve one particular problem in a time bound manner.

According to the criteria for selection the proposal for Consortium Grants must be thematic, interdisciplinary and must address a national issue of high importance for which an Open Call has been issued. Al though, PSF may entertain unsolicited proposals in cases of extreme importance or emergency, preference shall be given to proposals received under open calls on National Challenges.

During the audit of Pakistan Science Foundation (PSF) Islamabad for the years 2019-21 it was noticed that a Project titled “STEM education through Establishment of Space Museum /Planetarium/Moon Observatory in Islamabad approved by the Steering Committee of the Project Competitive Research Programme in its 4th meeting held on 08.03.2021 and 15.03.2021. Accordingly funds of Rs.19.389 million were granted in favour of Principal Investigator vide Cheque No. A 932101 dated 22.06.2021. Following observations were noted:

- i) The Project was approved /awarded without issuance of open calls because unsolicited proposal can be entertained in cases of extreme urgency or importance. In this case no urgency and importance was declared before accepting the unsolicited proposal. Further funds were granted in June 2021, and almost a period of one year has since been lapsed but no progress has been made.
- ii) The funds were granted for the Establishment of Space Museum /Planetarium/Moon Observatory in Islamabad instead of research work. Rs. 19.270 million was provided for procurement of permanent equipment which showed that there was no research work involved.
- iii) According to agreement the Project was approved under STEM education instead of under Competitive Research Programme. Because STEM (Science, Technology, Engineering and Mathematics) is separate Project and the project was to be funded under STEM Project.
- iv) The project was got approved from the technical committee of the project through circulation instead of holding its regular meeting.

- v) The Principal Investigator of the Project is the employee of the Foundation, therefore provision of grant to said P.I also conflict of interest.

Keeping in view the above observation audit was of the view the funds were granted in violation of provisions of PC-I and was held irregular.

Matter was brought to the notice of management on 05.01.2023 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault for funding in violation of provisions of PC-I. PSF management should frame rules and SOPs under the proposed scheme consortium research for granting to public as well as private section researchers. Address the observations pointed out in para under intimation to Audit. Adopt remedial measures to avoid such irregularities in future.

Para-16 (PSF 2019-21)

17.1.4.16 Doubtful receipt of government money - Rs. 28.224 million

According to Rule-77(v) of Federal Treasury Rules, when government moneys in the custody of a government officer are paid into the treasure or the bank, the head of the office making such payments should compare the Treasury Officer's or the Bank's receipt on the Chalan or his pass book with the entry in the cash book before attesting it, and satisfy himself that the amounts have been actually credited into the treasury or the Bank. When such payments are appreciable, he should, as soon as possible after the end of the month obtain from the treasury a consolidated receipt for all remittances made during the month, which should be compared with the posting in the cash book.

During the audit of Pakistan Science Foundation (PSF) Islamabad for the years 2019-21 it was noticed an amount of Rs. 28.224 million was deposited into Government Treasury/State Bank of Pakistan through challan by various individuals/institutions/management on account of refund of refunded balance and Misc. refund during the period upto 2022 as per details given in the enclosed statement.

As per above rules the same was to be got verified and reconciled with Treasury.

But the same was neither got verified nor reconciled with the Treasury Office. The transactions were not confirmed as desired under rules which is violation of Federal Treasury Rules.

In absence of verification and reconciliation the receipt of public money was doubtful and held irregular in audit.

Matter was brought to the notice of management on 05.01.2023 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault for non-verification and Non-reconciliation of the receipt of public money. PSF management should frame rules and SOPs on the subject or adopt Government standing orders on the subject issues. Address the observations pointed out in para under intimation to Audit. Adopt remedial measures to avoid such irregularities in future.

Para-17 (PSF 2019-21)

17.1.4.17 Irregular procurement of permanent equipment for execution of various projects - Rs. 67.561 million

According to Rule 4 of PP Rules 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. Moreover, as per Rule 42 (b) (iv) PP Rules 2004, the object of the procurement is to purchase from the supplier offering the lowest price.

Furthermore, according to the foot note of estimated cost sheet of projects it was directed to the project executing agencies/ Principal Investigators the Procurement over Rs. 100,000 and upto the limit of Rs. 2.0 million shall be advertised on PPRA's website (www.ppra.org.pk) in the manner and format specified by regulation, by the Authority from time to time while that over Rs. 2.00 million shall also be advertised in print media or Newspapers.

During the audit of Pakistan Science Foundation (PSF) Islamabad for the year 2019-21 it was observed that management granted funds to the tune of Rs. 67.561 million for the procurement of permanent equipment for the execution of various projects. Details are given in the enclosed statement.

Audit observed that the respective executing agencies made procurement without following PPR and even instruction of PSF. Hence the procurement is held irregular.

Due to not following the PPR, PSF was deprived of the benefit of competitive rates.

Matter was brought to the notice of management on 05.01.2023 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault for procurement without following PPR and even instructions of PSF. Workout loss due to non-following standing instructions and PPR rules under intimation to Audit. Adopt remedial measures to avoid such lapses in future.

Para-19 (PSF 2019-21)

17.1.4.18 Non-maintenance of accounts and non-conducting of audit of the foundation by chartered accountants

According to clause 15 (3) of PSF Act 1973 the accounts of the Foundation shall be audited by one or more auditors who are Chartered Accountant within the meaning of the Chartered Accountants Ordinance, 1961 and are appointed by the Foundation in consultation with the Auditor General of Pakistan.

During the audit of Pakistan Science Foundation (PSF) Islamabad for the year 2019-21, it was observed that the neither the accounts of the Foundation was maintained nor the audit of the Foundation was conducted by the chartered accountants since 2017-18 to 2020-21.

Audit was of the view that non-maintenance of accounts and non-conducting of audit by the chartered accountants was violation of PSF Act.

The violation of PSF Act was serious lapse on the part of management, fix responsibility at the person(s) at fault and take appropriate action accordingly.

Matter was brought to the notice of management on 05.01.2023 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault for non-preparation and maintaining of accounts of the Foundation in violation of PSF Act.

Para-20 (PSF 2019-21)

17.1.4.19 Non-printing of annual report of PSF since last 7 years

According to Section-17 (1) of the PSF Act 1973 the annual report of the Foundation, which shall among other things, clearly bring out the benefits accruing to the nation as a result of the activities sponsored by the Foundation, shall be prepared by the Chairman and submitted through the Board to the Federal Government along with the audited account of the Foundation.

During audit of Pakistan Science Foundation (PSF) Islamabad for the year 2019-21, it was observed that the neither the Annual Report of the Foundation was prepared/finalized nor the same was submitted to the Federal Government since 2014-15 to 2020-21.

Audit was of the view that non-preparation/finalization and non-submission of PSF Annual Report to the Federal Government was a serious lapse on the part of management and violation of PSF Act.

Matter was brought to the notice of management on 05.01.2023 but no reply was received.

No DAC meeting was arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault for non-submission of PSF Annual Report to the Federal

Government. Take appropriate action and results be share with Audit for verification of compliance of PSF Act. Adopt remedial measures to control such lapses in future.

Para-21 (PSF 2019-21)

17.1.4.20 Irregular appointment of Project Director on additional/ look after charge basis

According to Para-9.4 (ii) guidelines issued by Planning Division, Government of Pakistan regarding PSDP Projects if an independent Project Director is required to be appointed for projects costing below Rs. 3,000 million, such cases should be separately submitted for approval of the CDWP by providing proper justification.

The sponsoring or executing agency will try, as far as possible, to appoint an independent Project Director for the project. In case it is not possible, the PD may be appointed from the available in-house officers and in that case, reasons for transferring the services of such officer internally to the project may be spelt out and detail justification may be given.

According to Sl. No. 12 of Esta code of Federal Government, in those cases where a vacancy in a higher post occurs for less than two months and it is considered impossible for good reasons to make arrangements for day to day work of that post to be carried on otherwise, the current charge of the duties of that post may be given temporarily, with the approval of the authority competent to make appointments to the said post.

According to Establishment Division OM No. 1/3/2020-E-6 dated 12.01.2021 for making appointments in Management Position Scale M-II, the appointing authority is Prime Minister of Pakistan.

During the audit of the development project —Science Talent Forming Scheme (STFS) for the period ending on 30th June, 2021, it was noticed that a post of independent Project Director (MP-II Scale) was provided and approved in the

PC-I of Project (STFS). The project was started on 15.12.15 and the period from 15.12.15 to 30.06.21 only one Project Director was appointed on regular basis in MP-II. The said PD served for only 06 months w.e.f. 20.02.17 to 15.08.17 and resigned. During the intervening period the Project was run by nominating a Project Directors on additional charge/look after basis with the approval of Chairman PSF and Secretary, Ministry of Science & Technology whereas the

approval of appointing authority i.e. Prime Minister was not obtained. The details are given below:

S. No.	Name	Joining date	Relieving date	Status	Appointment made by
01	Mr. Hasnat Ahmed Qureshi (BPS-20)	21.08.15	19.02.17	Additional Charge	Chairman PSF
02	Dr. Darakhshanda Kokub (BPS-20)	29.08.17	31.01.17	Look after	Secretary, Ministry of Science & Technology
03	Dr. Ghazala Roohi (BPS-20)	01.02.2018	03.06.2018	Look after	Secretary, Ministry of Science & Technology
04	Dr. Ahsan Feroze (BPS-20)	05.06.2018	12.10.2021	Look after	Secretary, Ministry of Science & Technology
05	Mr. Haider Zaman Khattak (BPS-20)	13.10.2021	Till date.	Additional Charge	Chairman PSF

It was to be added that current incumbent was not related to the science wing of PSF which needed to be looked into.

The additional charge allowance amounting to Rs. 152,129 was paid to Mr. Hasnat Ahmed Qureshi which was held irregular.

The matter was reported to the management on December 10, 2021. In reply dated June 14, 2022 management stated that appointment of Project Directors on look after/additional charge basis was made in accordance with provisions available in ESTA Code (Sl.No.12). The reply of the management was irrelevant as the audit had observed that appointment was made without the approval of competent authority. Because the post of Project Director was of Management Position Scale M-II and according to Establishment Division letter Prime Minister was competent to appoint the M-II scale officers.

DAC could not be convened despite correspondence dated 15.03.2022 and reminders dated 23.05.2023, 09.06.2022 and 06.10.2022.

Audit recommends to clarify the position with reference to rules and regulations.

(Para-4.1.1 of PAR STFS 2020-21)(AY-2021-22)

17.1.4.21 Delay in execution of project and no convening of mandatory committee meetings

According to PC-I an independent Inter-ministerial Steering Committee was constituted for policy decisions, review the implementation status and to address the issues arising from the Science Talent Farming Scheme. The Committee was to be met at least once in a year.

Similarly, an Executive Committee of project has also been constituted with special TORs to supervise and monitors the Science Talent Farming Scheme. Regular meetings of STFS Executive Committee, at least thrice in a year were to be convened.

Scrutiny of record of STFS showed that the revised PC-I of project was approved 12.10.2017, according to the provisions of PC-I, at least four meetings of Inter-ministerial Steering Committee were required to be convened but only one meeting was held on January 4, 2018 and thereafter no meeting was held which was deviation of PC-I due to which the project was not properly supervised/monitored and caused delay.

Further According to PC-I, 12 meeting of STFS Executive Committee Meetings (3 meetings in a year) were required to be held. But only 06 meetings were held, due to violation of PC-I the project could not be monitored properly and caused delay.

The matter was reported to the management on December 10, 2021 but no response was received till the close of audit. The matter was again reported to the Ministry on March 15, 2022. In reply dated June 14, 2022 management stated that the meetings of Inter-Ministerial Committee could not be held due to unavailability of the Federal Minister, MOST and regular Chairman PSF. Similarly no meeting of Executive Committee could be held after 6th meeting due to some technical reasons. The reply of the management was not acceptable because non-convening of required meetings of Inter-Ministerial Committee &

Executive Committee was the violation of provisions of PC-I due to which execution process of the project hampered and delayed.

DAC could not be convened despite correspondence dated 15.03.2022 and reminders dated 23.05.2023, 09.06.2022 and 06.10.2022.

Audit recommends to justify the reasons for not convening the meetings of Inter-ministerial Steering Committee and STFS Executive Committee Meetings and cause of delay in completion of project well in time.

(Para-4.1.2 of PAR STFS 2020-21)(AY-2021-22)

17.1.4.22 Imprudent financial management resulting in to lapse of funds - Rs 17.684 million

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

Article 12(1) provides that all Ministries and Divisions, their attached departments and sub-ordinate offices and autonomous organizations shall surrender to the Finance Division at least twenty-five days before the presentation of the budget in the National Assembly, all anticipated savings in the grants or Assignment Accounts or grant-in-aid controlled by them.

Review of the accounts record of PSDP Project named Science Talent Farming Project (STFP) for Young Students- Phase-I (Component-I) for the period ending on 30th June, 2021, it was noted that there were savings of Rs 17.684 million under budget releases of the Scheme.

Audit observed that the management was required to surrender its savings by 15th May to avoid lapse of funds but it was not done due to which funds were lapsed Detail is given below:

(Rs. in million)

Total Cost of Project According to PC-I 2015	Total Cost of Project According to Revised PC-I 2017	Year	Total Funds Allocated	Total Funds Released	Total Funds Utilized	Funds Surrendered	Funds to be Surrendered	Funds lapsed
1,514.499		2015-16	450.000	315.000	64.718	250.082	250.282	0.200
		2016-17	700.000	189.983	120.723	69.100	69.260	0.160
Sub-Total (a)			1,150.000	504.983	185.441	319.182	319.542	0.360
	1,285.361	2017-18	640.753	156.977	118.916	20.757	38.061	17.304
		2018-19	312.254	161.774	110.275	51.499	51.499	-
		2019-20	150.000	120.000	55.231	64.767	64.769	0.002
		2020-21	60.000	60.000	47.813	12.169	12.187	0.018
Sub-Total (b)			1,163.007	498.751	332.235	149.192	166.516	17.324
G. Total			2,313.007	1,003.734	517.676	468.374	486.058	17.684

Audit was of the view that lapse of funds to the tune of Rs. 17.684 million indicated that there were no internal controls in place to watch the flow of expenditure in the Project.

The matter was brought to the notice of the management on December 9, 2021 but no response was received but no reply was received till the close of audit. The matter was again reported to the Ministry on March 15, 2022. In reply dated June 14, 2022 management stated that out of total 17.684 million major amount includes lapse of Rs. 17.304 million in FY 2017-2018 whereas amounts mentioned in rest of the years are negligible. Which majorly includes an amount of approx. 10.00 million for procurement of laptops. Remaining funds were meant for other activities such as Plant & Machinery, Research & Survey, Advertisement & Publicity against which could not be executed due to some technical/administrative reasons. The reply is self-explanatory and without any solid reasons which was not tenable because funds were surrendered due to inefficient execution of project and after due date.

DAC could not be convened despite request dated 15.03.2022 and reminders dated 23.05.2023, 09.06.2022 and 06.10.2022.

Audit recommends to enquire the matter regarding on-surrendering of funds within time period. Further reasons for non-utilization also needs to be

enquired. Proper internal controls be adopted in order to avoid lapse of funds in future.

(Para-4.2.1 of PAR STFS 2020-21)(AY-2021-22)

17.1.4.23 Booking of expenditure without execution of any project/activity - Rs. 22.606 million

According to Para-12 of GFR Vol-1 controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which money was provided.

Scrutiny of the accounts of PSDP Project titled Science Talent Farming Scheme for the period ending June 30, 2021 revealed that management awarded various activities to vendors/officers for purposes of payment certain cheques amounting to Rs. 2,791,138 were issued in favour of them for performing activities of project. The details are given below:-

Sr #	Cheque No.	Date	Amount of (Rs)	To whom issued.	Purpose/Activity
01	462060	29.06.18	550,000	Dr. Ahsan Feroze	TA for visit abroad.
02	462061	29.06.18	300,000	-do-	-do-
03	462063	29.06.18	1,123,080	ITO Islamabad	Deposit of Income Tax deducted at source.
04	462064	29.06.18	218,082	M/s Awan Traders (Pvt.) Ltd.	Purchase of Stationary.
05	462067	29.06.18	599,976	ITO Islamabad	Deposit of Income Tax deducted at source.

Further scrutiny of record showed that all the above said cheques were bounced by the bank due to which payment could not be made whereas expenditure to the tune of Rs. 2.791 million were booked in the books of accounts of the Project through AGPR. Furthermore, the above said activities were also not performed by the officers/vendors concerned. The booking of expenditure without performing any activity was violation of general financial rules and showed financial mismanagement on the part of project management. Audit was of the view that lapse occurred due to violation of General Financial Rules.

The matter was reported to the management on December 09 2021 but no response was received till close of audit. The matter was again reported to the Ministry on March 15, 2022. In reply dated June 14, 2022 management stated that prior to disbursement of cheques schedules were presented to AGPR for endorsement and once endorsed then cheques were presented by vendors for payment and same practice was followed in this case.

DAC could not be convened despite correspondence dated 15.03.2022 and reminders dated 23.05.2023, 09.06.2022 and 06.10.2022.

Audit recommends to investigate the matter and fix responsibility.

(Para-4.2.2 of PAR STFS 2020-21)(AY-2021-22)

17.1.4.24 Unauthorized payment of honorarium to un-entitled staff- Rs. 6.343 million

According to Fundamental Rules (FR) - 46 (b) “a local Government may grant or permit a Government servant to receive an honorarium from general revenues as remuneration for work performed which is occasional in character and either so laborious or of such special merit as to justify a special reward, except when special reasons which should be recorded in writing, exist for a departure from this provision, sanction to the grant or acceptance of an honorarium should not be given unless the work has been undertaken with the prior consent of the local Government and its amount has been settled in advance”.

Furthermore, according to Serial No.17 of Annexure XII of revised PC-1 provision for honorarium, project allowances for the regular employees were made.

Scrutiny of accounts record relating to PSDP Science Talent Farming Scheme Project for the period ending June 30, 2021 it was noticed that project management utilized funds to the tune of Rs. 6.343 million for the payment of honorarium to the officers/staff other than Project staff. Utilization of project funds for the very purposes is hardly justified. Payment details are given in Annex-128.

Audit was of view that payment was not in line with the provisions of PC-1 and also fundamental rules which proved that funds were just to give personal benefit instead of its utilization for real purposes.

The matter was reported to the management on December 09 2021 but no response was received till the close of audit. The matter was again reported to the Ministry on March 15, 2022. In reply dated June 14, 2022 management stated that the said expenditure of Rs. 6.343 million was incurred under the above relevant head of account and paid to the government employees, who contributed their services towards various financial/administrative activities of the project for smooth execution. Since no regular staff against STFS project was recruited, therefore the said officer/officials were deputed/working for the project activities in addition to their normal duties. The reply of the management was not tenable because in PC-I provisions for honorarium was made for regular staff of the project. Management did not appoint the staff for execution of the project. Thus, the payment to all staff of PSF was irregular.

DAC could not be convened despite correspondence dated 15.03.2022 and reminders dated 23.05.2023, 09.06.2022 and 06.10.2022.

Audit recommends to dig out the reasons for such type of utilization of funds through independent enquiry committee.

(Para-4.2.3 of PAR STFS 2020-21)(AY-2021-22)

17.1.4.25 Un-authorized sanction of expenditure by the Project Directors - Rs. 417.603 million.

According to Sl. No. 12 of Esta Code of Federal Government, in those cases where a vacancy in a higher post occurs for less than two months and it is considered impossible for good reasons to make arrangements for day to day work of that post to be carried on otherwise, the current charge of the duties of that post may be given temporarily, with the approval of the authority competent to make appointments to the said post.

According to Establishment Division OM No. 1/3/2020-E-6 dated 12.01.2021 for making appointments in Management Position Scale M-II, the appointing authority is Prime Minister of Pakistan.

During audit of the development project —Science Talent Forming Scheme (STFS) for the period ending on 30th June, 2021, it was noticed that a post of independent Project Director (MP-II Scale was provided and approved in the PC-I of Project (STFS) and appointing authority of MP-II Scale Posts is Prime Minister. Management appointed Project Directors on additional charge/look after charge basis with approval of Chairman PSF or Secretary Ministry of Science & Technology instead of with the approval of appointing authority i.e. Prime Minister as stated above. The details are given below:

Sr. #	Name	Joining date	Relieving date	Status	Appointment made by
01	Mr. Hasnat Ahmed Qureshi (BPS-20)	21.08.2015	19.02.2017	Additional Charge	Chairman PSF
03	Dr. Darakhshanda Kokub (BPS-20)	29.08.2017	31.01.2017	Look after	Secretary, Ministry of Science & Technology
04	Dr. Ghazala Roohi (BPS-20)	01.02.2018	03.06.2018	Look after	Secretary, Ministry of Science & Technology
05	Dr. Ahsan Feroze (BPS-20)	05.06.2018	12.10.2021	Look after	Secretary, Ministry of Science & Technology
06	Mr. Haider Zaman Khattak (BPS-20)	13.10.2021	Till date.	Additional Charge	Chairman PSF

As the appointment of Project Director on Additional Charge/Look after basis was made by management without approval of the Prime Minister hence they were not authorized to sanction the expenditures of the project. Thus the expenditure of Rs. 417.603 million sanctioned by the above Project Directors were held unauthorized.

The matter was reported to the management on December 09 2021 but no response was received till the close of audit. The matter was again reported to the Ministry on March 15, 2022. In reply dated June 14, 2022 management stated that Charge of PD was assigned as a stopgap arrangement from time to time to various officers of PSF, along with all the necessary administrative & financial powers, in public interest with the approval of competent authority, i.e. Chairman PSF/Secretary MoST. The said arrangement was essential for running day to day business of the PSDP Project. In case aforementioned dispensation did not exist, it would not have been possible to spend a single penny for carrying out activities

under the project and anything of such nature could have entailed to public exchequer. Reply is not tenable because the additional/look after/current charge of the post of Project Director was assigned with approval of Chairman PSF/Secretary MoST which was in disregard to the provisions stated in Esta Code and O.M. dated 12.01.2021 of Establishment Division.

DAC could not be convened despite correspondence dated 15.03.2022 and reminders dated 23.05.2023, 09.06.2022 and 06.10.2022.

Audit recommends to clarify the position with reference to rules and regulations and ex post facto approval of the expenditure may be got from the competent authority.

(Para-4.2.4 of PAR STFS 2020-21)(AY-2021-22)

17.1.4.26 irregular procurement - Rs 29.200 million

According to PPRA Rule 4, “Principles of procurements. - 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.”

During the audit on the accounts of PSDP Project named Science Talent Farming Scheme (STFP) for Young Students- Phase-I (Component-I) of PSF for the period ending on 30th June, 2021, it was noted that the management made a contract agreement with M/s Shahan Bus Body Works, Lahore for construction of body and designing of Eight (8) Mobile Science Talent Farming Labs on Mazda/Master Truck at a total cost of Rs 29.200 million dated Nil.

Scrutiny of the record showed that an advertisement was published for the above-mentioned work on 06.12.2016 and its response was time was 21.12.2016. The photocopy of this specific advertisement was not available in the record. Only one firm i.e. M/s Shahan Bus Body Works, Lahore submitted the bid of Rs 29.200 Million. It was further decided by the management vide Note 36/N that the single bidder quoted the rate for one Mobile Lab whereas he had to quote the price for all Mobile Labs is non-responsive liable to be rejected and tender should be re-invited through wide publicity in PPRA as well as in print media. The

tender was re-advertised on 04.01.2017 and this time two bidders submitted bids as detailed below:

Sr #	Firm Name	Bid Submission date	Amount of bid	Status
1	M/s Shahan Bus Body Works, Lahore	20.01.2017	29.200	1 st Lowest
2	M/s Tariq Bros. Lahore.	20.01.2017	39.200	2 nd Lowest

This time the successful bidder was required to complete the job and hand over the trucks with complete work within 5 months to the management. The trucks were handed over to the management within the given time but no record of receiving was found however, entry has been made in the Stock Register and the payments were released.

Audit was of the view that the subject contractor who had already performed the same job on one truck vide contract dated Nil in 05/2016 was the only bidder in this subject advertisement in 12/2016 and once again was the lowest in the subject re-advertisement in 01/2017 with the same quoted rate in the previous bid makes big doubt about the transparency of the matter. Further, According to noting 53 to 67, it was shown that Technical Evaluation has been done but no Technical Evaluation report was found which clearly shows that fake competition was held and also the bid/quotation of the 2nd lowest is hand written which makes doubts about transparency of the matter. Payment of Rs 29.200 million has been made to the contractor vide different Cheques but the copies of the same are not available in the record.

Audit was of the view that when only a previous supplier quoted the lowest rate, it had to be taken seriously by the management and it had to be re-advertised or the matter had to be brought in the notice of the competent authority which was not done.

The matter was reported to the management on December 10, 2021 but no response was received till the close of audit. The matter was again reported to the Ministry on March 15, 2022. In reply dated June 14, 2022 management stated that procurement was made in accordance with PPRA Rules. Tender for construction of body and designing of mobile science talent farming labs on caravan truck was floated on 06.12.16 only one bidder participated and having technical qualification on 21.12.16 his financial bid was opened on 28.12.16 and rejected on the basis of less submission of bid money and he quoted rate for one

vehicle instead of 8. The requirement was again advertised on 04.01.2017 and at these two firms participated and being the lowest work order was awarded to M/s Shahan Bus Body works Lahore. The reply of the management was not plausible because first time the tender for desired work was floated in newspaper on 23.04.2016 but nothing was mentioned the status of tender. As regards the award of work to lowest bidder i.e. M/s Shahan Bus Body works Lahore, management adopted Single Stage two envelopes procurement method whereas the separate technical evaluation report was not made available to audit. Further management also failed to 3 copies of advertisement. Process for procurement adopted as a resulted of advertisement dated 06.12.2016 was also not made available to audit. As mentioned in the audit report success bidder quoted same rate in 2017 and already quoted in 2016 which also created doubt that procurement was made in non-transparent manners.

DAC could not be convened despite correspondence dated 15.03.2022 and reminders dated 23.05.2023, 09.06.2022 and 06.10.2022.

Audit recommends that reasons for accepting fake bid of the 2nd lowest be inquired for fixing responsibility and proper internal controls be adopted to avoid such lapses in future.

(Para-4.3.1 of PAR STFS 2020-21)(AY-2021-22)

17.1.4.27 irregular expenditure on purchase of assets - Rs 2.890 million

According to PPRA Rule 13 (1), “The procuring agency may decide the response time for receipt of bids or proposals (including proposals for pre-qualification) from the date of publication of an advertisement or notice, keeping in view the individual procurement’s complexity, availability and urgency. However, under no circumstances the response time shall be less than fifteen days for national competitive bidding and thirty days for international competitive bidding from the date of publication of advertisement or notice. All advertisements or notices shall expressly mention the response time allowed for that particular procurement along with the information for collection of bid documents which shall be issued till a given date, allowing sufficient time to complete and submit the bid by the closing date.”

During the audit on the accounts of PSDP Project named Science Talent Farming Scheme (STFP) for Young Students- Phase-I (Component-I) of PSF for the period ending on 30th June, 2021, it was noted that the management made a contract agreement with M/s Shahan Bus Body Works, Lahore for construction of body and designing of Mobile Science Talent Farming Labs on Mazda/Master Truck at a total cost of Rs 2,890,000. The contract was signed on 24.05.2016.

The subject requirement was advertised in the print media on 23.04.2016 in which it was clearly mentioned that the bidding documents must reach at PSF Head Office within 15 days of publication of this advertisement and the bids will be opened on the same day i.e. 08.05.2016.

During scrutiny, it was noticed that two firms submitted their bids According to detail below:

S. #	Firm Name	Bid Submission date	Status
1	M/s Shahan Bus Body Works, Lahore	16.05.2016	1 st Lowest
2	M/s World Wide Vision, Islamabad	14.05.2016	2 nd Lowest

The successful bidder was required to complete the job and hand over the truck with complete work within 35 days to the management. The truck was handed over on 23.05.2021 and taken over back on 20.06.2021 but no document regarding physical taking the truck was found rather it was directly entered in the stock register.

Payment of Rs 2.676 million was made to the vendor vide Cheque 3324344 dated 24.06.2016 but no copy of the said Cheque was available in the record.

Audit was of the view that when no response was received till the given time, it had to be re-advertised which was not done hence management committed mis-procurement resulted into irregular payment of Rs. 2.676 million.

The matter was reported to the management on December 10, 2021 but no response was received till the close of audit. The matter was again reported to the Ministry on March 15, 2022. In reply dated June 14, 2022 management stated that the all the process was in accordance with PPRA rules and the job was given to the lowest bidder, who completed the job within the stipulated time. Advertisement for “Invitation to bid for construction body on Mazda / Master

Truck and designing of mobile science talent farming labs” was floated on PPRA / National press on 23.04.2016 with bid submission time of 15 days. Afterwards, a corrigendum was issued/uploaded on PPRA website on 29.04.2016 with last date / response time for submission of proposals latest by 16.05.2016 with clear information of opening of the received bids on the same day i.e. 16.05.2016 @ 11.30 am. In this way, the response time comes to 23 days, which is not less than 15 days. Subsequently, 02 firms submitted their bids by the due date / within the response time. Reply of the management was not correct as the corrigendum was not issued through print media. Further whole process i.e. notifications of committees, proceedings of the committees was not shared with audit.

DAC could not be convened despite correspondence dated 15.03.2022 and reminders dated 23.05.2023, 09.06.2022 and 06.10.2022.

Audit recommends to explain reasons for accepting bids beyond the response time in violation of PPRA rules.

(Para-4.3.2 of PAR STFS 2020-21)(AY-2021-22)

17.1.4.28 Irregular expenditure on hiring of travel agency - Rs 7.833 million

According to PPRA Rule 4, “Principles of procurements- 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.”

Further, According to Income Tax ordinance, 2001, clause 59 AA- 91) Subsidiary companies of 100% owned group may opt to be taxed as one fiscal unit. Under sub-section (2) The companies in the group shall give irrevocable option for taxation under this section as one fiscal unit. Sub section (4) states that the relief under group taxation would not be available to losses prior to the formation of the group.

During the audit on the accounts of PSDP Project named Science Talent Farming Scheme (STFP) for Young Students- Phase-I (Component-I) of PSF for the period ending on 30th June, 2021, it was noted that the management hired services of M/s Askari Travels & Tours for provision of services and making all

necessary arrangements for 6 days/ 5 nights regarding study tours of 250 STFS students at Islamabad though a contract agreement on 27.02.2020.

During scrutiny of the record, following shortcomings were observed by audit:

- The Askari Travel & Tours did not possess valid NTN/GST No. on its own name.
- The said firm was required to provide Registration Certificate on its own name as required under Companies Act, 2017.
- Certificate of Incorporation from SECP under Section 32 of Companies Act, 1984 showing the name of the firm was required to be provided which was not done.
- The firm was not ATL Registered.

The following requirements according to Income Tax Ordinance as mentioned above were not met:

- No irrevocable option for group taxation from the company was available.
- The record did not show the exact date of inclusion of the Askari travels & Tours in AWT on the basis of which audit was unable to verify whether it was under losses or not.

Audit was of the view that undue favor was extended to the selected firm by not observing the basic documents which was the yardstick set by the management itself for short listing of firms.

The matter was reported to the management on December 10, 2021 but no response was received till close of audit. The matter was again reported to the Ministry on March 15, 2022. In reply dated June 14, 2022 management stated that the Askari Travels and Tours was a subsidiary of Army Welfare Trust (AWT), which was registered under Societies Registration Act (XXI of 1860) and registration with Securities Exchange Commission of Pakistan (SECP) is not required. AWT was available in the Active Payers List (ATL) which included list of other subsidiaries along with Askari Travel and Tours as well. The certificate provided by AWT showed the exact date of inclusion of the Askari travels &

Tours in AWT. The reply was not tenable because list of subsidiaries showed Askari Travel & Tours and Askari Pharmaceuticals as subsidiaries/project of AWT among others. Whereas tax on account of Askari Pharmaceutical was being paid against separate registration # 9999002 and STRN # 0305300000228. On the other hand, tax paid on account of Askari Travel and Tours under registration #0801477, STRN # Nil and Reference #0801477-9 which actually pertained to AWT. Hence, Askari Travel & Tours should have separate registration and STRN No. like Askari Pharmaceutical. Supporting document attached with reply also showed that Askari Travel & Tours fell under the umbrella of both AWT and Askari Pharmaceutical.

DAC could not be convened despite correspondence dated 15.03.2022 and reminders dated 23.05.2023, 09.06.2022 and 06.10.2022.

Audit recommends that irregularity needs explanation.

(Para-4.3.3 of PAR STFS 2020-21)(AY-2021-22)

17.1.4.29 Irregular cash award to students selected in violation of PC-I – Rs. 5.512 million

According to Section-6 (viii) of the Revised PC-1 of PSDP Science Talent Farming Scheme Project each year 300 science students passed SSC examination from Government schools, with 60% marks in general and 70% or above marks in science subjects, will be selected for financing their 1st year and 2nd year college studies (F.Sc level). The scholarship and other facilities will continue for these two years.

Furthermore, according to Para-6 (C) of Original PC-I regarding particulars of the Project in the first implementation year of the project, students passed from Government Schools only will be provided support from the Science Talent Farming Scheme as first option. However, depending upon the lesson learnt during 1st year of the project, students from other than government schools (20% quota) with fee criteria up to Rs. 1000/- per month will also be given opportunity to take advantage from the Science Talent Farming Scheme in the 2nd year of the project.

Scrutiny of accounts record relating to PSDP Science Talent Farming Scheme Project for the period ending June 30, 2021 it was noticed that contrary to the provisions of the PC-I and Revised PC-I project management selected 106 students (i.e. 53 students each for batch 2 and 3) who had passed the metric /SSC examination from the private schools which was violation of the provisions of the PC-I. Further all the students were paid Rs. 5.512 million as monetary benefits (i.e. @ Rs. 10000 per month per student as scholarship + Rs. 10000 per student per year as tuition fee) which is held irregular/illegal.

Audit was of the view that had the provisions of PC-I been followed irregular payment of cash award of Rs. 5.512 million could have been avoided.

The matter was reported to the management on December 10, 2021 but no response was received till the close of audit. The matter was again reported to the Ministry on March 15, 2022. In reply dated June 14, 2022 it was stated that 2nd batch students were selected according to original PC-1 with the approval STFS Executive Committee in its 1st meeting held on 19.01.2016. However, due to technical hurdles during selection of 2nd batch, quota for other than government schools were excluded in the revised PC-1. It is pertinent to mention that the selection process for 3rd batch was already initiated in January, 2017 and result of written test was announced in May, 2017. Interviews were held on 17th – 21st July, 2017 and the final result was announced on 8th Sep, 2017. Therefore, the decision of the revised PC-1 to exclude other than government quota could not be implemented on the 3rd batch, the selection process of which was near to completion. The reply of the management was not tenable because management admitted the facts that due to delay in selection process of 3rd batch the provision of revised PC-I could not be implemented. Further the selection of students from private schools in the 2nd batch was depending upon the lesson learnt during 1st year of the project but the required exercise was not carried out by the management.

DAC could not be convened despite correspondence dated 15.03.2022 and reminders dated 23.05.2023, 09.06.2022 and 06.10.2022.

Audit recommends to inquire the matter for fixing responsibility due to which public funds were irregularly utilized.

(Para-4.4.1 of PAR STFS 2020-21)(AY-2021-22)

17.1.4.30 Illegal payment of Cash Award to students of private colleges - Rs. 126.100 million

According to Section-6 (viii) of the Revised PC-1 of PSDP Science Talent Farming Scheme Project the 1st and 2nd batches of STFS students were allowed to continue their studies in the colleges feasible to them. However, for 3rd and onward batches the students would have to secure their admissions in the PSF prescribed Government Colleges.

Scrutiny of accounts record relating to PSDP Science Talent Farming Scheme Project for the period ending June 30, 2021 it was noticed that project management selected 900 students for Batch 3, 4 & 5 under the Science Talent Farming Scheme for providing cash award and other support. According to the above-mentioned provisions of PC-I, the students of Batch 3, 4 & 5 were required to secure their admission in the PSF prescribed Government colleges. Detailed scrutiny of the record revealed that out of total 900 students, management paid cash award to 485 those students who did not secure their admission in the Government Colleges prescribed by the PSF which was violation of the provisions of PC-I. This resultant irregular payment of Rs. 126.100 million (i.e. @ Rs. 10,000 per month per student as scholarship + Rs. 10,000 per student per year as tuition fee) was held irregular/illegal.

The matter was reported to the management on December 10, 2021 but no response was received till the close of audit. The matter was again reported to the Ministry on March 15, 2022. In reply dated June 14, 2022 it was stated that some government colleges identified by PSF approached in writing. In response government colleges conveyed that admission are purely on merit basis therefore, seats cannot be specified for STFS selected students. Due to time taken in selection of STFS students and vast and scattered distribution of STFS students in far flung areas and pockets, it is not pragmatic to restrict the students all over the country in few selected government colleges. The reply of the management did not hold good because scholarship was awarded to the students got admitted in the private colleges in disregard to the provisions PC-I.

DAC could not be convened despite correspondence dated 15.03.2022 and reminders dated 23.05.2023, 09.06.2022 and 06.10.2022.

Audit recommends to enquire the matter for fixing responsibility due to which public funds were illegally utilized.

(Para-4.4.2 of PAR STFS 2020-21)(AY-2021-22)

17.1.4.31 Illegal provision of laptops to students of private schools - Rs. 2.756 million

According to Para-6 (C) of Original PC-I regarding particulars of the Project, in the first implementation year of the project, students passed from Government Schools only will be provided support from the Science Talent Farming Scheme as first option. However, depending upon the lesson learnt during 1st year of the project, students from other than government schools (20% quota) with fee criteria upto Rs. 1000/- per month will also be given opportunity to take advantage from the Science Talent Farming Scheme in the 2nd year of the project.

Scrutiny of accounts record relating to PSDP Science Talent Farming Scheme Project for the period ending June 30, 2021 it was noticed that contrary to the provisions of the PC-I and Revised PC-I project management selected 53 students for batch 2 who had passed the metric /SSC examination from the private schools which was violation of the provisions of the PC-I and they were not entitled for support under the scheme. But the management provided 53 laptops valuing Rs. 27.560 million (i.e. 53 students x Rs. 52,000 per laptop) to 53 students which was held illegal.

Audit was of the view that had the provisions of PC-I been followed irregular provisions of laptops valuing Rs. 2.756 million could have been avoided.

The matter was reported to the management on December 10, 2021 but no response was received till the close of audit. The matter was again reported to the Ministry on March 15, 2022. In reply dated June 14, 2022 it was stated that 2nd batch students were selected according to original PC-1 with the approval of STFS Executive Committee in its 1st meeting held on 19.01.2016. The reply of the management was not tenable because the selection of students from private schools in the 2nd batch was depending upon the lesson learnt during 1st year of the project but the required exercise was not carried out by the management.

DAC could not be convened despite correspondence dated 15.03.2022 and reminders dated 23.05.2023, 09.06.2022 and 06.10.2022.

Audit recommends to enquire the matter for fixing responsibility due to which public funds were irregularly utilized.

(Para-4.4.3 of PAR STFS 2020-21)(AY-2021-22)

17.1.4.32 Inefficient project management resulting into un-justified award of monetary benefits - Rs. 67.860 million

According to the Paras- (vii) &(xv) (a) regarding particulars of the Project STFS, each year 300 science students, passed SSC examination from Government Schools, with 60% marks in general and 70% or above marks in science subjects, will be selected for financing their 1st year and 2nd year college studies. Scholarship and other facilities will continue for these two years.

Monetary benefits as additional interventions for STFS students @ Rs. 10,000/- per month (for books/note books and some personal allowance) along with tuition fee @ Rs. 10,000 per year and hotel fee @ Rs. 10,000 per year was to be provided to the STFS students.

During audit of the Science Talent Farming Scheme Project for the period ending June 30, 2021 it was noticed that project management paid an amount of Rs. 67.860 million to 552 students of 4th and 5th batches (284 student 4th batch and 238 students of 5th batch @ Rs. 130,000 per student per year.

Audit observed that all were those students who completed their 1st year of F.Sc and were studying in 2nd year. They were paid cash award for previous year which was not justified because the amount of Rs. 10,000 per month was paid for book/note books and some personal allowances and Rs. 10,000 was to be paid for tuition fee. When the students have already passed the class in studying in next class and afterward the payment of previous class was hardly justified. This was due to late completion of selection process for which management took two years.

Batch No.	Passing year of SSC	Passing date of 1 st year	Payment Date	No. of Students	Amount paid for 1 st year @ 130,000 per student (Rs in million)	Selection date
4 th	2018	21.08.19	02.10.19	284	36.920	14.06.19
5 th	2019	30.07.20	05.10.21	238	30.940	10.06.21

Audit was of the view the payment of monetary benefits to those students who had already completed their study of 1st year clearly showed in efficiency on the part of the project management and needed to be enquired.

The matter was reported to the management on December 10, 2021 but no response was received till the close of audit. The matter was again reported to the Ministry on March 15, 2022. In reply dated June 14, 2022 it was stated that as regard the selection of students for 4th batch after hiring of testing agency announcement was made in National News Papers October, 2018. Due to low number of applications and requests of various potential candidates the application submission date was extended till the end of November, 2018. Subsequently, written test was conducted on 6.1.2019 and result was announced on 30.1.2019 and interviews were conducted from 26th March to 5th April, 2019. The final result was announced on 24th April, 2019. Meanwhile students were studying in their 1st year of F.Sc. The selected students have to open bank account in National Bank of Pakistan which would take two to three months particularly in remote areas of the country.

For the selection of 5th batch from matriculates of 2019, the announcement was made however, the conduction of test and interviews was delayed after announcement of the batch due to prevailing Covid-19 pandemic. Therefore, test was conducted with the delay of almost 7 to 8 months. Resultantly final selection of candidates after scrutiny by STFS Scrutiny Committee took more time. Later on, after issuance of award letters to selected candidates, it took 2 to 3 more months for opening of bank accounts. The reply of the management was not tenable because the management failed to select the students well in time which proved the inefficiency on the part of the management which needs to be enquired.

DAC could not be convened despite correspondence dated 15.03.2022 and reminders dated 23.05.2023, 09.06.2022 and 06.10.2022.

Audit was of the view that the management failed to select the students well in time which proved the inefficiency on the part of the management which needs to be enquired.

(Para-4.4.4 of PAR STFS 2020-21)(AY-2021-22)

17.1.4.33 Wasteful expenditure to non-selection of potential students by STFS Executive Committee - Rs. 386.620 million

According to TOR (vi) of the STFS Executive Committee each year, selection of 150 potential students for BS/M.Sc leading to Ph. D studies will be done in close collaboration with HEC.

During audit of the Science Talent Farming Scheme Project for the period ending upto June 30,2021 it was notice that management selection 1487 during last five year i.e. from 2015-16 to 2020-21. According to the above TORs, the STFS executive committee required to select 750 @ Rs. 150 students per year potential students potential students for BS/M.Sc leading to PhD studies will be done in close collaboration with HEC. Contrary to the above the executive committee of the project could not select 750 potential students leading to PhD out of total 1487selected students. This resulted that whole cash award of Rs. 386.620 to the total student gone waste.

Non-selection of potential students for BS/MS leading to PhD showed failure and poor performance of Executive Committee STFS Project which needed detailed justification and explanation.

The matter was reported to the management on December 10, 2021 but no response was received till close of audit. The matter was again reported to the Ministry on March 15, 2022. In reply dated June 14, 2022 it was stated that HEC is executing the phase –II of STFS project under the name of Science Talent Farming Scheme (STFS) for Undergraduate Program-HEC for which they have a separate PC-I and HEC have to select 150 students from each batch subject to the fulfilment of its criteria. STFS provides all the requisite data/record of the students to HEC on their request to prepare their merit list According to their selection criteria. Reply is tenable because as provision of PC-I Executive Committee STFS Project was required to select the potential students for leading to PhD which was not done.

DAC could not be convened despite correspondence dated 15.03.2022 and reminders dated 23.05.2023, 09.06.2022 and 06.10.2022.

Audit recommends to justify the failure on the part of Executive Committee of STFS.

(Para-4.4.5 of PAR STFS 2020-21)(AY-2021-22)

17.1.4.34 Non-establishment of National Science School due to non-preparation of PC-I

According to particulars of STFS Project Establishment of National Science School (NSS) is an integral part of the STFS Program which has to be established for 8th class to 12th class and a separate PC-I is being prepared for construction of NSS.

Further the matter was discussed in the 3rd meeting of Inter-ministerial Steering Committee held on January 4, 2018, (Agenda item No.1) the committee unanimously recommended the establishment of a National Science School (NSS) under the on-going STFS project with the following recommendations.

- a) The establishment of a National Science School (NSS) was approved for which the state land will be provided/leased by then Government of Punjab, free of cost
- b) The directed the STFS management to submit a position paper to the Honorable Prime Minister's Office to seek permission for establishment of NSS under the STFS of Ministry of Science and Technology. In compliance thereto, the position paper has been submitted.
- c) The committee also directed that PC-I on Establishment of National Science School (NSS) Phase-1 (Component-II) may also be prepared for submission to CDWP.

The management did not observe the directives of Committee even after the lapse of a period of more than 3 years due to which the objectives of the project could not be achieved.

The matter was reported to the management on December 10, 2021. In reply dated June 14, 2022 it was stated that National Science School could not be established due to changes in vicinities, i.e. in original PC-I, NSS was to be established in the vicinity of Islamabad/Rawalpindi, then the same was changed to nearby Lahore then to Mianwali for getting land free of cost from the Punjab

Government. Free of cost lands could not be acquired. Keeping in view all the technical hurdles in the establishment of National Science School, the DDWP had deleted the said activity in the revised PC-I on its meeting held on 17.12.2021. The reply was not tenable because no document was produced except minutes of DDWP meeting held on 17.12.2021.

DAC could not be convened despite correspondence dated 15.03.2022 and reminders dated 23.05.2023, 09.06.2022 and 06.10.2022.

Audit recommends to explain the reasons for non-implementation of provisions of PC-I and decision of Inter-ministerial Steering Committee due to which objectives of the project could not be achieved.

(Para-4.4.6 of PAR STFS 2020-21)(AY-2021-22)

17.2 STEDEC Technology Commercialization Corporation of Pakistan (Private) Limited

17.2.1 Introduction

STEDEC Technology Commercialization Corporation of Pakistan (Private) Limited was established in 1987 under the Companies Ordinance 1984. The primary objective is to facilitate commercialization of indigenously researched products, processes and technologies and to assist all Public Sector R&D Institutions in their commercialization efforts. STEDEC generates revenues through its commercial activities and no development or non-development budgetary allocation is made to STEDEC in the Federal Government budget. STEDEC is a government owned company working under the administrative control of Ministry of Science and Technology and mandated to assist public sector R&D organizations in commercialization of their indigenously researched products, processes and technologies. STEDEC House, Adjacent Aiwan-e-Science Building, Ferozepur Road, Lahore.

17.2.2 Comments on Audited Accounts:

17.2.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the years 2020-21 to 2021-22 till December 31, 2022.

Audit recommends that the annual audited accounts for the year 2019-20 to 2021-22 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (Annex-2).

17.2.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2018-19	06	01	05	17.2.2.1, 17.2.2.2, 17.2.2.3, 17.2.2.4, 17.2.2.5,	
Total	13	06	07		46

Overall compliance of PAC directives was not satisfactory which needs immediate attention of PAO.

17.2.4 Audit Paras

17.2.4.1 Irregular procurement of Aluminum Phosphate Tablets from single supplier - Rs 256.716 million

According to clause-4.4.1 and 4.7.2 of the Procurement Manual of STEDEC, management use open competitive bidding as the principal method of awarding contracts. Management shall only engage in direct contracting if only one manufacturer or supplier exists for the required procurement.

According to Rule-42-c(ii) of PP Rules 2004, a procuring agency shall only engage in direct contracting if only one manufacturer or supplier exists for the required procurement.

During audit of STEDEC, Lahore for the years 2014-18, it was observed that the management procured Aluminum Phosphate Tablets of Rs. 256.716 million from the M/s Shenyang Harvest Agrochemical China being a single supplier from July 2013 to April 2018. A large number of suppliers were available in the international market but management procured from one supplier. Thus, the procurement of tablets from single source was held irregular in audit.

Audit was of the view that the management should have procured the AP Tablets through competitive bidding but management procured the same through direct contracting which was against the rules.

The matter was reported to the management on November 06, 2018 and management in its reply dated November 27, 2018 stated that Clause-4 of STEDEC's Procurement Policy Manual (including 4.2.1 and 4.4.1) applied to procurement of capital goods and services and not for consumable, raw material, finished goods etc. for trading and packing purchases. Relevant clause dealing with procurement of consumables, raw material, finished goods etc. was Clause 5.1. Under sub-clause 5.1.2 of Procurement Manual of STEDEC raw material could be purchased through request for quotation. The reply of the management was not acceptable, as procurement manual of the company did not allow direct

contracting if many manufacturers or suppliers existed. Further, procurement manual did not allow procurement without competition.

During DAC meeting held on March 19, 2019, management apprised the Committee that STEDEC was following its own procurement policy duly approved by the Board in the light of its own business dynamic. However, on the directions of the parent Ministry, STEDEC had adopted PPRA Rules since April 2018. The DAC directed that the para to be explained before the PAC.

Audit recommends to explain the reasons for non-adoption of PPRA Rules timely before PAC According to direction of DAC.

(Para-4.1.1 of SAR STEDEC 2014-18)(AY-2018-19)

17.2.4.2 Procurement of raw material from local and foreign suppliers without tender - Rs 181.114 million

According to clause-4.2.1 and 4.1.1 of Procurement Manual of STEDEC, contracts over five hundred thousand rupees shall be advertised on the PPRA website. These opportunities may also be advertised in print media, if deemed necessary by the STEDEC management. Advertisement shall be made in the print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. Management use open competitive bidding as the principal method of awarding contracts.

According to Rule-4&12(1)(2) of PP Rules 2004, procuring agency 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. Procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website. All procurement opportunities over two million rupees should be advertised on the PPRA's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During audit of the STEDEC, Lahore for the years 2014-18, it was observed that the management procured raw material of Rs. 181.114 million from the local and foreign suppliers after taking rates through quotations or verbal inquiry on phone from the limited suppliers as detailed below:-

Sr. No.	Description	Amount (Rs.)
1.	Local purchase	42,654,531
2.	Foreign purchase	138,459,888
	Total	181,114,419

Management did not publish the tenders in local and international press for open competitions as required by STEDEC Procurement Manual as well as PPRA Rules. Thus, the procurement of raw material of Rs. 181.114 million was held irregular in audit.

Audit was of the view that the management should have advertised the procurement of material in newspapers for open competition, as numbers of suppliers were available in national and international market to get competitive rates.

The matter was reported to the management on November 06, 2018 and management in its reply dated November 27, 2018 stated that Clause-4 of STEDEC's Procurement Policy Manual (including 4.2.1 and 4.4.1) applied to procurement of capital goods and services and not for consumable, raw material, finished goods etc. for trading and packing purchases. Relevant clause dealing with procurement of consumables, raw material, finished goods etc. was clause 5.1. Under sub-clause 5.1.2 of Procurement Manual of STEDEC raw material could be purchased through request for quotation. The reply of the management was not acceptable, as procurement manual of the company did not allow direct contracting if many manufacturers or suppliers existed. Further, procurement manual did not allow procurement without competition.

During DAC meeting held on March 19, 2019, management apprised the Committee that STEDEC was following its own procurement policy duly approved by the Board in the light of its own business dynamic. However, on the directions of the parent Ministry, STEDEC had adopted PPRA Rules since April 2018. The DAC directed that the para to be explained before the PAC.

Audit recommends to explain the reasons for non-adoption of PPRA Rules timely before PAC according to direction of DAC.

(Para-4.1.2 of SAR STEDEC 2014-18)(AY-2018-19)

17.2.4.3 Loss due to procurement of AP tablets without obtaining competitive rates from market - Rs. 1.946 million

According to clause-4.4.1 of Procurement Manual of STEDEC, management use open competitive bidding as the principal method of awarding contracts.

According to Rule-4 of PP Rules 2004, procuring agency 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.

During audit of the STEDEC, Lahore for the years 2014-18, it was observed that the management procured AP tablets from a single supplier M/s Shenyang Harvest Agro Chemical, China from July 2014 to Feb 2018. In March 2018, management again contacted M/s Shenyang Harvest Agro Chemical, China for purchase of AP tablets but they refused to supply due to internal issues. Management explored the market and found another supplier M/s Jining High Technology China, and purchased the AP tablets in June 2018.

During comparison of rates of both suppliers during the period 2017-18, it was observed that the M/s Shenyang Harvest Agro Chemical, China supplied the tablets at high rates being the single supplier of the STEDEC. Thus, management suffered a loss of Rs. 1.946 million due to non-exploring market.

Audit was of the view that the management was required to procure the tablets through open competition as a number of suppliers were available in the market but management failed to do so which resulted into loss of Rs. 1.946 million.

The matter was reported to the management on November 06, 2018 and management in its reply dated November 27, 2018 stated that Clause-4 of STEDEC's Procurement Policy Manual (including 4.2.1 and 4.4.1) applied to procurement of capital goods and services and not for consumable, raw material,

finished goods etc. for trading and packing purchases. Relevant clause dealing with procurement of consumables, raw material, finished goods etc. was clause 5.1. Under sub-clause 5.1.2 of Procurement Manual of STEDEC raw material could be purchased through request for quotation. The reply of the management was not acceptable, as procurement manual of the company did not allow direct contracting if many manufacturers or suppliers existed. Further, procurement manual did not allow procurement without competition.

During DAC meeting held on March 19, 2019, management apprised the Committee that STEDEC was following its own procurement policy duly approved by the Board in the light of its own business dynamic. However, on the directions of the parent Ministry, STEDEC has adopted PPRA Rules since April 2018. The DAC directed that the para be explained before the PAC.

Audit recommends to explain the reasons for non-adoption of PPRA Rules timely before PAC according to direction of DAC.

(Para-4.1.3 of SAR STEDEC 2014-18)(AY-2018-19)

17.2.4.4 Irregular payment to goods transporter without obtaining competitive rates from market - Rs. 5.650 million

According to clause-4.4.1 and 4.7.2 of Procurement Manual of STEDEC, management use open competitive bidding as the principal method of awarding contracts. Management shall only engage in direct contracting if only one manufacturer or supplier exists for the required procurement.

During audit of the STEDEC, Lahore for the years 2014-18, it was observed that the management hired the services for transportation of goods from a single supplier M/s Inam Goods Transport Company during the years 2014-17. Management paid an amount of Rs. 5.650 million on account of service rendered during the period 2013-17 as detailed below:

Year	Amount (Rs.)
2013-14	1,631,610
2014-15	1,679,500
2015-16	1,833,900
2016-17	504,900
Total	5,649,910

The services of the said operator was hired directly by the management without advertisement and open competition as required under the rules. Thus, the hiring and payment for services was held irregular in audit.

Audit was of the view that the management should have advertised the requirement of services for obtaining competitive rates as required under rules but it failed to do so.

The matter was reported to the management on November 06, 2018 and management in its reply dated November 27, 2018 stated that M/s Inam Goods Transport was transporting filled & empty chlorine cylinders from Ittehad and Sitara Chemicals. Most of the business of transportation of Sitara Chemicals was handled by Inam Goods and they recommended us to engage Inam Goods having good repute of handling chlorine cylinders which was highly sensitive and dangerous activity. As being a government organization, they would not take risk which might result to serious damage and embarrassment to the Government. The reply of the management was not correct as various transporters were available in the market.

During DAC meeting held on March 19, 2019, management apprised the Committee that the business was closed since 2016. After detailed discussion, DAC advised to procure through following PPRA rules and safety guidelines in future. DAC also directed to explain the position before PAC

Audit recommends to explain the matter before PAC according to direction of DAC.

(Para-4.1.5 of SAR STEDEC 2014-18)(AY-2018-19)

17.2.4.5 Potential loss due to non-production permakil - Rs. 1.241 million

According to Rule-5 of Public Sector Companies (Corporate Governance) Rules 2013, the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders, in manner, that the principle of probity and propriety entails that company's assets

and resources are not used for private advantage and due economy is exercised so as to reduce wastage.

During audit of STEDEC, Lahore for the years 2014-18, it was observed that the management produced a number of products for sale in the market after formulation. One product namely PERMAKIL were produced over the years and sold a large quantity in the market due to continuous demand. However, in the year 2015-16 the management did not produce and sold this product as detailed below:

Year	PERMAKIL	
	Units Produced	Units Sale
2013-14	1,959	2,004
2014-15	700	895
2015-16	0	5
2016-17	2,395	2,006
2017-18	762	954
Total	5,816	5,864
Average sale		1,466

The above position showed that the management did not produce the product for sale in the market despite demand by the customers. Thus, management suffered loss on the basis of average sale of last four years as above of Rs. 1.241 million due to non-production of product as under:

Description	PERMAKIL
Average Sale of four years	1,466
Sale Rate for the year 2014-15	Rs. 846.79
Loss:	1,241,394

Audit was of the view that the management should have produced the product for sale in the market as reasonable customers were available according to previous years' sale data.

The matter was reported to the management on November 06, 2018 and management in its reply dated November 27, 2018 stated that PERMAKIL was formulated from Permethrin TC. We were out of stock in the financial year 2015-2016 because supplier did not agree to import small quantity. The reply of the management was not acceptable as this was the regular product and management should have managed the stock.

DAC in its meeting held on March 19, 2019, directed that the matter may be probed through inquiry committee by the MoST.

Audit recommends to implement the decision of DAC.

(Para-4.2.3 of SAR STEDEC 2014-18)(AY-2018-19)

17.2.4.6 Irregular provision of company vehicles to MoST - Rs. 4.362 million

According to Rule-5 of Public Sector Companies (Corporate Governance) Rules 2013, the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders, in manner, that the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage.

During audit of the STEDEC for the years 2014-18, it was observed that the company purchased vehicle No. LEB-12-4850 Toyota Corolla through bank lease for Rs. 1.824 million in March 2012. The said vehicle was provided to Commercialization Cell of M/o Science & Technology (MoST). POL, Insurance and repair and maintenance expenses were paid by the management instead of the ministry. The management also booked depreciation as on June 30, 2018 in the books of accounts. This resulted into irregular provision of vehicle to MoST and an amount of Rs. 4.362 million was recoverable from the ministry as detailed below:-

Sr. No.	Description	Amount (Rs.)
1.	Cost of Vehicle	1,824,264
2.	POL	1,598,613
3.	Repair & Maintenance	639,444
4.	Insurance Payment	300,150
	Total	4,362,471

Audit was of the view that Ministry should pay value and other expenses as the same remained utilized under the Ministry.

The matter was reported to the management on November 06, 2018 and management in its reply dated November 27, 2018 stated that the vehicle in question was owned and maintained by STEDEC, it was being used by Commercialization Cell at Ministry of Science & Technology. This was necessitated since Commercialization Cell was coordinating between STEDEC and R&D Organizations of MoST for commercialization of indigenously developed products, technologies and processes. Since the vehicle was being used for activities in line with the core activities of STEDEC, no irregularity was committed. The reply of the management was not acceptable as no core activity started since inception. Further, commercialization staff was working at Head Office Lahore and not at Islamabad.

Para was not discussed in the DAC meeting held on March 19, 2019 and decided the para will be discussed in next meeting but no meeting was convened.

Audit recommends to fix responsibility for unauthorized provision of vehicles and recover the amount pointed out by audit.

(Para-4.4.5 of SAR STEDEC 2014-18)(AY-2018-19)

Chapter-18

Thematic Audit (18.1)

1. Thematic Audit on the Role of Trading Corporation of Pakistan (Pvt.) Limited in Import & Export of Commodities in relation to Private Sector

1.1 Introduction

Trading Corporation of Pakistan Limited (TCP) was set up as a private limited company in July, 1967, registered under the Companies Act, 1913 (now Companies Act, 2017). The shares of the Corporation are owned by the Ministry of Commerce, Government of Pakistan. The main objectives of the Corporation are as under:

- i. Undertaking import of essential commodities / in the emergent conditions on the directives of the Federal Government.
- ii. Ensuring availability of essential commodities to the common man at affordable prices.
- iii. Intervening in the market in the larger public interest to ensure fair price to public, as well as preempting hoarding and profiteering.
- iv. Exporting selected items of Public Sector Corporation, agencies, etc.
- v. Performing innovative role of undertaking export of non-traditional items to non-traditional markets on experimental basis.

Due to decreasing trend of market share of TCP in overall import and export of specified commodities, it was of pivotal importance to assess the impact and role of TCP in overall import of commodities with respect to overall imports and exports made by private sector. The Federal Cabinet in January, 1995, enlarged the role of TCP to help the company as a commercially viable organization.

1.2 Background

TCP is a public sector trade house i.e. exports of agriculture & consumer goods and import of essential commodities under specific directives of the Government. The initial paid-up capital of the corporation contributed by the

Government was Rs.2.500 million in 1967 which was subsequently increased to Rs. 7.500 million in 1971. TCP's paid up capital was subsequently increased to Rs.100.000 million by issuing bonus shares of Rs.92.500 million in 1978-82. In December, 2005, the authorized capital has been increased to Rs. 1,000.000 million.

At the time of its inception, TCP had the monopoly of importing selected industrial raw material i.e. Ferrous and Non-Ferrous items which was removed in year 1980-81. Till 1989-90, all items of import being handled by TCP were placed on free list, except the import of edible oil under grant/aid and import of commodities in emergency under specific government directives.

The Federal Cabinet in its meeting held on 4th December, 1996, approved the merger of Cotton Exchange Company (CEC) and Rice Export Corporation of Pakistan (RECP) with TCP. RECP and CEC were merged in TCP with effect from January 19, 2001. In the year 1999-2000, the Government assigned new role to TCP keeping in view the fact that there was a need for such an organization to stabilize the prices.

1.3 Establishing the Audit Theme

1.3.1 Reasons of selection

The market share of TCP is decreasing in overall import and export of allowed commodities. It is beneficial to assess the impact of TCP in overall import and export of commodities with respect to overall requirements of the nation through Federal and Provincial Government versus Private Sector. It is also needed to assess the timeliness of import of commodities by concerned Government agencies as per requirement.

1.3.2 Purpose

Main purpose of conducting this thematic audit is to assess the share and effectiveness of TCP in overall import and export of selected commodities in the country and to conduct comparative analysis of business model.

1.3.3 Beneficiaries of the thematic audit

It will be particularly useful to following stakeholders:

- a) Management of TCP in their strategic decision making.
- b) Government Institutions and Ministry of Commerce for developing independent and objective assessments of process of governance and achievement of strategic reserves of basic commodities through ensuring timely procurements to cater the needs to the general public of Pakistan.
- c) Finance Division.
- d) Ministry of Food Security and Research.
- e) Pakistan Agriculture Storage & Services Corporation Ltd. (PASSCO)
- f) Ministry of Industries & Commerce to play its role in maintaining the strategic reserves and requirements of the general public in respect of sugar and Urea procurements.
- g) Government's regulatory authorities.
- h) Securities Exchange Commission of Pakistan.
- i) National Insurance Company Limited.
- j) Shareholders (Federal Government).
- k) Employees & Policyholders.
- l) General public at large.

1.3.4 Scope of thematic audit:

The scope of this thematic audit is limited to following audit areas:

1. To assess "the share and effectiveness" of TCP versus Private Sector in overall import and export of selected commodities in the country.
2. Comparative analysis of Business Model.
3. Effectiveness of service delivery of TCP.
4. Total imports and exports of commodities made by TCP and Private Sector during 2017-18 to 2021-22.

(Qty. In M.Ton)		
Commodity	Import	Export
Wheat	4,985,561	2,213,140
Sugar	467,833	2,873,101

Urea	306,032	233,145
Total	5,759,426	5,319,386

2. Legal framework governing the theme

The Auditor General conducts audit subject to Article 169 and 170 of the Constitution of Islamic Republic of Pakistan, 1973, read with Sections 8 and 12 of the Auditor General's (Functions, Powers and Terms and condition of Service) Ordinance, 2001. The thematic audit of Trading Corporation of Pakistan (TCP), Ministry of Commerce, was carried out accordingly.

Under the directions of Director General Commercial Audit & Evaluation, Karachi, thematic audit of TCP was conducted during August-September 2022 with a view to assess the Market share and effectiveness of the Trading Corporation of Pakistan in overall import and export of selected commodities in the country and role of TCP in import and export of commodities in relation to Private Sector.

Following are other rules and regulations governing the Trading Corporation business in Pakistan:

- Companies Act, 2017
- Memorandum/Articles of Association, 1964
- Re-organization of TCP Notification, 1995
- Code of Corporate Governance, 2013
- Public Procurement Rules, 2004
- Securities and Exchange Commission of Pakistan.
- Public Information Officials (Information Act, 2017)
- Imports and Exports (Control) Act, 1950
- Insurance Ordinance, 2000,
- Insurance Act, 2017

3. Stakeholders and Governmental Organizations identified as directly/indirectly involved

Trading Corporation of Pakistan (Pvt.) Ltd. is wholly owned by the Federal Government and operates under the administrative control of the Ministry of Commerce & Textiles, Govt. of Pakistan. The Company acts as an agent to facilitate imports and trading of different commodities on behalf of Govt. of Pakistan. It will be particularly useful to following stakeholders:

- Federal Government being the 100% shareholder.
- Ministry of Commerce being the Operator and administrative controller of the TCP.
- Ministry of National Food Security and Research (MNFSR).
- Ministry of Industries and Production (MoI&P).
- Finance Division, Government of Pakistan.
- Economic Co-ordination Committee (ECC).
- Pakistan Agricultural Research Council (PARC) Islamabad.
- Provincial Governments (Sindh, Punjab, Khyber Pakhtunkhawa, Balochistan and Gilgit Baltistan).
- Islamabad Capital Territory (ICT).
- Azad Jammu & Kashmir (AJK).
- Utility Stores Corporation (USC).
- TCP Management and Board.
- Federal Board of Revenue (FBR).
- Pakistan Agricultural Storage and Services Corporation (PASSCO)
- Government's Regulatory Authorities.
- Securities Exchange Commission of Pakistan.
- Public Procurement Rules, 2004.

- Public at large.

4. Role of Important organizations

Role of following organizations in Trading Corporation of Pakistan (Pvt.) Limited is vital.

4.1 Commerce Division:

Trading Corporation of Pakistan (Pvt.) Limited is an attached department of Ministry of Commerce (MoC). Under the Rules of Business 1973, Commerce Division is assigned the functions of Imports and export across custom frontiers including treaties, agreements, protocols and conventions with other countries and international agencies bearing on trade and commerce and promotion of foreign trade including trade offices abroad, trade delegations to and from abroad, overseas trade exhibitions and conferences and committees connected with foreign trade;

MoC being the administrative Ministry, administers and controls the functions of TCP in respect of imports and exports of essential commodities particularly wheat.

4.2 Finance Division:

Under the Rules of Business 1973, major functions assigned to FD is to control the Finances of the Federal Government and financial matters affecting the country as a whole and sanctions of internal and external expenditure requiring concurrence of the Finance Division. Besides, negotiations with international organizations and other counties and implementation of agreements thereof. TCP while engaging in imports and exports of the essential commodities, request the FD for arranging the Funds and place the guarantee on opening of Letter of Credit (L/C) on behalf of GoP.

4.3 Industries Division:

Ministry of Industries and Production plays an important role in respect of maintaining the strategic reserves of the sugar and urea through raising demands to ECC who further issue directives to TCP for importing / exporting the same. Under the Rules of Business 1973, major functions assigned to MoI&P is keeping

a watch, from the national angle, over general price trends and supply position of essential commodities; price and distribution control over items to be distributed by statutory orders between the Provinces and administration of the Essential Commodities, price control, profiteering and hoarding laws including distribution controls.

Ministry of Industries and Production forward its demand for the import and export of sugar and urea to TCP through Federal Government. The organization on the directives of the Federal Government, import / export the same and further forward the bid prices received during the bidding process to the MoI&P for their approval. Once the approval is sought, TCP awards the contract to the successful bidders accordingly.

4.4 National Food Security and Research Division:

The role of the Ministry of National Food Security and Research as assigned by the Rules of Business, 1973 is to imports and exports control on food grains and foodstuffs, inspection, grading analysis of food grains and foodstuffs, maintenance of standards of quality for import and export and inspection, handling, storage and shipment of rice exports, economic coordination and planning in respect of food, economic planning and policy making in respect of agriculture, procurement of food grains, including sugar (a) from abroad; (b) for Federal requirement; (c) for inter-Provincial supplies; and (d) for export and storage at ports and Administrative control of PASSCO.

The Ministry is responsible to maintain the strategic reserves of Wheat and therefore, for this purpose, the organization raise the indent of country's requirement of wheat to the ECC who later on issue its directives to TCP for the tender and procurement process.

4.5 Department of Plant Protection:

Attached Department of National Food Security and Research Division is responsible for issuance of release orders after inspection of the imported commodity at Port destination. Without release order, commodities cannot be off loaded from the vessels. TCP receives release orders in respect of inspection of commodities done by this Department and finalize the shipment process by the allowing the vessel to off load.

4.6 Pakistan Agricultural Storage and Services Corporation Ltd (PASSCO):

National Food Security and Research Division has the administrative control of PASSCO, a Public Limited Company, under the Rules of Business has been assigned following major functions of provision of food security at national level, by maintaining strategic reserves of wheat and other specified commodities, extend state welfare to farmers by providing support to farmers; stabilize prices by intervening in domestic market, release wheat to deficit province as well as Armed Forces and undertake import / export of different food grains when called upon. The Company also imported wheat.

4.7 Securities & Exchange Commission of Pakistan:

Securities Exchange Commission of Pakistan (SECP) has the mandate of supervision and regulation of insurance companies. It provides guidelines for registration of insurance companies and after completion of all pre-requisites of registration, registers the company. It regularly provides and updates regulations related to insurance business of Pakistan.

5. Organization's Financials

5.1 Financial Analysis:

The initial paid up capital of the Corporation subscribed by the Government in 1967 was Rs.2.5 million, which was subsequently raised to Rs.5 million in 1969-70 and to Rs.7.5 million in 1970-71 out of Corporation's own resources. In 1977-78, TCP increased its paid up capital from Rs. 10.00 million to Rs.50.00 million and further increased to Rs. 100.00 million in 1978-79 out of its own resources by issuing bonus shares. In 2005-2006, the authorized capital enhanced to Rs.1,000 million whereas the subscribed and paid up capital increased from Rs.100.00 million to Rs.685.805 million and then, in 2009-10, paid up capital increased to Rs.1,000 million due to rise in the volume of trade under Government's directive.

TCP is self-generating revenue organization. It generates revenue in the form of Commission on services rendered through facilitating imports and trading of different commodities on behalf of Government of Pakistan. Other

sources of funds are income from financial assets in the shape of return on Term Deposit Receipts (TDRs), Pakistan Investment Bonds (PIBs), Treasury Bills and income from non-financial assets in the shape of rental income from godowns, inspection fee gain on disposal of scrap sale etc.

Overall performance of TCP:

Five years annual performance has been analyzed and comments thereon are as under:

(Rs. in million)									
Head of accounts	2021-2	% Inc (Dec)	2020-1	% Inc (Dec)	2019-20	% Inc (Dec)	2018-9	% Inc (Dec)	2017-8
Long term investment	10,201	2	9,991	2	9,807	2	9,643	14,549	66
Dues from Govt. of Pakistan	83,003	14	72,766	13	64,429	28	50,523	22	41,576
Trade debts	64,550	46	44,244	(1)	44,530	(4)	46,463	(1)	47,118
Prepayments & other receivables	15,937	6	15,001	5	14,328	57	9,136	5	8,668
Taxation – net	1,337	5	1,269	2	1,239	9	1,138	29	886
Commission Income	1,473	134	628	547	97	(4)	101	100	-
Administrative exp.	1,031	207	(965)	(14)	(847)	(4)	(886)	(187)	1,016
Other income	2,816	17	2,415	(12)	2,734	22	2,246	46	1,536
Profit before taxation	3,258	57	2,079	5	1,985	36	1,461	181	521
Taxation	945	263	(581)	(6)	(549)	46	(376)	(368)	140
Profit after taxation	2,313	54	1,498	4	1,436	32	1,086	186	380

(Source: Draft Annual Accounts 2021-22, Annual Accounts - 2017-18 to 2020-21)

- Dues from Government of Pakistan increased by 14.068% during 2021-22 from Rs. 72,766.063 million to Rs. 83,003.045 million during 2021-22. This shows increasing trend in due from Government of Pakistan which needed to be elucidated.
- Trade debts increased by 45.894% during the year 2021-22 from Rs. 44,244.461 million to Rs. 64,549.810 million needed justification.
- Prepayments and other receivables increased by 6.237% during 2021-22 from Rs. 15,001.459 million in 2020-21 to Rs. 15,937.118 million in 2021-22 which needs further elucidation.
- Profit after taxation increased by 54.412% during 2021-22 from Rs. 1,497.856 million during 2020-21 to Rs. 2,312.865 million during 2021-22 as compared to increase by 4.316% during 2020-21.
- Commodity Finance under markup arrangements increased from Rs. 141,263.048 million to Rs. 173,396.401 million during the year 2021-2022.

Financial Ratio Analysis:								
S#	Description	2021-22	2020-21	2019-20	2018-19	2017-18	Industry Benchmark	Comments
Profitability Ratios								
1.	Return on Assets (ROA)	1.15 9%	0.93 %	0.96 %	0.79%	0.28%	5% or higher	Ratios lower than threshold showing that the assets are not utilized effectively to generate profit.
2	Return on Equity (ROE)	12.9 5%	9.76 %	10.2 %	8.6%	2.9%	5% or higher	Ratios are in increasing trends and above than 5% which shows that equity is effectively employed that results Government return.
3	Return on capital employed (ROCE)	12.8 %	9.5 %	8.2 %	8.2%	4.2%	Higher the better	Increasing trends is witnessed a positive performance of corporation.
Management Efficiency Ratios								
4	Assets Turnover	104 %	54.8 %	2.42 %	2.6%	0.023%	Greater than 2%.	Abnormal growth is witnessed during the year 2020-2021 and 2021-22.
5	Receivables Turnover	4.67 %	67.2 %	127 %	3.3%	0.029%	Greater than 1%.	High fluctuations in ratios of last 5 years has been witnessed during the year 2020-2021 and 2021-22.
6	Return on Invested capital	2.3	1.49	1.4	1.08	0.38	Greater than 2%.	Low returns on capital invested and do not meet the ROIC benchmark except in the year 2021-22.
Solvency Ratio								
9	Current Ratio	1.03	1.03	1.0	1.0	1.1	1.5 to 3.	Ratios shows that TCP is unable to meet its short term obligations from its assets.

- **Profitability Ratios:** All three profitability ratios have been analyzed and results showed that the position of return on assets is poor as compared to its industry benchmark.
- **Management efficiency ratios:** Management efficiency ratios reveals that the management failed to properly utilize its assets and manage receivables which is evident from the fact that during the year 2019-20 receivable ratio stood at 127%.
- **Solvency Ratio:** Current ratio of TCP is lagging behind the industry benchmark which must lie between 1.5 – 3 while the current ratio of TCP are 1.1, 1.0, 1.0, 1.03, 1.03 for the years of 2017-18, 2018-2019, 2019-2020, 2020-2021 and 2021-2022 respectively.

Share of TCP versus Private Sector in overall import and export of selected commodities in the country;

A. Wheat¹⁹

(Qty. in M.Ton)							
Year	TCP	Pvt. Sector	Total	TCP	Afghanistan	Other Countries	Total
	Import			Export			
2021-22	1,539,815	Nil	1,539,816	Nil	Nil	Nil	Nil
2020-21	1,666,339	1,779,406	3,445,745	Nil	Nil	Nil	Nil
2019-20	Nil	Nil	Nil	Nil	Nil	15,342	15,342
2018-19	Nil	Nil	Nil	Nil	37,270	728,962	766,232
2017-18	Nil	Nil	Nil	Nil	Nil	1,431,566	1,431,566
Source: TCP figures taken from Bureau of Statistics and Pakistan Customs							

There was no import of wheat during the years 2017-2020. However, quantity of 3,445,745 metric ton (2020-21) was imported by TCP and other private sector importers. During 2021-2022, TCP made import of 1,539,815 metric ton. The review of data reflected that quantity of 1,431,566 metric ton (2017-18), 766,232 metric ton (2018-19) and 15,342 metric ton (2019-20) was

¹⁹ Government of Pakistan Donated/gifted wheat quantity 37,270 metric tons to Islamic Republic of Afghanistan during the year 2018-19 and the same is included in total Export figure and excluded from total export for calculation of average price per metric ton.

made to the other countries by the private sector exporters. The record also reflected that there was no exports of wheat during the years 2020-2022.

B. Sugar

Year	(Qty. In M.Ton)						
	Import			Export			
	TCP	Others	Total	TCP	Afghanistan	Other Countries	Total
2021-22	212,647	7,056	219,703	Nil	Nil	Nil	Nil
2020-21	78,063	149,757	227,820	Nil	Nil	Nil	Nil
2019-20	Nil	6,636	6,636	Nil	148,406	125,699	274,105
2018-19	Nil	6,264	6,264	Nil	363,011	244,738	607,749
2017-18	Nil	7,410	7,410	Nil	950,062	1,041,185	1,991,247
Source: TCP figures taken from Bureau of Statistics and Pakistan Customs							

There was no import of sugar during the year 2017-2020 by TCP. However, quantity of 227,820 metric ton (2020-21), 219,703 metric ton (2021-22) was imported by TCP and other private sector importers. The review of data reflected that quantity of 1,991,247 metric ton (2017-18), 607,749 metric ton (2018-19) and 274,105 metric ton (2019-20) was made to Afghanistan and other countries by the private sector exporters. The record also reflected that there was no exports of sugar during the years 2020-2022.

C. Urea²⁰

(Qty. In M.Ton)					
Year	Import		Year	Export	
	TCP	Others ²¹		TCP	Others ²²
2021-22	100,000	Nil	2021-22	Nil	Nil
2020-21	Nil	Nil	2020-21	Nil	Nil
2019-20	100,972	Nil	2019-20	Nil	Nil
2018-19	105,060	Nil	2018-19	Nil	Nil
2017-18	Nil	Nil	2017-18	233,145	Nil
Total	306,032		Total	233,145	-
Source: TCP figures taken from Bureau of Statistics and Pakistan Customs					

²⁰ Data of others / private sector was not made available.

²¹ Data from private sector was not made available on the subject matter for the years 2017-2022.

²² -do-

There was no import of urea during the year 2017-18 by TCP, whereas relevant data from private sector was not made available on the subject matter for the years 2017-2022. However, quantity of 105,060 metric ton (2018-19), 100,972 metric ton (2019-20) and 100,000 metric ton (2021-22) was imported by TCP. The review of data reflected that quantity of 233,145 metric ton (2017-18). The record also reflected that there was no exports of urea during the years 2018-2022.

Audit reviewed in detail market share of TCP compared to other major importers of wheat during 2020-21. TCP captured 68% of the market share. However, the price offered by the TCP was one of the highest among with importers which was a major burden on national exchequer.

(Amount in US\$)				
Year 2020-21 (Wheat import)				
Description	Qty in M.T	Share in %	Rate/M.T	Total
TCP	1,666,339	68	274.24	456,976,807
PASSCO	333,171	14	281.85	93,904,246
Chappal Traders	164,066	7	255.658	41,944,781
M/s Sind Feed and Allied Products	163,103	7	250.6	40,873,612
Unity Foods Limited	117,944	5	262	30,901,328
Total	2,444,623	100		
<i>Source: TCP figures taken from Bureau of Statistics and Pakistan Customs</i>				

TCP captured 98% of the market share of sugar and it fared better than the private sector in terms of price quoted. This was made possible due to import in bulk quantity.

(Amount in US\$)				
Year 2021-22 (Sugar)				
Description	Qty in M.T	Share in %	Rate/M.T	Total
TCP	212,647	98	603.866	128,410,293
Mondelez Pakistan	1,500	1	631	946,500
M/s Brothers Enterprises	1,118	1	638.5	713,843
GSK Consumer Health Care	820	0	663.069	543,717
Total	216,085			
<i>Source: TCP figures taken from Bureau of Statistics and Pakistan Customs</i>				

6. Field Audit Activity

6.1 Methodology

Thematic Audit was conducted after collection of related data from various sources (specifically mentioned under Reference section).

In order to assess & evaluate market share of TCP and other companies in private sector, related data was collected from financial statements of Trading Corporation of Pakistan (Pvt.) Limited, through issuance of requisitions to management and from websites of SECP, SBP, Bureau of Statistics, Directorate of Pakistan Customs and different websites of private sector organizations involving in the business of imports and exports of essential commodities etc.

Data was also collected through interviews with senior management of TCP.

After collecting all relevant data, it was statistically analyzed to assess the market share and effectiveness of TCP in overall import and export of essential commodities in relation to private sector of Pakistan.

6.2 Audit findings and recommendations

6.2.1 Lack of viable Business Plan

The Federal Cabinet in January, 1995, enlarged the role of TCP to help the company a commercially viable organization and set following objectives to achieve;

A. Imports

- i) Import of essential commodities in emergent conditions, as in the past;
- ii) Import of Soybean Oil in future under PL-480 Programme and CC Credit;
- iii) Import of Palm Oil from Malaysia under Malaysian credit;
- iv) Import of Industrial raw materials and other selected bulk items;
- v) Utilization of Credit Facilities.

B. Exports

- i. Export of selected items of public sector corporations, agencies, etc;
- ii. Channelizing exports through TCP to various markets under credit line given by the Government to expand business in areas such as

- Commonwealth of Independent States (CIS)/Central Asian Republics (CAR)/Malaysia, African countries, etc;
- iii. Export of Pakistani products to new/non-traditional markets by way of giving concessions/incentives offered by Government to prospective buyers for capturing new markets;
 - iv. To perform innovative role of undertaking export of non-traditional items to non-traditional markets on experimental basis;
 - v. To undertake and develop export of fresh fruits/vegetables and minerals in collaboration with and on partnership basis with the private sector

During thematic audit of Trading Corporation of Pakistan (TCP) for the period 2017-18 to 2021-22, it was observed that there was lack of appropriate business plan in line with its objectives as set forth in Memorandum and Articles of Association.

Audit was of the view that the corporation should have robust business plan so that it is commercially viable with better return on assets and competitive compared to other private sector competitors. Thus, lack of business plan reflected deviation of TCP from assigned objectives not only in the form of revenue loss but has also failed to stabilize the commodity market.

The matter was reported to the management in December, 2022. The management in its reply dated 16.01.2023 stated that the TCP's failure to become a commercially viable organization is an incorrect statement which did not analyze the basic financials of TCP. The reply of the management was not tenable as the TCP was lacking an effective business plan and innovation on its part.

Audit recommends that the management may adopt such measures that enable the corporation for its optimal utilization of resources and fulfillment of its objectives.

6.2.2.1 Non-maintenance of strategic wheat reserves into huge cost on import

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for 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.

During thematic audit of Trading Corporation of Pakistan (TCP) for the period 2017-18 to 2021-22, it was observed that the private sector was allowed to make the export of essential commodities without determining the country's minimum requirements / maintenance of wheat strategic reserves as export of 2,213,140 metric tons of wheat amounting to Rs.54,947 million was made during years 2017-20 which resulted in substantial shortages in local market. Subsequently, Government imported wheat at much higher prices as during the years 2020-21 & 2021-22 imported 4,985,561 metric tons amounting to Rs.171,095 million. This resulted into huge burden on government exchequer in shape of import bill in billions of dollars.

Audit was of the view that practice of import & export of essential commodities without determining minimum requirement of the endusers / strategic reserves was not economical / beneficial to the local market and compromises value for money due to lack of appropriate strategic planning. Such planning weakness could have been addressed by the TCP management by effective coordination / guidance of TCP to concerned stakeholders.

The matter was reported to the management in December, 2022. The management in its reply dated 16.01.2023 stated that the decisions regarding maintenance of strategic reserves / export and planning thereof regarding any of the commodities are made by the concerned ministries whereas TCP has no mandate to decide upon such policy issues of the Federal Government. The reply of the management was not tenable as TCP being the only public entity has capacity to guide and inform the Government in their decisions with updated information about the status of the strategic reserves in the country.

Audit recommends that TCP should continue to expand business by focusing on increasing the imports and exports of allowed commodities by analyzing the demand and supply of the commodities through its own research department. i.e. Market Intelligence / Research Unit.

6.2.2.2 Loss on account of wheat import at higher rates as compared to private sector – US \$ 31.327 million equivalent to Rs. 5,012,347,680 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for 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.

During thematic audit of Trading Corporation of Pakistan (TCP) for the period 2017-18 to 2021-22, for the purpose of import cost/rate analysis, the Directorate of Customs, Reforms and Automation Department, Karachi provided the following wheat and sugar imports and exports data on audit request which has been scrutinized. Analysis has been made and the results are as under:

(Amount in US \$)				
Year 2020-21 (Wheat)				
Sector	Description	Import in M.T	Rate/MT \$	Total Amount
Government	TCP	1,666,339	274.24	456,976,807
	PASSCO	333,171	281.85	93,904,246
Total		1,999,510	556	550,881,053
Private	Chappal Traders	164,066	255.658	41,944,781
	M/s Sind Feed and Allied Products	163,103	250.6	40,873,612
	Unity Foods Limited	117,944	262	30,901,328
Total		445,113		113,719,721
(US \$274.25 – US \$255.450 = US \$18.80*1,666,339 = US \$ 31,327,173.200 (Equivalent Rs 5,012,347,680) @Rs 160/US\$				
Data was converted from KG into M.Ton, (One M.Ton is equal to 25 Munds) (M.T = (KG/40)/25),				
Price determination: Average Price of the year is taken for calculation				
Source: Reforms and Automation Department, Directorate of Pakistan Customs House.				

Thus, TCP imported wheat at higher rates as compared to its competitors in private sector except PASSCO which is also a public sector organization. This showed that the management did not analyze international price market trends while placing orders to the bidders. Thus, TCP sustained loss of US\$ 31.327 million on account of payments of wheat imports at high rates as compared to private sector.

Sugar Import (2021-22 & 2020-21)					
(Amount in US\$)					
		Government Sector	Private Sector		
Year	Description	TCP	Mondelez Pakistan	M/s Brothers Enterprises	GSK CONSUMERHEALTH CARE
2021-22	Total Import of Sugar in M.T	212,647	1,500	1118	820
	Aver: Rate/M.T IN US \$	603.866	631	638.5	663.069
	Total Value	128,410,243		88,000	543,385
Year	Description	TCP	Chappal Traders	Al-Amar Enterprises	GSK
2020-21	Total Import of Sugar in M.T	78,063	10,400	9,969	731
	Aver: Rate/M.T IN US \$	428.295	430	426	672.916
	Total Value	33,433,940			491,902
Data was converted from KG into M.Ton, (One M.Ton is equal to 25 Maunds) (M.T = (KG/40)/25),					
Price determination: Average Price of the year is taken for calculation					
Source: Reforms and Automation Department, Directorate of Pakistan Customs House.					

This reflected that TCP performed better than its private sector in respect of sugar import due to import in bulk quantity.

Since 2017-18 to 2021-22, TCP has not made any export of allowed commodities whereas all the exports were made only by the Private Sector as tabulated below:

(Amount in Rs.)				
Description	Fatima Sugar Mills	Hunza Sugar Mills	M/S J.D.W Sugar Mills	Two Star Industries
2017-18 (Sugar)				
Quantity Exported in M.T	131,996	161,738	207,376	63,460
Value per M.T in Rupees	38,708	38,229	38,722	57,310
Total Value in Rupees	5,109,322,629	6,183,145,722	8,030,000,136	3,636,875,174
2018-19 (Sugar)				
Quantity Exported in M.T	53,477	86,163	113,469	52,105
Value per M.T in Rupees	49,170	48,940	49,500	44,807
Total Value in Rupees	2,629,456,647	4,216,777,250	5,616,768,219	2,334,657,039
2019-20 (Sugar)				
Quantity Exported in M.T	23,478	4,300	12,682	23,296
Value per M.T in Rupees	60,607	64,974	63,948	56,766
Total Value in Rupees	1,422,923,657	279,387,470	810,991,738	1,322,424,485
<i>Data was converted from KG into M.Ton, (One M.Ton is equal to 25 Munds) (M.T = (KG/40)/25),</i>				
<i>Price determination: Average Price of the year is taken for calculation</i>				
<i>Source: Reforms and Automation Department, Directorate of Pakistan Customs House.</i>				

The matter was reported to the management in December, 2022. The management in its reply dated 16.01.2023 stated that the private sector engages in spot and future buying, something which is not by TCP whereas, prices of wheat and all commodities are cyclical in every year and purchase prices would vary accordingly. The reply of the management was not tenable as the TCP should adopt and explore all such buying tools to compete with private sector.

Audit recommends that the a commercial intelligence unit manned by qualified personnel equipped with software/ hardware and research capability may be established enabling TCP to make better business decisions based on reliable information and in-depth analysis. The market intelligence unit will also enable TCP to have access to business information networks to improve its performance in order to compete the Private Sector in capturing the maximum market share.

6.2.2.3 Loss due to scrapping / cancellation of sugar tenders – Rs. 873.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for 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.

During thematic audit of Trading Corporation of Pakistan (TCP) for the period 2017-18 to 2021-22, it was observed that TCP on the directives of Federal government invites sealed bids from the international suppliers for purchase of allowed commodities i.e. wheat, sugar and urea. TCP purchases wheat / sugar directly or through their local offices that have capacity to supply wheat through global sources on Cost Freight Rate (CFR) Karachi basis. Shipment schedule for the supply of wheat / sugar of the period is given in the tender document and subject to the terms and conditions specified in “Tender Document” which includes detailed process of bidding and procuring of allowed commodities. Such as, method of procurement, procedure for submission of bids, opening of bids, submission of bids, bid evaluation criteria, acceptance and rejection of bids, performance guarantee etc.

It was noted that TCP imported 2,410,000 M.T quantity of wheat amounting to US\$ 959.093, sugar quantity 300,000 amounting to US\$ 180.100 and Urea quantity of 100,000 amounting to US\$ 55.200 during the year 2021-22. TCP during this year, negotiated with PPRA and requested for relaxations and exemptions for following four rules in respect of the procurement/imports of the commodities which was duly acknowledged and notified.

1. Rule # 13: Response time
2. Rule # 35: Announcement of evaluation report
3. Rule # 38: Acceptance of bids
4. Rule # 40: Limitations on negotiations.

However, it was observed that the management despite availing the relaxation in procurement process, delayed the imports of commodities through

scrapping the wheat and sugar tenders. Resultantly, the tenders were awarded at higher rates as compared to the scrapped ones and TCP had to pay excess amount on account of difference of 1st scrapped tender and the awarded one. This shows that the management sustained losses due to imprudent decisions of delaying and scrapping the sugar tenders as tabulated below:

(Amount in US \$ per metric ton)					
Tender No	Tender Issued	Tender opening	Rate	Quantity	Remarks
No.TCP/MA&ID/Sugar/20-7/2021	19.02.2021	02.03.2021	540	50,000	Scrapped
No.TCP/MA&ID/Sugar/20-8/2021	06.03.2021	16.03.2021	544	50,000	Scrapped
No.TCP/MA&ID/Sugar/20-9/2021	05.04.2021	14.04.2021	520	50,000	Scrapped
No.TCP/MA&ID/Sugar/20-9/2021	Nil	27.04.202	447	50,000	Cancelled
No.TCP/MA&ID/Sugar/20-10/2021	25.05.2021	02.06.2021	534	50,000	Scrapped
No.TCP/MA&ID/Sugar/20-12/2021	17.06.2021	25.06.2021	527	100,000	Awarded
No.TCP/MA&ID/Sugar /21-1/2021	13.08.2021	24.08.2021	637	200,000	Awarded
(\$637-\$540=\$97 x 50,000 qty = \$4,850,000 equivalent Rs.873,200,000)					

Further, it was observed that there was undue delay in selection of bidders and awarding the contracts by the concerned Ministries. The selection process was not only causing unjustified delays in procurements processes but also increase the prices of the tender by scrapping and retendering.

The matter was reported to the management in December, 2022. The management in its reply dated 16.01.2023 stated that the decision to scrap or award the tenders was taken by the Ministry of Industries and Production at the advice of the ECC and the Cabinet and TCP only provides full assessment of the bid to the ministries concerned. The reply of the management was not tenable as the matter of loss due to scrap of tenders was not justified.

Audit recommends that procurement process planning and execution may be made effective.

6.2.2.4 Comparative analysis of business model of TCP and major private sector

	TCP	Private Sector Organization (Unity Foods Ltd)
Vision	Serves the nations as a highly motivated corporate entity responsive to national needs and modern trading challenges.	To be a reliable and sustainable supplier to the nation's food security system, by way of developing and implementing efficient farm to fork supply chain across the country.
Mission Statement	Development of corporate structures managed by professionals. Continuous human resources development. Development of web, IT-based operational environment. Ensure total transparency and zero tolerance for corrupt practices. Optimal use of resources and economy in operations without compromising quality. Continuous update on national and international markets. Capacity enhancement.	Enhance food security in Pakistan by developing sustainable and efficient farm to fork food supply chain system.
Mandate	Setup in 1967, TCP acted as a public sector trade house for exporting of agriculture and consumer goods and import of essential commodities under the specific directives of the Government. However in January, 1995 the Federal Cabinet assigned the following new role to TCP:- A. Imports: • Essential commodities in emergent condition as in the past • Soyabean Oil in future PL-480 Programme and CC Credit; Palm Oil from Malaysia under Malaysian credit; • Import of Industrial raw materials and other selected bulk items. B. Exports: • Export of selected items Produced by public sector corporations, agencies, etc. • Utilization of export credits offered by	Unity Foods Limited aims to provide food for life. We transform crops into products that serve the vital global needs of the food sector in this ever-growing world. We have diversified our business portfolio to operate in an assorted agro product mix for a global breadbasket, handling various agro commodities to connect them from the farm to the dining table. Our products include Edible Oil, Staples (Flour, Rice, Lentils, and Pulses), Industrial Fats and various feed ingredients for poultry and livestock sector. Along with innovation, we provide customized solutions to industries handling food and feed products to help them enhance their performance and profitability.

	the Government of Pakistan to other countries (commonwealth of independent States (CIS)/Central Asian Republics (CAR)/Malaysia, African Countries, etc) • To undertake and develop export of fresh fruits/vegetables and minerals in collaboration with and on partnership basis with the private sector.	
	The Company acts as an agent on behalf of Govt. of Pakistan and acts on the directives of the Federal Government. TCP undertakes import of essential commodities to help ensure their availability to the common man at affordable prices. It intervenes in the market in the larger public interest to ensure fair price to public, as well as to preempt hoarding and profiteering and stabilize the market prices at Govt. directives.	The private sector Companies act on the directives of shareholders/owners. They undertake import of different commodities and make available commodities to the public at higher rates. Private companies are always present in the market in the larger interest of its owners and supplies goods in the market to earn profits as well as hoard for future profit.

6.2.2.5 Analysis of the technical and cost efficiency of public and private sector

As a matter of general prudence, innovation through new technologies is a key driver of change in the financial sector and this has led to immeasurable efficiency gains. Advancement in technology also gives an edge to the importers and exporters over its competitors by reaching out to the customers demand in real time acting as a catalyst in terms of growth.

During thematic audit of Trading Corporation of Pakistan (TCP) for the period 2017-18 to 2021-22, it was observed that the Corporation being the technically efficient public sector organization with modern technologies like ERP and E-office, competent human resources, three strategic godowns to store the commodities at larger scale, remained unable to fulfill its obligations as per mandate to become a viable commercial entity in respect of commodity import and export. Moreover, the organization had full government guarantee in respect of import and exports of commodities. However, it was observed that TCP not only remained unable to fully utilize its resources to act according to its role but also failed to prove the cost efficiency in procurements made on account of

directives of GoP. Following matters raise serious questions on the efficiency of the Corporation;

1. Non recovery of dues from government / semi government organizations
2. Delays in Procurements due to bid approvals
3. Increasing costs due to scrapping of tenders
4. Huge receivables from GoP on account of COF
5. Huge Mark-up payments to commercial Banks on account of COF Loans.

The matter was reported to the management in December, 2022. The management in its reply dated 16.01.2023 stated that TCP has fully functional SAP/ERP module as well as E-filling system with the entire record of TCP being digitalized and digitally achieved under a plan expected to be completed by June 2023. The reply of the management was not tenable as the plan has not yet been completed.

Audit recommends that the matter may be justified.

6.2.2.6 Non-compliance of ECC decision

The laid down objective of Trading Corporation of Pakistan (TCP) is that the Organization will strive to stabilize market conditions and neutralize effect of high market prices resulting from unwarranted escalation by private importers and post-facto act as a check on disparity between import prices and scarcity prices. The objective manifests TCP's responsibility to ensure stability in prices of the commodities it deals with.

During thematic audit of Trading Corporation of Pakistan (TCP) for the period 2017-18 to 2021-22, it was observed that the corporation has categorically made violation of the ECC decision of adopting the FOB process of imports of commodities whereas the organization preferred all its imports through adopting CFR. On the contrary, Private sector, adopts both CFR and FOB after analyzing the cost. TCP as per directives of the Ministry is bound to get the shipping / transport services from national carrier PNSC whereas it is evident from the record that the directives were not being followed in its letter and spirit.

The matter was reported to the management in December, 2022. The management in its reply dated 16.01.2023 stated that FOB versus CFR procurements seem more like a traditional audit rather than understanding why CFR procurements are done by TCP. The reply of the management was not tenable as the reply does not further justify the reason of adopting the CFR procurements.

Audit recommends that the violation may be justified.

6.2.2.7 Huge receivables from Finance Division on account of Commodity Operating Financing

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for 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.

During thematic audit of Trading Corporation of Pakistan (TCP) for the period 2017-18 to 2021-22, it was observed that TCP is operating the Commodity Operating Financing (COF) account wherein the financing is obtained from banks with the approval of Finance Division in order to carry out the commodity operations. The account of COF was Rs.200.145 billion including markup during the year. Out of the above balance Rs.185.228 billion is principal amount and Rs 14.916 billion is markup / interest on commodity finance.

Audit was of the view that the management had not taken timely action for settlement of outstanding subsidy claims due to which an amount of Rs.200.145 billion are receivable from Finance Division and heavy markup is being paid on this outstanding amount.

The matter was reported to the management in December, 2022. The management in its reply dated 16.01.2023 stated that the observation has been taken from previous audit reports. The reply of the management was not tenable as the management failed to justify the subject matter.

Audit recommends that the management may take concrete efforts for recovery.

6.2.2.8 Non-implementation of financial reforms and changes in the structure of company

In January, 1995, the Federal Cabinet enlarged new role to TCP and change the basic structure of the company by focusing the crucial objectives as mentioned in its Articles of Association

During thematic audit of Trading Corporation of Pakistan (TCP) for the period 2017-18 to 2021-22, it was observed that the initial paid up capital of the Corporation subscribed by the Government in 1967 was Rs.2.500 million, which was subsequently raised to Rs. 5 million in 1969-70 and to Rs.7.500 million in 1970-71 out of Corporation's own resources. In 1977-78, TCP increased its paid up capital from Rs. 10.00 million to Rs.50.00 million and further increased to Rs. 100.00 million in 1978-79 out of its own resources by issuing bonus shares. In 2005-2006, the authorized capital enhanced to Rs.1,000 million, whereas the subscribed and paid up capital increased from Rs.100.00 million to Rs.685.805 million and then, in 2009-10, paid up capital increased to Rs.1,000 million due to rise in the volume of trade under Government's directive.

However, it was observed that the increase in paid up capital failed to impact on corporation business to become financially viable organization. Besides, no other financial reforms were introduced within organization to compete with private sector. In 1995, role of company was enlarged and changes in the basic structure of the company was introduced by focusing the following objectives to achieve. It was observed that these changes in the structure of the company were not implemented in its true letter and spirit.

Imports targets / objectives;

- i. Import of essential commodities in emergent conditions, as in the past;
- ii. Import of Soybean Oil in future under PL-480 Programme and CC Credit;
- iii. Import of Palm Oil from Malaysia under Malaysian credit;
- iv. Import of Industrial raw materials and other selected bulk items;
- v. Utilization of Credit Facilities.

Exports targets / objectives;

- i. Export of selected items of public sector corporations, agencies, etc;

- ii. Channelizing exports through TCP to various markets under credit line given by the Government to expand business in areas such as Commonwealth of Independent States (CIS)/Central Asian Republics (CAR)/Malaysia, African countries, etc;
- iii. Export of Pakistani products to new/non-traditional markets by way of giving concessions/incentives offered by Government to prospective buyers for capturing new markets;
- iv. To perform innovative role of undertaking export of non-traditional items to non-traditional markets on experimental basis;
- vi. To undertake and develop export of fresh fruits/vegetables and minerals in collaboration with and on partnership basis with the private sector.

The matter was reported to the management in December, 2022. The management provided irrelevant reply dated 16.01.2023 instead of implementation of envisioned financial reforms and changes in the structure of company.

Audit recommends that envisioned reforms may be implemented on priority.

6.2.2.9 Non-operationalization of Market Intelligence Unit

According to TCP new role, a commercial intelligence unit manned by qualified personnel equipped with software / hardware and research capability may be established to enable TCP to make correct business decisions based on reliable information and in-depth analysis.

During thematic audit of Trading Corporation of Pakistan (TCP) for the period 2017-18 to 2021-22, it was observed that the management failed to fully operationalize market intelligence unit to enable TCP to have access to the up and coming business information networks to improve its performance.

The matter was reported to the management in December, 2022. The management provided irrelevant reply dated 16.01.2023 instead of statement on operationalization of the unit.

Audit recommends that TCP should operationalize its market intelligence unit while focusing on imports and exports of allowed commodities by analyzing the demand and supply of the commodities through its own research department.

6.2.2.10 Pending Insurance claims since long - Rs.345.636 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for 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.

In TCP, Insurance and Claim Section performing the following duties:

1. Obtains Marine, Transit and Godown Insurance coverage from NICL in respect of all commodities being imported/exported and locally procured by TCP.
2. On the basis of information received from Operational Division's regarding short landing and damaged cargo at discharge port/godown, this section lodging the claims against ship owners, suppliers, underwriters as per procedure.
3. Pursuing for settlement of claims from concerned authorities

During thematic audit of Trading Corporation of Pakistan (TCP) for the period 2017-18 to 2021-22, assessment of the effectiveness of service delivery in respect of underwriting and claim payments, it was observed that a claim for recovery of Rs 345.636 million was lodged with NICL in 2016 against 39,029 cotton bales burnt at Rahim Yar Khan. However, the case was pending in the court of law which shows that the TCP did not pursue the case properly. Another claim amount of Rs.5.079 million was showing as receivable from M/s. NICL as insurance claim which is receivable since 2001.

The matter was reported to the management in December, 2022. The management provided irrelevant reply dated 16.01.2023 instead of settlement of outstanding insurance claims.

6.2.2.11 Non-integration of departments through ERP – Rs.6.605 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for 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.

During thematic audit of Trading Corporation of Pakistan (TCP) for the period 2017-18 to 2021-22, it was observed that TCP being the public sector organization took initiatives to develop the new trends and acquired two software's namely Enterprises Resource Planning (ERP) and Electronic Office (E-office) to cater the needs of the organization and to meet the challenges of the competitive environment. A brief introduction of the software's is defined below;

- **Enterprise Resource Planning (ERP):**

This is business process management software that allows TCP to use system of integrated applications to manage the business and automate many back office/regional office functions related to technology, services and human resources. ERP was acquired in 2015 against the cost of Rs.6,605,560/- with 52 user licensed and annual maintenance charges at 17% of the license cost which is 6188 Euros. TCP integrated the accounts, payroll and reporting Departments with ERP to get the benefits of the technology such as efficiency, integrated information, reporting and security.

- **Electronic Office (E. Office):**

E-Office an app developed by National Information Technology Board (NITB), Ministry of Information Technology is helping the Government departments to go paperless. It is aimed at improving internal efficiencies in an organization through electronic administration. The e-office project was started in TCP from the year 2018 and NTC has been installed in TCP on January, 2019. E-Office is implemented in all divisions sections and regional offices Lahore, Islamabad and sub- regional offices, Multan. The objective of e-office application is to advance the working of TCP by switching over from physical file system to less paper system.

Moreover, it was observed that the organization failed to acquire any suitable price research oriented software in respect of import and export of commodities. Besides, audit remained unable to ascertain that all TCP departments were integrated with each other or not whereas the status of the integration with regional offices was not provided.

The matter was reported to the management in December, 2022. The management in its reply dated 16.01.2023 stated that TCP is in the process of acquiring IT based software for interventions regarding import requests to be sent by TCP to Pakistan Foreign Missions to develop a function in new operating environments to achieve key objectives. The reply of the management is self-explanatory which supports the audit point.

Audit recommends that TCP should integrate its all departments with ERP and E-Office for the better performance and effective internal controls.

7. Conclusion

TCP being a public sector organization and wholly owned by the Ministry of Commerce has limited itself towards act and follow the directives of the Government only despite having vast objectives set at Memorandum and Article of Association of TCP, expanded to Government and Private Export expansion/agency, exploration of export opportunities for Pakistani commodities/machineries etc. TCP deviated from assigned objectives which not only cost in the form of revenue loss but also discourages and limits opportunities for existing and prospective exporters/importers of the Country, resulting in an overall economic barrier. Whereas, the role of private sector in import and export of essential commodities is found far better than TCP due to difference in business models.

Further, TCP remained failed to achieve its main objective to stabilize market conditions and neutralize effect of high market prices resulting from unwarranted escalation by private importers and ipso facto, act as a check on disparity between import prices and scarcity prices. Similarly it had to achieve economies of scale by handling bulk transactions, secure advantages of price, freight and port handling expenses, and prevent leakage of foreign exchange through such malpractices as over/under invoice etc. However the prices of essential commodities specially sugar and wheat could not be stabilized and increased at alarming level for general public during recent years, besides facing its scarcity in the open market, had to pay the enhanced rates for purchasing these commodities.

Moreover, payments mode of COF has proved ineffective and created a huge burden to national exchequer in shape of daily mark-up cost that not only raised accounts receivable outstanding but also legality issues due to absence of written agreements with the government organizations.

Concluding the remarks, the role of TCP in imports and export of commodities in relation to private sector is different in respect of Business Model which does not favour TCP to compete in open market. The former act on the directives of GoP for its operations of import / export with the objective to stabilize the prices and discourage the hoarding whereas the latter acts vice versa. TCP failed to become a commercially violable organization as the organization not only rely on the GoP directives to do its business but also remained unable to operationalize its Market Intelligence Unit to research the commodities markets and act as an independent importing / exporting organization. Delays and scrapping the imports tenders, caused the loss to government exchequer which shall be revisited whereas BoD shall take the responsibility to approve the bid price instead forwarding the same to the concerned ministries to do so.

8. Departmental Responses

Replies of the management were received and incorporated in the relevant paras.

9. Recommendations

In order to improve its market share in overall import and export of allowed commodities, the management of Trade Corporation of Pakistan (TCP) must focus on following actions:

- i) Continue to expand business by focusing on increasing the imports and exports of allowed commodities by analyzing the demand and supply of the commodities through its own research department. i.e. Market Intelligence / Research Unit.
- ii) Continue to act on TCP Mandate set by the GoP in Articles of Association, 1967 and later on enlarging its role in revised Articles of Association, 1995 in its true letter and spirit.
- iii) Should not self-limit itself towards act and follow the directives of GoP whereas neither TCP Act nor articles of association bound TCP to do so.

- iv) TCP BoD be given the mandate of bid price approvals of the imports/ procurements instead of forwarding cases to concerned ministries as to avoid the delays and scrapping tenders which results into excess / over payments.
- v) Involve in imports and exports of all the essential commodities as per its mandate for socio-economic segments of the population and using technology as a key enabler.
- vi) Timely actions be taken for settlement of outstanding subsidy claims due to which an amount of Rs.200.145 billion are receivable from Finance Division and heavy markup was being paid on account of mark up on daily basis.
- vii) Ministry of Finance should revise the payments mode of COF and directly deduct the amount from the shares of Provinces and PASSCO as per their demand rather than borrowing the loan on daily mark-up from private banks through TCP which is causing huge burden to national exchequer in shape of daily mark-up cost .
- viii) Export of selected items of public sector corporations, agencies, etc;
- ix) Channelizing exports through TCP to various markets under credit line given by the Government to expand business in areas such as Commonwealth of Independent States (CIS)/Central Asian Republics (CAR)/Malaysia, African countries, etc;
- x) Export of Pakistani products to new/non-traditional markets by way of giving concessions/incentives offered by Government to prospective buyers for capturing new markets;
- xi) To perform innovative role of undertaking export of non-traditional items to non-traditional markets on experimental basis;
- xii) Fully operationalize the Local Procurement Department which is fully resourced but failed to generate any revenue or output.
- xiii) Establish a fully resourced with modern technology a Commodity Research Market Department to compete the Private Sector in capturing the maximum market share.
- xiv) Shall solicit prices for future import of wheat on FOB basis instead of C&F basis & shall give PNSC the first right of refusal” as per ECC Directives.

Thematic Audit (18.2)

1 Thematic Audit of Compliance of PPRA Rules in Contract Management in NLC projects

1.1 Introduction

A thematic Audit on the subject of “Compliance of PPRA Rules in Contract Management” executed by the National Logistic Cell during the financial year 2021-22 was planned in the 1st phase of the audit plan for the year 2022-23. Accordingly, a thematic audit of the subject matter was carried out by the audit team of the Director General Commercial Audit & Evaluation (North) Islamabad and its results have been incorporated under this chapter.

1.2 Background

National Logistic Cell (NLC) was established in 1978. NLC has evolved into a multimodal logistic entity providing end-to-end solutions to its valued clients. NLC employs multiple means of transport including road, train, sea, and air to provide end-to-end solutions. NLC operates under the ambit of the Ministry of Planning, Development and Special Initiatives (PD&S) and functions through the National Logistic Board (NLB), chaired by the Minister of PS&SI. Apart from providing logistic support, NLC is involved in the execution of different contracts of works and services especially roads and supply of material contracts.

Audit observed various issues including contract management in the works and services as well as the supplies in NLC. The aim of the thematic Audit “Compliance of PPRA Rules in Contract Management in NLC” was to assess the effectiveness, compliance and award of contracts after proper competition to the contractors.

1.3 Establishing the Audit Theme

1.3.1 Reasons of selection

The following criteria has been employed while selecting the subject audit topic:

- Functional jurisdiction of the Directorate General (CA&E)
- Issues related to SDGs (directly) linked to various targets and achievements of SDGs
- Areas of governmental priorities
- Issues of public importance
- Audit impact

1.3.2 Purpose /Objectives

- Effectiveness of PPRA Rules in organizations.
- Compliance of PPRA Rules in contract management.
- Non-competitive procurement of goods or services.
- Non-compliance with proper contracting procedures.
- Improper scoring of bidders.
- Contract awarded without consulting end user.
- Contract not signed by competent authority.
- Contract amendments after award of contract that in effect nullifies the proper competitive bid process.
- Actual deliverable does not meet terms and conditions of promised deliverable.
- Payments made for work not done.

1.3.3 Scope

The scope of this audit was to ascertain effectiveness of PPRA rules in the organization, whether compliance of PPRA rules were being followed in the organization both in procurement and contract management.

2 Legal frame work governing the Theme

In exercise of the powers conferred by section 26 of the Public Procurement Regulatory Authority Ordinance, 2002 (XXII of 2002), the Federal

Government has enforced “Public Procurement Rules 2004” vide S.R.O. 432(I)/2004 dated 09.06.2004 for regulating the procurement of goods and services in the Federal entities. These rules were amended from time to time by the issuing authority i.e., PPRA.

3 Stake holders and governmental organization identified as directly / indirectly involved

Stakeholders directly or indirectly related to the theme are as under:

1. Ministry of Planning, Development and Special Initiatives
2. Public Procurement Regulatory Authority
3. Auditor General of Pakistan
4. Office of the Quarter Master General, GHQ Rawalpindi
5. Pakistan Engineering Council
6. Client organizations such as NHA, SIDCL, FBR, PWD etc.

4 Role of Organization

Ministry of Planning, Development and Special Initiatives:

MoPD&SI is the parent ministry of NLC and it's Minister in charge is the chairman of the National Logistics Board.

Public Procurement Regulatory Authority:

Majority operations of NLC relate to Engineering works, civil engineering and construction, hired mechanical transport etc. they almost always fall under the ambit of PPRA regulations for award of contracts or procurement of supplies.

Auditor General of Pakistan:

Office of the Auditor General of Pakistan being the Supreme Audit Institution of the country is responsible for conduct of audit of all entities as per definition of Article 169 and 170 of the Constitution of the Islamic Republic of Pakistan.

Office of the Quarter Master General (QMG), GHQ Rawalpindi:

Quarter Master General is the administrative head of NLC and contracts up to PKR 5 billion are awarded as per financial powers of the QMG.

5 Organization's financials

Audit Areas	2021-22	2020-21	2019-20
Revenue	62,816.100	47,389.082	28,947.458
Operating Cost	57,047.541	41,757.649	27,892.950
Administrative expenses	1,680.629	1,334.252	924.225
Other operating income	1,723.775	5,225.147	1,420.822
Operating Profit	5,567.445	9,279.994	1,233.485
Net Profit	5,531.129	9,260.420	1,217.264
Finance Costs	36.316	19.574	16.221
Liabilities			
Non-current Liabilities	3,512.484	2,802.047	1976,365
Current Liabilities	36,186.531	29,637.896	24,418,571
Total funds and liabilities	89,314.292	76,508.429	61,193.492
Assets			
Property, plant & equipment's	27,243.810	18,071.557	12,709,553
Operating fixed assets – intangible	77.742	55.723	81
Investment Property	3,786.825	3,831.809	3,664,404
Capital work in progress			1,568.354
Long term investments	607.579	670.338	670,820
Long term loan to wholly owned subsidiary	1,379.358	1,377.004	1,374,585
Long term advances and deposits	4,591.214	3,397.258	2,334,489
Current Assets			
Inventory	6,150.642	2,141.629	1,435,233
Trade debts	11,574.067	8,252.098	12,587,660
Advances, deposits and other receivables	10,331.957	8,943.202	6,102,485
Unbilled revenue	14,469.579	9,122.309	7,031,647
Short term investments	500.000		
Cash and bank balances	8,601.519	49,104.740	40,439,560
Total assets	89,314.292	76,508.429	61,193,492

Source: Annual Audit Accounts

6 Field Audit Activity

6.1 Methodology

The Thematic Audit taken up during 2022-23 witnessed the intensive application of desk audit techniques, which included examining permanent files, computer-generated data, and other relevant documents along with the compliance of policies and rules followed by the audit entities. Risk assessment was carried out by performing analytical procedures and reviewing internal controls. Desk audit review helped auditors in understanding the systems, procedures, internal controls and overall environment of the audited entity and identification of high-risk areas for further testing.

The evidence was primarily gathered by applying procedures like inquiries from the management; review of minutes of BoD meetings, monitoring reports, examination of payment vouchers; and collection, interpretation and analysis of primary, secondary and miscellaneous data. Data was also collected through observation and interviews from the relevant officials.

6.2 Audit Analysis

6.2.1 Review of Contracting

Contracting means purchasing, renting, leasing, or otherwise obtaining supplies or services from nonfederal sources. Contracting includes description (but not determination) of supplies and services required, selection and solicitation of sources, preparation and award of contracts, and all phases of contract administration.

The audit team extensively studied and evaluated contracting activities in NLC so as to obtain an adequate understanding of the internal control systems and the contracting mechanism therein. The objective was to identify the material and significant internal control weaknesses and report to management for taking corrective measures.

6.2.2 Critical Review and Significant Audit Observations

This part of the audit findings covers a critical review of the legal framework, role and performance of organizations, policy matters and all other details along with impediments affecting performance of National Logistic Cell

and progress in achieving the targets related to the theme “Compliance of PPRA Rules and Contract Management”.

6.2.2.1 Irregular and non-transparent procurement of operational vehicles in violation of PPRA - Rs. 6,675.319 millions

As per rule 42 (c) (vii) the direct contracting for purchase of motor vehicle from local original manufacturers or their authorized agents at manufacturer’s price.

According to rule 12 (2) of the PPRA 2004, all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority’s website as well as in other print media or newspapers (at least two Urdu & English) having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. As per rule 42 (c) (i & ii) of the PPRA 2004, a procuring agency may engage in direct contracting in case of procurement of spare parts or supplementary services and if only one supplier or manufacturer exist.

During the audit of NLC (HO) Rawalpindi for the year 2021-22, it was observed from the record that NLC management had procured operational vehicles of different categories of worth Rs. 6,675.319 million (Annex-129) for its operational fleet of logistics services. Further scrutiny of the record revealed that said vehicles were procured by direct contracting and gross violation of PPRA rules. Certain privileges were granted to supplier during procurement process, thus the procurement was termed as non-transparent and fractural on following grounds:

- i Operational vehicles were procured which were neither the spare parts nor supplementary services nor due to the single supplier or manufacturer as strong competitors (FAW motors, Hino etc.) exist in the market.
- ii Procurement was made by direct contracting with M/s Ghandara Industries Limited (GIL) by clear violation of prescribed procedure as defined in rule 42(c)(vii). As M/s Ghandara Industries Limited (GIL) were neither the local original manufacturer nor the authorized agent of a local original manufacturer but it’s a dealer of M/s Isuzu of Japan (a foreign manufacturer). Procurement was also not made at manufacturer’s price.

- iii The vehicles were purchased over and above the manufacturer price in violation of rules 42 (c) (vii) and 50% payment was made in advance to M/s Ghandara Industries Limited (GIL).
- iv 236 Prime Movers were to be made available before scheduled date but despite the grace period of one month, GIL failed to make delivery on prescribed date. However, higher management of NLC granted undue favor to supplier by waiving off the LD charges amounting to Rs. 63.651 million. The same were not deducted at the time of making balance payments to the supplier.
- v Due to late delivery, NLC was deprived from earning of additional revenue by deployment of these vehicles in field.
- vi To further facilitate the supplier, additional freight charges @ Rs. 1,732,143 per vehicle of 211 vehicles were included in the contract agreements through amendment (initially it was not the part of main agreement). The total impact of this change was Rs. 365.482 million.
- vii The contracts No. 7843 and 7860 were signed in back date i.e. on 21.06.2021 and 19.07.2021 whereas the stamp papers were purchased on 23.06.2021 and 26.07.2021 respectively which clearly shows the ill collaboration amongst the parties.
- viii As required under agreements, necessary trainings to NLC's staff as master trainers and spot visit / pre-shipment inspections by NLC team at manufacturer's facility, at the cost of suppliers, was also not done.

Audit was of the view that procurement of operational vehicles for NLC's Cargo Fleet as well as light vehicles for officers / officials was made in non-transparent manners by violating the procurement rules. The NLC management extended undue favor to the suppliers for which a high level court of inquiry should be constituted to sort out the reasons and intentional involvement of NLC management in irregular / non-transparent procurement of vehicles.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that the Prime Movers were procured from M/s GIL being OEM (Local manufacturer of ISUZU JAPAN) under PPRA Rule 42c (vii). The OEM and PM ISUZU FVR-34 (240PS) were

shortlisted after deliberate process of open tendering followed by technical evaluation and trials from 23 Aug 2020 to 05 Sep 2020. Therefore, for follow up procurement to meet NLC Business needs purchase under PPRA Rule 42c (vii) from M/s GIL being OEM (local manufacturer of ISUZU Japan) was completely justified. LD charges were waived off by DG NLC who was empowered for the purpose due to the consideration of COVID-19 situation, induced shipment and production delays. Due to COVID-19, no visit to Japan could be materialized. Moreover, it was case of Force Majeure. Contributions amounting to Rs 86.813 million were made by M/s GIL. The reply of the management was not tenable as M/s Isuzu Japan were the original manufacturer of these prime movers and M/s Ghandara Industries Limited (GIL) were neither the local original manufacturer nor the authorized agent of a local original manufacturer.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to justify the purchase of Prime Movers without calling open tender and waiver of LD charges, intimate the reasons for non-inclusion of whole freight charges in the cost of Prime Movers, justify the reasons for not deputing the team to visit OEM Plant and recover amount thereof. Besides, calculate the cost of visit and recover the amount on account of travelling, boarding and lodging from M/s GIL, intimate the reasons for non-compliance of agreement clauses No.12.3 (1), 12.3 (2), and 12.3(b) (1). The cost of trainings be calculated and recovered from M/s GIL, investigate the matter at higher level and fix the responsibility on the person(s) at fault and clarify as to why contract was signed in back dates.

(Based on Para-1, 15, 20, 21, 22 NLC, 2021-22)

6.2.2.2 Loss due to purchase of Prime Movers at higher rates due to unnecessary delay - Rs 200.00 million

As per Rule-9 of PPRA Rules, 2004 “Procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority’s website as well as on the website of the procuring agency in case the procuring agency has its own website.

Furthermore, in response to NLC letter No. 5615/Proc/Veh/NLC dated February 17, 2021, the Public Procurement Regularity Authority vide letter No. 11(109)/ M&E/ PPRA/ 2019/93 dated March 05, 2021 clarified that since fairness and transparency is the basic principle of procurement process, as defined in Rule-4 of Public Procurement Rules, 2004; in order to ensure transparency, the manufacturers prices should be the (publicly) notified prices. Such prices are notified by the manufacturers only for the vehicles having standard specifications and (off the shelf) available on general order. However, in such cases where the trailers and bowzers are to be procured in accordance with such desired (technical) specification which are not available for sale in general and need (medium to large scale) customized manufacturing and hence price variations are involved; it is advised that the procuring agency should adopt open competitive bidding to ensure transparency by providing fair opportunity to all the eligible and qualified manufacturers and to procure a quality product.

During audit of NLC Head quarter Rawalpindi for the year 2021-22, it was observed that management of NLC procured 30 Prime Movers (PMs) CYZ 390 HP @ Rs. 19.500 million each from M/s GIL vide contract No. 5659/P/FOR/PMs 6x4/ISUZU/NLC-7972 dated March 14, 2022. The firm vide letter May 17, 2022 was again requested to send fresh quotation to procure 50 Isuzu PMs CYZ 390 HP on the same rate. The firm quoted rate of Rs 23.500 million Ex-Factory Karachi vide quotation dated May 18, 2022. Accordingly, letter of acceptance was issued for procurement of 50 No. Isuzu Prime Movers CYZ @ Rs 23.500 million vide letter dated May 27, 2022. Contract agreement was signed on June 7, 2022.

The procurement was made in violation of PPRA rules without obtaining competitive bidding and splitting the requirements. Thus, NLC sustained huge loss of Rs 200.00 million by not purchasing the said Prime Movers at the time of previous contract executed just two months ago (i.e. Rs 23.500 million current supply rate (-) Rs 19.500 million Previous supply rate = Rs 4.00 million x 50 Nos. = Rs 200.00 million) from the same supplier.

Audit was of the view that management should have published the tender for the purchase of PMs as there were many firms which manufacture or supply the PMs. Further proper assessment of requirements was not made. Had the

purchase order for additional PMs been issued with previous PMs just two months ago, the loss of Rs 200.00 million could be avoided.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that the PMs were procured from GIL being Original Equipment Manufacturer (Local manufacturer of ISUZU JAPAN) under PPRA Rule 42c (vii). Price Rs 19.500 million of each Prime Mover was excluding all freight charges. Whereas, price of Rs 23.500 million in 2nd contract agreement was concluded with all freight charges. The reply of the management was not tenable as procurement was made by splitting the requirement which resulted into increase in prices and loss of Rs 200 million to NLC.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate reasons for the award of contracts in violation of PPRA rules and without proper assessment and fix the responsibility thereof.

(Based on Para-1 NLC, 2021-22)

6.2.2.3 Irregular procurement and customization of operational vehicles - Rs. 1,039.489 million

According to rule 12 (2) of the PPRA 2004, all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. As per rule 42 (c) (vii) of the PPRA 2004, a procuring agency may engage in direct contracting for purchase of motor vehicle from local original manufacturers or their authorized agents at manufacturer's price. Further, in response to a query from NLC, PPRA vide its letter dated March 05, 2021 clarified that in order to ensure transparency, the manufacturers prices should be (Publically) notified prices in case of vehicles having standard specifications and (off the Shelf) available on general order. Further, where the medium to large scale customization is required and hence price variation is involved, the procuring agency should follow open competitive bidding to ensure transparency by providing fair opportunity to all the eligible and

qualified manufacturers and even the cost of medium to large scale customization should not be exceeding 15% of the manufacturer's price of generally available vehicles.

During the audit of NLC (HO) Rawalpindi for the year 2021-22 it was observed that NLC management procured vehicles chassis from M/s Ghandara Industries Limited (GIL) of worth Rs. 1,039.489 million (Annex-130) and got them customized from the same firm for its further usage of water and oil transfer vehicles. Following violations were observed during whole procurement process:

1. The vehicles were procured in violations of rules 42 (c) (vii) because neither the vehicles were purchased from the local original manufacturer nor authorized agent of a local original manufacturer.
2. In addition to that the vehicles were purchased over & above the manufacture price in violation of rule 42 (c) (vii) and clarification of PPRA that such manufacturer's prices should be publically notified prices.
3. The vehicles were got customized in non-transparent manner and without any open tender / advertisement in violation to rule 12(2) and clarification of PPRA dated March 05, 2021. The whole work was done through direct contracting with M/s Ghandara Industries Limited (GIL) in violations of above referred clarification of PPRA.
4. The customization cost was beyond 15% of the original cost of generally available vehicles, which was violation of rule 42 (c) (iv) and above referred clarification of PPRA.

Audit was of the view that the NLC management committed criminal negligence by direct contracting with M/s Ghandara Industries Limited (GIL) despite of obtaining clarifications from the relevant forum of PPRA. Customization was a value added services which were liable for additional taxation. Strong competitors (like M/s Kissan Engineering Pvt. Ltd and M/s Bilal Engineering Co. etc.) were available in local market. By avoiding open competition the procuring agency violated rules 4, rules 12(2), rule 42 (c) (iv) and rule 42 (c) (vii) of PPRA. Thus detailed investigation be carried out at highest level and responsibility be fixed on individual concerned.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that the bowzer was integral part of vehicle. Therefore, at the time of procurement, the compatibility of both was specially focused otherwise there could be a series of non-compatibility issues which would be against its mounted with bowzer usage. Trucks were procured under PPRA Rule 42 c vii from M/s GIL which was OEM and local manufacturer of the trucks. The reply of the management was not tenable as neither the vehicles were purchased from the local original manufacturer nor authorized agent of a local original manufacturer. Further, the vehicles were got customized in non-transparent manner and without any open tender / advertisement in violation to rule 12(2) and clarification of PPRA dated March 05, 2021.

No DAC meeting could be arranged till finalization of this report.

Audit recommend to investigate the causes due to which the procurement was made in disregard to the Public Procurement Rules beside ignoring clarification received from the PPR authorities; fix responsibility thereof and ensure the compliance of Government rules in future.

(Based on Para-2, 3, 8, 13 NLC, 2021-22)

6.2.2.4 Irregular procurement of Steel and Cement on quotation basis - Rs. 44.053 million

As per Rule-12 (2) of PPRA-2004, all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. Rule-20 of PPRA-2004 states that procuring agencies shall use open competitive bidding process as the principal method of procurement for goods, services, and works. As per Para-2.17 of SOPs (Financial Policies, Engineers NLC), Steel, Cement and Bitumen will be procured through contracts concluded either centrally by Dir Tech or by respective PDs for engineering projects after approval of competent financial authority.

During the audit of NLC PD (North) for the year 2021-22, it was observed that the management incurred expenditure of Rs. 44.053 million for the procurement of Steel and Cement for construction projects. Detail is as under:

S. No.	Cheque No.	Date	Item	Firm	Amount (Rs)
1	00596198	16.09.2021	Steel	M/s SJ Steel Re Rolling Mills	4,318,634
2	00596199	16.09.2021	Steel	M/s SJ Steel Re Rolling Mills	3,194,710
3	00613156	08.12.2021	Cement	M/s Lucky Cement	4,760,955
4	00634874	15.03.2022	Steel	M/s SJ Steel Re Rolling Mills	4,843,210
5	00634874	15.03.2022	Steel	M/s SJ Steel Re Rolling Mills	4,734,570
6	00649401	16.05.2022	Steel	M/s SJ Steel Re Rolling Mills	4,945,000
7	00652648	01.06.2022	Steel	M/s SJ Steel Re Rolling Mills	8,418,325
8	00652681	03.06.2022	Steel	M/s SJ Steel Re Rolling Mills	5,177,200
9	00656579	22.06.2022	Steel	M/s SJ Steel Re Rolling Mills	3,660,375
Total					44,052,979

Audit observed that steel and cement was procured on quotation basis without advertisement as well as on posting on website despite the fact that procurement of steel and cement was centralized. Audit also observed that due to fluctuation of cement rates in market, M/s Fauji Cement refused to deliver the cement at existing rates of Rs. 12,990 per M/Ton, whereas management purchase the said cement @ Rs. 13,700 per M/Ton from local market which was higher than contract agreement (Rs 710 per M.Ton) which resulted into loss of Rs. 0.247 million (Qty 347.515 x 710).

Audit held the view that procurement of Steel and Cement on quotation basis despite having centralized procurement contracts was irregular. Further, management of NLC was required to take punitive measures against the parties failed to honor their commitments according to agreement. It was also noted that M/s Fauji Cement refused to deliver the cement at existing rates. The contract of Fauji Cement & Steel supplier could be cancelled and purchase of cement & Steel could be made at the risk and cost of the contractor, besides blacklisting the firms.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that centralized contract for provision of steel Grade 40 was not signed due to meager quantity requirement at IJP Rd Project. Further, cement was required for timely completion of ongoing rigid pavement activity at Project Construction of IJP Road as the work was in full swing and Fauji cement had refused to provide the cement due to finalization/revision of central contract. The reply of the management was not cogent as steel and cement were purchased in violation of PPRA and NLC SOPs.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain the reasons for non-taking punitive measure against the defaulted suppliers, justify position regarding non-procurement of material at risk & cost of defaulting suppliers, investigate the reason for violation of PPRA Rule and NLC's own SOPs and fix responsibility thereof & make the loss good by effecting recovery from the defaulting suppliers.

(Based on Para-41 NLC, 2021-22)

6.2.2.5 Irregular procurement of machinery & equipment by direct contracting - Rs 99.900 million

Rule 42 (d) of the PPRA 2004 explain the reasons and circumstance of negotiated tendering. According to this rule, procuring agency may engage in negotiated tendering with one or more suppliers or contractors with or without prior publication of a procurement notification. As per sub rule 42 (d) (iii) This procedure shall only be used for reasons of extreme urgency brought about by events unforeseeable by the procuring agency, the time limits laid down for open and limited bidding methods cannot be met. The circumstances invoked to justify extreme urgency must not be attributable to the procuring agency: Provided that any procuring agency desirous of using negotiated tendering as a method of procurement shall record its reasons and justifications in writing for resorting to negotiated tendering and shall place the same on record.

During audit of NLC Head Quarter Rawalpindi for the year 2021-22, it was observed that National Disaster Management Authority, Islamabad accepted the technical and financial bid of NLC for Restoration and Revamping of Orangi Nullah and issued letter of acceptance for Rs 10,771.344 million vide letter dated March 13, 2021. Further, scrutiny of the record revealed that NLC management procured dewatering pump by direct contracting under rule 42 (d) (iii) from M/s Meraj Limited at a total cost of Rs. 61.400 million. Similarly, in another instance, NLC management entered into a contract agreement with M/s Global Technologies for the supply of 03 Nos. Chinese Origin re-conditioned Static Pumps at a total cost of Rs 38.500 million.

Both the procurements were held irregular in Audit due to following reasons:

1. Direct contracting under rule 42(d)(iii) could only be made in case of extreme urgency brought about by events unforeseeable by the procuring agency and the time limits laid down for open and limited bidding methods could not be met. However, it was observed that NLC received the letter of acceptance in March 13, 2021 and said procurements were made during April and May 2022, thus there was sufficient time to procure said item by open competition for which only 15 days were required.
2. The rules required that procuring agency should record the reasons and justifications in writing for resorting of negotiated tendering and should place on record. However, no such reasons in writing, were available in official record of the entity.
3. Management procured re-conditioned static pumps. The rules did not allow the procurement of re-conditioned machinery or equipment.

Audit was of the view that management misused the emergency declared by the NDMA and procured equipment by direct contracting or negotiated contracting. However, formalities required to meet the reasons of such urgency on the record was not found/recorded.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that considering the demand of NDMA and prevalent situation of disaster created by storm water of Orangi Nullah, the management of NLC diverted its available sources from other projects to meet with the situational demand on war footing / emergent basis. However, there was a gap and was met with by exploring requirements of 42 c (v) pertaining to emergent requirement procurement. The instant procurement of de-watering pumps and static pumps was also effected under this arrangement under Sec 32 NDMA ACT 2010. The reply of the management was not convincing as letter of acceptance was issued in March 13, 2021 and said procurements were made during April and May 2022, thus there was sufficient time to procure said item by open competition.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain the reasons for procurement of equipment in urgency without recording the reasons and circumstances, justify the reasons for procurement of re-conditioned static pump, investigate reasons for the purchase of

de-watering pumps at the verge of monsoon seasons in Karachi despite the fact that letter of acceptance for Restoration and Revamping of Orangi Nullah was issued to NLC one year and two months before the procurement. Besides, fix responsibility thereof.

(Based on Para-4, 16, NLC, 2021-22)

6.2.2.6 Ill planned procurement of solar system resulting into excess expenditure – Rs 2.688 million

As per Rule-42 (c) (iv) of PPRA, procurement agency may issue repeat orders not exceeding fifteen per cent of the original procurement.

During the scrutiny of record it has been observed that bids for the supply and installation of Grid Tied (300 KW to 1.5 MW estimated load) Solar System at NLC Corporate Office, Rawalpindi were invited through press advertisement on 14.04.2021 to be opened on 06.05.2021. As per bid documents (NL-2), firms had to suggest the maximum system which could be installed as per the area of roof top of main building, soldier building and parking plaza. Five firms participated in the tender. Technical Evaluation Report indicates that all the five firms offered 250 KW Grid Tied Solar System as against the advertised requirement of 300 KW to 1.5 MW solar system. All the firms were declared as technically qualified by the Technical Board and recommended to procure 250 KW Solar System for main building of NLC. The financial proposals were opened on 15.07.2021 and rates quoted by M/s Zonergy (Rs. 16.513 million) were found lowest. The firm was issued letter of acceptance vide letter dated 05.08.2021. The delivery / installation was to be completed within 90 days from the date of letter of acceptance. Later on, a supply order for additional 75 KW Solar Panel System was issued vide dated 02.02.2022 for Rs. 7.522 million. The additional panels were to be installed on soldier building and main building. The rates of additional work were higher than the previous rates offered by M/s Zonergy. The record, however, revealed that contract was signed between both parties on 13.04.2022 for the supply / installation of 316 KW Solar System at a total cost of Rs 23.560 million which means 66 KW additional system was to be installed (against 75 KW system) at a cost of Rs 7.047 million. Accordingly, per KW cost of additional system came to Rs 106,773. Thus, extra expenditure of Rs 2.688 million was incurred on procurement of additional solar system (i.e. Rs 106,773 – Rs 66,055 = Rs 40,723 x

66 KW) due to enhanced rates. The record regarding submission of proposal for additional solar panels was not available in the relevant file made available to Audit.

Audit observed that the participating firms offered their rates only for 250 KW panels as against advertised requirement of 300 KW to 1.5 MW estimated load which shows that proper estimation for installation of maximum solar system on the roof top of main building, solider building and parking plaza was neither made by management nor bidding firms. Had the needful been done and procurement made accordingly, extra expenditure of Rs 2.688 million due to increase in rates could be avoided.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that as per tender documents, the firms had to carry out site survey to identify exact solar load requirement. So the exact requirement was to be determined in the light of survey report which was determined and become the reference documents. Such as nothing was done in the deviation of the tender. Additional requirement of 75KW was meet with through by using shed type structure declared the most feasible in the environment and space requirement. Whereas initial procurement of 250 KW system was based on standard structure. Cost variances were due to use of two different mechanism. The reply of the management was not tenable as NLC had advertised the requirement of supply and installation of solar system for 300 KW to 1.5 MW and firms had to suggest the maximum system which could be installed which was not done. Further, the additional work which was more than 15% of original contract was assigned without advertisement in violation of PPRA.

No DAC meeting could be arranged till finalization of this report.

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

(Based on Para-11, NLC, 2021-22)

6.2.2.7 Irregular award of contract due to purchase of multiple function printers and trolleys on single tender basis – Rs. 15.064 million

In accordance with Rule-4 of the PPRA “A procuring agency while making any procurement shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the

procuring agency and the procurement process is efficient and economical. As per Rule-9 of PPRA, 2004 a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

As per Rule-9 (1) of PPRA, 2004, the procuring agency shall allow the widest possible competition by defining such specifications that shall not favour any single contractor or supplier nor put others at a disadvantage.

Further as per Rule-12 (2) of PPRA-2004 "All procurement opportunities over three million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu".

During audit of NLC Head Quarter Rawalpindi for the year 2021-22, it was observed that tender for the purchase of 10 Nos. Multiple Function Printers were invited through press on January 26, 2022 with opening date of February 10, 2022. Five Firms participated in the tender. During technical scrutiny of bids, it was found that the machines offered by firms were compatible with windows server 2012. The management sent emails to all firms to clarify the status whether their offered machines are compatible with windows 2016 and above. In response only two firms replied. The technical offer of M/s UBS was accepted, while the other was rejected being obsolete /end of life. Accordingly, the offer of M/s UBS was opened on April 7, 2022. The firm quoted total price of Rs 12.490 million (Rs 1.249 million per unit).

Further probe into the matter disclosed that the management contacted the supplier for providing 10 Nos. trays/trolley for the said printers. In response the firm forwarded quotation of Rs 2.574 million (i.e. Rs 257,400 x 10), which was also accepted. Subsequently contract agreement dated June 14, 2022 was executed with the firm at a total contract value of Rs. 15.064 million.

Audit was of the view that the management should have issued clear specification of the proposed procurement through press advertisement which was not done and clarification was sought through email from the suppliers, in which only two firm participated. Audit was also of the view that management directly obtained quotation from the same firm for supply of 10 Nos. trolleys for an amount of Rs 2.574 million, which was a clear violation of PPRA Rules. Thus, the procurement made was not transparent/economical and was in disregard to the Public Procurement Rules.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that only two bidders were found compliant to the requirement. It was further ascertained by the board of officers that the equipment offered by M/s Gemco was at the end of its life / obsolete and was not recommended. So the board concluded to proceed with M/s UBS. As regards trolley, they were required for specific printers, so NLC had no option but to follow PPRA Rule 42 c iii for compatible equipment. The reply of the management was not convincing as comprehensive specifications alongwith trolleys should have been advertised so as to achieve most competitive rates.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate reasons for the procurement of printers and trolleys in violation of Public Procurement Rules and fix responsibility thereof.

(Based on Para-12, NLC, 2021-22)

6.2.2.8 Loss due to splitting of procurement of IT Equipment - Rs 5.951 million and non-obtaining of performance guarantee - Rs. 2.867 million

Rule 9 of the Public Procurement Rules, 2004 states that save as otherwise provided and subject to the regulation made by the Authority, with the prior approval of the Federal Government, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance

on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

As per Clause-16 of the agreements, the supplier will provide 5% amount of total value of contract (i.e. Rs 1.288 million and Rs. 1.580 million) in the form of Bank Guarantee from "A" rated schedule bank or bank draft / pay order of equal amount in favor of OIC NLC, GHQ Rawalpindi as performance Bank Guarantee, which will be released after expiry of warranty period of all installed items and issuance of No Demand Certificate from Purchasers.

During the audit of NLC, HQ for the year 2021-22 it was observed that the management published tender notices for the purchase of IT equipment on 18.06.2021 and 04.11.2021. Two contracts were awarded on 30.10.2021 and 09.03.2022. Detail is as under:

Sr. No.	Tender dt. 18.06.2021 (Contract Signed on 30.10.2021)					Tender dt. 04.11.2021 (Contract Signed on 09.03.2022)				Diff. in rate x Qty of Col-6 (Rs)	Loss (Rs)
	Items	Qty	Rates (Rs)	Total (Rs)	Lowest Firm	Qty	Rates (Rs)	Total (Rs)	Lowest Firm		
	1	2	3	4	5	6	7	8	9		
1	Laptop High End	4	177,708	710,832	M/s 1 Link Solution	4	219,900	879,600	M/s Wise Tech	42,192 x 4	168,768
2	Laptop Normal	100	142,700	14,270,000	M/s Wise Tech	86	161,700	13,906,200	M/s Wise Tech	19,000 x 86	1,634,000
3	PC Normal	84	106,800	8,971,200	M/s Wise Tech	80	129,700	10,376,000	M/s Wise Tech	22,900 x 80	1,832,000
4	LAN Printer (with GST)	13	62,712	815,256	M/s Wise Tech	12	74,763	897,156	M/s Wise Tech	12,051 x 12	144,612
5	ADF Scanner	22	52,533	1,155,726	M/s Wise Tech	10	73,242	732,420	M/s Wise Tech	20,709 x 10	207,090
6	UPS	19	22,815	433,485	M/s AES	14	73,300	1,026,200	M/s UBS	50,485 x 14	706,790
										Total	4,693,260

Audit observed as under:

- IT equipment were purchased in piece meal in violation of Rules 9 of Public Procurement Rules, 2004.
- Performance bank guarantee Rs. 1.288 million and Rs. 1.580 million was not obtained from M/s Wise Tech in respect of both contracts.
- Technical bid evaluation documents were not provided for scrutiny.

- Loss of Rs 4.693 million was incurred as detailed above.
- The contract agreement dated 09.03.2022 revealed that Laptop High End, Laptop Normal and PC Normal were purchased @ Rs 230,895, Rs 169,785 and Rs 136,185 as against the quoted price of Rs. 219,900 , Rs 161,700 and Rs 129,700 respectively which resulted into further loss of Rs 1.258 million (Rs 43,980+Rs 695,310+Rs 518,800). Thus, total loss came to Rs 5.951 million.

Audit was of the view that procurement of IT equipment by splitting up was irregular which deprived the NLC of competitive rates.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that NLC was an on-going concern and was working to cater for the requirements of the projects obtained for implementation through contract. Its request emerged from the work so obtained such preparation of consolidated indent was not workable. NLC deducted 5% amount from firm's payment. Reply of the management was not tenable as procurement was made by the splitting the requirement in violation of PPRA rules.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that annual planning of all possible procurement should be in practice to obtain competitive bidding benefits, responsibility be fixed for irregular procurement and loss due to procurement at higher price than the quoted price and by splitting of procurement be made good. Further, the reasons for non-obtaining of performance bank guarantee from the successful bidder be intimated.

(Based on Para-24, NLC, 2021-22)

6.2.2.9 Irregular and doubtful expenditure on procurement of spare parts by splitting of demand – Rs 4.07 million

According to Rule 12 (1) of PPRA, 2004 Procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani Rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.

During the Audit of National Logistic Cell for the year 2021-22, it was observed that management of NLC procured spare parts of locomotives for repair & maintenance purpose worth Rs. 1.482 million (Annex-131) by splitting the demand into piecemeal to avoid tender. The procurement was made from single firm M/s Min Tin Corporation by issuing three purchase order on same date.

Similarly, an amount of Rs. 2.588 million (Annex-132) was incurred on purchase of spare parts by calling quotations. It was observed that quotations were made from unregistered firms except the one to whom order was placed. On sample basis audit visited some addresses given at their letter head but either the address was not found or it was the address of some other organization / firm. This makes the whole procurement doubtful.

Audit was of the view that apparently it seemed as only one party existed who quoted the rates by using fake letter heads of other firms and win supply order. The rest of the quotationer might be dummy and did not exist. Thus, the NLC-NEFT management granted undue favor to the suppliers and did not make due care during procurement of spare parts which needs to be justify.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that NEFT was carrying out overhauling of Locos at Pakistan Railways (PR) diesel shed Karachi and Railway workshop Mughalpura Lahore. PR charges demurrage for holding of locos on workshop for longer period and delaying completion of repair work on account of non-provision of spare parts. In order to complete repair work on time, NEFT procured spare parts from Min Tin Corporation on quotation basis on different time frame. The reply was not tenable as the procurement was made by splitting in violation of PPRA rules.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain the reasons with full facts and figures in detail and investigate the matter and fix responsibility.

(Based on Para-100 & 101 NLC, 2021-22)

6.2.2.10 Irregular procurement of I.T equipment and construction material in violation of PPRA - Rs 6.346 million

As per Rule-12 (1) of PPRA-2004, procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani Rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency

During the audit of NLC PD-Central Lahore for the year 2021-22, it was observed that management purchased I.T equipment for its client and consultants vide Vr. No. 61 of Rs 3.877 million. It includes Laptops Core i7, Desktop PCs with LED and HP Laser Jet Printers. The purchase was made from M/s Acom distribution by calling quotation instead of floating tender in newspaper or website as required under rules.

Similarly, management incurred Rs. 2.469 million on repair of Power Cuber Machine dated 16.05.2022 and 17.05.2022 from M/s Acom by splitting the order. Further, no open competitive procedure was adopted and work was awarded on quotation basis which was clear violation of rules. It showed that management had already decided to get the work done from the firms of its own choice.

Vr #.	Date	Vendor	Amount (Rs)
67	16.05.2022	Oriental Engineers Pvt. Limited	616,760
93	17.05.2022	Oriental Engineers Pvt. Limited	616,760
123	23.05.2022	Oriental Engineers Pvt. Limited	617,760
477	29.04.2022	Oriental Engineers Pvt. Limited	617,760
Total:			2,469,040

Audit was of the view that the management was required to follow the proper bidding procedure, which was not done which resulted into irregular award of procurement of I.T equipment and repair work.

The matter was reported to the management on January 18, 2023. The management in its reply dated 31.01.2023 stated that IT equipment under reference was an integral part of the contract agreement entered into between DHA Multan and NLC. NLC being the contractor was liable to provide the IT equipment by following its Engineers SOP. The reply of the management was not tenable as procurement was made in violation of procurement rules without advertising the requirement on the website of PPRA and splitting the demand.

No DAC meeting could be arranged till finalization of this report.

Audit requires to explain the reasons for procurement of IT equipment and construction material in violations of PPRA and Investigate the matter and fix responsibility.

(Based on Para-111 & 112 NLC, 2021-22)

6.2.2.11 Non-transparent award of work contracts without open competition - Rs. 667.406 million

According to rules 12(2) of the PPRA, 'All procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

Rules 25 (a) of the engineering SOP, the NLC Engineering will pre-qualify reliable sub-contractors, through advertisements on six monthly basis. According to Clause 15(1) of PPRA prequalification could only be made in case of procurement of expensive and technically complex equipment to ensure that only technically and financially capable firms having adequate managerial capability are invited to submit bids. Such pre-qualification shall solely be based upon the ability of the interested parties to perform that particular work satisfactorily. Further, as per clause 16(1) the procuring agency shall announce, in the pre-qualification documents, all information required for pre-qualification including instructions for preparation and submission of the pre-qualification documents, evaluation criteria, list of documentary evidence required by suppliers or contractors to demonstrate their respective qualifications and any other information that the procuring agency deems necessary for prequalification.

During audit of NLC- PD (North) for the year 2021-22 it was observed that the management sublet the work of different projects (Annex-133) and awarded the work to various contractor in non-transparent manners on pick & choose basis. Following irregularities were observed including the gross violations of award of contracts without open competitive bidding:

1. The contracts were awarded to various contractor of own choice out of the so called list of 'enlisted contractors' without open advertisement as required under clause 12(2) of PPRA.
2. In contravention to rules 25 (a) of NLC – Engineering SoP, no pre-qualifications was done by NLC as prescribed in rule 16(1) of PPRA and a so called enlistment of contractors is done on pick & chose basis.
3. Further, the award of work contract was also made without any rate analysis, preparation of work estimates, careful observations of quantities and rates in BoQs, drawings.
4. Notice for submission of tender against the work was served to only pre-selected three to five firms of own choice instead of advertising the same. No pre-qualifications documents were issued as required under PPRA & PEC, evaluation criteria was not defined, no documentary evidence was available which could determine the technical and financial capability of the firms.

It was clear from above circumstances that NLC management awarded the works to the contractors of its own choice in non-transparent manner which needed to be investigated.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that the execution of work was done after proper competition. As per rule, contractor not enlisted with NLC had to deposit earnest money @ 2% of bid cost. Acceptance was issued after the deposit of earnest money by the contractor i.e. fulfillment of bid requirements. PPRA advertisement was published not only in print media as well as authority website. It was clarified that once contractor enlisted with NLC, its enlistment remained valid till either he requested for withdrawal of standing security amount or NLC black listed the contractor. Fresh enlistment was not required for any fresh contract. The reply of the management was not tenable as in contravention to rules 25 (a) of NLC – Engineering SoP, no pre-qualifications was done by NLC as prescribed in rule 16(1) of PPRA and a so called enlistment of contractors was done on pick & chose basis and contracts were awarded to various contractor of own choice without open advertisement as required under clause 12(2) of PPRA.

No DAC meeting could be arranged till finalization of this report.

Audit recommend to justify the position regarding award of contract in violation of rules and investigate the matter and fix responsibility on persons at fault.

(Based on Para-43, 45, 48, 61, 69, 70, 72, 74 NLC, 2021-22)

6.2.2.12 Irregular award of contract due to splitting of works - Rs. 563.714 million and non-obtaining of performance bank guarantee from the contractor in violation of SOPs - Rs. 28.186 million

According to Rule-9 of Public Procurement Authority Rules “Procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. Further as per revised delegation of financial powers of HQ Engineers NLC given at serial No. 1(ii), Project Director, Comd. Engineer and DG NLC are competent to sanction contracts/MoU upto Rs 80 million, Rs 100 million and Rs 500 million respectively with sub-contractors for civil construction works, infrastructure maintenance/ development and any works related to such nature for clients as per NLC business/operation requirement.

Clause 1.18 of standing operating procedure (SOP)-1/2017, operation of Engineer Projects states that the sub-contractor awarded the works valuing over Rs 500 million will furnish performance guarantee upto 5% of the bid price in shape of bank guarantee within 30 days after issue of acceptance letter with a validity period upto completion of work as mentioned in the acceptance letter/work order.

During audit of NLC PD KP for the year 2021-22, it was observed that FBR awarded a contract to NLC for an amount of Rs 12,281.393 million for engineering procurement construction of border crossing facilities at Torkham vide agreement dated December 20, 2018. According to the agreement, an amount of Rs 1,003.361 million was allocated for the work “Lean Concrete, Concrete Class A1 & A3 etc.” The management awarded the work to M/s Naveed Brothers Enterprises vide work orders dated 26.03.2020 for Rs 116.057 million, dated 22.06.2021 for Rs 149.199 million and dated 07.06.2022 for Rs 298.458 million by splitting the work in three parts. Thus, same work was awarded in three contracts for Rs 563.714 million to the same contractor which was against Rule-9 of PPRA.

It was further observed that performance Bank guarantee of Rs 28.186 million was also not obtained from the contractor which was contrary to the Engineers SoPs of NLC.

Audit was of the view that the management was required to execute the work in single contract instead of splitting. Further, due to non-obtaining performance bank guarantee, an undue favour was extended to contractor and put the interest of NLC at risk.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that after completing all pre requisites, three independent/ separate contract agreements were concluded with M/s Naveed Brothers Enterprises. All these contract agreements had different start and completion dates and also had different nature of work at different locations. As cost of said contract agreements was less than 500 million, that's why performance guarantees were not obtained. The reply was not tenable because the location and nature of work i.e. lean concrete Class A1 & A3 etc. was split in three contracts and awarded to same contractor whereas, management was required to award work in one contract. Hence, the approval of contract agreements by Project Director was beyond his delegation of financial powers. Furthermore, the management did not obtain performance guarantee to secure the work as the amount of three consecutive contract agreements was Rs 563.712 million.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the reasons for award of work by splitting into three separate contracts to the same contractor and non-obtaining of performance security.

(Based on Para-80 NLC, 2021-22)

6.2.2.13 Loss due to award of contract on higher rates – Rs 16.862 million

As per Rule-12 (2) of PPRA-2004, all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During audit of PD, KP NLC it was observed that a contract was awarded to M/s Naveed Brothers Enterprises to carry out "Concrete Batching, Mixing and Transportation at Project Site (Torkham) at a cost of Rs 116.057 million. The contract was awarded through calling quotations instead of press advertisement in

violation of PPRA. The contract was to be executed in six months w.e.f. 26.03.2020. The contractor, however, executed the work for a cost of Rs 92.252 million upto 30.04.2021 and work was not completed. The management awarded the same work to the same contractor for Rs 149.199 million on 22.06.2021 to be completed within six months. This contract was also awarded without open competition. The contractor executed the work for an amount of Rs 170.053 million i.e. Rs 20.854 million in excess of the contract cost. The management again awarded the same work to the same contractor on 07.06.2022 for a cost of Rs 298.458 million which was still under execution. This contract was again awarded on quotation basis.

Audit observed that the rates given for 2nd and 3rd contracts were higher than the rates given in the 1st contract. Thus, due to award of same work on higher rates to the same contractor, NLC sustained loss of Rs 16.862 million (Annex-134).

Audit was of the view that the whole work should have been awarded through open competition and without splitting to achieve the benefit of economical rates which was not done. Further the contractor did not complete the execution of 1st contract of lower rates but management did not take any action against the contractor and two other contracts of the same work were awarded to at higher rates which tantamount to undue favour extended to the contractor.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that three independent / separate contract agreements were concluded with M/s Naveed Brothers Enterprises and were approved by competent financial authorities. All these contract agreements having different start and completion dates and also had different nature of works at different locations. The cost of first contract agreement was reduced from Rs 116.057 million to Rs 92.252 million due to reduction in quantities as per site condition. As per SOP-2022, maximum efforts should be made to keep the profitability of NLC Engineers equal to or above 8% for sublet agreements. Profit of all these three CAs was more than 8%. The reply was not tenable because the contracts were awarded in violation of PPRA and management signed three consecutive contract agreements for lean concrete work at same location with same contractor which tantamount to undue favour to the contractor.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter regarding award of work without observing PPRA rules and award of contracts at higher rates besides fixing responsibility on the person(s) at fault.

(Based on Para-81 NLC, 2021-22)

6.2.2.14 Irregular award of work without competition and execution before formal agreement - Rs. 835.00 million and irregular payment of mobilization advance - Rs. 50.00 million

As per Rule-12 (2) of PPRA-2004, all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

According to para 20 of Standard Operating Procedure (SoP) for Engineering Projects states that sublet agreements will be concluded as per approved rates in the PMMS with sub-contractors enlisted with NLC in appropriate category already approved through competitive bidding. All sublet agreements will be prepared and finalized at HQ Project Directorate.

According to para 4.1 (a) of Standard Operating Procedure Financial Policies for Engineers, Mobilization Advance up to 10% of the CA value less Schedule B items may be paid to sub-contractor subject to the following and will be recovered in five equal installments starting from 1st RAR:

- (1). Proportionate receipt from client.
- (2). Prior approval of DG /OIC NLC (as per delegated financial powers)
- (3). Receipt of irrevocable bank guarantees and its verification from issuing bank.
- (4). Mobilization advance will not be given for contracts of less than contract value of Rs. 400 million.

During audit of PD KP, NLC for the year 2021-22 it was observed that the management sublet the external electrical work of Boarder Crossing Facilities at Torkham vide work order dated 24.05.2022 for Rs 835.00 million to M/s. Bilal

Switchgear Engineering Pvt. Ltd with commencement date as 15.03.2022 to be completed by 31.12.2022. The work was awarded to the firm without calling quotations through open advertisement in violation of PPRA rules. Following discrepancies were observed:-

- i As per Minutes sheet dated 24.10.2021 (file No. 607/Proj/PMU/Tkm-JMNHXO), the competition for subletting of work was held between M/s. Bilal Switchgear Engineering Pvt. Ltd and M/s. Electrix Traders and rates quoted by M/s Bilal Switchgear Engineering Pvt. Ltd of Rs 835.00 million were found lowest. Accordingly, the principle approval for the award of work to M/s Bilal Switchgear Engineering was accorded by the DG NLC on 28.10.2021. On the other hand, the contract agreement file revealed that quotations were called from M/s. Raiz-ud-din Engineering (Pvt.) Ltd, M/s. Naseer Khan Construction Company and M/s Bilal Switchgear Engineering Pvt. Ltd on 01.03.2022 to be opened on 15.03.2022. The rates of Rs 835.00 million offered by M/s Bilal Switchgear Engineering Pvt. Ltd were found lowest and work order was awarded to them on 24.05.2022. This showed that award of work to M/s Bilal Switchgear Engineering Pvt. Ltd was pre-planned and subsequent competition in March 2022 was just to fulfill the codal formalities. No documents/quotations of October 2021 were available in the relevant file or made available to Audit for scrutiny.
- ii An amount of Rs 50.00 million was paid to M/s. Bilal Switchgear Engineering Pvt. Ltd on account of mobilization advance on 10.01.2022, contract agreement concluded on 15.03.2022 and work order was issued on 24.05.2022 which showed that mobilization advance was paid before conclusion of contract agreement and issuance of work order which was against the engineers SoPs.
- iii The 1st RAR of Rs 23.692 million was paid on 28.03.2022 whereas, work order was issued on 24.05.2022 which showed that the work was executed before issuance of work order.

Audit was of the view that the award of work without open competition, payment of mobilization advance before conclusion of contract agreement and issuance of work order was irregular.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that before principal approval, a board of officer was detailed who invited multiple firms for quotation of subject work. After tech securitization two out of four firms M/s Bilal Switchgear (Pvt.) Ltd & M/s Electrix Traders were short listed for subject work. Competent Authority (DG NLC) accorded Principle approval on 28.10.2021 for the award of subject work to M/s Bilal Switchgear (Pvt.) Ltd having expertise and offered lowest rate of Rs 835 million. During his visit to Border Crossing Facilities Torkham, DG NLC instructed to release mobilization advance of Rs 50 million against Bank Guarantee for smooth and timely completion of works vide Tour Notes dated 4 Jan, 2022. The reply was not tenable because contract agreement file revealed that quotations were called from M/s. Raiz-ud-din Engineering (Pvt.) Ltd, M/s. Naseer Khan Construction Company and M/s Bilal Switchgear Engineering Pvt. Ltd on 01.03.2022 to be opened on 15.03.2022 whereas, as per Minutes sheet dated 24.10.2021 (file No. 607/Proj/PMU/Tkm-JMNHXO), the competition for subletting of work was held between M/s. Bilal Switchgear Engineering Pvt. Ltd and M/s. Electrix Traders and rates quoted by M/s Bilal Switchgear Engineering Pvt. Ltd of Rs 835.00 million were found lowest which was approved by DG NLC on 28.10.2021. Furthermore, contrary to their own SoP, the payment of mobilization advance was made on 10.01.2022 on verbal direction of DG NLC before conclusion of contract agreement which was signed on 15.03.2022.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to justify the position regarding tenders were invited in March 2022 whereas the principle approval for the award of work was accorded in October 2021 on the basis of rates quoted by the contractors, justify the payment on account of mobilization advance before agreement and issuance of work order.

(Based on Para-86 NLC, 2021-22)

6.2.2.15 Gross violations of PPRA Rules in procurement of materials – Rs 1,376.15 million

According to Clause -09 of PP Rules-2004, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial

year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website. As per Rule-12 (1) of PPRA-2004 "Procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani Rupees shall be advertised on the Authority website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency: Provided that the lower financial limit for advertisement on Authority website for open competitive bidding shall be the prescribed financial limit for request for quotations under clause (b) of rule 42. Moreover, according to clause-12(2) of PP Rules, all procurement opportunities over Three million rupees were required to be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. As per Rule-38 of PPRA, 2004 the bidder with the most advantageous bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity. As per S. No. 1(a)(iii) of Delegation of Financial Powers, the DG NLC is empowered to sanction contracts for purchase of all types of stores, construction material, raw material, spares, rations, clothes etc. upto the limit of Rs 500 million.

Further, in accordance with SOP Financial Policies Engineers NLC para 7.1 "Inventory procurement, measurement and recording procedures are detailed as Steel, Cement and Bitumen will be procured through contracts to be concluded either centrally by Dir tech or by respective PDs for engineering projects after approval of CFA. A Board of Officers will be constituted for this purpose including a representative from procurement section HQ NLC in case procurement is made by PDs. Any other construction material may also be procured under similar arrangement if recommended by Dir Tech and approved by DG, NLC.

During audit of NLC for the year 2021-22, it was observed that the management invited tender through press advertisement dated 25-26 December

2021 for the execution of rate running contract for the purchase of Deformed Steel Grade-60 (all sizes) on FOR NLC Projects in Centre under single stage-one envelop bidding procedure. Four firms offered their rates. The rates of M/s S.J Steel were found lowest. However, the management contacted the 2nd lowest bidder

M/s Mughal Steel to match their rates with 1st lowest firm. In response, the 2nd lowest firm matched their rates with the rates of first lowest firm. Accordingly, Contract agreements dated 20.01.2022 and dated 21.01.2022 respectively were issued in violation of Rule 38 and 40(1) PPRA 2004. As per quantities given in bidding documents, the value of the whole contract was Rs 549.767 million whereas the financial power of DG NLC was upto Rs. 500 million.

Audit was of the view that the whole contract should have been awarded to the lowest bidder as per rules which was not done and undue favor was extended to the 2nd lowest bidder. Further, sanction for the purchase of original as well as enhanced quantity should have been issued by the competent authority i.e. OIC, NLC. Later on, a quantity of 4,000 M.Ton of steel was also included in the said contracts vide amendment No. 1 dated 06.04.2022 duly approved by the Director SP in violation of delegation of financial powers. The financial impact of the said quantity of 4,000 M.Ton comes to Rs 738.240 million. Thus, due to non-adherence to the procurement rules and delegation of financial powers, contracts to the tune of Rs 1,288.007 million were awarded irregularly.

Furthermore, payment record pertaining to PD (North) and PD (KP) revealed that management purchased different materials valuing Rs. 88.143 million without advertisement by collecting three quotations and in piecemeal. The detail is given in Annex-135.

Thus, due to mis-management and weak financial controls, NLC was deprived of the benefits of competitive rates.

Audit held that all the said procurements were made either in violation of procurement rules and/or NLC's own SOPs and delegation of powers. Hence, the procurements of Rs 1,376.15 million were held irregular in Audit.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that to ensure un-interrupted

supplies of raw material, 2nd lowest was also shortlisted. In this particular case, the demands were reduced by concerned PD to 2700 M/Ton accordingly the value of contract agreement was reduced lower than 500 million, therefore the approval was sought from DG NLC. As regards other materials, it was stated that three short listed suppliers participated and work was awarded to the lowest supplier. The reply was not tenable as the actual demand was 2,975 M.Ton which was reduced to 2,700 M.Ton to bring it within the financial powers of DG, NLC. The contracts were issued for the original quantity. Further, additional quantity of 4,000 M.Ton steel was also included in the same contracts through amendments in violation of Rule-12(2) of PPRA. The award of other contracts for supply of material on quotation basis was also irregular.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the causes due to which the purchases were made in violation of PPRA Rules without competitive bidding and in piecemeal, fix responsibility thereof. Further, the compliance of Government rules be ensured.

(Based on Para-37, 51, 53, 57, 60, 78 and 90 NLC, 2021-22)

6.2.2.16 Irregular hiring of Janitorial Firm and expenditure thereon - Rs. 37.747 million

Rule 12(2) of the Public Procurement Rules, 2004 states that all procurement opportunities over three million rupees should be advertised on the authority website 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 the other in Urdu.

During the audit of NLC, HQ for the year 2021-22, it was observed that a contract was signed with HRSG SSP (Private) Ltd for the provision of Building and Maintenance Services of NLC Tower (Tea Boy Services, Janitorial Services, Store management services), Cafeteria management services (Housekeeping services, Food Management Services) Gardening (Horticulture Services), DHA Guest House (Guest Management Services) w.e.f. 01.02.2022. An expenditure of

Rs. 37.747 million was incurred on hiring of janitorial services @ Rs. 7.549 million per month till 30.06.2022.

Audit observed that the firm was hired without adopting open competition in violation of PPRA rules. Complete file of hiring of HRSG SSP (Pvt.) Ltd was demanded but the same was not provided.

Audit was of the view that hiring and award of contract for services of Building and Maintenance Services of NLC Tower without competition was irregular which deprived NLC of the benefit of competitive rates.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that the subject contract commenced with above mentioned services (except DHA Guest Rooms) w.e.f. March 2022. During execution / re-evaluation of the contract, it was observed that the said contract lacked procedural formalities like PPRA etc. Therefore, in accordance with the contract agreement, HRSG was approached for reinitiating the subject contract while adhering to all PPRA rules. Accordingly both parties i.e. HRSG and HQ NLC went into fresh process for revised agreement, which was in process of finalization. The reply was irrelevant as the reasons for award of instant contract without observing PPRA rules were not intimated.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that responsibility be fixed on the person(s) at fault for award of contract without observing procurement rules.

(Based on Para-23, NLC, 2021-22)

6.2.2.17 Irregular award of contracts and advance payment to the Firm - Rs. 103.039 million

Rule 12(2) of the Public Procurement Rules, 2004 states that all procurement opportunities over three million rupees should be advertised on the authority website 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 the other in Urdu.

According to bidding documents NL-02 3(a) (1)&(2), 100% payment will be made after implementation of ERP's module and no advance payment is allowed.

According to agreement Clause 16, the supplier will provide 5% amount of total value of contract in the form of CDR/Pay order or Bank Guarantee from "A" rated schedule bank in favor of OIC NLC, HQ as Performance Bank Guarantee.

PPRA Rule 23(3) states that any information, that becomes necessary for bidding or for bid evaluation, after the invitation to bid or issue of the bidding documents to the prospective bidders, shall be provided in a timely manner and on equal opportunity basis. Where notification of such change, addition, modification or deletion becomes essential, such notification shall be made in a manner similar to the original advertisement.

During the audit of NLC for the year 2021-22, it was observed that the management floated a tender on 30.07.2020 for "Implementation of ERP's Accounting Module" to be opened on 17.08.2020. In response, only one firm i.e. M/s Celmore Technologies (Pvt.) Ltd. participated in tender. The management issued letter of intent (LOI) to the firm on 16.09.2020 and the contract agreement was signed on 30.12.2020 for Rs. 59.432 million. During implementation, the management decided to conduct gap analysis of Engineers SBUs through a third party (M/s KPMG) to iron out procedures and practices, including review of ERP implementation in general and project accounting module, in specific. M/s KPMG report also identified need of additional ERP module and suggested integration of proposed solutions with a project account to make it an all-encompassing solution. Accordingly, for stabilization, effective utilization and integration with new modules, the management obtained technical and financial proposal from M/s Celmore Technologies and signed a contract agreement dated 30.08.2021 with them for "Service Level Agreement for Advance Operations Support (AOS)" amounting to Rs. 22.135 million. Letter of Intent (LOI) was issued on 30.07.2021. While auditing the process, requirement of Primavera for the planning & execution of a project was highlighted. Accordingly, the management instead of open tendering, signed an agreement No. dated 30.09.2021 with M/s Celmore Tech for "Implementation of Oracle Modules for Oracle Primavera Portfolio

Management” amounting to Rs 21.474 million. Letter of Intent (LOI) was issued on 19.07.2021.

Audit observed that:

- The tender was floated on 30.07.2020 whereas the firm submitted Task Module starting date i.e. Project Initiating Date/Project startup date as 09.07.2020 which make award of contract doubtful. The Module starting date had to be after the tender floated date.
- The condition mentioned in bidding documents was changed in the contract agreement as the firm was made payment of mobilization advance of Rs. 20 million in violation of tender documents whereas no advance payment was allowed in tender documents..
- As per tender documents the delivery/completion period was 30 days after issuance of LOI or award of contract (whichever is earlier) with a grace period of 15 days. LOI was issued on 16.09.2020 according to which the work should had to be completed upto 31.10.2020 and implementation period was given as 20.04.2021. M/s Cellmore failed to complete the task within time period by 20.04.2021 and no liquated damages were imposed as the firm submitted last invoice in 02.09.2021 and payment was made on 27.12.2021.
- The firm had to give service level support for three months upto Dec-2021. However, the management executed agreement for “Service Level Agreement for Advance Operations Support” of Rs. 22.135 million.
- The firm had to submit Performance Bank Guarantee within 15 days of receipt of LOI whereas M/s Cellmore submitted the same on 12.02.2021 after getting mobilization advance on 15.10.2020.
- Furthermore, no annual procurement plan was charted and no cost estimates were drawn for “Service Level Agreement for Advance Operations Support besides financial proposal was submitted on 23.07.2021 before approval from competent authority.
- The Performance Bank Guarantees pertaining to contract agreements “Service Level Agreement for Advance Operations Support (AOS)” and “Implementation of Oracle Modules for Oracle Primavera Portfolio

Management” equal to 5% of the value of contracts i.e. Rs 1.107 million and Rs 1.074 million respectively were not obtained from the firm.

Audit was of the view that conditions of tender documents especially regarding payment and delivery schedule were not suitable due to which prospective bidders avoided to participate in the tendering process. Had sufficient time in delivery schedule been granted and advance payment allowed in tender documents, more firms could participate for the subject job and NLC could get competitive rates. Audit was also of the view that advance payment was made in violation of the terms mentioned in tender documents and undue benefit was extended to the contractor by changing the payment clause. The management should have analyzed the whole requirement before the award of contract for implementation of Project Accounting Module of Oracle E-Business Suite (EBS) so that the whole work could be awarded in lump instead of in piecemeal.

Audit held that award of contract to the firm without open competition was irregular, which deprived the NLC of the benefit of competitive rates. Besides, six month payments of Service level agreement was held irregular.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that task module was not part of tendering process but it was just a study conducted by the prospective bidder to submit a meaningful bid. Further, the service level agreement for advance operations support was an extension of ERP Project Accounting Module by M/s Celmore Technologies. Therefore, the procurement was made as per PPRA Rule 42 c iii where the change in supplier would result in incompatibility or disproportionate technical difficulties in operation and maintenance. As per PPRA Rules 39, performance guarantee was required, hence NLC deducted 5% amount from firm’s payment.

Reply was not tenable as the study by a prospective bidder before floating tender made the whole process non-transparent. Further, advance payment of Rs 20 million was made to the bidder against the terms & conditions of tender documents and agreement for “Service Level Agreement for Advance Operations Support” of Rs. 22.135 million was also awarded to the firm without any competition. Had proper planning been made and appropriate terms & conditions

been advertised for the proposed procurement, NLC could fetch more competitive offers for the said procurements.

No DAC meeting could be arranged till finalization of this report.

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

(Based on Para-29, 30 & 31 NLC, 2021-22)

6.2.2.18 Irregular appointment of Chartered Accountant Firm and payment thereon - Rs. 7.59 million

Rule 12(2) of the Public Procurement Rules, 2004 states that all procurement opportunities over three million rupees should be advertised on the authority website 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 the other in Urdu.

As per Finance Division OM No. F.3(1)-Inv.III/80-406 dated 25.03.1981 regarding appointment of Commercial Auditors for the audit of statutory corporations, in the case of autonomous bodies/corporations, where under the statutory provisions appointments are to be made by the Federal Govt. it has decided:

- (a) Before, submitting the name of the auditor(s) for approval to the Board of Directors, the Institution should get the approval of the Auditor General of Pakistan.
- (b) The request for approval to the Auditor General of Pakistan should be routed through the Institution's administrative Ministry / Division.
- (c) Auditor General of Pakistan may ensure that all auditors are changed after five years.
- (d) Finance Division may be approached for relaxation of these orders only in cases of extreme nature.

During audit of NLC HQ for the year 2021-22, it was observed that the management appointed M/s Yousuf Adil, Chartered Accountants as external auditors of NLC for a period of three years 2019-22. An advertisement was published on 07.04.2021 in "The News" and "The Express Tribune" Newspaper for appointment of external auditor. The National Logistic Board (NLB) in its 64th meeting held on 15.09.2021 approved the appointment of external auditor for the FY 2020-21.

Audit observed that:

- The CA Firm (external auditors) were appointed without open competition, the firm was working with NLC since financial year 2019-20 and audited the financial statement for the year 2019-20 whereas advertisement was

published on 07.04.2021 and approval from Board was obtained on 15.09.2021.

- As per Finance Division's order dated 25.03.1981, the approval of the Auditor General of Pakistan (AGP) for appointment of external auditors was not sought before submitting the name of Auditor(s) for approval to the NLB.
- The external auditors demanded fee of Rs. 4.6 million for the period 2021-22, after negotiation they agreed to reduce their total fee Rs. 3.630 million. The NLC increased audit fee from Rs 1.98 million to Rs 3.630 million on the request of external auditors for the financial year 2021-22. (M/s Grant Thornton Anjum Rehman, chartered Accountants were NLC's auditor since financial year 2013-19 and charged audit fee of Rs. 1.58 million for the financial year 2018-19.)
- Complete file regarding appointment, bidding documents, and agreement was not provided for scrutiny.

Audit was of the view that appointment of chartered accountants without open competition and without seeking approval from the Auditor General of Pakistan was irregular.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that NLB in its 64th meeting held on 15.09.2021 directed that instead of tendering every year, principal approval for appointment of Auditors should be sought for three years. Accordingly, while approving appointment of M/s Yousuf Adil, Chartered Accountants for FY 2021-21, their appointment for next financial year was also approved by NLB in same meeting completing their term for three years. Due to significant inflation and devaluation of currency, audit fee was increased to Rs 3.6 million for audit of NLC and its 4 subsidiaries for FY 2021-22 on the request of the firm. The reply of the management was not tenable as significant increase was made in audit fee on negotiation basis rather than calling fresh tenders for appointment of CA firm in violation of PPRA rules. Further, approval of the Auditor General of Pakistan was not sought for the appointment of the external auditors.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that reason for non-consultation with Auditor General of Pakistan before submission of name of Auditor(s) for approval of the NLB may be intimated, the case may be submitted to the Auditor General of Pakistan through administrative ministry for approval. Besides, unjustified increase in audit fee without calling for fresh tenders as per PPRA rules be explained.

(Based on Para-32 NLC, 2021-22)

6.2.2.19 Irregular expenditure incurred due to hiring of machinery on quotation basis - Rs 7.888 million

According to Clause-09 of Public Procurement Rules, “a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority’s website as well as on the website of the procuring agency in case the procuring agency has its own website”. Moreover, according to clause-12(2) of PP Rules, “all procurement opportunities over three million rupees were required to be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu”.

Further under clause-12(1) of Public Procurement Rules “Procurement over five hundred rupees and upto the limit of three million may be advertised on the Authority Web Site in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in the print media if deemed necessary by the procuring agency”.

During audit of NLC PD (North) Rawalpindi for the year 2021-22, it was observed that machinery was hired for 10th Avenue Project and IJP Road Project in piecemeal by collecting three quotations from the suppliers. An amount of Rs 7.888 million was paid to different suppliers during the month of April & May, 2022 as detailed below:

Payment voucher	Payment Date	Name of supplier	Invoice Date	Amount (Rs)
706/F&A/NLC10 th Avenue	12.04.2022	M/s H. M. Akbar & Sons	10.03.2022	1,567,423
706/F&A/NLC10 th Avenue	13.04.2022	M/s Alees International	-	946,522
706/F&A/NLC10 th Avenue	13.04.2022	M/s H. M. Akbar & Sons	04.04.2022	215,791
706/F&A/NLC10 th Avenue	13.04.2022	M/s H. M. Akbar & Sons	1.03.2022	152,524
706/F&A/NLC10 th Avenue	13.04.2022	M/s Hakeem khan	-	489,202
706/F&A/NLC10 th Avenue	20.05.2022	M/s H. M. Akbar & Sons	10.05.2022	1,749,153
706/F&A/NLC10 th Avenue	20.05.2022	M/s Hakeem khan	10.05.2022	460,958
706/F&A/NLC10 th Avenue	24.05.2022	M/s Alees international	10.05.2022	843,037
706/F&A/NLC10 th Avenue	24.05.2022	M/s Hakeem khan	15.05.2022	257,594
706/F&A/NLC10 th Avenue	24.05.2022	M/s Alees international	24.05.2022	1,206,125
Total				7,888,329

No other document regarding prequalification process and tender process for financial bids was provided to Audit which showed that no tender process was adopted and the whole procurement was irregularly executed by splitting the same to avoid tender process. This was indicative of imprudent management policy. The expenditure shown above was for two months only.

Audit was of the view that management should have prequalified contractors for the hiring of machinery to fetch most competitive rates. Thus, due to hiring of machinery through quotation basis, NLC was deprived from the benefits of competitive rates and the expenditure incurred was held irregular in Audit.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that the shortlisted firms in the competition were called for provision of rates and hiring was made accordingly after proper contract agreement with suppliers. The reply was not tenable as all machinery was hired by collecting three quotations.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the reasons for hiring of machinery in piecemeal and without tendering process and fix responsibility thereof.

(Based on Para-56 NLC, 2021-22)

6.2.2.20 Irregular expenditure due to award of labour contracts by collecting three quotation - Rs 28.101 million

In accordance to clause-12(2) of PP Rules, “all procurement opportunities over three million rupees were required to be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu”.

During audit of NLC PD (North) Rawalpindi for the year 2021-22, it was observed that following contract agreements were executed with M/s H.M. Akbar & Sons for the Project Dualization and Improvement of Sohawa Chakwal Road:

S. No.	Description	Agreement executed on	Total Amount (Rs.)
1.	Labour rate contract for concrete work	Approved on 31.12.2020	9,103,160
2.	Labour rate contract for stone masonry dressed	16.12.2020	9,538,534
3.	Labour rate contract for stone masonry random with mortar	Approved on 22.06.21	9,459,348
			28,101,042

Audit observed that instead of open tendering, three quotations were collected from the contractors of own choice and works were awarded to the above-named contractor. This was indicative of imprudent management policy.

Audit held that due to non-observance of procurement rules, NLC was deprived of the benefits of competitive rates. Thus, the expenditure of Rs. 28.101 million was held irregular in Audit.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that Sohawa Chakwal Road project was substantially completed and all contractors were demobilized after completion of their quota of works. The requirement of some of works emerged on request of locals and consultant NESPAK instructed for execution of these works after site visit of GM NESPAK. M/s H.M Akbar & Sons were engaged for to address the added works and punch list during DLP keeping in view emergency of work. Advertisement was not done due to nature of contract agreement i.e. labour

rate agreement and demobilization of shortlisted / enlisted contractors of NLC. The reply was not tenable as all the required works had to be done during the period of execution of main contract and in case of otherwise, rules should have been followed.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate reasons for the award of contracts without competitive bidding through print media, fix responsibility thereof and ensure the compliance of rules.

(Based on Para-58 NLC, 2021-22)

6.2.2.21 Mis-procurement due to purchase of elevators in violation of public procurement rules - Rs 68.831 million

As per Rule-12(2) of PPRA, 2004, “all procurement opportunities over three million rupees were required to be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu”.

During audit of NLC PD (North) Rawalpindi for the year 2021-22, it was observed that tender documents for the design, manufacture, supply, installation and commissioning of elevators at NLC Corporate Office MT Park, Rawalpindi were issued to 06 suppliers. Three suppliers participated in the tender. M/s Islamabad quoted the lowest rates. Accordingly, purchase orders were issued as under:

S. No.	Name of supplier	Purchase order	Date	Amount (Rs)
1.	M/s Islamabad Industrial & Trading Corporation	2749/Soldiers Barrack/04/2021/PDN/NLC	06.04.2021	8,880,000
2.	-do-	2749/NLC Tower/03/2021/PDN/NLC	06.04.2021	50,100,500
3.	-do-	2749/NLC Tower/21//2021/PDN/NLC	11.10.2021	9,850,000
			Total	68,830,500

Audit held that instead of calling quotations through open advertisement, issuance of tender documents to the suppliers of management's own choice was in violation of Public Procurement Rules. Due to non-obtaining quotation through open advertisement, NLC was deprived of the benefits of competitive rates.

Thus, the expenditure of Rs 68.831 million incurred for the designing, manufacture, supply, installation and commissioning of the elevators was held irregular in Audit.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that the work was advertised in the print as well as electronic media. It was also highlighted in the advertisement that tender documents would only be issued to pre-qualified contractors as per procedure in vogue. The reply was not tenable as complete evidence regarding prequalification of firms to whom orders were issued was not produced for verification.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter, fix responsibility thereof and ensure the compliance of Government rules in future.

(Based on Para-59 NLC, 2021-22)

6.2.2.22 Non-transparent award of work of Salam-Sargodha Road to subcontractor - Rs. 1,717.264 million

According to rules 12(2) of the PPRA, 'All procurement opportunities over three million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

According to Clause 15(1) of PPRA, prequalification could only be made in case of procurement of expensive and technically complex equipment to ensure that only technically and financially capable firms having adequate managerial capability are invited to submit bids. Such pre-qualification shall solely be based upon the ability of the interested parties to perform that particular work satisfactorily.

Further, as per clause 16(1) of PPRA, the procuring agency shall announce, in the pre-qualification documents, all information required for pre-qualification including instructions for preparation and submission of the pre-qualification documents, evaluation criteria, list of documentary evidence required by suppliers or contractors to demonstrate their respective qualifications and any other information that the procuring agency deems necessary for prequalification.

According to clause 25 (a) of the engineering SOP, the NLC Engineering will pre-qualify reliable sub-contractors, through advertisements on six monthly basis.

During audit of NLC for the year 2021-22 it was observed that the management of NLC (PD Center), Lahore awarded the work of Salam-Sargodha Road to sub-contractor (worth Rs 1,717.264 million) on pick & choose basis. Following discrepancies were noticed:

1. No pre-qualifications were done by NLC as prescribed in rule 16(1) of PPRA and a so called enlistment of contractors was done on pick & chose basis in contravention to rules 25 (a) of NLC – Engineering SoP.
2. The award of work contract was made without any rate analysis, preparation of work estimates, carefully observing the quantities and rates in BoQs, drawings, publish advertisement in newspapers etc. as required under rule 12(2) of PPRA.
3. Notice for submission of tender against the work was served to only pre-selected firms of own choice instead of advertising the same. No pre-qualifications documents were issued as required under PPRA & PEC, evaluation criteria was not defined, no documentary evidence was submitted which could show the technical and financial capability of the firms.
4. The work was awarded to four firms. Out of these, only one firm (M/s Youkon Builders) was included in list of so called ‘enlisted firms’ while other were neither included in the list of ‘enlisted firms’ nor any document submitted by these unlisted firms as required under PPRA rules and SOP circulated by NLC for such kind of prequalification process. This showed a clear violation of rules by the NLC management.

5. Three sub-contracts of work worth Rs. 885.242 million were awarded to M/s Fatima Construction Co. (Rs. 294.231 million + Rs. 295.506 million) and M/s GKG (Rs 295.506 million) which were neither enlisted with NLC nor submitted their documents as required under rules for fresh enlistment. This indicated clear instance of favoritism.
6. All the work of Rs. 1,717.264 million awarded to sub-contractors {i.e. M/s Fatima Construction Co. (Rs. 589.737 million), M/s GKG (Rs 295.506 million), M/s Aleem const. (Rs. 621.343 million) and M/s Youkon Bldrs (Rs. 210.678 million)} was considered as irregular as the same was sublet against the conditions of acceptance letter and no written permission of client to sublet the work was available with NLC.

It was clear from above that NLC Lahore management awarded the above stated work to the contractor of its own choice in non-transparent manner.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that works to sub-contractors were awarded after having verbal consent of the Employer. However quality of work executed through sublet contractors was ensured according to the specifications & design of the work as overall responsibility & contractual obligation lies with NLC. Before going into formal process of inviting tenders for award of work, numerous reputed contractors from the enlisted companies were considered. Their previous track record, quality of work, commitment and completion timelines against their previous works were critically observed and analyzed. After observing all the technicalities and probabilities, 3 x contractors were short listed and issued tender documents and work was awarded to the lowest one. The reply was not tenable as the works were awarded to the contractor of own choice in non-transparent manner in violation of procurement rules.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to justify the position regarding award of contract in violation of rules, investigate the matter and fix responsibility on persons at fault.

(Based on Para-102 & 103 NLC, 2021-22)

6.2.2.23 Irregular award of procurement contracts due to non-obtaining of performance bank guarantees and irregularities therein - Rs 11.227 million and loss due to non-forfeiture of bid security of the supplier due to non-supply of generators sets - Rs 0.500 million

In accordance with contract agreements executed with the supplier, the contractor will furnish an unconditional/irrevocable 5% performance bank guarantee from any schedule bank of Pakistan having “A” rating with State Bank of Pakistan on judicial paper.

In accordance with NLC Purchase Manual Clause-I (4)(a) (b) “The Earnest Money may be forfeited, in case of a successful bidder, if he fails to furnish the required performance Security/Guarantee or sign the contract agreement without valid reason”.

During audit of NLC Head Quarter Rawalpindi for the year 2021-22, it was observed that contract agreements valuing Rs. 66.395 million were executed with the supplier as detailed in Annex-136. However, instead of obtaining the performance bank guarantees, the amount of performance bank guarantees was adjusted against bills of the suppliers.

Similarly, tenders were invited for the procurement of furniture for NLC Corporate office and Chaklala Guest rooms. After collecting quotations, contract agreements of Rs. 77.835 million were executed with the suppliers, but the performance Bank Guarantees valuing Rs 3.892 million were not deposited by the suppliers. The same were adjusted against the bills of the suppliers (Annex-137).

Audit further observed that contract agreements valuing Rs 55.800 million were executed with the supplier for supply of Batching Plant but the performance Bank guarantees amounting to Rs 4.015 million were not deposited by the supplier as required under the rules and the same were adjusted against the bills of the supplier (Annex-138).

It was also observed that tenders were invited for procurement of 03 Nos. 200 KVA Generator sets. Only M/s Hi Tech Network Pvt. Ltd. participated in the tender who quoted rate of Rs 5.754 million per Generator. Letter of acceptance was issued to the supplier dated January 13, 2022 for the supply of 02 Nos. Generator Sets at a total cost of Rs 11.507 million with delivery period upto

March 12, 2022. The bid security amounting to Rs 500,000 was deposited by the supplier at the time of submitting bidding documents. However, the contractor did not submit performance guarantee and contract agreement was not executed. Despite repeated reminders, the supplier failed to supply the said Generator sets but no action was initiated by the management against the supplier.

Audit was of the view that performance bank guarantees were required to be obtained from the suppliers, which was not done. The amount of performance bank guarantee was adjusted against bills of the suppliers. Thus, clear violation of the contract agreement and PPRA Rules was made by the management on multiple occasions and undue favor was extended to the suppliers.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that performance bank guarantees valuing 5% of the contract value were required to be obtained, which was initially omitted but the end was achieved through retaining the exact amount from the first payment bill of the firm. The amount retained is safer/ worthwhile than the bank guarantee. The reply of the management was not convincing as the performance bank guarantees were not obtained as per terms & conditions of contract documents. Further, bid security of the defaulter supplier was not forfeited.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate reasons for violation of contract agreements and PPRA Rules, fix responsibility thereof and ensure the compliance of the rules in future. Besides, forfeit the bid security where applicable.

(Based on Para-5, 9, 17, 18 NLC, 2021-22)

6.2.2.24 Irregular award of consultancy contract on quotation basis instead of competitive bidding process - Rs 182.072 million

As per clause 5 of the Procurement of Consultancy Services Regulations, 2010, a request for expression of interest shall be advertised by giving applicants at least fifteen calendar days for national competition and thirty days for international competition to submit their interest to provide consultancy

As per clause 4 of the Procurement of Consultancy Services Regulations, 2010 'the procuring agency shall not hire a consultant for an assignment in which there is possibility of conflict of interest. If a consultant has been engaged by

procuring agency to provide goods or work for a project it shall not be hired for any assignment which by its nature, may be in conflict with another assignment of the consultant’

During Audit of NLC PD (North) for the year 2021-22, it was observed that the management of NLC required the services of consultant for its various assignments. From further scrutiny of the record following observations were noticed:

S. #	Name of Project / job	Name of sub-contractor	Amount of Subcontract	Remarks
1	Consultancy of NLC Tower, Parking Plaza and Canteen-MT Park NLC	M/s SG Architects Urban Designers	48.925	➤ firm was hired on quotation basis without open competitive bidding process ➤ Standard bidding documents as per PEC direction were not utilized.
2	“Construction of Kind Hamad University for Nursing and Associated Medical Sciences Islamabad”.	M/s Nayyer Ali Dada	87.00	➤ firm was hired on quotation basis without open competitive bidding process ➤ Standard bidding documents as per PEC direction were not utilized.
3	MBS Pkg-1, Peshawar Morr to Golra Morr Islamabad	M/s MAKS Business Solution	24.888	➤ firm was hired on quotation basis without open competitive bidding process ➤ Standard bidding documents as per PEC direction were not utilized.
		M/s Softsys was a regular contractor of PD North.	11.105	➤ firm was hired on quotation basis without open competitive bidding process ➤ Standard bidding documents as per PEC direction were not utilized. ➤ Consultant was also engaged as contractor; hence matter of conflict of interest was also arise.
5	New Cambridge Block at APSAC Fort Road Rawalpindi	M/s Ahmad Zaka & Associates	4.691	➤ firm was hired on quotation basis without open competitive bidding process ➤ Standard bidding documents as per PEC direction were not utilized.
6	Design and Top Supervision “Construction of Soldier Block and Data Centre”	M/s Asad Rafiq & Architects	2.930	➤ firm was hired on quotation basis without open competitive bidding process ➤ Standard bidding documents as per PEC direction were not utilized.
	Review of Drawing, BOQ of Internal/ External Electrification and Supervision of Electricity related Works at MT Park NLC	➤ M/s Qazi Associates Electrical Consulting Engineers	1.200	➤ firm was hired on quotation basis without open competitive bidding process ➤ Standard bidding documents as per PEC direction were not utilized.
	Preparation / Submission of Design Book in IESCO for Electric Connection,	M/s Superstar Engineering Consultants	1.333	➤ firm was hired on quotation basis without open competitive bidding process

	Issuance of Demand Notice & Installation of Electric Connection/Energy Meter at MT Park NLC			➤ Standard bidding documents as per PEC direction were not utilized.
	Total		182.072	

Audit was of the view that NLC management granted undue favor to the consultants. Further, NLC had its own engineering wing and was self-sufficient in such kind of small consultancy of routine work.

The matter was reported to the management on January 11, 2023. The management in its reply dated 31.01.2023 stated that DG NLC was given only one year to complete the construction & shifting process of NLC HQ Office. It was decided to issue the tenders/ quotations to only those contractor/ consultants who were security wise cleared and had already worked with defence forces. Therefore, in the light of rule 14 “Exception” of PPRA and to avoid delay, tenders were issued to that contractor only and commenced the work immediately which was completed successfully. As regards King Hammad University, supervision firm was hired after bidding process and tenders were issued to 12 x firms. The consultancy contract was awarded to the firm after competition among these firms and after approval from OIC NLC being competent authority. NLC was working with multiple clients i.e. NHA, CDA, C&W, RDA, Pak PWD and Government of Gilgit Baltistan. All those departments had their own rules/ regulations, which were different from each other. To execute the project smoothly and to initiate and get approvals of submitted claims as per the client SOP, NLC hired consultancy services (where required) for assistance/ technical support to NLC by following all hiring procedure and got approvals of CFA as per NLC’s SOP. As regards, APSAC, the existing building was designed by M/s Ahmed Zaka & Associates, therefore, they were hired for Design Consultancy Services for construction of New Cambridge Block at APS Fort Rd Rwp, so as to keep outlook, design and theme on same pattern. The reply of the management was not tenable as the consultancy contracts were awarded in violation of rules in non-transparent manners.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain the reasons for awarding of consultancy contracts in non-transparent manner without advertisement, justify the position regarding non-using of standard bidding documents, explain the reasons for hiring

of consultant from market instead of utilizing of self-services in such a small and routine projects and investigate the matter and fix responsibility

(Based on Para-44, 46, 49, 50, 73 NLC, 2021-22)

7 Conclusion

During the course of audit of NLC, serious and frequent organization wide PPRA violations were noticed. These violations ranged from procurement of items to award of contracts. The practice of not publishing contracts on the official platform provided by PPRA were noticed in nearly all cases that were observed pertaining to PPRA violations.

In certain cases, NLC published advertisements for procurement of supplies or award of contracts independently in newspapers but on those occasions as well PPRA regulations were violated. In other cases, no advertisement of any sort was made.

It was also observed that in the award of contracts, NLC sometimes refers to their list of pre-qualified vendors selected as per internal criteria but as a matter of practice, those contracts only are shared with their list of vendors but are not advertised with pre-qualification as a condition in newspapers.

During discussion with representatives from NLC, it was observed that the entity on multiple occasions is of the stance that on most occasions they simply do not have enough time to follow PPRA Regulations but a closer scrutiny of timelines provided as record revealed that had the intent been there, NLC could have managed to uphold PPRA regulations. On certain occasions plea of natural disaster and pandemic were also taken by NLC which is not appropriate as per PPRA regulations as PPRA regulations comprehensively cover contracting in the event of a natural disaster or even pandemic.

All prima facie evidence provided during the course of this audit points towards serious breaches of PPRA regulations which in turn point towards either a generally held lax attitude in this regard or towards granting seemingly undue favors to contractors.

8 Department Response

In response to observations by audit, NLC for the most part offered their defense on any of the following grounds:

- Shortage of time
- Defense and security reasons
- Natural disaster or pandemic
- PPRA regulation were violated in favor of internally maintained lists of pre-qualified vendors.

9 Recommendations

After having covered extensive record as an audit exercise and after a series of discussions held with representatives of NLC, following recommendations are offered:

- A serious effort needs to be undertaken in NLC for sensitization on PPRA regulations.
- Contracts of all sorts need to be undertaken in such a fashion that there is time available for fulfillment of PPRA Regulations.
- Coordination needs to be undertaken with PPRA to ensure point of view of NLC is addressed and issue of breach of PPRA Regulations is addressed in future contracting.

ANNEXURE

Annex-1

MFDAC Paras

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

As a result of audit conducted during 2010-21, various types of financial irregularities and loss of public money etc. were detected and reported to the Ministries/Divisions and organizations concerned. The important irregularities/ loss and malpractices pertaining to various organizations have been printed in this report, while irregularities/ loss 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 Ministries/Divisions by the Directorates General, Commercial Audit and Evaluation.

S #	Title of Para	Rs. in million
	Aviation Division	
	Pakistan International Airlines	
1.	Refusal to production of Internal Audit Reports	-
2.	Over spending in excess of allocated budget – Rs.549,239.000 million	-
3.	Loss due to inordinate delay in purchase of Passenger Coaster/Bus	16.404
4.	Expected loss due to inadequacy in purchase of Lower Lube Loader	25.360
5.	Expected loss due to inefficiency in purchase of Baggage Belter	6.364
6.	Loss due to non-settlement of rejected/defective inventory	13.647
7.	Imprudent decision regarding extension of annual operation, maintenance & servicing contract for non-apron and city areas generators at Karachi airport	31.330
8.	Excess expenditure beyond approved budget	-
9.	Irregular award of contract without obtaining of performance guarantee	2.050
10.	Unjustified expenditure due to hiring of Daily Wages Staff	72.000
11.	Non-serviceability of catering vehicles hi-lifter causing delayed of flights	34.15
12.	Avoidable expenditure on procurement of travel kits	28.522
13.	Non-carrying physical verification of Fixed assets since last three years	78.649
14.	Irregular expenditure without budget – Rs.3,726.000	-
15.	Abnormal increase in trade debts - Rs.5,928.310	-
16.	Non-revised/updated Human Resource Manual	-
17.	Non- recovery of festival and welfare advances from employees	83.412
18.	Non-finalization of disciplinary case	-
19.	Loss due to short items of inventory	3.000

20.	Suspension of B-777 Component Support Program	20.000
21.	Loss due to payment of parking charges against third party Aircraft	16.068
22.	Loss due to under-utilization of aircrafts as per industry practice	500.000
23.	Loss due to purchase of unnecessary spare parts at exorbitant rates on priority basis	14.606
24.	Excess expenditure against allocated budget	65.174
25.	Irregular re-imbursement of medical bill	1.766
26.	Irregular re-imbursement of medical bill	1.296
27.	Irregular re-imbursement of medical bill	1.372
28.	Irregular re-imbursement of medical bill	1.904
29.	Irregular re-imbursement of medical bill	1.066
30.	Irregular payment made without approval of Committee	7.393
31.	Non-assessing of market value and non-disposal of unserviceable vehicles	-
32.	Non-awarding of contract to lowest bidder	332.860
33.	Loss due to award of contract to highest bidder	480.563
34.	Savings not surrendered well in time	123.652
35.	Irregular agreement on over estimations (Rs.19.496 million)	80.190
36.	Loss due to procurement and agreement of hotel on extra rates at Karachi	42.815
37.	Huge difference in Cockpit and Cabin Crew award of contract to same hotel	152.424
38.	Inefficient process of procurement	34.375
39.	Excessive fuel burned off than the planned liters- 2,384,659	-
40.	Un-Authorized fuel uplift by un-identified aircraft liters-21,302	-
41.	Loss due to flights delayed 6,583 numbers	-
42.	Loss of disputed amount on lopsided agreement for operations of the Hard Block Space Agreement – US\$ 8.460 million equivalent to Rs.1,692.000 million	-
43.	Redelivery of aircrafts to lessor	120.000
44.	Loss due to payment of additional allowances	21.948
45.	Irrational decision of tender committee causing scrapped of tender	-
46.	Irregular appointments in violation of provincial quota	-
	Skyrooms (Pvt.) Limited	
47.	Irregular award of Cable Services	0.297
48.	Loss of revenue due to incurring huge expenses	93.798
49.	Irregular and misuse of VSS by providing safe exit passage to Manager Purchase	-
50.	Irregular award of contract in violation of rules	2.347
51.	Un-necessary blockage of funds on account of Festival Allowance Payable	0.467
52.	Increase in total expenses as compared to previous year	29.500
53.	Non-existence of Internal Audit functions / department.	-
54.	Non-conducting of physical verification of fixed assets.	-
	Ministry of Commerce & Textile	
	National Insurance Company Limited	

55.	Loss due to short collection of premium from the insured	2.431
56.	Loss due to non-renting out of vacant space	48.983
57.	Major discrepancies found between gross and net written premium last five years	-
58.	Potential loss due to constant premium charge under Machinery breakdown sum assured	-
59.	Loss due to rent out the NIC House at lower rate	1.980
60.	Irregular allotment of vehicles with petrol and allowance	0.753
61.	Poor performance of Business Development Unit (BDU) despite heavy expenditure on salaries	-
62.	Mis-procurement in awarding contract of brass shields	0.689
63.	Non-recovery of outstanding dues	220.759
	Pakistan Re-insurance Company Limited	
64.	Loss on account of delayed settlement	3.163
65.	Non-Formulation of Updated Business Plan	-
66.	Non-pursuance of case for recovery of from Dada Bhoy Insurance Co.	4.600
67.	Non-filing suit against M/s. Crescent Star Insurance Company and M/s. PICIC Insurance Company for recovery	118.261
68.	Irregular appointment of Chief Executive Officer	-
	State Life Insurance Corporation of Pakistan	
69.	Un-authorized transfer of funds – Rs.1,680.000	
70.	Defective award of contracts of janitorial, security and human resource services	59.377
71.	Non-compliance of rule due to non-examinations of repudiation cases	8.036
72.	Irregular / unjustified procurement of security services through splitting contracts	16.289
73.	Irregular / un-justified settlement of death claim	5.243
74.	Irregular/Unjustified settlement of death claim	3.163
75.	Irregular / Unjustified acceptance of new policy	4.200
76.	Irregular repudiation of Death Claim	0.250
77.	Irregular / Unjustified acceptance of policy without due diligence	2.600
78.	Un-authorized occupancy of flat by ex-employee	3.719
	Trading Corporation of Pakistan (Pvt.) Limited	
79.	Loss due to imprudent investment in PIBs at low rate of interest	4,500.000
80.	Irregular/unjustified procurement of new vehicles during ban period	16.498
81.	Loss due to investment of funds on low rate of interest	22.930
82.	Non-verification of educational degrees/certificates of employees	16.779
83.	Non-transparent expenditure on travelling of officials	12.020
84.	Wasteful expenditure on non-operational unit	6.600
	Ministry of Defence Production	
	Karachi Shipyard and Engineering Works	
85.	Blockade of funds due to unnecessary purchase of store	14.257
86.	Irregular refund of amount disposal of Asbestos Sheet	1.800
87.	Unadjusted unsecured advances against suppliers /contractors	89.051
88.	Irregular promotion and absorption as Deputy General Manager (Admin)	2.160

	Pakistan Ordnance Factories	
89.	Non-conducting of audit of record pertaining to income and expenditure of CNE hospital fund - Rs 252.734 million (approx.)	252.734
	Wah Brass Mill	
90.	Suspected mis-utilization of Workers' Profit Participation Funds - Rs 73.342 million	73.342
	Finance Division	
	House Building Finance Company Limited	
91.	Financing due to missing title documents – Rs. 586.200	-
92.	Mis-procurement of Award of Contract	3.859
93.	Misuse of resources of the company by BoD for vehicles	23.326
94.	Wasteful expenditure on account of retainer-ship	5.708
95.	Loss due to payment of advance tax	3.504
96.	Loss due to Non-Utilization of plot	35.258
97.	Irregular / unjustified appointment of advocate	4.405
98.	Misuse of resources of the company by BoD in hiring of market based salaries despite adoption of government pay package	6.74
99.	Loss due to decline in market valuation of Treasury bill held under Available for Sale category	184.210
	National Bank of Pakistan	
100.	Non-resolving of suspicious transaction alerts	-
101.	Wasteful expenditure for employing on retainer ship basis	4.500
102.	Non-obtaining of CNICs in violation of SBP Regulations	-
103.	Significant internal control weaknesses in cash chest vault	
104.	Irregular maintenance of accounts on expired CNICs–Rs.1,165.702 million	
105.	Irregular debits in dormant pension accounts	-
106.	Loss due to maintenance of higher CRR–Rs.17,401 million	-
107.	Unrealized loss on forward foreign exchange contracts – Rs.7,276.900 million	-
108.	Receipt of excess fees by members of BoD	6.556
109.	Irregular holding of non-banking assets for more than seven years - Rs.3,968.329 million	-
	National Security Printing Corporation	
110.	Non-availability of SOP on MD and others' foreign visit approvals	-
111.	Procurement of Plywood sheets without proper storage arrangement	16.029
112.	Violation of rule due to announcement of technical evaluation report after opening of financial bids - US\$ 86,841	-
113.	Irregular simultaneous holding of posts company secretary and General Manager (Finance)	-
	Pakistan Security Printing Corporation	
114.	Irregular/unjustified work awarded by civil department of PSPC	8.500
115.	Non-posting of officers on key positions lying vacant since long	-
116.	Loss due to discontinue/incomplete work/job	29.786
117.	Non-completion of work by the contractor	17.964
118.	Irregular / un-justified purchase of new vehicles	5.338

119.	Loss due to cracking and scratching of Ultra-filtration ceramic membranes amounting to Euro 48,160 equivalent to Pak	9.336
120.	Loss due to purchase of security printing blanket	28.632
121.	Misuse of vehicles	12.00
122.	Irregular appointment of General Manager (Operations)	3.300
123.	Non-payment of Withholding Tax on salary amounting to	26.697
124.	Unjustified appointment in violation of regional quota	-
	State Bank of Pakistan	
125.	Irregular purchase of Toyota Hilux double cabin	5.920
126.	Irregular award of contract to M/s Reliance Engineering Services	7.04
127.	Unjustified expenditure on account of dislocation allowance	1.036
128.	Loss due to Missing of Asset	2.014
129.	Imprudent disposal of serviceable computers	5.077
130.	Non-Insurance of fixed Assets	-
131.	Manipulation in engineering cost	20.000
132.	Tendering in new agreement after expiry and over-estimated cost	260.00
133.	Non-reconciliation of Credit Guarantee Company (CGS) fund	-
134.	Irregular award of excess contracts and estimation than the Procurement Plan	248
135.	Non-obtaining of Performance guarantee	19.8
136.	Irregular expenses of 15% Contingency	124.516
137.	Irregular purchase of vehicles on duplicate registered numbers and non-transferring of vehicles on SBP name	25.540
	Zarai Taraqati Bank Limited	
138.	Loss due to idle payment to staff of worst performing branches of Quetta zone - Rs. 97.549 million	97.549
	Ministry of Federal Education and Professional Training	
	NFC Institute of Engineering and Fertilizer Research, Faisalabad	
139.	Wasteful expenditure on printing of prospectus and advertisement for admission on closing date of admission - Rs. 868,600	0.869
140.	Irregular expenditure on capital / civil work - Rs. 22.582 million	22.582
141.	Irregular allotment of official residence to employees	0
142.	Non-conducting physical verification of assets - Rs 45.750 million	45.750
143.	Loss of fee income due to non-achievement of admissions on allocated seats - Rs. 338.883 million	338.883
	Ministry of Industries & Production	
	Export Processing Zones Authority	
144.	Loss due to award of work in excess	1.868
145.	Loss due to late investment	8.750
146.	Loss of Profit on attachment of account	4.703
147.	Undue favour extended to the civil contractor	3.465
148.	Unjustified allocation of additional / current charges on shortage of officers' approved rationalized strength	-
149.	Irregular change of the cadre of employees	-
150.	Irregular investment of funds with commercial banks – Rs.1,050.00	
151.	Cost overrun in KEPZ Phase-III due to mismanagement	65.986

152.	Unauthorized appointment of External Auditors	-
153.	Non-compliance of recommendations of joint physical verification of EPZA & Customs in KEPZ	-
154.	Loss due to excess payment on corporate tax	44.885
155.	Wasteful expenditure incurred on salaries despite non-functioning of zones	6.322
156.	Irregular and unauthorized occupancy in the premises of KEPZ	117.860
157.	Loss of rental income due to non-renting out of KEPZ warehouses	109.147
158.	Loss due to theft of electromagnetic water meter	-
159.	Suspicious allegation for misusing the EPZ facility for clearance of Indian origin banned goods	-
160.	Non-refunding of Government grant	60.727
	Pakistan Industrial Development Corporation	
161.	Unjustified expenditure on non BOQ items in the Project of NFIP	30.823
162.	Loss on account of delayed investment in TDRs	1.500
163.	Loss due to closure of the Combined Effluent Treatment Plant project	12.098
164.	Non-execution of agreed work in the Project of NFIP	92.44
165.	Non-adjustment of advances	242.529
166.	Appointment of a Board of Director in conflict of interest	-
167.	Non-compliance of Corporate Governance Rules	-
168.	Loss due to non-disposal of unattractive stocks	5.68
169.	Payment of irregular salaries to employee involved in fraudulent activity	42.7
170.	Unauthorized holding of post of CFO despite DAC's directives	-
171.	Un-authorized clearance of IPCs for Extra work outside Approved BOQs	30.821
172.	Unjustified grant of bonus to employees	6.601
173.	Non-evaluation of Board's performance	8.327
	Pakistan Institute of Management	
174.	Executive of training programs and policies without the prior approval from the Board of Governors	-
	Pakistan Steel Mills Corporation (Pvt.) Limited	
175.	Un-Productive Expenditure Incurred On Hot Preservation Of Cob	362.833
176.	Non-Maintenance Of Fixed Asset Register & Physical Verification Report Of Fixed Assets Audited	-
177.	Irregular Continuation Of Services Of Officers Beyond The Age Superannuation	12.804
178.	Loss due to mutated land acquired form Government & Private Owners.	-
179.	Non Preparation Of Annual Accounts Of Hadeed Welfare Trust.	-
180.	Loss due to non-rented out vacant space at township	135.096
181.	Non-Payment of EOBI Pension/Benefits To The Retired Employees Of PSM.	-
182.	Wasteful expenditure on newspapers	1.930
183.	Loss due to non-execution of lease with NTDC	-
184.	Non-deposit of monthly contribution into worker welfare funds	10.373
	National Fertilizer Corporation (Pvt.) Limited	
185.	Unjustified and wasteful expenditure on maintenance of NFC Branch	7.441

	Office, Islamabad - Rs. 7.441 million	
186.	Loss due to payment of office rent in presence of own building – Rs 30.972 million	30.972
187.	Loss on account of disposal of subsidiaries without any compensation and liquidation of associated companies – 45.00 million	45.00
188.	Loss due to transfer of Shares of IFC without any compensation – Rs 269.140 million	269.140
189.	Non-implementation of Cabinet Division Decision regarding merger of NFML – Rs 7.00 million	7.00
190.	Pending inquiries in NAB regarding privatization of Pak Arab and Pak American Fertilizer – Rs 30.235 billion	30,235
	Pakistan Stone Development Company	
191.	Loss to PASDEC due to delay in repair of the excavator in time - Rs. 0.827 million	0.827
192.	Non-achievement of PC-1 targets due to poor performance - Rs. 2,276.88 million	2,276.88
193.	Non-recovery of long outstanding trade debts from contractors - Rs. 90.128 million	90.128
194.	Wasteful expenditure due to non-energizing of tube wells and water supply system of Risalpur Marble City Project - Rs. 81.064 million	81.064
195.	Non-payment of services tax by PASDEC - Rs. 25.869 million	25.869
196.	Non-surrender of the funds of CIPK to the government - Rs. 275.257 million and loss due to non-investment of funds	275.257
197.	Illegal payment of services tax by PASDEC on behalf of contractors - Rs. 4.273 million	4.273
198.	Non-recovery of consultancy fee from joint venture partners and deletion of consultancy clause in addendum to favour contractors - Rs.4.695 million	4.695
199.	Irregular payment of advances - Rs. 5.960 million	5.960
200.	Loss due to non-utilization of dormant / parked machinery -Rs. 241.946 million	241.946
201.	Improper budgeting and non-achievement of receipts targets - Rs. 492.607 million	492.607
	Ministry of National Health Services Regulation and Coordination	
	National Institute of Health Biological Production Division	
202.	Over charging to Government by applying incorrect exchange rate Excess receipt beyond agreed rate – Rs 13.761 million and less receipt Rs 5.466 million by applying incorrect dollar rate	19.227
	Ministry of Information, Broadcasting and National History & Literary, Heritage Division	
	Pakistan Broadcasting Corporation	
203.	Non-recovery of liquidated damages from suppliers - Rs 780,016	0.780
204.	Over payment of hiring facility to deputationist - Rs 0.409 million	0.409
	Ministry of Interior	
	NADRA	
205.	Irregular award of work due to ambiguous evaluation criteria -	81.906

	Rs 81.906 million	
206.	Loss due to irregular award of contract to second lowest bidder – Rs 6.933 million	6.933
207.	Irregular award of work without revised administrative approval - Rs 5.999 million	5.999
208.	Loss due to non-obtaining of performance guarantee - Rs 1.211 million	1.211
209.	Un-authorized appointment of external auditors - Rs 2.900 million	2.900
210.	Irregular Purchase of Paper Reams Rs. 52.290 Million	52.290
211.	Non-awarding of work to the lowest bidder resulting in loss - Rs. 1.999 million	1.999
212.	Irregular splitting of work to avoid approval of the higher Authority - Rs 50.841 million	50.841
213.	Irregular Procurement of Goods/Services - Rs. 4.948 million	4.948
214.	Non-completion of Inquiry about serious data leakage	0
215.	Un-authorized kept of deposits of huge working balance in current account and cash in hand Rs. 759.359 million and Rs 835.188 million	1,594.547
216.	Non-conducting of board meetings of the Authority	0
217.	Irregular expenditure on advertisement without routing through Pakistan Information Department – Rs 88.700 million	88.700
218.	Non-preparation of fixed assets registers resulting into its non-reconciliation - Rs. 10,869.764 million	10,869.764
219.	Non-conducting annual physical verification of fixed assets and Stores Spares and Inventory - Rs. 12,181.518 million	12,181.518
220.	Issuance of National Identity Cards (CNIC) to Afghan Family	0
221.	Huge short-fall in project revenue - Rs. 9,279.930 million	9,279.930
222.	Non-inclusion of Performance Guarantee clause - Rs 0.42 million Loss to entity due to award of contract at higher price - Rs. 2.330 million	2.75
223.	Irregular award of contract for purchase of spare parts Xeros D-95 - Rs. 6.612 million	6.612
224.	Irregular appointment on post of Assistant Manager and System Engineer	0
225.	Irregular payment on account of House Rent Ceiling without proper rent assessment certificate - Rs 1,076.685 million	1,076.685
226.	Irregular award of courier Services contract - Rs 1,053.958 million	1,053.958
227.	Unjustified delay caused cost overrun of - Rs 305.682 million	305.682
228.	Non-production of record	0
	Ministry of Maritime Affairs	
	Gwadar Port Authority	
229.	Non-formation of Board Committees	-
230.	Inordinate delay in Certification of Annual Accounts	-
231.	Non-posting of officers on key positions lying vacant since long	-
232.	Encroachment of GPA land	108.429
233.	Irregular award of contract	298.00
	Korangi Fisheries Harbour Authority	
234.	Non-conduction of Board meetings	-
235.	Non preparation of proper Fixed Assets Register and physical	-

	verification of Fixed Assets.	
236.	Non-floating / hoisting of Procurement Plan on PPRA website	20.176
237.	Non-closure of dormant accounts	-
238.	Irregular / unjustified payment of overtime allowance	1.254
239.	Irregular / unjustified grant of CPF Loan	2.075
240.	Irregular / unjustified grant of Welfare Loan	2.811
241.	Loss of rental income due to non-utilization of plots	2.875
	Pakistan National Shipping Corporation	
242.	Decrease in profits of PNSC subsidiaries – Rs.1,847.995	-
243.	Bank balances lying in dormant accounts	3.318
244.	Irregular hiring of advocates / counsels	6.30
245.	Irregular appointment of consultant firm without tender	28.532
246.	Irregular procurement of spares/items for KPT Vessels	7.051
247.	Irregular appointments due to non-observance of quota in recruitment	10.840
248.	Operational losses by PNSC subsidiary companies	45.556
	Port Qasim Authority	
249.	Loss due to mis-management of LNG Tug	350.775
250.	Irregular payment of donations	60.000
251.	Non-approved PQA Master Plan from Federal Government	-
252.	Irregular award of contract to non-responsive bidder –Rs.2,176.766	-
253.	Loss due to violation of PQA Act, 1973	300.00
	Ministry of National Food Security and Research	
	PASSCO	
254.	Loss to government exchequer due to excess consumption of Jute bags for imported wheat - Rs 325.839 million	325.839
255.	Loss to government exchequer due to excess charging of transportation cost on wheat to government agencies - Rs. 420.146 million	420.146
256.	Excess charging of cost on imported wheat World Food Program (WFP) - Rs. 156.811 million	156.811
257.	Non-deduction of Income tax from employees on entitled vehicles and perquisites - Rs. 4.616 million	4.616
258.	Irregular award of contract for printing of bags for donated wheat to Afghanistan - Rs. 6.955 million Wasteful expenditures on printing of jute bags due to non-utilization - Rs. 6.058 million	13.013
259.	Loss to government exchequer due to excess billing on donated wheat to Afghanistan - Rs. 42.628 million	42.628
260.	Loss due to transportation of jute bags to godowns instead of Port - Rs. 12.149 million	12.149
261.	Loss to government exchequer on account of excess purchase of Gunji Kits and Polythene due to non-utilization of Silos and Godowns- Rs. 134.109 million	134.109
262.	Unnecessary retention of 45-vehicles in excess than the entitled officers and incurred annual expenditures - Rs. 8.100 million	8.100
263.	Irregular payment of bonus to staff of Ministry and consultants – Rs. 1.430 million	1.877

	Irregular payment of special pay to Consultant - Rs. 0.447 million	
264.	Irregular appointment of Managing Director and payment of deputation allowance, special conveyance allowance and utility bills - Rs. 4.288 million	4.288
	Ministry of Planning, Development and Special Initiatives	
	National Logistics Cell	
265.	Irregular appointment of officers on contract basis and payment of pay & allowances - Rs 73.608 million	73.608
266.	Irregular payment due to execution of work in excess of BOQ quantities – Rs 112.529 million	112.529
267.	Overpayment to JV Partner in excess of proportionate share – Rs 52.521 million	52.521
268.	Non-recovery of rent of NLC plant and equipment issued to contractor - Rs 8.908 million	8.908
269.	Irregular award of Consultancy Service in violation of PPRA - Rs 724.112 million and overpayment to Design, Supervisory and Management Consultant Rs – 320.200 million	1,044.312
270.	Irregular expenditure due to purchase of vehicles during ban period - Rs 376.756 million	376.756
271.	Loss due to auction of vehicles/workshop machinery and store items below reserved price - Rs 9.009 million	9.009
272.	Irregular investment of funds in TDR – Rs. 500 million	500
273.	Irregular appointment of Security Guards - Rs. 4.299 million	4.299
274.	Unauthentic / unverified payment of donations - Rs. 14.940 million	14.940
275.	Loss due to uneconomical operation of Wagha Border Terminal - Rs. 60.65 million	60.65
276.	Irregular award of inauguration ceremony arrangement in violation of PPRA Rules - Rs 4.084 million	4.084
277.	Irregular payment of compensation to land owners and non-recovery from FBR - Rs 51.017 million	51.017
278.	Non-recovery of huge pending amount from Pakistan Railway - Rs. 1,522.895 million	1,522.895
279.	Non-recovery of expenditure from the work contractor incurred by NLC on additional work - Rs 6.685 million	6.685
	Ministry of Science & Technology	
	Pakistan Science Foundation	
280.	Irregular payment due to retention of officer beyond the age of superannuation Rs. 946,430	
	Thematic Audit	
	Trading Corporation of Pakistan	
281.	Huge losses on account of sales	63,071.33
282.	Non-recovery of outstanding dues	18,563.516
283.	Non-operational unit (Gwadar regional office) of TCP	-
284.	Huge number of pending legal cases shifted to TCP during mergers	4,429.274
285.	Unjustified delays in procurement process on account of selection of Bidders	-

MFDAC (Performance and Special Audit Reports

S.#	Financial Year Audited	Title of Para	Rs. in million
		Cabinet Division	
		Printing Corporation of Pakistan PCP CP Fund PAR	
1	2011-20	Irregular excess payment by the employer to the provident fund trust Rs. 3.960 million	3.960
2	2011-20	Improper functioning of the board of trustees	0
3	2011-20	Irregular creation of CP fund liability of employees- Rs.103.116 million	103.116
4	2011-20	Irregular retention and non-adjustment of the deductions made from the employee's final payments Rs. 5.449 million	5.449
5	2011-20	Non- conducting of actuarial valuation of CP fund liability	0
6	2011-20	Unauthorized payment of gratuity in addition to contributory provident fund (CPF) to the PCP employees Rs.222.634 million	222.634
7	2011-20	Non- submission of financial information of the CP fund trust to the security and exchange commission of Pakistan	0
8	2011-20	Non- maintenance of advance register and ledgers- Rs. 46.76 million	46.76
9	2011-20	Improper maintenance of cash book	0
10	2011-20	Unauthentic expenditure by Islamabad press due to mixing of two separate bank accounts in one bank book	0
11		PTDC PAR	
12	2011-18	Appointment of Managing Directors against laid down procedure resulted into inconsistent development policies	0
13	2011-18	Expenditure incurred on pay & allowances vs sales	
14	2011-18	Irregular appointment of Managing Director II. Illegal/un-authorized utilization of vehicles and expenditure incurred on repair & maintenance - Rs 3.732 million	3.732
15	2011-18	Non-recovery/adjustment of long outstanding advances – Rs 4.168 million.	4.168
16	2011-18	Non-Completion of the Project since long	0
17	2011-18	Irregular award of civil work over & above the allowable limit of PC-I cost-Rs. 24.870 million	24.870
18	2011-18	Unauthorized expenditure of Rs. 1.9 million and non-completion of the project since long ii. Non-surrender of leftover PSDP funds and its unauthorized utilization-Rs. 2.972 million	4.872
19	2011-18	Unauthorized expenditure of Rs 1.19 million ii. Non-surrender of leftover PSDP funds - Rs 3.82 million	5.01
20	2011-18	Unauthorized expenditure of Rs. 1.9 million and non-completion of the project since long ii. Non-surrender of leftover PSDP funds and its unauthorized utilization-Rs. 2.234 million	4.134
21	2011-18	Unauthorized expenditure of Rs 1.9 million	4.872

		ii. Non-surrender of leftover PSDP funds and its unauthorized utilization - Rs 2.972 million	
22	2011-18	Un-authorized expenditure over & above the PC-I cost- Rs 4.490 million ii. Non-surrender of unspent PSDP grant and its un-authorized utilization- Rs 4.697 million	9.187
23	2011-18	Loss due to non-completion of project and unauthorized possession of land by Tourism Department, AJK- Rs 4.376 million ii. Un-authorized utilization of unspent PSDP grant- Rs 4.306 million	8.682
24	2011-18	Non-imposition of penalty on the defaulter contractor	0
25	2011-18	Fruitless expenditure due to non-utilization of Motel at Hawks Bay, Karachi - Rs 35.243 million ii. Loss of revenue income due to non-utilization of Motel-Rs. 139.736 million	174.979
26	2011-18	Loss due to unauthorized possession of Motel by District Govt. Authorities - 121.196 million.	121.196
27	2011-18	Unauthorized grant of sub-lease of road side facility resulting loss to the Corporation - Rs. 2.386 million II. Expected loss on account of imposition of penalty against breach of lease agreement - Rs. 15.656 million	18.042
28	2011-18	Illegal/unauthorized grant of lease of PTDC Motel to a private party - Rs 40.54 million.	40.54
29	2011-18	Imprudent decision regarding establishment of PTDC Motel at Pak Afghan Border- Rs. 7.681 million ii. Loss due to unauthorized occupation of Motel by 24 Baluch Regiment and non-payment of electricity bills- Rs. 0.373 million	8.054
30	2011-18	Non-utilization of land since purchase worth millions of rupees	0
31	2011-18	Non-utilization of land at Zaragrandeh, Chitral purchased for construction of hotel.	0
32	2011-18	Non-achievement of objectives due to non-operations of motel Rs 903.386 million.	903.386
33	2011-18	Revenue loss due to non-maintenance of revenue room of motels - Rs 41.800 million.	41.800
34		Ministry of Commerce & Textile	
35		Pakistan Expo Centers (Pvt.) Limited, PAR Expo Lahore	
36	2012-17	Mis-presentation of Current Account Bank Balances as Saving Account in Annual Accounts - Rs. 200.016 million Loss of Markup Income due to Irregular Placement of Funds in Current Account - Rs. 2.973 million	202.989
37	2012-17	(a) Excess payment to security staff per annum – Rs. 4.577 million (b) Undue benefit in addition to salary beyond contract appointment - Rs. 3.93 million	8.507
38	2012-17	Unjustified expenditures on repair of vehicles - Rs 4.229 million	4.229
39	2012-17	Irregular procurement of material/ store through splitting of	177.519

		orders - Rs. 177.519 million	
40	2012-17	Undue financial benefit to the contractor due to non-revalidation of performance guarantee during defects liability period - Rs 10.90 million	10.90
41	2012-17	Un-authorized and irregular expenditure incurred over and above approved budget - Rs. 27.943 million	27.943
42	2012-17	Weak position of assets and liabilities due to imprudent working capital management	0
43	2012-17	Non-existence of internal controls	0
44	2012-17	Excess payment made to officers during tour to other cities on account of accommodation - Rs. 3.204 million	3.204
45	2012-17	Irregular payment to contractor due to non-preparation of measurement book to certify the BOQ and IPCs - Rs. 274.657 million	274.657
46	2012-17	Non-Preparation of Financial Manual of the Company	0
47		Finance Division	
48		Kissan Support Services Pvt. Ltd SAR	
49	2016-20	Irregular appointment of legal advisors/consultants - Rs 2.315 million	2.315
50	2016-20	Loss to the public exchequer due to hiring of private insurance company –Rs 1.260million	1.260
51	2016-20	Irregular expenditure on advertisement - Rs 0.851 million	0.851
52	2016-20	Irregular appointment of chartered accountant firms -Rs 1.745 million	1.745
53	2016-20	Non-compliance of Public Sector Companies (Corporate Governance) Rules	0
54	2016-20	Non-uploading of annual accounts and minutes of BoD meetings on KSSL's website	0
55	2016-20	Non-conduction of Physical Verification of Assets –Rs 11.212 million	11.212
56		Ministry of Energy (Power Division)	
57		NESPAK	
58	2014-18	Non-calculation of idle hours of staff - Rs 285.23 million	285.23
59		Ministry of Information, Broadcasting And National History & Literary, Heritage Division	
60		PTV Bolan SAR	
61	2013-18	Establishment of PTV Bolan Channel without approval from competent authority - Rs.188.236 million	188.236
62	2013-18	Non-achievement of advertisement income targets since inception of operations - Rs.33.294 million	33.294
63	2013-18	Heavy operational losses due to weak operational management - Rs.137.842 million	137.842
64	2013-18	Likely embezzlement due to non-provision of record/vouchers relating to Operations& Maintenance Expenditure booked for PTV Bolan Channel - Rs.96.291 million.	96.291
65	2013-18	Overpayment due to incorrect application of programme fees	0

		worth millions of Rupees	
66	2013-18	Mis-procurement due to non-floating of annual requirements - Rs.2.020 million	2.020
67	2013-18	Non-conducting of internal audit during the last five years due to lack of audit planning	0
68	2013-18	Non-recovery of advertising income from various parties - Rs. 50.353 million	50.353
69	2013-18	Non-production of record	0
70	2013-18	Excess expenditure incurred due to wrong booking of O&M expenses against approved budget - Rs.98.319 million	98.319
71	2013-18	Irregular appointment of Resource Persons and payment of - Rs.3.492 million	3.492
72	2013-18	Unjustified appointment and subsequent promotion - Rs. 0.732 million	0.732
73	2013-18	Recurring annual loss due to payment of salaries to Producers without performing any work - Rs. 63.488 million	63.488
74	2013-18	Irregular engagement of Anchorperson / Compare in morning show without competition / advertisement - Rs. 2.355 million	2.355
75		Ministry of Interior	
76		NADRA (IS Audit)	
77	2015-16	Non-appointment of Chief Information Security Officer (CISO)	0
78	2015-16	Non-availability of IT annual plans	0
79	2015-16	Non-maintenance of Sanctioned strength of IT sections/departments	0
80	2015-16	Non-availability of internal Service Level Agreements (SLAs)	0
81	2015-16	Non-availability of standard reporting hierarchy	0
82	2015-16	Non-maintaining logs by software development department	0
83	2015-16	Non-availability of (software) change documentation procedures in place	0
84	2015-16	Non-compilation of incident handling reports (IT operations)	0
85	2015-16	Non-maintaining of off-line data backup	0
86	2015-16	High business risk due to non-conducting of emergency drills	0
87	2015-16	Non-establishment of backup of NIS data center	0
88	2015-16	Non-installation of fire resistant doors at the data center	0
89	2015-16	Data security risk due to two multiple entry points to the data center	0
90	2015-16	Non-conducting supervisory review of user access logs of data center	0
91	2015-16	Risk of un-authorized system access due to dynamic allocation of IP addresses to NIS users	0
92	2015-16	Non-obtaining ISO 27001 certification for key IT departments/units	0
93	2015-16	Deficiencies in implementation of ISO 27001 standards	0
94	2015-16	Weak user access control at the data center	0
95	2015-16	Absence of supervisory check on one widow operations	0

96	2015-16	Weak data processing controls due to non-verification of data entered by OIC	0
97	2015-16	Non-inclusion of designation as a mandatory field in NIS application	0
98	2015-16	Non-configuration of date and reference fields in NIS application reports	0
99	2015-16	Non-implementation of user policy on NIS application	0
100	2015-16	Unsatisfactory software development practices	0
101	2015-16	Weak registration policy (Application control)	0
102	2015-16	Weak internal controls over handling of "Under Verification" cases (MFDAC)	0
103	2015-16	Non-production of record	0
104	2015-16	Ministry of National Food Security and Research	
105	2015-16	PASSCO SAR	
106	2015-16	Unjustified recognition of moisture gain as income of PASSCO - Rs. 853.538 million	853.538
107	2015-16	Loss due to wrong fixation of responsibility - Rs. 1.320 million	1.320
108	2015-16	Non-with holding of Sales Tax from Jute Mills - Rs. 1,262.725 million	1,262.725
109		Ministry of Science and Technology	
110		Pakistan Science Foundation	
111	2021-22	Irregular expenditure over and above the PC-I approved cost - Rs 0.130 million	0.130
112	2021-22	Un-authorized expenditure on renovation/partitioning of office building – Rs 0.852 million	0.852
113		STEDEC Technology Commercialization Corporation of Pakistan (Private) Limited SAR	
114	2014-18	Blockage of funds due to un-necessary purchase of raw material- Rs. 4.260 million	4.260
115	2014-18	Loss due to abnormal increase in cost of Methyle Eugeonal - Rs. 13.183 million	13.183
116	2014-18	Loss due to significant decrease in production - Rs. 8.696 million	8.696
117	2014-18	Loss due to wastage and expiry of finished goods - Rs. 1.415 million	1.415
118	2014-18	Recurring loss due to non-rehabilitation of plant - Rs. 6.626 million	6.626
119	2014-18	Irregular charging of plant wages to trading product (AP Tablets) - Rs. 9.164 million	9.164
120	2014-18	Sale of products above the credit limit - Rs. 11.117 million	11.117
121	2014-18	Non-recovery of sales from M/s NEDEC, Peshawar - Rs. 2.845 million	2.845
122	2014-18	Undue benefit granted to M/s Vantage Chemicals due to sale of AP Tablets at lesser rate - Rs. 2.213 million	2.213
123	2014-18	Unjustified retention of workers at plant - Rs. 6.100 million	6.100
124	2014-18	Appointment of officers and officials without advertisement -	1.026

		Rs. 1.026 million	
125	2014-18	Appointment of officers by ignoring eligible candidates	0
126	2014-18	Irregular and unjustified retention of agriculture engineer - Rs. 0.260 million	0.260
127	2014-18	Non-verification of the degrees/certificate of employees	0
128	2014-18	Un-justified/ wasteful expenditure due to non-achievement of objectives of the company - Rs. 25.782 million	25.782
129	2014-18	Illegal composition of Members of BoDs	0
130	2014-18	Non-holding of BoD meetings as per requirement of Public Sector Companies (Corporate Governance) Rules 2013	0
131	2014-18	Weak internal control over production, cost of production, sale and in fixing of sale price of products	0

Annex-2

Non-submission of Audited Accounts

Annual audited accounts of Public Sector Enterprises for the year 2021-22, were required to be submitted to the Directorates General of Commercial Audit and Evaluation, Islamabad by December 31, 2022. 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:

S#	Name of Ministry/Division/Organization	Year of Accounts
Aviation Division (Cabinet Secretariat)		
1.	Skyrooms (Pvt.) Limited	2013 to 2020
Cabinet Division		
2.	Printing Corporation of Pakistan (Pvt.) Limited	2020-21 & 2021-22
3.	Islamabad Employees Social Security Institution	2018-19 to 2021-22
4.	Pakistan Tourism Development Corporation	2021-22
5.	Associated Hotels of Pakistan Limited	2019-20-2021-22
6.	Pakistan Tours (Pvt.) Limited	2020-21-2021-22
Ministry of Commerce & Textile		
7.	Natioal Insurance Company Limited	2018-2021
8.	Pakistan Expo Centers (Pvt.) Limited	2020-21 & 2021-22
9.	Pakistan Horticulture Development and Export Company (PHDEC)	2017-18 to 2021-22
Ministry of Defence Production		
10.	Wah Nobel (Pvt.) Limited	2021-22
Finance Division		
11.	SME Leasing Company	2018-19 to 2021-22
12.	Pak China Investment Company	2018-19-2021-22
13.	Saudi Pak Agriculture and Investment Company	2018-19-2021-22
Ministry of Energy (Power Division)		
14.	National Engineering Services Pakistan (Pvt.) Ltd	2019-20 to 2021-22
Ministry of Federal Education and Professional Training		
15.	NFC Institute of Engineering & Fertilizer Research (Pvt.) Ltd. Faisalabad	2019-20-2021-22
16.	National Book Foundation	2021-22
17.	National Endowment Scholarships for Talent (NEST)	2019-20-2021-22

Ministry of Industries & Production		
18.	Export Processing Zones Authority	2010-11 to 2021-22
19.	Pakistan Institute of Management	2012-13 to 2021-22
20.	Pakistan Steel Mills	2020-21 to 2021-22
21.	Furniture Pakistan (Pvt.) Limited	2019-20-2021-22
22.	Industry Facilitation Centre (Pvt.) Limited	2017-18-2021-22
23.	National Fertilizer Marketing (Pvt.) Ltd.	2018-19-2021-22
24.	Pakistan Engineering Company Limited	2017-18-2021-22
25.	Pakistan Hunting and Sporting Arms Development Company	2019-20-2021-22
26.	Small and Medium Enterprise Development Authority (SMEDA) & its allied projects.	2020-21 & 2021-22
27.	Utility Stores Corporation of Pakistan (Pvt.) Limited	2020-21-2021-22
28.	Aik Hunar Aik Nagar (AHAN)	2017-18-2021-22
Ministry of Information, Broadcasting and National History & Literary, Heritage Division		
29.	Associated Press of Pakistan Corporation	2013-14-2021-22
30.	Pakistan Broadcasting Corporation	2019-20-2021-22
31.	Pakistan Television Corporation Limited	2019-20-2021-22
32.	Shalimar Recording and Broadcasting Company limited	2019-20-2021-22
Ministry of Interior		
33.	National Database & Registration Authority (NADRA)	2021-22
Ministry of Maritime Affairs		
34.	Gwadar Port Authority	1986-87 to 2021-22
35.	Korangi Fisheries Harbour Authority	2015-16 & 2021-22
36.	Port Qasim Authority	2006-07 to 2021-22
Ministry of National Food Security And Research		
37.	Livestock and Dairy Development Board	2018-19-2021-22
38.	Agribusiness Support Fund	2017-18-2021-22
Ministry of Housing & Works		
39.	Pakistan Environmental Planning & Architectural Consultant (Pvt.) Limited	2020-21-2021-22
Ministry of Science and Technology		
40.	Pakistan Science Foundation	2017-18-2021-22
41.	STEDEC Technology Commercialization Corporation of Pakistan (Private) Limited	2020-21-2021-22
42.	Pakistan Scientific & Technological Information Centre	2017-18-2021-22
43.	Pakistan Museum of Natural History	2017-18-2021-22
Ministry of National Health Services Regulation and Coordination		
44.	National Institute of Health Biological Production Division	2018-19-2021-22
Pakistan Institute for Parliamentary Services (PIPS)		
45.	Pakistan Institute for Parliamentary Services (PIPS)	2018-19-2021-22

46.	Chairman SUPARCO	
47.	Institute of Space Technology	2021-22
Ministry of Planning Development & Special Initiative		
48.	National Logistic Cell	2021-22

Annex-3

Organizations under liquidation / closed

The under-mentioned Corporations/Units have closed their operational activities. In some cases decision about their privatization/liquidation has already been taken but implementation of the same was awaited.

S. No.	Name of Ministry/Division/Organization	Status/Remarks
AVIATION DIVISION (CABINET DIVISION)		
Pakistan International Airlines Corporation		
1	Midway House (Pvt.) Limited	Business closed since 2000; however, liquidation is still in process.
CABINET DIVISION		
Pakistan Tourism Development Corporation		
2	PTDC Motels South (Pvt.) Limited	Operational activities closed since 1990
3	Malam Jabba Resorts Limited	Operational activities closed since May 2008
4	Associated Hotel of Pakistan Limited	Operation closed since long
FINANCE DIVISION		
5	Agricultural Marketing and Storage (Pvt.) Ltd.	Under liquidation since 1993
6	Federal Bank for Co-operatives	Under liquidation since 2002
Pakistan Automobile Corporation Limited		
7	Pakistan Motorcar Company (Pvt.) Limited	Operation closed since 1992; however, liquidation is still in process.
8	Republic Motors (Pvt.) Limited	Operation closed since 1986; however, liquidation is still in process.
State Cement Corporation of Pakistan (Pvt.) Limited		
9	Associated Cement Limited, Rohri	Operation closed since 1998. The Company was placed under liquidation on June 28, 2005, which is still in process.
Planning Division		
10	National Construction Company of Pakistan Limited	Under Liquidation Since September, 1990

Annex-4

Recoveries made at the instance of Audit

During the year 2022-23, audit of the accounts for the year 2021-22 of Public Sector Enterprises of Federal Government was conducted and results thereof, pinpointing various types of financial irregularities and loss of public money, etc. were communicated to administrative Ministries / Divisions and Organizations concerned in the shape of Audit Inspection Reports and Audit Paras.

In certain cases, the concerned formations while accepting the loss / irregularities pointed out by Audit, made recoveries to the tune of Rs. 32,251.660 million at the instance / pursuance of audit as detailed below:

S#	Name of Ministry/ Division/ organization	Brief Particulars of Recoveries	Amount recovered at the instance of audit
Aviation Division			
1.	PIAC	Non-deposit of income tax into Govt: treasury Rs.165.650 million	165.650
2.	PIAC	Non-deposit of federal excise duty into Govt treasury Rs 2757.569 million	2,757.569
3.	PIAC	Non-recovery of dues from cargo agents Rs 264.924 million	112.812
4.	Sky Rooms	Non-recovery of outstanding dues from creditors Rs 59.319 million	41.874
5.	Sky Rooms	Non-recovery of outstanding dues Rs. 43.458 million	41.172
Cabinet Division			
6.	PCP	Audit Comments on Financial Statement	8.164
Ministry of Commerce & Textiles			
7.	PRCL	Non-pursuance of under litigation case of zakat refund Rs 113.721 million	113.721
8.	PRCL	Non-recovery of amount due from NICL and other insurers Rs 15,442.000 million	1,570.814
9.	SLIC	Loss due to encroachment of land Rs 2795.810 million	41.117
M/o Trade Development Authority			
10.	(PHDEC)	Misuse of public funds by Chief Executive Officer - Rs 6.751 million	4.458
Ministry of Defence Production			
11.	KS&EW	Increase in trade debtors Rs 463.00 million	463.000
12.	KS&EW	Non-recovery of ship repairs charges Rs.158.300 million	158.300
13.	POF	Non-recovery of Risk and Cost amount from defaulting supplier 3.45 million	3.004
14.	POF	Loss of foreign exchange due to import of pistol B6 and	62.00

		Short guns by POF Rs. 386.91 million	
Finance Division			
15.	ZTBL	Loss due to non-recovery of embezzled amount - Rs 37.957 million	12.987
16.	ZTBL	Loss due to time barred loan cases - Rs 26.871 million	6.027
17.	ZTBL	Loss due to non-recovery of loan granted against defective security and disbursement of loan on fake thumb impressions - Rs 10.328 million	2.168
18.	NSPC	Non-recovery of trade receivables from various customers Rs.584.10 million	581.100
19.	SBP	Non-recovery of outstanding loans from the dismissed/terminated officer of grade 1-11 Rs 2.298 million	1.931
20.	HBFC	Avoidable expenditure on A/C of make shift arrangements of Add. charges (GM) OPT to outstanding (GM) Rs 182,223	0.182
21.	HBFC	Stuckup loan due to non-recovery of loan from defaulters Rs 74.57 million	0.630
22.	HBFC	Non-recovery of loans from defaulters Rs 8.166 million	0.419
23.	HBFC	Non-recovery of decreed amount of Rs 100.032 million	3.200
24.	HBFC	Non-recovery from defaulters under various schemes Rs 27.556 million	9.520
25.	HBFC	Non-recovery of housing loans from the defaulters Rs 6.404 million	5.241
26.	HBFC	Non-recovery of default amount from various clients against loans Rs 3,293.985 million	462.000
Ministry of Energy (Power Division)			
27.	NESPAK	Loss due to non-receipt of consultancy fee from clients - Rs 223.048 million	4.886
28.	NESPAK	Non recovery of retention money and earnest money - Rs 21.983 million	10.148
29.	NESPAK	Loss due to non-receipt of consultancy fee from clients - Rs 223.048 million	87.189
M/o Federal Education & Professional Training			
30.	NFC Faisalabad	Non-recovery of incentive paid in advance from executives – Rs.706,466	65.00
Ministry of Industries & Production			
31.	PIDC	Non recovery of the rent from unauthorized occupants of the bath island Flat Rs 1.127 million	0.836
32.	EPZA	Non completion of the project worth US\$ 0.725 million and non-recovery of penalty US\$ 0.270 million (RS. 23.00 million)	1.410
33.	EPZA	Non-recovery of annual ground rent (AGR) from various parties US\$ 327,472 (Rs.53.705 million)	15.390

34.	EPZA	Non-recovery of electricity charges from defaulting parties US\$ 35,248.19 (Rs.5.781 million)	5.046
35.	PSM	Non-recovery of Miscellaneous receivables from different parties Rs.552.48 million	110.745
36.	EPZA	Non-recovery from various companies Rs 34.189 million	32.298
37.	PSM	Non-recovery of water supply charges Rs 119.945 million	4.295
38.	PSM	Non-recovery of rent from tenant Rs 64.019 million	8.987
39.	NIPD&MC	Non-recovery from various companies Rs 362.354 million	362.000
40.	USC	Loss due to non-recovery/adjustment of returned stock - Rs 23.896 million	0.336
M/o Interior			
41.	NADRA	Non-recovery on account of provision of ERT System - Rs 130 million Loss on the execution of the RTS project - Rs 4.058 million	151.373
42.	NADRA	Loss due to non-recovery of dues from BISP on account of NSER Services - Rs 122.00 million	136.510
43.	NADRA	Non-recovery on account of Computerized Arms license System - Rs 113.821 million	242.930
Ministry of Maritime Affairs			
44.	PQA	Non-recovery of peripheral development charges (PDC) and land rent from an allottees Rs.174.858 million	400.402
45.	PQA	Non-recovery of dues against plot of PROGAS project Rs. 17.637 million	46.887
46.	GPA	Non-recovery of fishing handling charges Rs 4.576 million	4.576
47.	PNSC	Trade debtors increased substantially from Rs 462.272 million of preceding year to Rs. 654.580 million during the year 2010-11	475.618
48.	PNSC	Loss in the voyages performed by subsidiary company Rs 98.157 million	154.186
M/o National Food Security & Research,			
49.	PASSCO	Audit Comments on Financial Statement	22,489.32
50.	PASSCO	Loss due to missing quantity of 385.827 metric tons wheat in Hafizabad, Ali pur and Layyah Zones - Rs 12.539 million	6.134
51.	PASSCO	Audit Comments on Financial Statement	3.610
52.	PASSCO	Loss due to non-deduction of tax on cess collection – Rs 9.32 million	1.412
53.	PTB	Para No 6.4.2.16	4.672
Ministry of Planning, Development & Special Initiatives			
54.	NLC	Audit Comments on Financial Statement	775.642

55.	NLC	i. Irregular procurement of tyres in deviation of approved specification - Rs. 406.240 million ii. Loss due to non-replacement of defective tyres - Rs. 56.400 million	20.762

Annex-5
(Para No. 1.1.4.15)

Non-recovery of dues / advances - Rs.3,698.327 million

Annex-5(i)						
Advances to Suppliers – Rs.16.683 million						
S #	W.O #	w.o.date	Part No.	Serial No.	Vendor Name	Advance Payment (Rs.)
1	202001030	20200108	CFM56-5B	697206	Mtu Maints Zhuhai Co	7,877,073.99
2	202007001	20200701	CFM56-5B	697204	Mtu Maints Zhuhai Co	5,679,726.30
3	202011003	20201105	3800550-1	P-1566	Honeywell As Gmbh	595,000.00
4	202011030	20201125	3800708-1	P-3497	Turbineaero Repair L	152,500.00
5	202106005	20210611	D23189000-24	MN624	St Engineering Aspte	155,664.50
6	202106005	20210611	D23190000-24	MN624	St Engineering Aspte	212,780.75
7	202106006	20210614	D22698500-7	11B17005	St Engineering Aspte	235,818.55
8	202111016	20211105	3800550-1	P-1475	Turbineaero Repair L	415,000.00
9	202111019	20211109	CFM56-5B	697149	Air France Ind.	390,046.00
10	202111037	20211118	D23190000-24	MN625	St Engineering Aspte	126,091.67
11	202111038	20211118	D23189000-24	MN625	St Engineering Aspte	124,005.97
12	202111039	20211118	D22698500-7	12B10501	St Engineering Aspte	255,130.56
13	202112002	20211202	CFM56/5B4/P	575-818 ARGO	Air France Ind.	364,629.00
14	202112026	20211229	4500001B	P-2222	Turbineaero Repair L	100,000.00
					Total Rs.	16,683,467.29

Annex-6

(Para No. 1.1.4.54)

Non-recovery of dues from various clients / passengers – Rs.15.642 million

Annex-6(i)					
S#	Name Of Client	Invoice Date	Invoice Rs.	Outstanding Rs.	No. of Years
1	Sarhad Sky Linker	6-May-12	1,377,678	1,377,678	9.84
2	Manager Bhuja Air	11-Jan-00	195,000	195,000	22.17
3	Manager Bhuja Air	10-Feb-00	195,000	195,000	22.09
4	Manager Bhuja Air	7-Apr-00	168,675	168,675	21.93
5	Manager Bhuja Air	20-Nov-00	161,200	161,200	21.31
6	Manager Bhuja Air	15-Aug-00	145,600	145,600	21.58
7	M/S Safe Air Int	21-Sep-00	138,300	138,300	21.47
8	Frontier Corps (N)	4-Oct-21	161,746	91,010	0.34
9	Manager Bhuja Air	9-Jul-00	74,750	74,750	21.68
10	Manager Bhuja Air	22-Aug-00	72,800	72,800	21.56
11	Frontier Corps (N)	3-Nov-21	102,470	54,745	0.26
12	Frontier Corps (N)	9-Apr-21	109,446	48,476	0.83
13	Unit A.O Rahq Paf Pe	11-Jan-16	39,628	39,628	4.86
14	Pearl Securities Pvt Ltd	8-Jun-20	31,805	31,805	1.67
15	Frontier Corps (N)	3-Sep-21	94,885	31,620	0.43
16	Frontier Corps (N)	1-Mar-21	247,262	22,852	0.94
17	A Khan Traders.	26-Feb-20	21,345	21,345	2.03
18	Frontier Corps (N)	4-Aug-21	262,185	16,095	0.51
19	Branch Registry Supreme	1-May-19	13,360	13,360	2.77
20	A Khan Traders.	26-Feb-20	11,215	11,215	2.03
21	Supreme Court Of Pakistan	11-Jan-16	9,913	9,913	6.16
22	Branch Registry Supreme	1-Apr-19	8,779	8,779	2.86
23	Frontier Corps (N)	6-Jul-21	55,897	4,993	0.59
24	A Khan Traders.	1-Nov-18	5,898	4,182	3.35
25	Kamran Shoes.	8-Jun-20	2,623	2,483	1.75
26	A Khan Traders.	1-Feb-19	1,429	1,412	3.10
27	TPL Tracker	8-Jun-20	257,541	525	1.67
28	TPL Tracker	1-Jun-18	358,753	380	3.69
29	Supreme Court Bar Room	26-Feb-20	158	158	1.95
30	Pearl Securities (Pvt.) Lt	1-Dec-18	124	124	3.27
31	A Khan Traders.	26-Feb-20	2,950	20	2.03
32	M/s Officer Commanding, PAF	-	-	5,332,000	9
Total Rs.			4,328,415	8,276,123	

Details of Fines Imposed

Annex-6(ii)				
Fine Pending (2021)				
Pax Name	Booking Source	Reason	Arrival	Pending (Rs.)
Said Hazrat Arafat	Al-Basirat International Travels	Overstay more than six months	DXB	212,020
Muhammad Shehzad	Travel Master & Tours	Over Stay More Than Six Months	DXB	209,000
Rehman Sher	Kamal Aviation Srvcs	Refused Entry by Immigration	DXB	208,430
Umar Muhammad	Indus Aviations	Fake Hotel Booking	DOH	93,100
Khan Ramat	Indus Aviations	Fake Hotel Booking	DOH	93,100
Khan Janan	Indus Aviations	Fake Hotel Booking	DOH	93,100
Rahman Abdul	Indus Aviations	Fake Hotel Booking	DOH	93,100
Anwar Zada	Travel Master	UAE Exit Stamp was not Clear as per immigration	DXB	232,615
Naqibullah	Aryan Air Service	Black List	FJR	210,040
Jahanzeb Jamal	Al-Faisal Int	Distortion of Passport Data Signature	DXB	239,425
Nadar Khan	Al-Faisal Int	Distortion of Passport Data Signature	DXB	239,425
Shakir Ullah	Salman Air Services	Name Mismatch in Visa	DXB	239,425
Ibrar Ahmed	Salman Air Services	Name Mismatch in Visa	DXB	239,425
Afzal Sana	Travel Master & Tour	No Ehtriaz Pre Registration	DOH	95,430
Taseer Ullah Noor Jan	Travel Master & Tour	Name Mismatch	DXB	242,465
Gul Rahim	Salman Air Services	No Hotel Booking	DOH	96,560
Ayesha Waris	Aryan Air Services	Name Mismatch	DXB	243,510
Total				3,080,170

Annex-6(iii)				
Fine Pending (2020)				
Pax Name	Booking Source	Reason	Arrival	Pending (Rs.)
Atif Ullah Gul Bahadar	Samma	Date of Birth Mismatch & OK to Board Not Inserted	DXB	209,500
Asif Muhammad Nawa	Kamal Aviation	No Polio Card	DOH	84,400

Shamail Muhammad	South Asia Travel	Date of Birth Mismatch	DXB	220,000
Total Rs.				513,900

Details of Cost of Importee (CoD)

Annex-6(iv)				
Fine Pending (2019)				
Pax Name	Booking Source	Reason	Arrival	Pending (Rs.)
Muhammad Imran Noor	Kamal Aviation Services	Overstay more than six months	DXB	189,511
Iftikhar Ahmad	Zahid Ali 55478	Exit Re-entry Expired	RUH	18,615
Khan Umar Ayaz	Indus Travel	Without Polio Vaccination Certificate	DOH	76,587
AliMir Salam Mrs	Ajwa Travels Mehmood	Without Visa	JED	126,614
Muhammad Basil CHD	Ajwa Travels Mehmood	Without Visa	JED	126,614
Askar Khan	Waqar Elahi Travels	Due Name Mismatch	DXB	216,230
Johar Rehman	Peshawar Air Services	No Visa for UAE	DXB	209,280
Saif Ullah Akbar Wail	Syed Travels Mardan	Name Mismatch	DXB	210,000
Total Rs.				1,173,451

Annex-6(v)					
COD Pending 2021					
S#	Pax Name	Booking Source	Reason	Arrival	Pending (Rs.)
1.	Said Hazrat Arafat	Al-Basirat International Travels	Overstay more than six months	DXB	35,200
2.	Khan Manat	Al-Basirat International Travels	Black Listed	DOH	47,170
3.	Abdul Wahab	Air Kings Travels	Black Listed At Qatar Authy	DOH	18,110
4.	Muhammad Shehzad	Travel Master & Tours	Over Stay More Than Six Months	DXB	0481-8222
5.	Rehman Sher	Kamal Aviation Services	Refused Entry by Immigration	DXB	35,020
6.	Yasin Khan	Safi Hajj & Umrah Services	Mis Statement By Pax For Obtaining Visit Visa	DXB	35,275
7.	Anwar Zada	Travel Master	UAE Exit Stamp was not Clear as per immigration	DXB	13,960
8.	Haji Abdul Razaq	Gandhara Travel & Tour	Due COVID19 Dose O/S KSA Fake Document	MED	78,280
9.	Abdullah Habib	Kamal Aviation	No Hotel Booking	DOH	145,000

	Ullah				
10.	Naqibullah	Aryan Air Service	Black List	FJR	6,954
11.	Irshad Khan	Kamal Aviation/Malakand Travel	Impersonate	SHJ	14,230
12.	Jahanzeb Jamal	Al-Faisal International	Distortion of Passport Data Signature	DXB	33,520
13.	Nadar Khan	Al-Faisal International	Distortion of Passport Data Signature	DXB	33,520
14.	Shakir Ullah	Salman Air Services	Name Mismatch in Visa	DXB	33,520
15.	Ibrar Ahmed	Salman Air Services	Name Mismatch in Visa	DXB	33,520
16.	Taseer Ullah Noor Jan	Travel Master & Tour	Name Mismatch	DXB	33,945
17.	Shah Zamin Khan	Kamal Aviation	IRIS Scan	DXB	34,430
18.	Naveed Khan	Kamal Aviation	Black List	SHJ	14,470
19.	Ayesha Waris	Aryan Air Services	Name Mismatch	DXB	34,091
	Total				680,215

Annex-6(vi)				
COD Pending 2020				
Pax Name	Booking Source	Reason	Arrival	Pending
Hussain Irshad	Sameer Travel Agency	Black List	AUH	55,860
Gul Rahmani	Makkah Group	Entry Refused	Kul	56,943
Yousaf Khan	Indus Travel	Black List	MED	59,845
Ullah Habib	Sher It Trvl Mardan	Entry Refused	KUL	66,099
Rehman Daud	Travel Master	Entry Refused	AUH	80,000
Khan Firdous Ur	Kamal Aviation	Entry Refused	AUH	80,000
Sad Akbar	Inayat Travel (6AZLTG)	Entry Refused	AUH	80,000
Khan Irshad	Amir Int Manshra (6BCBH1)	Entry Refused	AUH	80,000
Khan Arbab Said	City ONR Travels	Entry Refused	AUH	80,000
Rehmat Ullah	Al-Asar Travel	Not Allowed on AUH Visa	DXB	13,080
Muhammad Tariq	Al Hafiz Travels	Not Allowed on AUH Visa	DXB	13,080
Zubair Khan	Not advised	Entry Refused	DXB	13,080
Khan Muhammad	Not advised	Entry Refused	DXB	43,600
Haroon Muhammad	Safi Hajj & Umrah	Entry Refused	DXB	43,600
Khan Imran	Malik Ammar Travel & Tours	Entry Refused	DXB	43,600
Zubair Muhammad	Al Faisal	Entry Refused	DXB	43,600
Shamail Muhammad	South Asia Travel	Date of Birth Mismatch	DXB	13,080

Asim Ullah	Mardan Etimat Travel	Entry Refused	DXB	13,080
Total				878,547

Annex-6(vii)				
COD Pending 2019				
Pax Name	Booking Source	Reason	Arrival	Pending (Rs.)
Iftikhar Ahmad	Zahid Ali 55478	Exit Re-Entry Expired	RUH	58,078
Haneef Muhammad	Travel Cont, Sawabi	Black List	RUH	58,136
Khan Umar Ayaz	Indus Travel	Without Polio Vaccination Certificate	DOH	2,681

Umar Hayat	Wafa International Travels	Black List	JED	64,377
Aleem Khan	Wafa International Travels	Black List	JED	65,572
Ali Gul	Wafa International Travels	Black List	JED	66,255
Ghulam Habib	Jehanzeb Khan 55247	Expired Visa	MED	3,792
Begum Balquees	Jehanzeb Khan 55247	Expired Visa of Mehram	MED	3,792
Rahim Ullah	Geo Corporation	Black List	JED	76,291
Khaliq Anwar	Palwasha Travel	Black List	JED	75,040
Atta Ur Rehman	Geo Corporation	Black List	JED	77,124
Darwaish Khan	SuGeo Corporation	Black List	JED	76,082
AliMir Salam Mrs	Ajwa Travels Mehmood	Without Visa	JED	74,702
Muhammad Basil CHD	Ajwa Travels Mehmood	Without Visa	JED	74,702
Shahid Muhammad	Palwasha Travels	Black List	JED	73,858
Askar Khan	Waqar Elahi Travels	Due Name Mismatch	DXB	12,980
Johar Rehman	Peshawar Air Services	No Visa for UAE	DXB	12,560
Madin Gul	Indus Air Travel	Black List	MED	61,255
Muhammad Idrees	Uqab Travel	Visa Cancelled by Sponsor	DXB	33,300
Wahab Khairul	Kamal Aviation Services	Black List	AUH	59,330
Saif Ullah Akbar Wail	Syed Travels Mardan	Name Mismatch	DXB	12,600
Total				1,042,507

Annex-7

(Para No. 1.1.4.80)

Un-authorized double payment of Airworthiness Certification Allowance - Rs.1.539 million

Period	Party name	Debit	Period Name	Party Name	Debit
20-Feb	Mr. Abdul Rauf	10,000	20-Feb	Mr. Muhammad Israr	10,000
20-Jul	Mr. Abdul Rauf	10,000	20-Jul	Mr. Muhammad Israr	14,620
20-Jul	Mr. Abdul Rauf	10,000	20-Aug	Mr. Muhammad Israr	35,000
20-Aug	Mr. Abdul Rauf	10,000	20-Jan	Mr. Sareer Khan	10,000
20-Nov	Mr. Abdul Rauf	6,200	20-Jan	Mr. Sareer Khan	16,950
20-Jan	Mr. Arfan Nadeem Hasan	10,000	20-Jan	Mr. Sareer Khan	18,450
20-Jan	Mr. Arfan Nadeem Hasan	10,000	20-Mar	Mr. Sareer Khan	31,250
20-Feb	Mr. Arfan Nadeem Hasan	10,000	20-Jan	Mr. Zain Ul Abidin	10,000
20-Jul	Mr. Arfan Nadeem Hasan	10,000	20-Jan	Mr. Zain Ul Abidin	10,000
20-Aug	Mr. Arfan Nadeem Hasan	10,000	20-Jan	Mr. Zain Ul Abidin	10,000
20-Aug	Mr. Arfan Nadeem Hasan	10,000	20-Jan	Mr. Zain Ul Abidin	10,000
20-Aug	Mr. Arfan Nadeem Hasan	15,000	20-Jan	Mr. Zain Ul Abidin	10,000
20-Jan	Mr. Jamal Ahmed	10,000	20-Jan	Mr. Zain Ul Abidin	10,000
20-Jan	Mr. Jamal Ahmed	10,000	20-Jan	Mr. Zain Ul Abidin	10,000
20-Jan	Mr. Jamal Ahmed	10,000	20-Feb	Mr. Zain Ul Abidin	10,000
20-Jan	Mr. Jamal Ahmed	10,000	20-Jul	Mr. Zain Ul Abidin	10,000
20-Jan	Mr. Jamal Ahmed	10,000	20-Dec	Mr. Zain Ul Abidin	10,000
20-Feb	Mr. Jamal Ahmed	10,000	21-Mar	Mr. Abdul Rauf	10,000
20-Feb	Mr. Jamal Ahmed	50,000	21-Mar	Mr. Abdul Rauf	10,000
20-Feb	Mr. Jamal Ahmed	10,000	21-Mar	Mr. Abdul Rauf	14,880
20-Jul	Mr. Jamal Ahmed	8,000	21-May	Mr. Abdul Rauf	10,000
20-Jul	Mr. Jamal Ahmed	10,000	21-Jun	Mr. Abdul Rauf	10,000
20-Jan	Mr. M Imtiaz Ahmed	10,000	21-Jun	Mr. Abdul Rauf	12,100
20-Jul	Mr. M Imtiaz Ahmed	10,000	21-Jun	Mr. Abdul Rauf	13,500
20-Aug	Mr. M Imtiaz Ahmed	10,000	21-Jul	Mr. Abdul Rauf	12,400
20-Aug	Mr. M Imtiaz Ahmed	10,000	20-Jan	Mr. Muhammad Israr	10,000
21-Jul	Mr. Abdul Rauf	13,510	21-Dec	Mr. Mir Arab Hussain	10,000
21-Aug	Mr. Abdul Rauf	10,000	21-Dec	Mr. Mir Arab Hussain	10,000
21-Aug	Mr. Abdul Rauf	10,000	21-Dec	Mr. Mir Arab Hussain	10,000
21-Oct	Mr. Abdul Rauf	10,000	21-Dec	Mr. Mir Arab Hussain	10,000
21-Oct	Mr. Abdul Rauf	12,550	21-Dec	Mr. Mir Arab Hussain	10,000
21-Oct	Mr. Abdul Rauf	10,000	21-Feb	Mr. Muhammad Israr	13,300
21-Oct	Mr. Abdul Rauf	10,000	21-Mar	Mr. Muhammad Israr	10,000
21-Oct	Mr. Abdul Rauf	10,000	21-Mar	Mr. Muhammad Israr	10,000
21-Oct	Mr. Abdul Rauf	10,000	21-Mar	Mr. Muhammad Israr	10,000
21-Oct	Mr. Abdul Rauf	15,000	21-Mar	Mr. Muhammad Israr	10,000
21-Oct	Mr. Abdul Rauf	13,500	21-Mar	Mr. Muhammad Israr	10,000
21-Oct	Mr. Abdul Rauf	10,000	21-Mar	Mr. Muhammad Israr	10,000
21-Oct	Mr. Abdul Rauf	10,000	21-Mar	Mr. Muhammad Israr	11,500

21-Oct	Mr. Abdul Rauf	10,000	21-Mar	Mr. Muhammad Israr	10,000
21-Oct	Mr. Abdul Rauf	15,000	21-May	Mr. Muhammad Israr	10,000
21-Dec	Mr. Abdul Rauf	10,000	21-May	Mr. Muhammad Israr	10,000
21-Dec	Mr. Abdul Rauf	10,000	21-May	Mr. Muhammad Israr	11,500
21-Dec	Mr. Abdul Rauf	10,000	21-May	Mr. Muhammad Israr	11,500
21-Dec	Mr. Abdul Rauf	10,000	21-Jun	Mr. Muhammad Israr	11,500
21-Dec	Mr. Abdul Rauf	12,422	21-Jun	Mr. Muhammad Israr	11,500
21-Jun	Mr. Arfan Nadeem Hasan	11,500	21-Jun	Mr. Muhammad Israr	13,600
21-Jul	Mr. Arfan Nadeem Hasan	10,000	21-Jul	Mr. Muhammad Israr	10,000
21-Jul	Mr. Arfan Nadeem Hasan	10,000	21-Jul	Mr. Muhammad Israr	10,000
21-Aug	Mr. Arfan Nadeem Hasan	10,000	21-Jul	Mr. Muhammad Israr	10,000
21-Aug	Mr. Arfan Nadeem Hasan	10,000	21-Jul	Mr. Muhammad Israr	11,500
21-Oct	Mr. Arfan Nadeem Hasan	10,000	21-Aug	Mr. Muhammad Israr	10,000
21-Oct	Mr. Arfan Nadeem Hasan	10,000	21-Aug	Mr. Muhammad Israr	10,000
21-Oct	Mr. Arfan Nadeem Hasan	10,000	21-Aug	Mr. Muhammad Israr	10,000
21-Oct	Mr. Arfan Nadeem Hasan	10,000	21-Aug	Mr. Muhammad Israr	10,000
21-Oct	Mr. Arfan Nadeem Hasan	10,000	21-Aug	Mr. Muhammad Israr	10,000
21-Oct	Mr. Arfan Nadeem Hasan	10,000	21-Aug	Mr. Muhammad Israr	13,175
21-Oct	Mr. Arfan Nadeem Hasan	10,000	21-Oct	Mr. Muhammad Israr	10,000
21-Oct	Mr. Arfan Nadeem Hasan	10,000	21-Oct	Mr. Muhammad Israr	10,000
21-Oct	Mr. Arfan Nadeem Hasan	10,000	21-Oct	Mr. Muhammad Israr	10,000
21-Dec	Mr. Arfan Nadeem Hasan	10,000	21-Oct	Mr. Muhammad Israr	10,000
21-Dec	Mr. Arfan Nadeem Hasan	10,000	21-Oct	Mr. Muhammad Israr	10,000
21-Dec	Mr. Arfan Nadeem Hasan	10,000	21-Oct	Mr. Muhammad Israr	13,500
21-Dec	Mr. Arfan Nadeem Hasan	10,000	21-Oct	Mr. Muhammad Israr	13,900
21-Dec	Mr. Arfan Nadeem Hasan	10,000	21-Oct	Mr. Muhammad Israr	10,000
21-Dec	Mr. Arfan Nadeem Hasan	10,000	21-Oct	Mr. Muhammad Israr	10,000
21-Dec	Mr. Arfan Nadeem Hasan	10,000	21-Oct	Mr. Muhammad Israr	10,000
21-Mar	Mr. Jamal Ahmed	10,000	21-Oct	Mr. Muhammad Israr	10,000
21-May	Mr. Jamal Ahmed	10,000	21-Oct	Mr. Muhammad Israr	15,000
21-Jun	Mr. Jamal Ahmed	10,000	21-Oct	Mr. Muhammad Israr	15,000
21-Jun	Mr. Jamal Ahmed	10,000	21-Nov	Mr. Muhammad Israr	13,900
21-Jun	Mr. Jamal Ahmed	10,000	21-Nov	Mr. Muhammad Israr	13,500
21-Jun	Mr. Jamal Ahmed	15,000	21-Nov	Mr. Muhammad Israr	10,000
21-Jul	Mr. Jamal Ahmed	10,000	21-Nov	Mr. Muhammad Israr	10,000
21-Jul	Mr. Jamal Ahmed	10,000	21-Nov	Mr. Muhammad Israr	10,000
21-Jul	Mr. Jamal Ahmed	10,000	21-Nov	Mr. Muhammad Israr	10,000
21-Aug	Mr. Jamal Ahmed	10,000	21-Nov	Mr. Muhammad Israr	10,000
21-Aug	Mr. Jamal Ahmed	10,000	21-May	Mr. Muhammad Zahir	10,000
21-Aug	Mr. Jamal Ahmed	10,000	21-Jun	Mr. Muhammad Zahir	13,600
21-Aug	Mr. Jamal Ahmed	10,000	21-Jul	Mr. Muhammad Zahir	10,000
21-Aug	Mr. Jamal Ahmed	10,000	21-Jul	Mr. Muhammad Zahir	12,100
21-Sep	Mr. Jamal Ahmed	10,000	21-Jul	Mr. Muhammad Zahir	14,800
21-Sep	Mr. Jamal Ahmed	10,000	21-Aug	Mr. Muhammad Zahir	8,000
21-Sep	Mr. Jamal Ahmed	15,000	21-Aug	Mr. Muhammad Zahir	10,000

21-Oct	Mr. M Imtiaz Ahmed	10,000	21-Oct	Mr. M Imtiaz Ahmed	10,000
21-Oct	Mr. M Imtiaz Ahmed	10,000	21-Mar	Mr. Mir Arab Hussain	10,000
21-Oct	Mr. M Imtiaz Ahmed	10,000	21-Mar	Mr. Mir Arab Hussain	10,000
21-Oct	Mr. M Imtiaz Ahmed	10,000	21-May	Mr. Mir Arab Hussain	10,000
21-Oct	Mr. M Imtiaz Ahmed	10,000	21-May	Mr. Mir Arab Hussain	11,500
21-Oct	Mr. M Imtiaz Ahmed	10,000	21-Oct	Mr. Mir Arab Hussain	10,000
21-Oct	Mr. M Imtiaz Ahmed	11,800	21-Oct	Mr. Mir Arab Hussain	10,000
21-Oct	Mr. M Imtiaz Ahmed	10,000	21-Oct	Mr. Mir Arab Hussain	10,000
21-Oct	Mr. M Imtiaz Ahmed	10,000	21-Oct	Mr. Mir Arab Hussain	10,000
21-Oct	Mr. M Imtiaz Ahmed	10,000	21-Oct	Mr. Mir Arab Hussain	10,000
21-Oct	Mr. M Imtiaz Ahmed	10,000	21-Oct	Mr. Mir Arab Hussain	10,000
21-Oct	Mr. M Imtiaz Ahmed	10,000	21-Oct	Mr. M Imtiaz Ahmed	10,000
21-Oct	Mr. M Imtiaz Ahmed	10,000			

Annex-8

(Para No. 3.1.4.2)

Non-recovery of premium and decretal amount - Rs.538.636 million

Annex-8(i)			
(Amount in US\$)			
Risk	Period		Total receivable
	From	To	
Hull War	18.04.2014	02.07.2014	95,586
NCBOR Adjustable	02.07.2014	14.12.2014	(25,969)
Hull / war Libya Flight	14-August		318,000
Rescue flight to Yemen	29.03.2015	04.04.2015	212,000
Levies being 4th installment 2019-20	30.12.2019	29.12.2020	566,074
Levies being Hull War 2014-15	18.04.2014	02.07.2014	147879
Total			1,313,570

Annex-8(ii)					
PIA Hull claim position is given as under: - (Amount in US\$)					
S#	Claim No.	Date of loss	Total claim amount	PRCL'S Share	NICL's share
1.	NAV-H-690/12	14.08.2011	308,939	30,894	15,447
2.	NAV-H-691/12	29.07.2011	479,219	47,922	23,961
3.	NAV-H-694/12	09.09.2011	294,065	29,406	14,703
4.	NAV-H-695/12	05.10.2011	194,919	19,492	9,746
5.	NAV-H-720/12	15.03.2012	303,476	121,391	15,174
6.	NAV-H-721/12	05.07.2012	362,837	145,135	18,142
7.	NAV-H-722/12	05.11.2012	291,389	116,556	14,569
Total Claim			2,234,844	510,796	111,742
Amount Received			1,612,308	-	-
Outstanding Amount			622,538	510,796	111,742

Annex-9

(Para No.3.1.4.16)

Non-recording of salvage value in books of accounts - Rs.8.391 million

(Amount in Rs.)			
Claim No.	Client	Salvage Value	Disposal Rs.
K/MV-30-016/2011	SSGC	300,000	401,500
QMV-17/2013	SKB QUETTA	300,000	-
K/MV-30-171/2020	KD&LB	175,000	275,000
K/MV-30-115/2021	SSGC	175,000	765,000
Various items (Motor damaged Parts)			141,000
Various items at Quetta Branch (Motor damaged Parts & ATM Machine)			11,000
07 joints 81.38 meters seamless Casing pipes			642,399
18 joints 216.96 meters 13-1/8 seamless Casing pipes			2,684,000
04 Liner Cylinder IP # 205130R ASY gas engine Waukesha			8,910
13 joints 154 meters 9-5/8 seamless Casing pipes			1,375,000
02 joints 22.97 meters 20 OD seamless Casing pipes			490,786
02 114mm16.5 SPM Gun Assy Pref. Sys Dynawell			22,000
Claim No. K/F-09/2018			550
Claim No. K/F-15/2018			550
Claim No. K/F-05/2018			1,100
Claim No. K/F-31/2018			-
Claim No. K/F-33 /2018			1,100
Claim No. K/F-09/2018			2,200
Claim No. K/F-36/2018			2,200
Claim No. K/F-02/2018			1,100
Claim No. K/F-17/2018			2,200
Claim No. K/F-26/2018			1,100
Claim No. K/F-13/2018			550
Claim No. K/F-34/2018			1,100
Claim No. K/F-38/2018			550
Claim No. K/F-22/2019			2,200
Claim No. K/F-54/2014			1,552,936
Claim No. K/F-44/2017			5,500
Claim No. K/F-01/2019			-
Total		950,000	8,391,531

Annex-10
(Para No. 3.3.4.1)

Non-settlement of claims - Rs. 3,267.465 million

Annex-10(i)			
Claim Liability (As at December 31, 2021)			
(Amount in Rs.)			
Project	Admission Year	Claim Cost	Amount Paid
PMNHP	2016	243,536,307	234,274,709
	2017	971,522,752	949,254,977
	2018	1,426,160,626	1,401,614,005
	2019	1,079,579,867	1,066,909,146
	2020	652,300,045	637,685,626
	2021	169,115,733	162,549,952
	Total	4,542,215,330	4,452,288,415
SSP (PMNHP-II)	2019	1,148,383,015	1,111,048,453
	2020	3,823,340,252	3,657,890,871
	2021	10,701,025,907	8,127,838,540
	Total	15,672,749,174	12,896,777,864
UHI Punjab	2021	1,773,992,052	1,397,128,124
	Total	1,773,992,052	1,397,128,124
Grand Total		21,988,956,556	18,746,194,403
Outstanding Health Claims as at 31-12-2021		3,242,762,153	

Annex-10(ii)				
(Amount in Rs.)				
S#	Policy Holder	Total Payable PC 31-12-2020	Payment made during the year 2021	Current Net Balances
1	UAAR	3,018,362	-	3,018,362
2	Fauji Foundation	3,092,736	-	3,092,736
3	QAU	-	-	-
4	Utility Stores	3,917,622	-	3,917,622
5	AIOU	1,312,939	-	1,312,939
6	Dr. A.Q Khan Labs	3,463,906	-	3,463,906
7.	NUML	-	-	-
8.	ARL Officers	-	-	-
9.	UET Taxila	-	-	-
10.	CWO	372,900	-	372,900
11.	PSB	-	-	-
12.	Faundation Univ	1,137,822	1,720,913	(583,091)
13.	CB RWP	2,006,991	-	2,006,991
14.	CB Wah	1,663,578	-	1,663,578
15.	CB Chaklala	1,677,038	-	1,677,038
16.	CB Jhelum	98,472	-	98,472
17.	AWC	-	-	-
18.	Dr A Q Khan Labs	1,886,126	-	1,886,126

	Addl			
19.	PMO	2,094,463	-	2,094,463
20.	SCO	139,284	-	139,284
21.	Fatima Jinnah Univ.	420,125	-	420,125
22.	ARMY GS	3,763,569	3,876,463	(112,894)
23.	KENNUP	-	-	-
24.	NCP	234,857	-	234,857
25.	Dr A Q (Add ii)	-	-	-
26.	FAST	-	-	-
TOTAL		30,300,790	5,597,376	24,703,414

Annex-11

(Para No. 3.3.4.4)

Encroached / disputed lands since long – Rs. 2,108.367 million

Annex-11(i)						
S#	Description/ Name	Type of property	Land Area (sq. yds)	Market value as on 13.12.2021 (Rs.in million)	Encroachment/ Disputed	Present Possession of property
1	SLB 1-23, the Mall, Sharahe Qaudi Azam Lahore	Commercial	08 Kanals	1,020,514.98	Disputed	50% possession with SLIC
2	SLB 4, 63-D, Regal Street, Sharahe Quid e Azam Lahore	Commercial	425 Sq.yds	34,955.41	Encroached	Possession not with SLIC
3	SLB 5-63 Regal Street, Sharahe Quid e Azam Lahore	Commercial	450 Sq.yds	3,741.80	Encroached	Possession not with SLIC
4	SLB 6, 2 Liaqat Road, Lahore	Commercial	26 Marlas & 191 Sq.ft	406,627.69	Disputed	Possession not with SLIC
5	SLB 7 Macloed Road Paiala Ground Lahore	Commercial	11 Marlas & 150 Sq.ft	248,823.60	Disputed	Possession not with SLIC
6	SLB 9 Bank Sq. Sharahe Quid e Azam, Lahore	Commercial	1 Kanal, 6 Marlas & 10 Sq.ft	105,530.46	Disputed	Property for Auction
7	SLB at Moza	Commercial	6 Marlas	87,333.83	Disputed	50%

	Goal market Circular Road, Faisalabad		& 233.9 Sq.ft			possession with SLIC
8	SLB # 3 Hyder Road, Rawalpindi	Commercial	333.33 Sq.ft	68,710.70	Disputed	Possession not with SLIC
9	Plot # 10, 4B, 10/7 Naimabad, Karachi	Residential	437 Sq.ft	37,362.31	Disputed	Possession not with SLIC
10	133-J/3 Gulberg-III, Lahore	Residential	20 Marlas & 90 Sq.ft	34,871.83	Disputed	Possession with SLIC
11	Plot # 19, Khasra # 3296/18/32 Bank Sq. Lahore.	Plot	18 Marlas	59,895.00	Encroached	Possession not with SLIC
Total				2,108,367.60		

Annex-11(ii)						
Title and possession dispute in various buildings (RE Lahore)						
S#	Name of Building	City	Area (sq. yds)	Market value as on 13.12.2021	Nature/ description of dispute	Present Possession of property
1.	SLB-01 , The Mall,	Lahore	4000	Not available	Title Dispute	20% with SLIC
2.	SLB-04, Regal Street	Lahore	200			Not in possession
3.	SLB-04, Regal Street	Lahore	425			Two parties in possession
4.	SLB-09, Bank Square	Lahore	694			1/3 with SLIC
5.	102-B Gulberg		520			Not in possession
	SLB-01 , Munshi Mohallah	Faisalabad	145			Not in possession

Annex-12
(Para No. 3.3.4.9)

Non-recovery of parking and utility charges from tenants – Rs.163.881 million

Annex-12(i)								
Statement of Outstanding Parking Charges against Tenants as on 31-12-2021								
Bldg.No	Tenant Name	Lease	Monthly	Balance B/D	Balance Charged	Rcvd.	C/D	Months
SLB 1	N.C.R.Corp. 5600 Sqft	01-Dec-15	12,000		144,000	108,000	36,000	3
SLB 1	U.B.L 150 Bikes New	01-Oct-20	112,500	-	1,687,500	1,552,500	135,000	1
SLB 1	U.B.L (Temp.)	01-Dec-15	50,000	1,126,800	600,000	993,600	733,200	15
SLB 1	U.B.L (Temp.)	01-Dec-15	40,000	148,800	480,000	441,600	187,200	5
SLB 1	Welcome Tous	01-Apr-15	550	1,650	6,600	6,600	1,650	3
SLB 1A	Ncr	01-Apr-15	28,400	-	340,800	255,600	85,200	3
SLB 1-B	Ali Gohar & Co.		10,500	-	126,000	63,000	63,000	6
SLB 1-B	Alpha Insurance Co	01-Feb-12	4,950	677,100	59,400	677,100	59,400	12
SLB 1-B	Feroze K. Khambhata		1,200	-	14,400	10,800	3,600	3
SLB 3	Saeed Zuberi		950	4,745	11,400	8,550	7,595	8
SLB 4	M.Nawaz & Sons (4 Bikes @ 500 Each)	16-4-21	2,000	-	32,000	30,000	2,000	1
SLB 4	World Wide Cargo	01/01/2021	3,000	-	36,000	18,000	18,000	6
SLB 4	Soneri Bank Ltd.	01-Jun-16	16,000	500,000	192,000	644,000	48,000	3
SLB 4	Sameer Malik	15-10-16	1,000	4,500	12,000	12,000	4,500	5
SLB-11	Fed. Ombudsman Sec.	15-Jun-19	9,600	-	115,200	86,400	28,800	3
Total Amount In Rupees				2,463,595	3,857,300	4,907,750	1,413,145	

Annex-12(ii)					
Statement of Outstanding Electric Charges against Tenants as on 31-12-2021					
Bldg.No	Tenant Name	Balance (Rs.)	Electric Charged (Rs.)	Receipts (Rs.)	Balance (Rs.)
SLB 1	Akhtar Hasan	15,705	1,316,714	1,286,125	46,294
SLB 1	Bank Alfalah	310,981	3,328,511	3,342,044	297,448
SLB 1	G & A Corp.	-	43,118	39,883	3,235
SLB 1B	J & S Corp.(Broadway Pizza)	449,396	2,455,580	2,324,632	580,344
SLB 1	Eximp Ent.	5,514	3,035	7,910	639
SLB 1	Islamuddin s/o Peer Muhd.	4,224	55,896	54,477	5,643

SLB 1	Infotech (Pvt.) Ltd.	316,692	553,885	803,655	66,922
SLB 1	NCR	224,218	2,173,540	2,239,838	157,920
SLB 1	U.B.L	2,023,583	9,388,285	10,839,161	572,707
SLB 1	Welcome Tous	22,724	21,734	43,206	1,252
SLB 1	Hasan Feroze	3,294	21,847	24,791	350
SLB 1	Security & Exch 4.5.6 th	7,497,090	7,134,010	13,495,690	1,135,410
SLB 1 A	Govt.Of Sindh Manag.Board of Siezed & Free.Health Facilites	-	57,671	51,654	6,017
SLB 1 B	Employer Fed.of Pak	267,041	533,711	507,184	293,568
SLB 1 B	I.D.B.P	307,335	2,898,807	2,955,512	250,630
SLB 1 B	NAVTEC	227,264	480,562	547,719	160,107
SLB 1	NASA Chemicals	-	488,761	457,841	30,920
SLB 1	C.M.Pak Ltd.	293,713	369,712	520,825	142,600
SLB 1	Cardiac Care Centre	141,613	224,390	215,887	150,116
SLB 2	Sandhu & Co	46,333	187,768	209,623	24,478
SLB 2	Saudi Pak Insurance	1,169,970	1,943,968	2,685,161	428,777
SLB 2	SSGC	1,395,489	1,411,726	1,473,524	1,333,691
SLB 2	Baluchistan Wheels	39,503	820,891	822,876	37,518
SLB 2	Blue Pak Shipping	25,618	477,578	454,057	49,139
SLB 2	Commercial Court of Sind	61,845	22,330	61,845	22,330
SLB 2	Civil Service Co-Opert.Housing Society	26,176	126,872	147,200	5,848
SLB 2	Glonbal Business Lynx	6,500	39,232	20,620	25,112
SLB 2	Director Ombu.(Mohtisib)	48,311	279,646	194,829	133,128
SLB 2	Sindh Information Comm.Govt. of Sindh	66,853	34,091	-	100,944
SLB 2A	Estate Off.(Works Service Dept.)	475,513	312,728	-	788,241
SLB 2	Estate Off.(Labour Dept.)	391,798	352,867	-	744,665
SLB 2	Insurance Appellate	23,114	98,139	75,000	46,253
SLB 2	Mian Mushtaq Ahmed	18,067	47,656	44,929	20,794
SLB 2	Masood Aziz	131,699	539,237	640,673	30,263
SLB 2	UBL	-	240,585	161,567	79,018
SLB 2	Petro Chemical	22,378	287,545	294,338	15,585
SLB 2	National Comm.Human	42,453	71,138	92,499	21,092
SLB 2	Plasticpack	2,328	13,261	13,893	1,696
SLB 2-A	C.M.Pak.	508,648	882,064	1,154,991	235,721

SLB 2-A	Govt.of.Sindh Energy Dept.	2,494,059	2,678,635	-	5,172,694
SLB 2-A	Thar Coal Energy	402,304	1,560,773	1,858,523	104,554
SLB 2-A	S.T.D.C.(Pvt.) Ltd.	68,063	1,130,216	1,150,667	47,612
SLB 2-A	Sports Department	839,830	406,618	-	1,246,448
SLB 2-A	Sindh Envirment Prot.	264,397	279,066	-	543,463
SLB 2-A	Saeed Zuberi	10,247	87,772	91,789	6,230
SLB 2-A	B.B.S.Y.D.P meter 5 L	501,643	1,527,616	1,827,966	201,293
SLB 2-A	Asif Brothers	19,082	32,144	46,861	4,365
SLB 2-A	W & A Law Associates	12,818	93,643	96,985	9,476
SLB 2-A	Govt.Of Pak.Intellectual Pro.Tri.Kar.	102,704	443,973	346,695	199,982
SLB 2-A	Abdul Aziz Khilji	69,104	75,417	77,203	67,318
SLB 2-A	Agrico 12	3,369	22,297	24,542	1,124
SLB 2-B	Ahmed Haji Yousuf	17,403	34,559	48,267	3,695
SLB 3	Aksah	16,180	25,742	16,491	25,431
SLB 3	Anweruddin	1,170	4,350	2,340	3,180
SLB 3	Arslan Enter.	5,002	36,872	38,134	3,740
SLB 3	Anees Gen.Trader	167,945	139,844	50,000	257,789
SLB 3	AMK Inter.	29,593	46,385	-	75,978
SLB 3	Al Hussaini Mills Store	10,783	51,518	36,559	25,742
SLB 3	Al Madina Traders shop no 8	2,925	24,599	13,614	13,910
SLB 3	Bashir Traders	35,358	25,014	-	60,372
SLB 3	Bilal Traders	5,510	4,350	-	9,860
SLB 3	The Beauty Shop	242,170	63,899	-	306,069
SLB 3	Dawood Trader	119,878	67,100	-	186,978
SLB 3	Express Logistic	26,762	41,448	-	68,210
SLB 3	Farah Inter.	25,163	43,814	32,684	36,293
SLB 3	Faran Engg.	4,318	4,664	8,632	350
SLB 3	Frausun Inter.	37,780	102,804	136,710	3,874
SLB 3	Friend Enter.	780	4,424	4,504	700
SLB 3	Inc.Tax Tribunal	170,860	2,121,403	1,192,136	1,100,127
SLB 3	Jehangir Shahid	151,719	250,875	370,096	32,498
SLB 3	K.C.& G.S	4,947	11,862	15,307	1,502
SLB 3	M.Nawaz & Sons	-	46,176	42,078	4,098
SLB 3	Milad Traders	82,599	4,513	-	87,112
SLB 3	Machinery Co	13,650	58,424	60,179	11,895
SLB 3	Muneeb Traders	15,054	17,140	29,781	2,413

SLB 3	M.Umer	7,910	4,440	12,000	350
SLB 3	Off,Prof.contractors	900	27,927	25,977	2,850
SLB 3	Rohail Bilal	195	5,199	5,044	350
SLB 3	Sea Chain Enter.	-	5,259	4,831	428
SLB 3	Soneri Bank	112,522	1,426,481	1,405,991	133,012
SLB 3	Syed Qutbuddin	3,120	4,350	6,820	650
SLB 3	Sameer Malik	4,366	102,779	92,862	14,283
SLB 3	S.A.Company	12,356	4,523	-	16,879
SLB 3	S.J.Nazimuddin	880	4,476	5,006	350
SLB 3	Time Business Aids Shop 11	2,073	68,321	66,002	4,392
SLB 3	Trade Linkers	-	16,925	12,047	4,878
SLB 3	World Wide Cargo	-	92,459	90,375	2,084
SLB 3	Banking Court I & II	705,999	379,508	444,000	641,507
SLB 3	Anti-Corruption Court I & II	-	3,500	-	3,500
SLB 3	Fahim Nanji meter 2 & 3	157,474	1,994,112	2,041,856	109,730
SLB 3	Monitoring Eval.Co-ordi	-	6,007	-	6,007
SLB 3	Tariq Ali	-	350	-	350
SLB 4	Central Store	58,866	194,764	219,561	34,069
SLB 4	China Centre	-	8,199	5,851	2,348
SLB 4	Grand Thornton	-	350	-	350
SLB 4	Anjum Qadri	-	350	-	350
SLB 4	Ahsan Corp.	-	6,376	3,563	2,813
SLB 4	Al Aziz Trader	12,944	56,674	33,767	35,851
SLB 4	Iqra Enter NEW.	3,236	75,260	48,540	29,956
SLB 4	Madina Dari Store	5,101	4,350	5,951	3,500
SLB 4	Hasan Dari Store	-	5,517	-	5,517
SLB 4	M.Salman	9,040	47,323	36,360	20,003
SLB 4	New Ghosia Bedding	9,534	83,618	86,245	6,907
SLB 4	Taj Cloth Store	2,418	4,350	6,418	350
SLB 4	Zaib Enterprise	44,464	100,346	-	144,810
SLB 4	Pak Traders	3,585	4,350	7,585	350
SLB 4	Director of National Sav	474,234	522,938	377,265	619,907
SLB 4	Grand Thornton	-	350	-	350
SLB 4	Hijwairy Traders	4,610	4,732	8,992	350
SLB 4	A.S Engg.	87,586	11,259	-	98,845
SLB 4	ABC Ent.	1,246,022	160,164	-	1,406,186
SLB 4	Awami Fire & Safety Service (Pvt.) Ltd.	4,042	45,830	49,522	350

SLB 4	H.F.Corp.	29,996	420,075	434,652	15,419
SLB 4	Hadi Logistics	16,661	151,013	175,818	(8,144)
SLB 4	Abid Logistic (Pvt) Ltd.	54,058	123,006	-	177,064
SLB 4	Docks (Pvt.) ltd	1,946,582	49,307	-	1,995,889
SLB 4	Ideal Cargo Carier	42,351	129,787	164,436	7,702
SLB 4	Indus Movers	96,393	4,350	-	100,743
SLB 4	Leopards Courier	17,790	403,835	269,890	151,735
SLB 4	M.A.M Co.	13,995	160,011	169,359	4,647
SLB 4	M.D.Logistic	231,975	93,104	27,954	297,125
SLB 4	Khuram Brothers	130,251	824,393	885,014	69,630
SLB 4	Purbani Traders	182,514	88,927	-	271,441
SLB 4	Rehman Enterprises	-	28,452	25,411	3,041
SLB 4	Reliance International	9,631	4,350	-	13,981
SLB 4	Sajid Int'l	1,560	4,433	-	5,993
SLB 4	Saas Shiping & Logistic	6,438	92,740	18,255	80,923
SLB 4	Sealion Logistics	14,942	84,434	85,485	13,891
SLB 4	Urooba Inter.	1,703	80,219	78,724	3,198
SLB 4	Trans World	158,517	27,629	-	186,146
SLB 4	Habib Bank	70,304	1,850,078	1,742,349	178,033
SLB 4	China.Com	495,435	380,812	679,000	197,247
SLB 4	Govt.Of Sindh Social Pro.Unit	187,295	925,747	608,962	504,080
SLB 4	Social Prot.Strg.CM unit	-	251,642	26,518	225,124
SLB 4	Women Development	152,301	348,237	-	500,538
SLB 4	Fed.Ombudsman	(41,475)	167,398	103,928	21,995
SLB 4	Estate Off. Mines	471,483	185,552	-	657,035
SLB 4	Estate Off. Zakat	284,319	608,214	589,204	303,329
SLB 4	Estate Off. Pharmacy	-	30,120	26,232	3,888
SLB 4	Estate Off. Labour	899,103	450,018	-	1,349,121
SLB 4	Estate Off. Industries	509,024	422,402	-	931,426
SLB 4	Estate Off.D.G.Design	472,861	719,481	1,295,835	(103,493)
SLB 4	Habib Bank	869,326	1,315,560	1,280,089	904,797
SLB 4	Hyundai Corp.	67,360	395,932	437,336	25,956
SLB 4	MCB Islamic Bank	60,699	820,486	828,035	53,150
SLB 4	PTCL	49,687	2,800	-	52,487
SLB 4	Smart Solution	200,443	4,350	-	204,793
SLB 4	Faysal Bank Ltd.	248,096	1,719,973	1,860,655	107,414
SLB 4	Ashraf Electronics	-	5,300	4,950	350
SLB 4	Salman Enter.	-	84,803	77,144	7,659
SLB 4	Yayah Enter.	-	65,332	60,480	4,852
SLB 4	Engro Fertilize Ltd	127,553	377,058	360,335	144,276
SLB 4	Federal Insurance	-	11,367	-	11,367
SLB 4	ICAP Pakistan		159,994	148,590	11,404

SLB 4	H & I Builders	265		-	265
SLB 4	Sindh Revnve	26,739		-	26,739
SLB 5	SZABIST	131,015	3,424,299	2,914,255	641,059
SLB 5	ICI Pakistan	10,061	132,286	120,099	22,248
SLB 5	Pakistan State Oil	81,492	692,534	710,065	63,961
SLB 5	Dogma Sec.	4,508	227,650	218,230	13,928
SLB 5	Multinet	-	968,202	626,408	341,794
SLB 5	Planning & develp.	211,396	32,781	50,456	193,721
SLB 5	Wafaqimuhtasib	193,250	524,761	622,665	95,346
SLB 6	Sachal Sattlite	-	792,444	216,832	575,612
SLB 6	Orix Leasing	19,502	593,583	572,907	40,178
SLB 6	NADRA	84,344	684,338	660,843	107,839
SLB 6	SSGC Ltd	414,803	905,890	1,017,364	303,329
SLB 6	Neelam Driv.	63,177	2,111	-	65,288
SLB 6	Security 2000	4,492	119,898	114,967	9,423
SLB 6	NIC	6,024	104,813	101,368	9,469
SLB 6	S.J.S.M.Education Soc.(IMSA)	916,069	196,534	1,071,555	41,048
SLB 6	ITS	116,944	176,310	-	293,254
Total amount in Rupees		25,051,460	80,443,911	82,509,487	23,372,823

Annex-12(iii)				
Statement of Outstanding Water Charges against Tenants as on 31-12-2021				
Building No.	Balance Opening (Rs.)	Amount Charged (Rs.)	Amount Rcvd (Rs.)	Amount Outstanding 206 AC (Rs.)
Karachi				
SLB-1	-	664,560	664,560	-
SLB- 1-A	1,052,478	170,952	1,052,478	170,952
SLB- 1-B	17,281	-	-	17,281
SLB- 1-C	308,826	43,992	-	352,818
SLB-2	111,744	148,992	148,992	111,744
SLB-2A	6,464	-	-	6,464
SLB-3	-	375,696	375,696	-
SLB-4	-	19,164	19,164	-
SLB-5	-	7,988	-	7,988
SLB-6	9,600	1,920	-	11,520
SLB-6A	10,045	-	-	10,045
SLB-6B	69,863	(14,580)	55,283	-
SLB-7	-	54,828	54,828	-
SLB-9	129,030	15,180	-	144,210
SLB-11	58,793	-	-	58,793
106 CLIFTON	13,600	-	-	13,600
49-A Queens Road	6,068	-	-	6,068
1-A FRAM ROASE	8,010	-	-	8,010

1-B LALAZAR	-	16,026	16,026	-
Hyd'bad				
SLB-NB	4,334	-	-	4,334
MPKHAS	27,753,312	13,273,305	10,967,661	30,058,956
Total amount in Rupees	29,559,448	14,778,023	13,354,688	30,982,783

Annex-12(iv)							
Statement of Outstanding Rent against active tenants as on 31-12-2021							
Bldg No.	Tenant Name	Rent / Mo	O/S Balance	Rent	Total	Receipts	O/S Balance
SLB 1	Bank Alfalah Ltd.	969,783	2,206,351	12,492,916	14,699,267	14,347,222	352,045
SLB 1	Eximp Ent.	28,819	26,794	349,400	376,194	349,400	26,794
SLB 1	G & A Corp.	22,736	-	248,472	248,472	136,404	869,022
SLB 1	Infotech (Pvt.) Ltd.	455,202	376,200	5,044,842	5,421,042	4,552,020	225,443
SLB 1	N.C.R. (new)	482,440	438,592	5,833,128	6,271,720	5,789,280	423,793
SLB 1	UBL	878,433	1,856,501	10,541,196	12,397,697	11,331,783	217,500
SLB 1	UBL	101,301	225,443	1,215,612	1,441,055	1,215,612	610,308
SLB 1A	Famco Associates	428,125	370,807	5,018,100	5,388,907	4,965,114	42,000
SLB 1B	Alpha Insurance Co.Ltd.	217,500	217,500	2,610,000	2,827,500	2,610,000	26,678
SLB 1A	A.F.Fergusons 2 nd floor	541,910	-	6,900,516	6,900,516	6,290,208	839,614
SLB 1A	A.F.Ferguson 1 st floor	262,371	-	3,340,956	3,340,956	3,045,468	981,792
SLB 1C	A.F.Ferguson (300 KVA)	47,250	-	594,000	594,000	540,000	660,194
SLB 1C	A.F.Ferguson (100 KVA)	23,100	-	290,400	290,400	264,000	118,580
SLB 1A	A.F.Ferguson (135 KVA)	36,750	-	462,000	462,000	420,000	299,115
SLB 1A	A.F.Ferguson 3 rd floor	541,910	-	6,900,516	6,900,516	6,290,208	72,612
SLB 1A	NCR	12,063	47,516	143,660	191,176	164,498	624
SLB 1A	NCR	326,777	1,721,648	3,921,324	5,642,972	4,803,358	4,075,242
SLB 1B	Ali Gohar & Co	403,749	981,794	4,477,948	5,459,742	4,477,950	750,915
SLB 1B	Ali Gohar & Co	459,817	660,238	5,100,044	5,760,282	5,100,088	589,833
SLB 1B	Bank Alfalah Ltd. DG SET 50 KVA	13,310	110,000	168,300	278,300	159,720	4,371,312
SLB 1B	J & S Corp.(Broadway Pizza)	199,410	299,115	2,392,920	2,692,035	2,392,920	1,161,721
SLB 1B	Feroze K.	94,394	72,612	1,132,728	1,205,340	1,132,728	17,636

	Khambhata						
SLB 1B	NCR	8,593	28,114	103,116	131,230	130,606	371,371
SLB 1B	Alpha Insurance co (100KVA)	27,500	3,745,242	330,000	4,075,242	-	90,970
SLB 2	I.D.B.P (300 KVA)	116,720	34,948	1,400,640	1,435,588	1,400,640	9,210,802
SLB 2	Nasa Chemicals (pvt)	134,310	-	1,483,515	1,483,515	732,600	11,875,456
SLB 2	U.Fone (PTML)(ANTE NA) 25 KVA	161,778	2,108,143	2,237,328	4,345,471	3,755,638	11,218,136
SLB 2	U.Fone (PTML)	1,251,064	-	19,384,080	19,384,080	15,012,768	3,131,692
SLB 2	Prime Minister (NAVTEC)	195,000	994,721	2,340,000	3,334,721	2,173,000	90,000
SLB 2A	Sandhu & Co	41,250	495,914	495,000	990,914	300,703	1,550,000
SLB 2A	Sandhu & Co 4 th floor	54,148	398,531	649,776	1,048,307	514,398	1,185,840
SLB 2A	SPI Insurance Co.	21,175	854,303	254,100	1,108,403	-	6,175,560
SLB 2A	Femco Associates (Pvt) Ltd.	16,568	17,636	198,816	216,452	198,816	871,971
SLB 2A	Equity Textile (Pvt.)Ltd.	92,847	168,821	1,128,492	1,297,313	925,942	817,564
SLB 2A	Equity Textile (Pvt.)Ltd. (DGSET)	26,620	34,100	308,550	342,650	251,680	2,179,774
SLB 2A	SPI Insurance Co. 4 TH FLOOR	78,480	895,967	941,760	1,837,727	1,177,170	126,288
SLB 2A	SSGC	525,030	3,404,515	7,367,724	10,772,239	6,300,516	376,433
SLB 3	Asif General Store	11,750	40,519	141,000	181,519	147,439	3,964,417
SLB 3	Commercial Court of Sind	52,948	8,575,426	635,376	9,210,802	-	9,791,175
SLB 3	Sindh Information Comm.Govt. of Sindh	140,000	-	1,680,000	1,680,000	-	173,635
SLB 3	Govt.Of Pak.Intellectual Pro.Tri.Kar.(EP TK)	330,395	7,790,140	4,085,316	11,875,456	-	2,581,915
SLB 3	Govt.Of Sindh Ser.Gen.Adm.C ord.Dept EO	440,000	5,938,136	5,280,000	11,218,136	-	59,541
SLB 3	Sindh Environment	251,160	2,385,648	3,013,920	5,399,568	2,267,876	79,632

	Prot.Trib.Kar.						
SLB 3	S.T.D.C. (Pvt).Ltd. Sign Board	15,000	-	180,000	180,000	90,000	15,924
SLB 3	Govt.of Sindh Energy Dept.	1,476,510	7,853,268	23,132,244	30,985,512	12,922,330	70,702
SLB 3	Govt.of Sindh Energy Dept.(300 kva)	25,000	1,250,000	300,000	1,550,000	-	28,496
SLB 3	National Comm.of Human Rights	197,640	790,560	2,371,680	3,162,240	1,976,400	164,435
SLB 3	Insurance Appellate	63,429	5,414,412	761,148	6,175,560	-	587,070
SLB 3	Masood Aziz	89,393	998,875	1,072,716	2,071,591	1,199,620	6,314
SLB 3	Masood Aziz new	96,431	954,408	1,157,172	2,111,580	1,294,016	33,000
SLB 3	Global Business Lynx	64,111	1,410,442	769,332	2,179,774	-	10,178
SLB 3	Mian Mushtaq Ahmed	20,680	107,951	248,160	356,111	229,823	260,200
SLB 3	C.M.Pak Ltd. (DG SET Antenna)	87,693	1,653,638	1,169,662	2,823,300	2,446,867	397,250
SLB 3	Plasticpack New	9,354	10,048	106,298	116,346	114,802	797,630
SLB 3	B.B.S.H.R R.D.B. 5 th floor	740,037	3,395,852	10,384,530	13,780,382	8,880,444	1,838
SLB 3	B.B.S.H.R R.D.B. 5 th floor	126,344	-	2,011,780	2,011,780	1,516,132	151,893
SLB 3	B.B.S.H.R R.D.B. (100KVA)	25,000	7,000	300,000	307,000	-	186,503
SLB 3	Govt.of Sindh Dire.of Sports	305,551	2,806,933	3,472,362	6,279,295	2,314,878	671,220
SLB 3	Dir.Ombudsma n (Moht.)Reg.Off .	103,603	1,050,821	1,243,236	2,294,057	1,447,102	82,642
SLB 3	Thar Coal & Energy	930,954	6,983,012	11,186,749	18,169,761	8,378,586	66,117
SLB 3	W & A Law Associates	102,487	173,635	1,229,844	1,403,479	1,229,844	66,117
SLB 3	Edotco Tower (Pvt.) ltd.(18KVA)	107,181	1,295,743	1,286,172	2,581,915	-	70,428
SLB 4	Abdul Aziz Khilji	3,414	18,573	40,968	59,541	-	128,294
SLB 4	Ahmed Haji Yousuf	21,288	73,626	237,438	311,064	231,432	44,512
SLB 4	Anweruddin G	2,654	15,924	31,848	47,772	31,848	87,396

	9						
SLB 4	Agrico (Shop#12)	17,323	70,702	207,876	278,578	207,876	71,595
SLB 4	Agrico (Shop#02)	27,254	28,496	327,048	355,544	327,048	190,923
SLB 4	Arsalan Enterprises(New)	12,168	318,000	288,360	606,360	441,925	146,416
SLB 4	AMK International	21,780	325,710	261,360	587,070	-	58,305
SLB 4	Al Hussaini Mills Store	18,425	18,425	221,100	239,525	233,211	3,332,722
SLB 4	Al Madina Trader Shop 8	22,000	10,000	249,000	259,000	226,000	953,114
SLB 4	Sea Chain International	15,000	-	160,178	160,178	150,000	627,073
SLB 4	M.Anees General Trade	26,694	446,032	314,168	760,200	500,000	540,000
SLB 4	The Beauty Shop	90,123	1,288,046	1,109,204	2,397,250	2,000,000	21,757
SLB 4	Bashir Traders Shop 9	23,225	375,165	300,140	675,305	100,000	18,273
SLB 4	Bashir Traders SHOP 14 -15	30,891	517,450	380,180	897,630	100,000	2,964,932
SLB 4	Bashir Traders 2 F 2 nd floor	13,047	150,540	210,762	361,302	359,464	761,171
SLB 4	Bilal Traders godown 2	28,619	294,324	283,965	578,289	426,396	532,450
SLB 4	Bilal Traders SHOP 7	15,664	116,605	169,898	286,503	100,000	5,699,556
SLB 4	Express Logistics Cell	14,916	522,060	178,992	701,052	29,832	1,628,995
SLB 4	Dawood Trader Shop 3	15,556	51,530	186,672	238,202	155,560	4,400
SLB 4	Dawood Trader Shop 5	13,863	38,391	166,356	204,747	138,630	139,920
SLB 4	Dawood Trader Shop 4	13,863	38,391	166,356	204,747	138,630	174,775
SLB 4	Friends Enterprises	18,466	193,089	221,592	414,681	344,253	280,700
SLB 4	Inc.Tax App. Tribunal 5 th	285,610	6,569,447	3,427,320	9,996,767	5,931,664	40,161
SLB 4	Inc.Tax Tribunal(State off) 2 nd	13,656	391,367	163,872	555,239	-	3,108
SLB 4	Machinery Co.	46,059	922,200	706,974	1,629,174	888,537	123,200
SLB 4	Muneeb Traders(New)	17,674	367,065	265,115	632,180	424,176	1,534,975
SLB 4	Office Professionals	23,522	128,294	282,264	410,558	282,264	8,200
SLB 4	S.J.Nizamuddin	14,493	-	166,936	166,936	122,424	199,943

	Co. Godw.8						
SLB 4	Soneri Bank Ltd.	77,510	52,699	858,572	911,271	823,875	88,550
SLB 4	S.Qutbuddin Traders	18,292	13,896	198,389	212,285	140,690	229,680
SLB 4	S.A. & CO.	15,768	217,491	278,432	495,923	305,000	158,224
SLB 4	Time Business Aids godw. 3	27,295	166,268	332,502	498,770	352,354	1,175,238
SLB 4	Ahmed Brothers sh. 1	19,435	235,444	233,220	468,664	410,359	2,223,000
SLB 4	Banking Tribunal	54,600	2,570,793	(1,948,296)	622,497	(2,710,225)	154,494
SLB 5	Fakir Trust (Indus Hospital)	107,360	1,200,046	1,288,320	2,488,366	1,535,252	869,400
SLB 5	Pioneer Arms Manufacturers	114,581	-	1,252,063	1,252,063	624,990	174,101
SLB 5	Monitoring Eval.& Coord.Unit Dept.Of.Sindh	70,000	-	840,000	840,000	300,000	1,029,600
SLB 5	Fahim Nanji 9-10 1 st	177,608	95,148	2,018,274	2,113,422	2,091,665	24,311,383
SLB 5	Fahim Nanji(New)	102,941	18,273	1,235,292	1,253,565	1,235,292	281,022
SLB 5	Fair Water Risk 13	62,118	2,541,913	745,416	3,287,329	322,397	638,717
SLB 5	Human Rights Comm. 8	68,926	641,086	1,200,173	1,841,259	1,080,088	3,201,912
SLB 5	Kunwer Idrees 11	48,814	532,450	585,768	1,118,218	585,768	2,555,488
SLB 5	MCB (20 KVA)	16,500	-	198,000	198,000	(5,501,556)	1,908,360
SLB 5	MCB	239,955	189,433	2,547,216	2,736,649	1,107,654	277,200
SLB 5	S.M.Latif 21	4,400	4,400	52,800	57,200	52,800	49,530
SLB 5A	Limton Watch	128,260	69,960	1,539,120	1,609,080	1,469,160	925,291
SLB 5B	NBP	85,947	174,763	1,031,364	1,206,127	1,031,352	174,775
SLB 5B	Haroon Rashid	2,000	256,700	24,000	280,700	-	280,700
SLB 5C	Tariq Ali	7,500	-	85,161	85,161	45,000	40,161
SLB 5C	Fakhir Hussain	7	3,024	84	3,108	-	3,108
SLB 6	Habib Bank Ltd. F.E	340,306	-	20,911,772	20,911,772	3,347,388	1,122,634
SLB 6	Al Azizi Traders	47,916	-	574,992	574,992	479,160	95,832
SLB 6	Grant Thornaton	56,000	-	179,200	179,200	56,000	123,200
SLB 6	Raziq Dad	36,678	-	1,734,975	1,734,975	200,000	134,975
SLB 6	Riaz Bakers	41,000	-	254,200	254,200	246,000	8,200
SLB 6	M.Salman	35,780	101,720	461,860	563,580	363,637	199,943
SLB 6	New Ghosia Bedding	17,710	53,130	212,520	265,650	177,100	88,550

SLB 6	Iqra Enterprises New	19,140	-	229,680	229,680	-	130,815
SLB 6	Pak Trader	8,746	393,270	104,952	498,222	100,000	398,222
SLB 6	Hasan Dari Store	39,424	-	398,464	398,464	240,240	158,224
SLB 6	Madina Dari Store	19,996	204,217	239,952	444,169	387,310	56,859
SLB 6	Zaib Enter.	60,628	447,702	727,536	1,175,238	-	1,175,238
SLB 6	Central Store (New)	101,400	1,630,200	1,216,800	2,847,000	624,000	2,223,000
SLB 6A	A.S.Engineerinn g	10,912	473,550	130,944	604,494	450,000	154,494
SLB 6A	Director of National Sav	88,023	296,550	1,056,276	1,352,826	1,330,884	21,942
SLB 6A	Director of National Sav	43,191	417,827	518,292	936,119	-	936,119
SLB 6A	Hijwairy Traders	66,836	625,106	802,032	1,427,138	1,103,048	324,090
SLB 7	Awami Fire & Safety Service (Pvt.) Ltd.	13,976	143,640	165,170	308,810	180,219	128,591
SLB 7	Abid Logistic (Pvt) Ltd.	42,385	42,035	508,620	550,655	294,058	256,597
SLB 7	Hadi Logistic	22,120	-	320,740	320,740	176,960	11,060
SLB 7	Sealion Logistic	25,200	-	340,200	340,200	151,200	37,800
SLB 7	Indus Movers (Pvt.) Ltd	6,409	211,497	76,908	288,405	-	288,405
SLB 7	Junaid Brothers	45,361	1,702,381	544,332	2,246,713	1,200,000	1,046,713
SLB 7	Reliance International.	41,412	2,344,700	496,944	2,841,644	-	2,841,644
SLB 7	Saas Shipping	29,762	494,628	351,736	846,364	180,000	666,364
SLB 7	Sarhad Logistic	39,600	631,800	475,200	1,107,000	237,600	869,400
SLB 7	Urooba Inter.	27,243	174,101	326,916	501,017	326,916	174,101
SLB 7	Purbani Traders	11,002	-	138,293	138,293	-	115,451
SLB 7	Khuram Brothers	85,800	1,036,800	1,029,600	2,066,400	1,036,800	1,029,600
SLB 7	Joseph Lobo	6,722	63,388	80,664	144,052	80,664	63,388
SLB 8	Raja Tayyab / Cotton Web	6,000	51,000	72,000	123,000	20,000	103,000
SLB 8	Ghayas & Sons Tailors	25,179	56,902	302,148	359,050	60,926	298,124
SLB 8	Ghayas & Sons Tailors	27,820	189,176	333,840	523,016	67,324	455,692
SLB 8	Younus Khan Durani	1,542	8,532	18,504	27,036	25,000	2,036
SLB 9	Habib Bank	662,006	-	10,950,035	10,950,035	7,903,422	607,417
SLB 9	Habib Bank (22KVA)	33,788	-	842,104	842,104	311,892	375,263
SLB 11	Fed.Ombudsman	106,480	155,584	1,224,520	1,380,104	978,000	402,104

SLB 11	China. Com	228,375	2,740,525	2,740,500	5,481,025	456,750	5,024,275
SLB 11	E.O.Ser.Gen.A dm. & Co. Or. Dep.G.of Sindh.	1,232,728	22,226,901	14,792,736	37,019,637	12,708,254	24,311,383
SLB 11	Habib Bank	867,560	399	24,130,956	24,131,355	23,850,333	281,022
SLB 11	MCB Islamic Bank Ltd.(20KVA)	16,105	444,500	194,217	638,717	-	638,717
SLB 11	Women Devlp.Dept.	378,444	2,622,052	4,588,093	7,210,145	4,008,233	3,201,912
SLB 11	Social Protection Strategy Unit Chief Minister	301,080	7,183,742	3,612,960	10,796,702	8,241,214	2,555,488
SLB 11	Smart Solution	61,560	1,169,640	738,720	1,908,360	-	1,908,360
SLB 12	A & B Electronics	69,300	-	693,000	693,000	415,800	277,200
SLB 12	Shandaar Corp.	49,530	-	455,356	455,356	405,826	49,530
SLB 12	Fahad Electronic 2 nd	89,056	883,200	1,064,256	1,947,456	1,300,000	647,456
SLB 12	Ashraf Electronics	41,925	-	476,052	476,052	419,250	56,802
SLB 12	Salman Enterprises 3 rd	39,788	-	278,516	278,516	238,728	39,788
J.T.C.	Qynetic Marketing 7 th floor	140,000	420,000	1,680,000	2,100,000	1,820,000	280,000
NAZ'BA D.	Saqib public School	77,950	432,298	935,400	1,367,698	1,144,230	223,468
SLB- 2.HYD	Al Wasiu Enter.	7,548	-	90,576	90,576	50,000	36,034
SLB- 2.HYD	Dogma Security	30,846	213,424	370,152	583,576	500,000	83,576
SLB- 2.HYD	Dogma Security	31,041	75,870	372,492	448,362	400,000	48,362
SLB- 2.HYD	Askari General Insu.(5 KVA)	7,073	36,195	84,876	121,071	118,614	2,457
SLB- 2.HYD	S.J.S.M.Educate ion Soc.	119,497	2,525,730	1,433,964	3,959,694	1,000,000	2,959,694
SLB- 2.HYD	S.J.S.M.Educate ion Soc.	238,271	3,896,177	2,859,252	6,755,429	1,500,000	5,255,429
SLB 3.Hyd	H & I Builders	28,168	587,275	338,016	925,291	-	925,291
SLB 3.Hyd	NADRA (5KVA)	8,858	115,506	106,296	221,802	215,048	6,754
SLB 3.Hyd	Planning & Devol.	173,644	532,853	2,083,728	2,616,581	-	2,616,581
SLB 3.Hyd	SSGC Ltd	803,990	5,694,370	9,647,880	15,342,250	10,294,287	5,047,963
Larkana	Tower Media	54,080	-	648,960	648,960	324,480	324,480

Larkana	Tower Media (30KVA)	43,940	-	527,280	527,280	263,640	263,640
Larkana	Sindh Building Cont. Aut.	61,500	848,209	738,000	1,586,209	623,610	962,599
Sukkur	SSGC Ltd	53,172	255,144	638,064	893,208	514,728	378,480
MPKhas	National Bank Of Pakistan	209,500	434,196	2,514,000	2,948,196	2,281,455	666,741
MPKhas	Tower Media	54,080	-	648,960	648,960	324,480	280,480
MPKhas	Tower Media (30KVA)	43,940	44,000	527,280	571,280	263,640	307,640
Total (Rupees)		1,969,148	15,258,948	23,629,776	38,888,724	18,673,982	20,166,200

Annex-12(v)									
Statement of Rent recovery from Employees									
Building #	Name of Tenant & Flat No.	Area	Monthly Rent	Opening Balance	Rent Due during the Year	Total	Receipts	Outstanding Balance	No. of Months
49 A QR.	Dr.Mushtaq Memon (FLAT # 3)	1570	49,690	-	596,280	596,280	248,450	347,830	7
49 A QR.	Ejaz Hussain Soomro (FLAT # 4)	1570	45,139	-	541,668	541,668	275,921	265,747	6
49 A QR.	Imtaiz Fareed Khan		5,232	578,536		578,536	-	578,536	111
1 B QR.	Qazi Nazim Naeem (FLAT # 8)	850	21,254	21,254	255,048	276,302	217,608	58,694	3
1 B QR.	Ejaz Hussain Soomro (FLAT 4)		41,533	40,350		40,350	-	40,350	1
1 B QR.	Israr Mehmood (FLAT # 12))	850	20,706	-	273,320	273,320	224,000	49,320	2
1 B QR.	Naseem Akhtar (FLAT # 10)	850	1,933	209,416	23,196	232,612	-	232,612	120
1 B QR.	Kamal Ahmed Rizvi (FLAT 11)		2,000	260,100		260,100	-	260,100	130
1 B QR.	K R Khan (FLAT # 3)	850	3,543	751,116	42,516	793,632	-	793,632	224
						3,592,800	3,592,800	2,626,821	

Annex-12(vi)						
Non-recovery of rent from active tenants Rs.17.587 million-RE Lahore						
BLD No. / Address	Name of Tenant	Monthly Rent	Pervious balance	Charged during the year	Receipt	O/S Balance
SLB # 01 Lahore	Bundu Khan	20,462	77,903	228,804	236,730	69,977
SLB # 01 Lahore	Pakistan Cables Ltd	4,475	36,796	53,700	41,911	48,585
SLB # 01 Lahore	Muhammad Yaseen	1,210	17,990	14,520	19,360	13,150
SLB # 02 Lahore	Director Food Punjab	275,688	4,732,494	3,308,256	5,789,448	2,251,302
SLB # 02 Lahore	Punjab Seed Corporation	323,297	2,017,364	3,703,218	3,526,872	2,193,710
SLB # 02 Lahore	Ghulam Ilyas Bhatti	3,137	-9,335	36,789	0	27,454
SLB # 02 Lahore	Environment Protection De	379,496	3,317,240	4,553,952	4,553,955	3,317,237
SLB # 02 Lahore	TI&QCL Food Depart. Punjab	85,234	136,374	920,526	886,432	170,468
SLB # 02 Lahore	SLIC western Zone	54,915	0	210,000	180,000	30,000
SLB # 06 Lahore	Abdul-Waheed	8,250	13,600	89,100	85,800	16,900
SLB # 06 Lahore	Super Digital Technology	8,858	133,183	102,271	50,000	185,454
SLB # 11 Lahore	Wafaqi Mohtassib	629,006	221,731	7,548,072	5,661,054	2,108,749
SLB # 11 Lahore	Wafaqi Mohtassib	231,250	-68,100	2,775,000	2,069,814	637,086
SLB # 11 Lahore	Wafaqi Mohtassib	227,438	596,778	2,729,256	2,748,316	577,718
SLB # 11 Lahore	Siemens Healthn & Care Co.	746,780	670,039	8,214,581	8,146,692	737,928
SLB # 11 Lahore	Siemens Engg. Co.	472,478	-467,394	5,240,206	3,959,865	812,947
SLB # 11 Lahore	Siemens Engg. Co.	34,511	282,788	382,762	250,992	414,558
SLB # 11 Lahore	Punjab Small Industries	180,060	0	2,062,506	1,522,326	540,180
SLB # 11 Lahore	VIP Stationers	7,504	17,107	82,546	80,000	19,653
SLB # 11 Lahore	Geo	7,504	35,467	82,546	59,000	59,013

Lahore	Photocopy					
SLB # 11 Lahore	Insiyabi Pakistan (pvt.) Ltd.	85,594	274,478	972,661	622,504	624,635
SLB # 11 Lahore	Insiyabi Pakistan (pvt.) Ltd.	3,000	126,000	36,000	24,000	138,000
SLB # 11 Lahore	National Computer Service	14,130	239,650	157,995	58,375	339,270
27		3,804,277	12,402,153	43,505,267	40,573,446	15,333,974
SLB # 02 Faisalabad	Bank Alfalah Ltd.	674,688	763,767	8,096,256	8,096,256	763,767
SLB # 02 Faisalabad	Alpha Insurance Company	27,000	243,000	324,000	243,000	324,000
SLB # 02 Faisalabad	NICL	84,766	469,186	1,017,192	1,267,724	218,654
SLB # 02 Faisalabad	Sanofi Aventis	140,375	132,956	1,684,500	1,684,500	132,956
SLB # 02 Faisalabad	PSO Generator	21,970	195,757	263,640	329,550	129,847
SLB # 02 Faisalabad	NIFT	265,531	254,607	3,000,501	2,947,343	307,765
SLB # 02 Faisalabad	United Insurance Company	51,600	240,874	724,200	835,362	129,712
SLB # 02 Faisalabad	NEXLINX – Pole	57,224	51,348	606,573	652,352	5,569
SLB # 02 Faisalabad	NEXLINX	117,188	192,188	1,406,256	1,523,444	75,000
SLB # 02 Faisalabad	I.G.I Securities	44,289	0	527,442	394,591	132,851
SLB # 02 Faisalabad	MGM Securities	21,743	34,616	258,939	278,705	14,850
SLB # 02 Faisalabad	Value Stock Securities	21,743	-14,850	258,939	237,196	6,893
12		1,528,117	2,563,449	18,168,438	18,490,023	2,241,864
SLB # Multan	BIPL (KASB) Securities Ltd.	68,360	13,320	820,320	820,320	13,320
						17,587

Annex-12(vii)					
Statement of outstanding Rent against non-active/Court Case tenants as on 31-12-2021-RE Lahore					
BLD No. / Address	Name of Tenant	Dated of Default	Monthly Rent	Receipt	O/S Balance
SLB # 01 Lahore	Wazir Tailoers	2020	4,198	0	34,386
SLB # 01 Lahore	Zaidi photographer	2019	4,773	0	137,417
SLB # 01 Lahore	S.Nabi bux & Son's	2017	4,773	0	236,292
SLB # 01 Lahore	Pioneer Con.	2020	899	0	14,976
SLB # 01 Lahore	Syed Qamar ul hassain	2014	1,650	0	147,790
SLB # 01 Lahore	M.Rafque Badar	2008	955	0	150,110
SLB # 01 Lahore	A.N.I. (Khalid & Co.)	2016	31,919	0	1,806,813
SLB # 01 Lahore	Zaheer Ahmad	2010	1,100	0	139,450
SLB # 01 Lahore	Sakeel Ahmed	2010	1,100	0	142,750
SLB # 01 Lahore	Naveed Iqbal PhotoState	2010	1,100	0	149,450
SLB # 01 Lahore	Dilwar Hussain Khan	2010	1,100	0	139,750
SLB # 01 Lahore	Saleem Raza Khan	2012	1,210	0	125,160
SLB # 01 Lahore	Ejaz Ahmed Khan	2011	1,100	0	130,450
SLB # 01 Lahore	Aurjamud Shaheen	2015	1,210	0	89,040
SLB # 01 Lahore	Naseer Ahmed	2013	1,933	0	191,338
SLB # 01 Lahore	Imran Ahmad Malik	2012	13,200	0	1,462,320
SLB # 01 Lahore	Lahore Cafeteria	2019	167,000	#####	4,509,000
SLB # 02 Lahore	Indus Water Commission	2016	85,120	0	5,418,578
SLB # 02 Lahore	National Bank of Pakistan	2009	14,501	0	2,037,580
SLB # 02 Lahore	M.Shafqat	2009	1,000	0	147,000
SLB # 02 Lahore	Federal Seed Certificate	-	1,250	0	-920,706
SLB # 05 Lahore	Z K Packages	2015	21,608	0	1,525,821
SLB # 05 Lahore	Rana M. Ashraf	2015	7,073	0	445,248
SLB # 05 Lahore	Rafique Rafee	2016	7,366	0	401,272
SLB # 05 Lahore	Shahid Hussan	2017	15,413	0	734,537
SLB # 06 Lahore	Zaheer Qurshi/Imtiaz Hashim	2012	1,338	0	141,940
SLB # 06 Lahore	Akbar Brothers	2011	3,369	0	403,702
SLB # 06 Lahore	KDC	2009	3,818	0	568,882
SLB # 06 Lahore	Olympia business	2008	7,750	0	1,168,700
SLB # 06 Lahore	Shoukat & Co	2012	5,631	0	632,464
SLB # 06 Lahore	Standard Type Writer	2011	2,795	0	344,606
SLB # 06 Lahore	Mico Publicity	2011	2,091	0	251,050
SLB # 06 Lahore	M.Nazir	2011	538	0	64,800
SLB # 06 Lahore	Abdul Wahid Tea Stall	2012	595	0	61,926
SLB # 06 Lahore	Asghar & Co.	2011	2,236	0	279,973
SLB # 06 Lahore	Hussan Raza	2011	1,866	0	215,298
SLB # 06 Lahore	ABC Type Writer	2010	2,686	0	344,235

SLB # 06 Lahore	Iqbal Hussain	2011	5,148	0	638,052
SLB # 06 Lahore	Interface Enterpirses	2011	6,056	0	693,316
SLB # 06 Lahore	Hakim Arshad Nadvi	2009	917	0	137,550
SLB # 06 Lahore	ZiaudZia	2009	476	0	69,963
SLB # 06 Lahore	Miss Mehtab Afroz	2012	564	0	62,341
SLB # 06 Lahore	Akmal Hussain	2012	564	0	63,360
SLB # 06 Lahore	Miss Bdaz Afroz	2011	2,614	0	328,112
SLB # 06 Lahore	Azhar Ali Khan	2011	7,266	0	843,601
SLB # 06 Lahore	Iran Engineering Works	2015	7,086	0	498,026
SLB # 06 Lahore	M.Nazir	2010	3,101	0	427,407
SLB # 06 Lahore	Mrs Rahena Nasrin	2011	4,579	0	522,340
SLB # 06 Lahore	Mr Aftab Ahmed	2018	9,664	0	417,540
SLB # 07 Lahore	Abdul –Haq	2009	2,673	0	384,912
SLB # 07 Lahore	M.Ilyass	2017	24,158	0	1,104,820
SLB # 09 Lahore	Movin Estate	2005	1,070	0	207,152
SLB # 09 Lahore	Associates Enterprises	2004	4,579	0	908,469
SLB # 09 Lahore	Asif Zaman Khan	2004	611	0	125,457
SLB # 09 Lahore	Syed Sajjad Advocate	2005	2,383	0	453,356
SLB # 09 Lahore	Meraj Ahmed Malik	2017	955	0	50,615
SLB # 09 Lahore	Mazhar Hussain	1997	764	0	216,475
SLB # 09 Lahore	M.Boota Shahzad	2006	194	0	35,689
SLB # 09 Lahore	Iftakhar Ahmed Ch.	2016	1,906	0	123,890
SLB # 09 Lahore	M.Qamar Anjum	2012	635	0	70,490
SLB # 10 Lahore	Muzamil Hussain	2005	4,579	0	888,545
SLB # 10 Lahore	Crown travels	2003	1,906	0	403,905
SLB # 10 Lahore	M.Salman (OCS)	2010	5,470	0	749,390
		63			34,298,171
SLB # 01 Faisalabad	Zahoor Hussain	2013	743	0	71,162
SLB # 01 Faisalabad	Zahoor Hussain	2011	529	0	65,151
SLB # 01 Faisalabad	Khalil-ur-'rehman	2010	529	0	71,429
SLB # 01 Faisalabad	Khalil-ur-'rehman	2010	743	0	100,483
SLB # 01 Faisalabad	S.M. Idress	2009	743	0	106,675
SLB # 01 Faisalabad	S.M. Idress	2010	529	0	72,131
SLB # 01 Faisalabad	S.M. Idress	2009	529	0	73,088
SLB # 01 Faisalabad	Syed Ahmed	2007	671	0	112,777
SLB # 01 Faisalabad	Zahoor Hussain	2009	529	0	77,003
SLB # 01	M. Hammad	2007	269	0	48,253

Faisalabad					
SLB # 01					
Faisalabad	Azmat Kaleem	2015	404	0	46,432
SLB # 01					
Faisalabad	Allah Ditta	1993	351	0	29,230
SLB # 01					
Faisalabad	Muzaffar Hussain	2015	586	0	117,216
SLB # 01					
Faisalabad	M. Siddique	1989	269	0	43,477
SLB # 01					
Faisalabad	Abaidullah	2015	586	0	104,249
		15	1,138,756		

Annex-12(viii)					
SLB # 2 , Lytton Road, Lahore					
S #	Name Of Tenants	Date of Default	Amount Outstanding	Action Taken	Current Status
1	Indus Water Commission	2016	5,418,578	Court Case	Court Case
2	National Bank of Pakistan	2009	2,037,580	Court Case	Court Case
3	M.Shafqat	2009	147,000	-	No where abouts/ Locked in our Custody
7,603,158					

Annex-12(ix)					
SLB # 06 , Moti Mansion , Link McLoed Road, Lahore					
S #	Name Of Tenants	Date of Default	Amount Outstanding	Action Taken	Current Status
1	Zaheer Qurshi/Imtiaz Hashim	2012	141,940	-	No where abouts/ Locked
2	Akbar Brothers	2011	403,702	Court Case	Under Possession of Shoukat & Company
3	KDC	2009	568,882	Court Case	Court Case
4	Olympia business	2008	1,168,700	Court Case	Court Case
5	Shoukat & Co	2012	632,464	Court Case	Court Case
6	Standard Type Writer	2011	344,606	Court Case	Under considration at P.O
7	Mico Publicity	2011	251,050	Court Case	Under considration

					at P.O
8	M.Nazir	2011	64,800	Court Case	Under considration at P.O
9	Abdul Wahid Tea Stall	2012	61,926	Court Case	Under considration at P.O
10	Asghar & Co.	2011	279,973	Court Case	Court Case
11	Hussan Raza	2011	215,298	Meetings/Notices	Fida Hussain Sublet (Negoliation in process for Out of Court Settlement)
12	ABC Type Writer	2010	344,235	Court Case	Under considration at P.O
13	Iqbal Hussain	2011	638,052	Court Case	Under Possession of Olympia Business
14	Interface Enterpirses	2011	693,316	Court Case	Court Case Possession M Sharif
15	Hakim Arshad Nadvi	2009	137,550		Dead & Locked
16	ZiaudZia	2009	69,963	Court Case	Court Case
17	Miss Mehtab Afroz	2012	62,341	Court Case	Under Possession of Miss Mehtab Afroz
18	Akmal Hussain	2012	63,360	Court Case	Under Possession of Miss Mehtab Afroz
19	Miss Bdar Afroz	2011	328,112	Court Case	Under Possession of Miss Mehtab Afroz
20	Azhar Ali Khan	2011	843,601	Court Case	Under considration at P.O
21	Iran Engineering Works	2015	498,026	Meetings/Notices	He was actual defaulter we convinced him to

					deposited the rent He has deposit Rs.50000/- in Year 2022
22	M.Nazir	2010	427,407	Court Case	Under considration at P.O
23	Mrs Rahena Nasrin	2011	522,340	Court Case	Court Case
24	Mr Aftab Ahmed	2018	367,540	Meetings/Notices	-
			9,129,184		

Annex-12(x)					
SLB # 07, Patiala Ground, Lahore					
S #	Name Of Tenants	Date of Default	Amount Outstanding	Action Taken	Current Status
1	Abdul –Haq	2009	400,950	Court Case	Court Case
2	M.Ilyass	2017	1,203,820	Meetings/Notices	
			1,604,770		

Annex-13

(Para No. 3.3.4.12)

Non-charging of escalated rent from tenants and employees – Rs.72.780 million

Annex-13(i)									
Non-Escalation Charges									
SLB-#	Tenant Name	Status	Lease Expired	Closing Date	No. of Days	No. of Months	Rent per Month	10% per month	F*H
SLB-1	J&S Corporation (Broadway Pizza)	Pvt.	31-Oct-19	31-Dec-21	792	26.40	199,410	19,941	526,442
SLB-1	UBL	Pvt.	31-Dec-18	31-Dec-21	1096	36.53	2,663,733	266,373	9,731,505
SLB-1	UBL	Pvt.	31-Dec-18	31-Dec-21	1096	36.53	2,618,585	261,859	9,566,564
SLB-1	UBL	Pvt.	31-Dec-18	31-Dec-21	1096	36.53	350,929	35,093	1,282,061
SLB-1	UBL	Pvt.	31-Dec-18	31-Dec-21	1096	36.53	117,864	11,786	430,596
SLB-1	UBL	Pvt.	31-Dec-18	31-Dec-21	1096	36.53	188,716	18,872	689,442
SLB-1	UBL	Pvt.	31-Dec-18	31-Dec-21	1096	36.53	319,632	31,963	1,167,722
SLB-1	UBL	Pvt.	31-Dec-21	31-Dec-21	0	-	1,079,119	107,912	-
SLB-1	UBL	Pvt.	31-Dec-18	31-Dec-21	1096	36.53	508,536	50,854	1,857,852
SLB-1- (Annexe)	Akhtar & Hasan (Pvt.) Ltd.	Pvt.	31-Jul-20	31-Dec-21	518	17.27	68,832	6,883	118,850
SLB-1B	Alpha Ins. Co. Ltd	DG Set	11-Jun-08	31-Dec-21	4951	165.03	27,500	2,750	453,842
SLB-1B	UBL	DG Set	31-Mar-20	31-Dec-21	640	21.33	207,138	20,714	441,894
SLB-1B	UBL	DG Set	14-Apr-20	31-Dec-21	626	20.87	138,977	13,898	289,999
SLB-1B	ORR Dignam & Co.	DG Set	14-Jun-07	31-Dec-21	5314	177.13	27,000	2,700	478,260
SLB-1B	Ali Gohar & Co.	Pvt.	09-Aug-18	31-Dec-21	1240	41.33	106,108	10,611	438,580
SLB-2	IDBP	Pvt.	30-Jun-14	31-Dec-21	2741	91.37	405,343	40,534	3,703,484
SLB-2	IDBP	Pvt.	30-Jun-14	31-Dec-21	2741	91.37	199,288	19,929	1,820,828
SLB-2	Nasa Chemical Pvt Ltd.	Pvt.	14.Nov.21	31-Dec-21	364	12.13	134,310	13,431	162,963
SLB-2	IDBP	Pvt.	30-Jun-14	31-Dec-21	2741	91.37	394,411	39,441	3,603,602
SLB-2	Prime Minister Secretariat Public (NAVTEC)	Pvt.	14-Nov-17	31-Dec-21	1508	50.27	195,000	19,500	980,200
SLB-2A	Sui Southren Gas	Pvt.	30-Jun-17	31-Dec-21	1645	54.83	358,710	35,871	1,966,927
SLB-2A	SPI Insurance Co. Ltd.	Pvt.	09-Jul-16	31-Dec-21	2001	66.70	78,480	7,848	523,462
SLB-3	Asif General Store (Proprieter Muhammad Ishtiaq)	Pvt.	31-Jul-14	31-Dec-21	2710	90.33	15,640	1,564	141,281
SLB-3	Commercial	Govt	31-May-20	31-Dec-21	579	19.30	52,948	5,295	102,190

	Court of Sind	.							
SLB-3	W & A Law Associates	Pvt.	31-Oct-19	31-Dec-21	792	26.40	102,487	10,249	270,566
SLB-3	Director Ombudsman (Mohtasib) Regional Office Karachi South.	Govt .	28-Feb-19	31-Dec-21	1037	34.57	85,643	8,564	296,039
SLB-3	Masood Aziz	Pvt.	30-Sep-19	31-Dec-21	823	27.43	89,393	8,939	245,235
SLB-3	Masood Aziz	Pvt.	30-Nov-19	31-Dec-21	762	25.40	96,431	9,643	244,935
SLB-3	Global Business Lynx.	Pvt.	31-Aug-19	31-Dec-21	853	28.43	64,111	6,411	182,289
SLB-3	Thar Coal & Energy Board	Govt .	14-May-21	31-Dec-21	231	7.70	930,954	93,095	716,835
SLB-3	Mian Mushtaq Ahmed.	Pvt.	31-Jul-16	31-Dec-21	1979	65.97	20,680	2,068	136,419
SLB-3	Govt. of Sindh Office Superintending Engineer work & Deptt. Of sindh (Estate Office)	Govt .	30-Sep-18	31-Dec-21	1188	39.60	170,500	17,050	675,180
SLB-3	Government of Sindh Energy Department.	Govt .	31-May-18	31-Dec-21	1310	43.67	906,720	90,672	3,959,344
SLB-3	Government of Sindh Energy Department.	Govt .	31-May-18	31-Dec-21	1310	43.67	102,006	10,201	445,426
SLB-3	Sindh Transmission & Dispatch Co. (S.T.D.C)	Govt .	06-Feb-20	31-Dec-21	694	23.13	187,550	18,755	433,866
SLB-3	Govt. of Sindh Services General Administration and Coordination Department (Estate Office)	Govt .	30-Sep-18	31-Dec-21	1188	39.60	137,500	13,750	544,500
SLB-4	Jahangir Shahid (Shop-6 & 6A)	Pvt.	30-Jun-20	31-Dec-21	549	18.30	28,407	2,841	51,985
SLB-4	S. Qutbuddin Traders (Shop # 13)	Pvt.	31-May-20	31-Dec-21	579	19.30	14,069	1,407	27,153
SLB-4	Bashir Traders	Pvt.	31-Aug-19	31-Dec-21	853	28.43	17,865	1,787	50,796

	(Shop-9)								
SLB-4	AGRICO (Shop-12)	Pvt.	30-Sep-20	31-Dec-21	457	15.23	17,323	1,732	26,389
SLB-4	AGRICO (Shop-02)	Pvt.	31-Aug-20	31-Dec-21	487	16.23	24,778	2,478	40,223
SLB-4	Machinery Co. (Shop-18-19)	Pvt.	30-Jun-18	31-Dec-21	1280	42.67	31,466	3,147	134,255
SLB-4	S.A. & Company (Room 2-G)	Pvt.	31-Mar-19	31-Dec-21	1006	33.53	13,037	1,304	43,717
SLB-4	Income Tax Tribunal (E.O)		31-Oct-77	31-Dec-21	16132	537.73	13,656	1,366	734,329
SLB-4	Tri-Cone Int'l (Room 2-C)	Pvt.	22-Nov-11	31-Dec-21	3692	123.07	22,753	2,275	280,014
SLB-4	Muneeb Traders (Room # 3-C)	Pvt.	30-Nov-20	31-Dec-21	396	13.20	17,674	1,767	23,330
SLB-4	Special Judge (Central I)	Govt .	30-Jun-20	31-Dec-21	549	18.30	61,903	6,190	113,282
SLB-4	Muhammad Umar	Pvt.	31-Oct-18	31-Dec-21	1157	38.57	19,890	1,989	76,709
SLB-4	Frasun International (Room-3G)	Pvt.	31-Mar-19	31-Dec-21	1006	33.53	28,739	2,874	96,371
SLB-4	Arsalan Enterprises (Room 4-G)	Pvt.	31-Oct-14	31-Dec-21	2618	87.27	7,200	720	62,832
SLB-4	Sameer Malik (Room # 4-D)	Pvt.	14-Oct-18	31-Dec-21	1174	39.13	21,120	2,112	82,650
SLB-4	AMK International (Room # 4-C)	Pvt.	14-Oct-20	31-Dec-21	443	14.77	21,780	2,178	32,162
SLB-4	Rohail Bilal (Room # 5-G)	Pvt.	30-Nov-16	31-Dec-21	1857	61.90	7,072	707	43,776
SLB-4	Abdul Aziz Khilji & Co. (Room-5F)	Pvt.	30-Jun-10	31-Dec-21	4202	140.07	8,855	886	124,029
SLB-5	Varoline Intercool	Pvt.	31-Aug-18	31-Dec-21	1218	40.60	238,500	23,850	968,310
SLB-5	Mr. Muhammad Qamar Ali	Pvt.	31-Jul-18	31-Dec-21	1249	41.63	6,000	600	24,980
SLB-5	Unique Food Service Co. (Pvt.) Ltd. (Dominos Pizza)	Pvt.	31-May-20	31-Dec-21	579	19.30	145,530	14,553	280,873
SLB-5	Unique Food Service Co. (Pvt.) Ltd.	Pvt.	31-May-20	31-Dec-21	579	19.30	24,145	2,415	46,600
SLB-5	Fakir Trust (Indus Hospital) (Shop-7)	Pvt.	24-Feb-20	31-Dec-21	676	22.53	107,360	10,736	241,918
SLB-5	MCB	Pvt.	14-Jun-12	31-Dec-21	3487	116.23	16,500	1,650	191,785
SLB-5	Fahim Nanji	Pvt.	30-Nov-20	31-Dec-21	396	13.20	102,941	10,294	135,882

	& Desouza								
SLB-5	Kunwar Idris (Flat # 11)	Pvt.	14-Jan-19	31-Dec-21	1082	36.07	48,814	4,881	176,056
SLB-5	Director Interligence Sindh Bureau (Flat-17)	Govt .	31-Dec-19	31-Dec-21	731	24.37	6,500	650	15,838
SLB-5A	Jafferjee & Co. (Shop # "A")	Pvt.	30-Nov-13	31-Dec-21	2953	98.43	133,000	13,300	1,309,163
SLB-5A	Raizual Khairi	Pvt.	31-Oct-19	31-Dec-21	792	26.40	19,500	1,950	51,480
SLB-5B	HBL	Pvt.	22-Jan-09	31-Dec-21	4726	157.53	84,250	8,425	1,327,218
SLB-5B	NBP	Pvt.	29-Dec-17	31-Dec-21	1463	48.77	85,947	8,595	419,135
SLB-5B	Nex Source Pakistan (Pvt.) Ltd.	Pvt.	31-Mar-15	31-Dec-21	2467	82.23	178,000	17,800	1,463,753
SLB-6	Zaib Enterprises	Pvt.	30-Jun-20	31-Dec-21	549	18.30	60,628	6,063	110,949
SLB-6	Central Stores	Pvt.	30-Nov-20	31-Dec-21	396	13.20	101,400	10,140	133,848
SLB-6	National Saving Centre	Govt .	30-Jun-20	31-Dec-21	549	18.30	43,191	4,319	79,040
SLB-6	HBL Foreign Echange Br.	Pvt.	30-Apr-21	31-Dec-21	245	8.17	374,310	37,431	305,687
SLB-6	AL- Aziz Traders	Pvt.	31-Dec-21	31-Dec-21	0	-	47,916	4,792	-
SLB-6	New Ghosia Bedding	Pvt.	31-Jan-18	31-Dec-21	1430	47.67	17,710	1,771	84,418
SLB-6	M. Salman	Pvt.	28-Feb-20	31-Dec-21	672	22.40	32,530	3,253	72,867
SLB-6	Hajwairy Traders	Pvt.	14-Mar-19	31-Dec-21	1023	34.10	66,836	6,684	227,911
SLB-6	Vision Enterprises	Pvt.	28-Feb-15	31-Dec-21	2498	83.27	5,720	572	47,629
SLB-7	Junaid Brothers	Pvt.	08-Aug-20	31-Dec-21	510	17.00	45,361	4,536	77,114
SLB-7	Sarhad Logistice (Pvt.) Ltd.	Pvt.	30-Jun-13	31-Dec-21	3106	103.53	39,600	3,960	409,992
SLB-7	Leopards Courier	Pvt.	04-Aug-20	31-Dec-21	514	17.13	146,400	14,640	250,832
SLB-7	Indus Movers (Pvt.) Ltd.	Pvt.	31-Aug-13	31-Dec-21	3044	101.47	4,930	493	50,023
SLB-7	Khuram Brothers.	Pvt.	30-Jun-13	31-Dec-21	3106	103.53	85,800	8,580	888,316
SLB-7	Transworld (Room # A-3)	Pvt.	14-Sep-10	31-Dec-21	4126	137.53	8,482	848	116,650
SLB-7	Docks (Pvt.) Ltd. (Room # 14-B)	Pvt.	31-Oct-13	31-Dec-21	2983	99.43	40,000	4,000	397,733
SLB-7	Abid Logistics (Pvt.) Ltd.	Pvt.	29-Dec-20	31-Dec-21	367	12.23	42,385	4,239	51,851
SLB-7	Ideal Cargo Carrier Service	Pvt.	30-Jun-16	31-Dec-21	2010	67.00	27,000	2,700	180,900
SLB-7	Sajid	Pvt.	30-Apr-18	31-Dec-21	1341	44.70	22,155	2,216	99,033

	International								
SLB-7	M.D Logistic Services	Pvt.	31-Aug-13	31-Dec-21	3044	101.47	8,000	800	81,173
SLB-8	Younus Khan Durrani (Flat-6)	Pvt.	31-Jan-16	31-Dec-21	2161	72.03	1,542	154	11,108
SLB-8	Ghayas & Sons Tailors (Shop-18)	Pvt.	14-Aug-19	31-Dec-21	870	29.00	25,179	2,518	73,019
SLB-8	Ghayas & Sons Tailors (Shop-17)	Pvt.	30-Jun-19	31-Dec-21	915	30.50	27,820	2,782	84,851
SLB-9	HBL Corporate Branch	Pvt.	14-Jan-16	31-Dec-21	2178	72.60	459,782	45,978	3,338,017
SLB-9	HBL Corporate Branch	Pvt.	31-Aug-12	31-Dec-21	3409	113.63	15,379	1,538	174,757
SLB-11	Smart Solution	Pvt.	31-Oct-17	31-Dec-21	1522	50.73	61,560	6,156	312,314
JTC	Qynetic Marketing	Pvt.	31-Jul-18	31-Dec-21	1249	41.63	140,000	14,000	582,867
Total								65,569,068	

Annex-13(ii)							
Statement of house rent allowance and rent charged employee wise during 2021.							
S#	SLB No.	TENANT	TENANCY DATE	RATE	House Rent Allowance	House Rent Received	Diff
1	1A, FR	Izqar Khan (Executive Director)	06-Jul-11	House Rent	107,467	74,629	32,838
2	1A, FR	Mr. Nisar Ahmed Shah CMA/DGM (Medical) (Flat-02)	01-Mar-17	House Rent	79,109	54,936	24,173
5	1A, FR	Mr. Muhammad Ali (Flat # 05)DGM (IT) (Flat # 5)	28-Aug-14	House Rent	58,081	40,334	17,747
6	1A, FR	Nisar Ahmed Soomro AGM (F/A) RE	27-Jun-19	House Rent	86,755	60,246	26,509
7	1B QR	Miss. Neena Liza	15-Feb-18	House Rent	38,441	25,817	12,624
8	1B QR	Mr. Muhammad Amjad, Divisional Head. (F & A) P.O	13-Dec-19	Market Rate	96,313	16,500	79,813
9	1B QR	Ch. Anjum Rashid, Divisional Head. (Takaful Department) P.O		Market Rate	92,490		92,490
10	1B QR	Mr. Zubair Ahmed Deputy Manager (RED)	01-Dec-19	Market Rate	32,249	18,700	13,549
11	1B QR	Mr. Altaf Hussain Mathilo DGM (RE) P.O	01-Sep-19	Market Rate	40,230	16,500	23,730
12	1B QR	Mr. Qazi Nazim Naeem (AM G.S) P.O	01-Sep-15	House Rent	32,249	21,254	10,995
13	1B QR	Ambeen Hannan (AM G&P) P.O Flat # 9)	10-Jul-17	House Rent	32,249	22,394	9,855
14	1B QR	Miss Hajra Khalid (AM Takaful)	03-Mar-20	House Rent	20,626	20,626	-
15	1B QR	Mr. Muhammad Shakil Baig	23.Nov.20	House Rent	38,441	26,694	11,747

		AGM-(LAD) P.O					
16	1B QR	Israr Mahmood Arshad (Private Tenant.)	01-Dec-82	As per lease agreement	20,706	20,706	-
17	1B QR	Mr. Rai Amjad Ali (DM Actuarial)	24-Oct-14	House Rent	40,769	28,311	12,458
18	1B QR	Muddasir Sameed	01-Jun-21	House Rent	25,678	25,678	-
19	1B QR	Roop Chand AGM (RE) P.O	19-Aug-19	Market Rate	67,884	16,500	51,384
20	1B QR	Mr. Sajjad Hussain Shah (AM) IT (P.O)	01-May-12	House Rent	35,534	24,676	10,858
21	1B QR	Ashraf Bhatti (DGM Health)	21-Mar-21	Market Rate	97,781	16,500	81,281
22	49-A	Dr. Mushtaq Ahmed Memon (Flat # 3)	14-06-2012	House Rent	71,564	49,690	21,874
23	49-A	Muhammad Arif Khan A.G.M (Act) P.O(Flat # 5)	16-05-2015	House Rent	58,683	40,748	17,935
24	49-A	Gulam Nabi Khasheli Manager (IT) P.O (Flat # 2	18-Nov-19	House Rent	51,155	35,523	15,632
25	49-A	Ejaz Ahmed Soomro Manager (G&P) Southern Zone. Flat # 4	24-Sep-18	House Rent	67,884	47,135	20,749
26	49-A	Mrs. Saba Shahid Manager (Flat # 6)	01-May-11	House Rent	44,231	30,715	13,516
	Total				1,336,569	734,812	601,757

Annex-14
(Para No. 3.3.4.13)

Non-renting of vacant spaces – Rs.32.580 million

Annex-14(i)				
Detail of vacant spaces				
Property Name	Location	Vacant Area (sq.ft)	Expected Monthly Rent (Rs.)	Date of Vacancy
SLB# 02	Lahore	2,674	70,353	15-12-2019
SLB# 02	Lahore	5,348	128,352	30-06-2015
SLB# 02	Lahore	600	2,500	30-04-2019
SLB # 05	Lahore	165	3,865	30-06-2017
SLB # 05	Lahore	238	16,105	30-06-2017
SLB # 05	Lahore	443	21,961	30-06-2017
SLB # 05	Lahore	120	3,131	30-06-2017
SLB # 05	Lahore	218	2,979	30-06-2017
SLB # 05	Lahore	100	216	30-06-2017
SLB # 06	Lahore	660	12,500	31-12-2018
SLB # 06	Lahore	914	10,913	31-01-2017
SLB # 06	Lahore	160	1,405	28-02-2017
SLB # 06	Lahore	544	14,306	30-06-2018
SLB # 07	Lahore	1,600	11,200	30-03-2012
SLB # 07	Lahore	64	955	31-08-2019
SLB # 09	Lahore	957	13,405	15-10-2020
SLB # 02	Faisalabad	1,240	120,700	28-02-2019
SLB # 02	Faisalabad	3,800	258,400	31-01-2017
SLB # 02	Faisalabad	270	17,820	30-09-2018
SLB # 02	Faisalabad	410	35,153	31-03-2021
SLB # 02	Faisalabad	716	23,032	31-07-2020
SLB # 02	Faisalabad	810	86,249	31-01-2021
SLB # 02	Faisalabad	700	38,500	31-01-2018
SLB # 02	Faisalabad	1,000	65,885	31-07-2019
SLB # 02	Faisalabad	6,200	641,114	31-10-2019
SLB # 02	Faisalabad	750	13,500	31-08-2020
SLB # 02	Faisalabad	850	39,598	44135
SLB # 02	Faisalabad	850	35,998	43769
133/J Gulberg	Lahore	3,000	-	30-09-2019
Total		35,401	1,690,095	20,281,145

Annex-14(ii)

Statement of Loss of revenue due to non-renting out of vacant buildings / spaces during 2021						
S. #	SLB No.	Location	Vacant Area (Sq ft)	Estimated Rent (Rs.)	As on 31.12.2021	Remarks
1	SLB -1	Karachi	48,528	2,183,760	31.12.2021	Out of 48,528, 35,300 (1738 approx.) has been rented in 2022. RED is making efforts to rent out the spaces.
2	SLB-1 (Annex)	Karachi	13,861	498,996	31.12.2021	Out of 100%, 71% area has been rented out while 29.1 % is vacated. RED is making efforts to rent out the spaces.
3	SLB -1B	Karachi	5,840	186,880	31.12.2021	Out of 100%, 90% area has been rented out while 1738 approx. 10% is vacant.
4	SLB -2	Karachi	50,765	2,132,130	31.12.2021	Due to location of building and post Covid situation building is vacant. RED is making efforts to rent out the spaces.
5	SLB -2A	Karachi	12,374	395,968	31.12.2021	Out of 100%, 78% area has been rented out while 22 % is vacated. RED is making efforts to rent out the spaces.
6	SLB -2B	Karachi	2,507	80,224	31.12.2021	Out of 100%, 80.9% area has been rented out while 19.1 % is vacated. RED is making efforts to rent out the spaces.
7	SLB -3	Karachi	2,598	103,920	31.12.2021	Out of 100%, 98% area has been rented out while 2 % is vacated. Which is normal?
8	SLB -4	Karachi	2,850	85,500	31.12.2021	Out of 100%, 96.1% area has been rented out while 3.9 % is vacated. Which is normal?
9	SLB -5	Karachi	4,146	140,964	31.12.2021	Out of 100%, 95% area has been rented out while 5 % is vacated. Which is normal?
10	SLB -5-A	Karachi	9,138	310,692	31.12.2021	Out of 100%, 81% area has been rented out while 19 % is vacated. RED is making efforts to rent out the spaces.
11	SLB -6	Karachi	57,916	1,389,984	31.12.2021	Out of 100%, 62% area has been rented out while 38 % is vacant. Major portion is vacant due to location of building & non-availability of parking space. RED is

						making efforts to rent out the spaces.
12	SLB -7	Karachi	1,650	47,850	31.12.2021	Out of 100%, 98% area has been rented out while 2 % is vacated. Which is normal?
13	SLB -8	Karachi	3,380	87,880	31.12.2021	Out of 100%, 68% area has been rented out while 32 % is vacated. The reason of the vacancy is due to residential flats on upper floor.
14	SLB -11	Karachi	72,708	3,417,276	31.12.2021	Due to the post Covid situation building is vacant. RED is making efforts to rent out the spaces.
15	SLB -12	Karachi	53,799	1,237,377	31.12.2021	Due to location of building and parking issues building is vacant. RED is making efforts to rent out the spaces.
Total Rentable Area			342,060	12,299,401		

Annex-15

(Para No.3.3.4.15)

Excess existing strength over and above approved strength – Rs. 27.640

Annex-15(i)							
Excess Strength (Multan Zone)							
S. #	Designation	Approved	Existing	Excess	Department	Grade	Annual Amount (Rs.)
1.	Assistant GM	01	02	01	Finance	12	299,661x12=3,595,932
2.	Assistant Manager	02	03	01	Internal Audit	09	111,315x12=1,335,780
3.	Superintendent	02	03	01	Finance +Audit	07	152,277x12=1,827,324
4.	Assistant Superintendent	04	05	01	P&GS	07	152,277x12=1,827,324
5.	Assistant Superintendent	04	05	01	PHS	07	152,277x12=1,827,324
6.	Assistant Superintendent	02	05	03	New Business	07	152,277x12=1,827,324
7.	Senior Office Assistant	04	05	01	P&GS	05	110,229x12=1,323,588

8.	Senior Office Assistant	04	10	06	F&A	05	110,229x12=1,323,588
9.	Senior Office Assistant	04	06	02	PHS	05	110,229x12=1,323,588
10.	Senior Office Assistant	05	07	02	New Business	05	110,229x12=1,323,588
11.	Senior Office Assistant	02	03	01	Agency Admin	05	110,229x12=1,323,588
12.	Office Assistant	04	09	05	F&A	04	91,060x12=1,092,720
13.	Office Assistant	04	07	03	PHS	04	91,060x12=1,092,720
14.	Office Assistant	02	03	01	Claims	04	91,060x12=1,092,720
15.	Office Assistant	03	04	01	New Business	04	91,060x12=1,092,720
16.	Office Assistant	02	03	01	Agency Admin	04	91,060x12=1,092,720
17.	Office Assistant	03	06	03	ZHS-Marketing	04	91,060x12=1,092,720
18.	Office Assistant	02	03	01	IAD	04	91,060x12=1,092,720
19.	Office Assistant	01	02	01	Legal Affair	04	91,060x12=1,092,720
		55	91	36			27,643,908

Annex-15(ii)					
Excess Strength-Central Zone Lahore					
S#	Designation	Department	Approved	Existing	Surplus
1.	Supervisors	P&GS	-	1	1
	Plumber/Electrician etc		-	1	1
2.	Asstt. General Manager	Medical	-	1	1
	Asst. Manager		-	2	2
	Superintendent		-	1	1
	Asst. Superintendent		-	2	2
	Senior Qasid		-	1	1
3.	Asst. Manager	F&A	3	8	5

	Asst. Superintendent		7	9	2
4.	Manager	PHS	3	2	1
5.	Manager	N.B	1	2	1
	Asst. Manager		2	5	3
	Superintendent		2	4	2
	Asst. Superintendent		3	4	1
6.	Asst. Superintendent	Agency	3	4	1
	Sr. Record Sorter		-	1	1
	Sr. Record Sorter	IAD	-	1	1
	Total		25	52	29

Annex-16

(Para No.3.3.4.16)

Non-exercising option of representation before the President – Rs.26.645 million

S#	Complaint No.	Policy No	Amount (Rs.)
1.	HQR/2409/2020	603982895-9	179,298
2.	SKR/398/2021	502274730-2	38,400
3.	MLN/1095/2021	618673663-6	194,400
4.	HYD/619/2020	502449753-6	126,849
5.	FSD/2373/2019	609262366-7	491,598
6.	GRW/51/2021	604410109.1	840,875
7.	MLN/1280/2021	607497084-3	151,926
8.	LHR/2776/2021	507109759-4	967,200
9.	LHR/5315/2020	608845705-1	15,000
		508294088-0	400,000
		608226523-6	700,000
		608276083-5	500,000
		608210189-8	200,000
		608214535-0	300,000
		608210188-6	400,000
10.	HQR/4176/2021	501548411-2	7,251
11.	HQR/1860/2021	605627332-4	1,227,500
12.	MLN/882/2021 & MLN/1248/2021	618630081-6	337,500
13.		608035570-9	118,231
14.	MLN/788/2021	618606098-0	200,000
15.	FSD/1284/2021	605776327-4	531,650
16.	GRW/17/2021	604012735-3	950,400
17.		605017324-4	

18.	BWP/2540/2021	618636835-6	429,081
18.	BWP/1020/2021	608587733-1	145,000
20.	BWP/932/2021	608779527-8	800,000
21.	MLN/2164/2021	618233077-0	233,000
22.	MLN/1121/2021	618120680-2	263,800
23.	MLN/989/2021	618678624-6	218,400
25.	FSD/1438/2021	619412121-7	735,808
26.	FSD/2355/2020	619444628-0	519,000
27.	HYD/2305/2021	502460117-0	244,025
28.	MLN/2558/2021	608935888-0	135,000
29.	GRW/679/2021 & ICR-SLI/26/2021	604796891-1	1,075,830
30.	MLN/2854/2021	607572246-1	821,250
31.	APP/7986/2021	618240211-1	418,000
32.	HQR/1597/2021	605710511-9	212,272
33.	MLN/3119/2021	618223822-3	580,350
34.	HQR/7997/2021	607751268-6	1,965,600
35.	LHR/7912/2021	20016014887-0	479,700
36.	ONL/9784/2021	605791721-3	325,500
37.	GRW/723/2021	602472578-8	550,000
38.	BWP/5013/2021	607818308-8	1,045,000
39.	HYD/3378/2021	607905364-0	2,330,000
40.	APP/1551/2021	605797417-0	352,625
Total			22,757,319

Annex-17

(Para No.3.3.4.19)

Recurring loss of rental income due to dispute on properties - Rs.16.146 million

Annex-17(i)					
SLB # 01 , The Mall, Lahore					
S #	Name Of Tenants	Date of Default	Amount Outstanding	Action Taken	Current Status
1	Wazir Tailors	2020	34,386	Building is Title Dispute Writ Petition is pending in Lahore High Court	Cooperative Tenant
2	Zaidi photographer	2019	137,417		-do-
3	S.Nabi bux & Son's	2017	236,292		-do-
4	Pioneer Con.	2020	14,976		-do-
5	Syed Qamar ul hassain	2014	147,790		-do-
6	M.Rafque Badar	2008	150,110		-do-
7	A.N.I. (Khalid & Co.)	2016	1,806,813		-do-
8	Zaheer Ahmad	2010	139,450		-do-
9	Sakeel Ahmed	2010	142,750		-do-
10	Naveed Iqbal PhotoState	2010	149,450		-do-
11	Dilwar Hussain Khan	2010	139,750		-do-
12	Saleem Raza Khan	2012	125,160		-do-

13	Ejaz Ahmed Khan	2011	130,450		-do-
14	Aurjamud Shaheen	2015	89,040		-do-
15	Naseer Ahmed	2013	191,338		-do-
16	Imran Ahmad Malik	2012	1,462,320		-do-
17	Lahore Cafeteria	2019	4,509,000		-do-
			9,606,492		

Annex-17(ii)					
SLB # 5 , Regal Street, Lahore					
Sr. #	Name Of Tenants	Date of Default	Amount Outstanding	Action Taken	Current Status
1	Z K Packages	2015	1,525,821	Court Case	Court Case
2	Rana M. Ashraf	2015	471,600	Meetings/Notices	
3	Rafique Rafee	2016	428,716	Meetings/Notices	
4	Shahid Hussan	2017	791,957	Meetings/Notices	
			3,218,094		

Annex-17(iii)					
SLB # 09, bank Square, Lahore					
S #	Name of Tenants	Date of Default	Amount Outstanding	Action Taken	Current Status
1	Movin Estate	2005	207,152	Auction Approved By B.O.D	These tenants under the area of Pakistan Stock Exchange
2	Associates Enterprises	2004	908,469	Auction Approved By B.O.D	These tenants under the area of Pakistan Stock Exchange
3	Asif Zaman Khan	2004	125,457	Auction Approved By B.O.D	These tenants under the area of Pakistan Stock Exchange
4	Syed Sajjad Advocate	2005	453,356	Auction Approved By B.O.D	These tenants under the area of Pakistan Stock Exchange
5	Meraj Ahmed Malik	2017	50,615	Auction Approved By B.O.D	These tenants under the area of Pakistan Stock Exchange
6	Mazhar Hussain	1997	216,475	Auction Approved By B.O.D	These tenants under the area of Pakistan Stock Exchange
7	M.Boota Shahzad	2006	35,689	Auction Approved By B.O.D	These tenants under the area of Pakistan Stock

					Exchange
8	Iftakhar Ahmed Ch.	2016	123,890	Auction Approved By B.O.D	These tenants under the area of Pakistan Stock Exchange
9	M.Qamar Anjum	2012	70,490	Auction Approved By B.O.D	These tenants under the area of Pakistan Stock Exchange
2,191,593					

Annex-17(iv)					
SLB # 01 , Munshi Mohallah, Faisalabad					
Title Dispute					
S #	Name Of Tenants	Date of Default	Amount Outstanding	Action Taken	Current Status
1	Zahoor Hussain	2013	71,162	Pakistan General Insurance has filled the Civil Revision in the Lahore	These tenants are under the control of opponent party due to Title Dispute
2	Zahoor Hussain	2011	65,151		These tenants are under the control of opponent party due to Title Dispute
3	Khalil-ur-'rehman	2010	71,429		These tenants are under the control of opponent party due to Title Dispute
4	Khalil-ur-'rehman	2010	100,483		These tenants are under the control of opponent party due to Title Dispute
5	S.M. Idress	2009	106,675		These tenants are under the control of opponent party due to Title Dispute
6	S.M. Idress	2010	72,131		These tenants are under the control of opponent party due to Title Dispute
7	S.M. Idress	2009	73,088		These tenants are under the control of opponent party due to Title Dispute
8	Syed Ahmed	2007	112,777		These tenants are under the control of opponent party due to Title Dispute
9	Zahoor Hussain	2009	77,003		These tenants are under the control of opponent party due to Title Dispute
10	M. Hammad	2007	46,432		These tenants are under the control of opponent party due to Title Dispute
11	Azmat Kaleem	2015	29,230		These tenants are under the control of opponent party due to Title Dispute
12	Allah Ditta	1993	117,216		These tenants are under the control of opponent party due to Title Dispute
13	Muzaffar Hussain	2015	43,477		These tenants are under the control of opponent party due to Title Dispute
14	M. Siddique	1989	104,249		These tenants are under the control of opponent party due to Title Dispute
15	Abaidullah	2015	41,261		These tenants are under the control of opponent party due to Title Dispute
1.131.764					

Annex-18
(Para No.3.3.4.22)

Statement of Defalcation in premium amount recoverable from field staff of SLIC-Southern Region-2021

S #	Defalcator Name	Code No.	Zone	Defalcated amount	Recovered amount	Outstanding amount	Remarks
1	Mr. Akbar Ali	SM-713887/055	Karachi-S	580,940	491,673	89,267	Enquiry under process
2	Mr. M. Irsalan	SM-910369/054	Karachi-S	67,578	16,614	50,964	Enquiry under process
3	Mr. Wahabuddin	SM-713993/054	Karachi-S	48,000	-	48,000	Enquiry under process
4	Mr Atif Lodhi	SR-3115807	Karachi-S	298,654	-	298,654	Enquiry under process
5	Mr Atif Lodhi	SR-3115807	Karachi-S	148,790	-	148,790	Enquiry under process
6	Mr. Munir Shan	SM-910490	Karachi-S	239,680	-	239,680	Enquiry under process
7	Mrs Rubica (Late)	SM-713747	Karachi-S	595,608	-	595,608	Refer to PO for further action
8	Mr. Imran Nayani	SM-	Karachi-C	92,100	-	92,100	Terminated since last 7 years
9	Mr. Bahadur Ali (Late)	SM-718173	Karachi-E	242,000	-	242,000	will be adjusted from Death Claim of Mr. Bahadur
10	Mr. Bahadur Ali (Late)	SM-718174	Karachi-E	83,472	-	83,472	will be adjusted from Death Claim of Mr. Bahadur
11	Mr. Bahadur Ali (Late)	SM-718175	Karachi-E	351,960	-	351,960	will be adjusted from Death Claim of Mr. Bahadur
12	Mr. Bahadur Ali (Late)	SM-718176	Karachi-E	101,300	-	101,300	will be adjusted from Death Claim of Mr. Bahadur
13	Mr. Bahadur Ali (Late)	SM-718177	Karachi-E	27,420	-	27,420	will be adjusted from Death Claim of Mr. Bahadur
14	Mr. Bahadur Ali (Late)	SM-718178	Karachi-E	52,600	-	52,600	will be adjusted from Death Claim of Mr. Bahadur
15	Mr. Bahadur Ali (Late)	SM-718179	Karachi-E	600,000	-	600,000	will be adjusted from Death Claim of Mr. Bahadur
16	Mr. Bahadur Ali (Late)	SM-718179	Karachi-E	226,180	-	226,180	will be adjusted from Death Claim of Mr.

							Bahadur
17	Mr. Ashiq Hussain	SM-728080	Quetta	300,454	-	300,454	Terminated on 07-10-2021
				4,056,736			
Total amount recoverable in Rupees						3,548,449	

Annex-19
(Para No.3.3.4.30)

Misuse and theft of vehicles - Rs.4.440 million

S#	Vehicle Registration #	Make & Model	Designation of Allottee
	GA 9006	Toyota Corolla 2003	Protocol for Airport
	GA 8842	Toyota Corolla 2003	Protocol for CBA and other officials
	GA 9003	Toyota Corolla 2003	Protocol Staff Car
	LRH 112	Toyota Corolla 2003	Protocol Staff Car
	GP 5845	Toyota Corolla 2009	Protocol Car, H&AI, Regional Office Islamabad
	GP 5843	Toyota Corolla 2009	Protocol Use for Camp Office ISB
	GP-8887	Toyota Corolla	Protocol
	GP 7045	Toyota Corolla 2010	Deputy Manager/ Protocol/ZH South
	GP 091	Toyota Corolla 2015	Manger Protocol Head
	GPA 647	Toyota Corolla 2018	VIP Protocol
	GPA 172	Honda city 2015	Chairman Camp Office, Protocol
	ML-6511	Toyota Corolla 2003	Minister of Commerce, Camp Office
	GPA 329	Toyota Corolla 2016	Camp office Chairman
	LRH-5080	Toyota Corolla 2003	Camp Office, Protocol, Central Region Lahore
	LHR 6050	Toyota Corolla 2003	Staff Car G&P Lahore, Central Region Lahore
	GA 9010	Toyota Corolla 2003	Staff Car Chairman Secretary
	BFN-929	Suzuki Mehran 2016	Staff Car, North Region Islamabad
	GPA-092	Toyota Corolla 2018	Deputy Manager/ Protocol
	GP-0016	Toyota Corolla	Protocol
	GPA 769	Toyota Corolla 2018	Executive Directors (G&P, P&GS &PHS) ED is entitled for one vehicle. Working strength of EDs in SLIC is only 2. However, management showed 4 vehicles allotted to EDs.
	GPA 770	Toyota Corolla 2018	
	GPA 771	Toyota Corolla 2018	
	GPA 773	Toyota Corolla 2018	

Annex-20
(Para No.3.4.4.1)

**Non-compliance of directives of Economic Co-ordination Committee –
Rs. 126,242.000 million**

S#	Tender	Name of Supplier	Date of opening	Bid price US\$	Total quantity (MT)	contract price US\$	Contract price @ Rs.180avg	Date of contract award	Additional Qty (MT)
1	No.TCP/MA&TD/Wheat/21-1/2021	M/s. Louis Drefus	27.07.2021	304	110,000	33,440,000	6,019,200,000	29.07.2021	-
2	No.TCP/MA&TD/Wheat/21-1/2021	M/s. CHS Inc.	27.07.2021	304	110,000	33,440,000	6,019,200,000	29.07.2021	-
3	No.TCP/MA&TD/Wheat/21-2/2021	M/s. Falconbridge	28.08.2021	355.99	160,000	56,958,400	10,252,512,000	28.08.2021	50,000
4	No.TCP/MA&TD/Wheat/21-3/2021	M/s. Cargill Intl.	7.9.2021	369.5	240,000	88,680,000	15,962,400,000	10.9.2021	120,000 MT increased
5	No.TCP/MA&TD/Wheat/21-3/2021	M/s. CHS Inc.	7.9.2021	369.5	165,000	60,967,500	10,974,150,000	10.9.2021	-
6	No.TCP/MA&TD/Wheat/21-4/2021	M/s. Cargill Intl.	20.10.2021	383.5	290,000	111,215,000	20,018,700,000	23.10.2021	170,000 MT increased
7	No.TCP/MA&TD/Wheat/21-4/2021	M/s. CHS Inc.	20.10.2021	383.5	105,000	40,267,500	7,248,150,000	23.10.2021	-
8	No.TCP/MA&TD/Wheat/21-4/2021	M/s. Agrocorp	20.10.2021	383.5	60,000	23,010,000	4,141,800,000	23.10.2021	-
9	No.TCP/MA&TD/Wheat/21-4/2021	M/s. Falconbridge	20.10.2021	383.5	120,000	46,020,000	8,283,600,000	23.10.2021	-
10	No.TCP/MA&TD/Wheat/21-5/2021	M/s. Solaris	29.10.2021	377	275,000	103,675,000	18,661,500,000	1.10.2021	165,000 MT increased
11	No.TCP/MA&TD/Wheat/21-5/2021	M/s. CHS Inc.	29.10.2021	377	55,000	20,735,000	3,732,300,000	1.10.2021	-
12	No.TCP/MA&TD/Wheat/21-5/2021	M/s. Swiss Singapore	29.10.2021	377	110,000	41,470,000	7,464,600,000	1.10.2021	-
13	No.TCP/MA&TD/Wheat/21-5/2021	M/s. Aston Agro	29.10.2021	377	110,000	41,470,000	7,464,600,000	1.10.2021	-
	Total				1,800,000	701,348,400	126,242,712,000		

Annex-21
(Para No.3.4.4.3)

Non-recovery from various parties - Rs. 38,667.690 million

Annex-21(i)		
Government Agencies		
S.No	Customer's Name	Outstanding amount (Rs.)
1	National fertilizer Marketing Ltd.	11,861,643,866
2.	Utility stores corporation	3,140,944,905
3.	Food deptt. Govt. of Punjab	1,726,483,373
4.	Pakistan Agricultural storage and services corporation	1,700,138,144
5.	Food deptt. Govt. of Sindh	134,306,032
TOTAL (Rs.)		18,563,516,320

Annex-21(ii)								
Non-recovery of decreed amount								
S#	Name of Case	Execution Filing Date	Suit Amount	Suit File Date	Decree Date	Amount Decree	Amount Paid	Balance Amount (Rs.)
1	TCP Vs. Zahid Ahmed	02/2020	4,931,712	179/2015	28.11.2019	4,931,712	NIL	4,931,712
2	TCP Vs. Adam Sugar Mills	TCP filed Appeal against Decree	196,624,577	547/2007	06.06.2020	5,936,400	NIL	5,936,400
3	TCP Vs. Young Associates	Party filed Appeal against Decree	5,410,887	1063/2020	17.05.2022	5,410,887	NIL	5,410,887
4	TCP Vs. Cox & Kings	11.11.2020	4,726,579	27.09.2001	06.06.2020	4,626,579	NIL	4,626,579
5	TCP Vs. Trust Investment Bank	In process	95,711,884	954/2011	15.09.2021	87,500,000	NIL	87,500,000
TOTAL (Rs.)								108,405,578

Annex-21(iii)		
Ship owners & Others		
S#	Name of ship-owner	Amount (Rs.)
1	M/s Catalina shipping company	13,448,524
2	Ever bright shipping SA	17,140,198
3	M/s Agri Limited	86,087,279
4	M/s HI Gold Ocean	54,643,883
5	Oriental trading	8,799,243
6	Unique cement industries	8,074,680
TOTAL (Rs.)		188,193,807

Annex-21(iv)				
Rent recovery from Godown tenants				
S#	Name of Godown	Net Rent Receivable	Net Rent Received	Net Rent shortfall
1	KorangiGodown	82,260,006	81,156,333	1,103,673
2	LandhiGodown	167,478,846	153,630,179	13,848,667
3	PipriGodown	48,966,791	46,648,242	2,318,550
	Total	298,705,643	281,434,754	17,270,889

Annex-21(v)		
Rental income and other revenue from M/s. NFML – Rs.138.844 million		
S#	Description	Recoverable Amount
1	Amount less paid by M/s. NFML regarding Urea supplied before 2015	13.281
2	Godown rent charged for 08 months (October, 2010 to May, 2011)	31.557
3	Demurrage and transportation charges already paid to KPT by TCP during urea operation 2008 to 2013	59.251
4	Storage Charges claimed by FAP during urea operation 2012-13 and 2013-14	25.068
5	Cost of damage cargo due to non provision of transportation by NFML arrived against M.VJia Run during September, 2015	9.687
	Total	138.844

Annex-22
(Para No.3.4.4.10)

Irregular award of contract to stevedore – Rs. 1,154.288 million

S#	Name Of Vessel	Recipient Agency	Discharge Port	Quantity Dispatched	Name Of Stevedore	Total Amount (Rs.)
1	Alberta	KPK	FAP	55,022.814	FAP Marine	67,127,833.08
2	Elikon	PASSCO	FAP	53,910.63	FAP Marine	65,770,966.16
3	LISTA	KPK	FAP	53,032.752	FAP Marine	64,699,957.44
4	BI JIA SHAN	PASSCO	FAP	52,511.319	FAP Marine	64,063,809.18
5	InceKastamonu	PASSCO	FAP	55,210.960	FAP Marine	67,357,371.20
6	Greenwich Pioneer	KPK	FAP	58,115.740	FAP Marine	70,901,202.80
7	ND MARITSA	KPK	FAP	58,257.959	FAP Marine	71,074,709.98
8	Carmencita	PASSCO	FAP	52,404.770	FAP Marine	63,933,819.40
9	INCEAKA DENIZ	PASSCO	FAP	54,714.709	FAP Marine	66,751,944.98
10	Alicia	KPK	FAP	59,893.783	FAP Marine	73,070,415.26
11	El Matador	KPK	FAP	59,661.317	FAP Marine	72,786,806.74

12	Infinity Sky	KPK	FAP	57,910.729	FAP Marine	70,651,089.38
13	Lucy Ocean	PASSCO	FAP	52,875.073	FAP Marine	64,507,589.06
14	Port Shanghai	PASSCO	FAP	56,365.10	FAP Marine	68,765,418.34
15	Meghna Freedom	PASSCO	FAP	54,195.726	FAP Marine	66,118,785.72
16	Ocean Jubily	PASSCO	FAP	52,797.317	FAP Marine	64,412,726.74
17	Great Spring	PASSCO	FAP	59,257.580	FAP Marine	72,294,247.60
TOTAL AMOUNT PAID TO STEVEDORE (Rs.)						1,154,288,693.06

Annex-23
(Para No.3.4.4.13)

Loss due to non-imposition of penalty - Rs.414.063 million

Annex-23(i)									
No. of Cargo	Name of Supplier	Name of Vessel	Quantity (MT)	Shipment period	Arrived on	Late Shipment (Days)	Late shipment Penalty @ 0.25 US\$ PMT per day	Amount of late shipment Penalty in US\$	Late shipment @ Rs. 170 approx
A	B	C	D	E	F	G	H= (D* 0.25\$)	I=G*H	J= (G*@170)
1	Solaris	Royal Jade	57,750	-	-	-	-		-
2	Solaris	Infinity Sky	57,750	-	-	-	-		-
3	Solaris	Gemini Confidence	57,749	11-20 January, 2022	3.2.2022	14	14,437	202,122	34,360,655
4	Solaris	Lucy Ocean	53,379	11-20 January, 2022	15.2.2022	26	13,345	346,970	58,984,900
5	Solaris	Seagull	56,195	21-30 January, 2022	16.2.2022	17	14,049	238,833	40,601,610
Total discharged			282,823			a-Total (Rs.)		787,925	133,947,165
1	Swiss	Port Shangai	56,200	21-30 January, 2022	18.02.2022	19	14,050	266,950	45,381,500
2	Swiss	Incebeylerbeyi	50,000	01-10 February, 2022	18.02.2022	8	12,500	100,000	17,000,000
		Total discharged	106,200			b-Total (Rs.)		366,950	62,381,500
1	Aston Agro	Meghna Freedom	54,260	21-30 January, 2022	21.02.2022	22	13,565	298,430	50,733,100
2	Aston Agro	Great Spring	59,260	21-30 January, 2022	14.03.2022	43	14,815	637,045	108,297,650
		Total discharged	113,520			c-Total (Rs.)		935,475	159,030,750
1	CHS Inc	Ocean Jubily	52,736	01-10 February, 2022	01.03.2022	19	13,184	250,496	42,584,320
		Total discharged	52,736			d-Total (Rs.)		250,496	42,584,320
				Grand Total Amount In Rs. (a+b+c+d)				2,340,846	397,943,735

Annex-23(ii)						
S#	Name Of Vessel	B/L QTY (MT)	Quantity Discharged (MT)	short landing (MT)	Claim of Short landing (Rs.)	10% LD against short landing claim amount (Rs.)
1	Concarn	57,000.00	56,897.520	102.480	5,079,326	507,932.57
2	King Baton Rouge	54,300.00	54,166.670	133.330	6,905,715	690,571.46
3	Gdf Suez North	54,410.84	54,274.450	136.385	7,104,255	710,425.46
4	Falmouth Bay	56,118.00	55,942.210	175.790	9,317,974	931,797.43
6	Parnassos	59,700.00	59,656.360	43.640	2,281,965	228,196.47
7	Cl Belle	58,000.00	57,859.990	140.01	7,873,526	787,352.62
8	Jabalalmisht	57,750.00	57,630.630	119.370	6,673,142	667,314.18
9	Lista	53,000.04	52,885.244	114.796	7,883,055	788,305.51
10	Greanwich Pioneer	57,939.77	57,674.871	264.895	18,421,223	1,842,122.27
11	Aviona	54,739.00	54,509.000	230.000	15,944,330	1,594,433.00
12	Carmencita	52,500.00	52,345.890	154.110	11,167,546	1,116,754.57
13	Inceakadeniz	55,050.00	54,981.947	68.053	4,996,750	499,674.96
14	Star Bovarias	57,750.00	57,530.342	219.658	15,909,184	1,590,918.36
15	Infinity Sky	57,750.000	57,708.515	41.485	2,945,466	294,546.59
16	Seagull	56,195.00	56,003.48	191.517	13,448,524	1,344,852.44
17	Meghna Freedom	54,260.00	54,146.43	113.570	8,074,680	807,468.00
18	Ocean Jubily	52,736.48	52,498.586	237.894	17,140,198	1,714,019.85
TOTAL QTY		949,199.12	946,712.14	2,486.98	161,166,859	16,116,685.74

Annex-24

(Para No.3.4.4.19)

Irregular payment of Eid Assistance / Bonus - Rs.3.822 million

S#	Name of Employee	Designation	Eid-ul-Fitr	Eid-ul-Adha	Total (Rs.)
1	Farman Ali Chohan	General Manager	378,613	378,613	757,226
2	Muhammad Umair	Manager	146,771	144,723	291,494
3	ZulfiqarZameerFarooqi	Dy. Manager	146,901	146,901	293,802
4	ShariqMuzamil	Dy. Manager	141,145	-	141,145
5	Tanweer Ahmed	Dy. Manager	137,438	137,438	274,876
6	DawarShehzad	Dy. Manager	112,287	112,287	224,574
7	RahilIqbal	Asstt. Manager	112,785	-	112,785
8	Syed SaeedHussainRizwi	Asstt. Manager	104,504	104,504	209,008
9	Muhammad Imran	Asstt. Manager	104,503	104,503	209,006
10	Raheel Ahmed Lodhi	Asstt. Manager	99,013	-	99,013

11	Azam Khan Paryo	Asstt. Manager	102,455	-	102,455
12	Tufail Ahmed Tunio	Asstt. Manager	109,341	-	109,341
13	Zaka-ul-Latif	Asstt. Manager	97,617	97,617	195,234
14	AttaullahBrohi	Asstt. Manager	95,569	-	95,569
15	Manzoor Ali Abbasi	Asstt. Manager	99,428	99,428	198,856
16	Ali Ahmed Abrejo	Junior Assistant	71,732	71,732	143,464
17	Noor Muhammad	Junior Assistant	71,557	-	71,557
18	JalaluddinDahri	Junior Assistant	71,732	71,732	143,464
19	Khalid Brohi	Fire Fighting Asstt.	74,729	74,729	149,458
Total			2,278,120	1,544,207	3,822,327

Annex-25
(Para No. 3.5.4.9)

S #	Name	Designation at the time of contract appointment	Date of Joining	Date of contract to Permanent without advertisement	Designation at the time of permanent without advertisement	Designation on 30.6.17	Excess payment 1.3.08 to 30.6.17
1	Farhat Rafi	Asst. officer front desk	1.12.05	1.3.08	Officer Business Development & Executive Secretary	Manager Sales & Business Development	6,813,456
2	Zaka Awan	Mech. Engineer	16.1.07	1.3.08	Mech. Engineer	Resident Eng.	14,642,425
3	Imran Mohsin	Officer Accounts & Admn	1.3.08	13.3.12	Accounts & Admn Officer	Manager Internal Audit	7,975,046
4	Javed Hanif	Officer MIS & Admn	1.3.08	25.10.12	-do-	Deputy manager IT network	5,062,319
5	Attiq-ur-Rehman	Asst officer security	1.3.08	02.5.12	Asst officer security	Officer Admn	2,810,535
6	Syed Afzal Hussain	Assistant Accounts Officer	1.3.08	01.6.12	Officer Accounts	Manager Accounts	5,562,475
7	Mohammad Sohail Anjum	Officer MIS	01.09.08	1.9.08	Officer MIS	Manager MIS	5,149,800
8	Ahmad Din	Officer Inventory	01.07.07	1.3.08	Officer Inventory	Deputy Manager inventory	4,670,304
Total							52,686,360

Annex-26
(Para No. 3.5.4.48)

Sr. No.	Event Organizer Name	Venue	Unit Price per Hour	No. of Hours	Amount to be charged	Amount charged	Less amount charged
1	Trade Development Authority Of Pakistan (Lahore)	Auditorium No. 01	70,000	8	560,000	120,000	440,000
	-do-	Foyer Area (for event)	70,000	8	560,000	60,000	500,000
2	Comsat Institute Of Information & Technology	Auditorium No. 01	70,000	5	350,000	250,000	100,000
	-do-	Auditorium No. 01	70,000	5	350,000	250,000	100,000
	-do-	Meeting Rooms (Ground Floor)	30,000	5	30,000	150,000	120,000
3	Al Huda Centre Of Islamic Banking & Takaful	Foyer Area (For Event)	70,000	1.5	105,000	30,000	75,000
4	Lahore Chamber Of Commerce & Industries	Auditorium No. 01	70,000	3.5	245,000	200,000	45,000
5	Pakistan Poultry Association	Auditorium No. 01	70,000	15	1,050,000	450,000	600,000
6	Institute Of Cost & Management Accountants Of	Foyer Area (for event)	70,000	3	210,000	60,000	150,000
7	Cems Pakistan (Pvt.) Ltd.	Auditorium No. 01	70,000	6	420,000	180,000	240,000
8	Institute Of Architects Pakistan	Auditorium No. 01	70,000	16	1,120,000	480,000	640,000
9	Al Huda Centre Of Islamic Banking & Takaful	Auditorium No. 01	70,000	5	350,000	250,000	100,000
10	Yasmin Productions	Foyer Area (for event)	70,000	3	210,000	60,000	150,000
11	Kentucky Fried Chicken (KFC)	Auditorium No. 01	70,000	3	210,000	60,000	150,000
12	University Of Central Punjab	Exhibition Hall # 01	150,000	5	750,000	250,000	500,000
	-do-	Exhibition Hall # 01	150,000	5	750,000	250,000	500,000
13	Pakistan Muslim League (N)	Exhibition Hall # 01	150,000	4	600,000	200,000	400,000
14	Aik Hunar Aik Nagar	Auditorium No. 01	70,000	4	280,000	200,000	80,000
15	Pakistan HVACR Society	Auditorium No. 01	70,000	13	910,000	195,000	715,000
	-do-		70,000	3	210,000	67,500	142,500
16	Pegasus Consultancy (Pvt.) Ltd.	Auditorium No. 01	70,000	16	1,120,000	360,000	760,000
17	National College Of Business Administration	Auditorium No. 01	70,000	5	350,000	225,000	125,000
18	Pakistan Fashion Design Council	Exhibition Hall # 02	150,000	32	4,800,000	4,200,000	600,000
19	Gmp International	Foyer Area (for event)	70,000	2	140,000	30,000	110,000
20	Retro Productions (Pvt.) Ltd.	Foyer Area (for event)	70,000	4	280,000	80,000	200,000
21	Lahore Chamber Of Commerce	Auditorium	70,000	7	490,000	210,000	280,000

	& Industries	No. 01					
	-do-	Auditorium No. 01	70,000	3	210,000	150,000	60,000
22	Institute Of Advanced Dental Sciences & Research Conference	Auditorium No. 01	70,000	20	1,400,000	1,000,050	399,950
	-do-	Foyer Area (for event)	70,000	10	700,000	200,000	500,000
23	University Of Central Punjab	Auditorium No. 01	70,000	5	350,000	250,000	100,000
	-do-	Auditorium No. 01	70,000	5	350,000	250,000	100,000
	-do-	Auditorium No. 01	70,000	3	210,000	150,000	60,000
	-do-	Auditorium No. 01	70,000	3	210,000	150,000	60,000
24	The Educators School System	Auditorium No. 01	70,000	3	210,000	150,000	60,000
25	Institute of Architects Pakistan	Auditorium No. 01	70,000	9	630,000	270,000	360,000
	-do-	Foyer Area (for Dinning)	30,000	3	90,000	60,000	30,000
26	National College Of Arts	Auditorium No. 01	70,000	6	420,000	300,000	120,000
	-do-	Auditorium No. 01	70,000	5	350,000	250,000	100,000
			Total 2010-11				9,772,450
27	Pakistan Poultry Association	Auditorium No. 01	70,000	9	630,000	450,000	180,000
	-do-	Auditorium No. 02	30,000	12	360,000	240,000	120,000
28	Pakistan Association Of Automotive Parts	Auditorium No. 01	70,000	3	210,000	150,000	60,000
29	Ophthalmological Society Of Pakistan	Auditorium No. 01	70,000	3	210,000	150,000	60,000
	-do-	Auditorium No. 02	30,000	33	990,000	660,000	330,000
	-do-	Foyer Area (for event)	70,000	27	1,890,000	540,000	1,350,000
30	4th Dimension	Foyer Area (for event)	70,000	24	1,680,000	720,000	960,000
31	Soil Science Society Of Pakistan	Foyer Area (for event)	70,000	3	210,000	90,000	120,000
32	Tetra Pack	Foyer Area (for event)	70,000	3	210,000	90,000	120,000
33	Pakistan Fashion Design Council	Exhibition Hall # 02	150,000	32	4,800,000	4,200,000	600,000
34	Pakistan Television Corporation Lahore	Exhibition Hall # 01	150,000	5	750,000	500,000	250,000
35	Convener Marketing Committee (Aca-14)	Foyer Area (for event)	70,000	3	210,000	90,000	120,000
	-do-	Foyer Area (for event)	70,000	3	210,000	90,000	120,000
			Total 2011-12				4,390,000
36	Pakistan Poultry Association	Foyer Area (for event)	70,000	6	420,000	180,000	240,000
37	Pakistan Carpet Manufacturers & Exporters	Auditorium No. 01	70,000	3	210,000	30,000	180,000

	-do-	Auditorium No. 01	70,000	3	210,000	30,000	180,000
38	Institute Of Cost & Management Accountants Of	Foyer Area (for event)	70,000	2	140,000	60,000	80,000
39	Cherry (Pvt.) Ltd	Auditorium No. 01	70,000	12	840,000	360,000	480,000
	-do-	Foyer Area (for event)	70,000	2	140,000	60,000	80,000
40	Institute Of Cost & Management Accountants	Foyer Area (for event)	70,000	1	70,000	30,000	40,000
41	Engro Foods Limited	Auditorium No. 01	70,000	8	560,000	133,360	426,640
42	The Dental Trade & Manufacturers Association	Foyer Area (for event)	70,000	3	210,000	90,000	120,000
43	Pakistan Fashion Design Council	Exhibition Hall # 02	150,000	32	4,800,000	4,200,000	600,000
44	Catwalk Event Management & Productions	Exhibition Hall # 02	10,000	8	80,000	-	80,000
	-do-	Exhibition Hall # 02	150,000	8	1,200,000	-	1,200,000
45	Lahore American School	Foyer Area (for event)	70,000	1	70,000	30,000	40,000
	Total: 2012-13						3,746,640
	G. Total: Rs.						17,909,090

Annex-27

(Para No.5.1.4.2)

Non-recovery of outstanding dues from various clients -Rs.557.936 million

S#	Details of Contractor	Total number of work order	Amount of total work ordered	Percentage of work completed %	Amount recovered against the orders	Total outstanding amount
1	Karachi Port Trust (KPT)	03	524,784,517	100	151,326,119	373,458,398
2	Port Qasim Authority (PQA)	01	206,200,542	100	108,320,567	97,879,975
3	Pakistan Navy	03	210,460,279	100	156,951,251	53,509,028
4	Pakistan Maritime Security Agency (PMSA)	28	1,227,471,100	100	1,194,382,407	33,088,693
Total (Rs.)						557,936,094

Annex-28

(Para No.5.1.4.3)

Statement of excess expenditure over the allocated budget by KS&EW during 2020-21.

S#	Description	Budgeted 2020-21	Actual 2020-21	Excess expenditure
1	Stores & Spares consumed (S/B)	24.22	37.51	13.29
2	Stores & Spares consumed (S/R)	7.81	8.35	0.54
3	Stores & Spares consumed (G/E)	5.78	8.22	2.44
4	Other Expenses (S/B)	3.18	8.91	5.73
5	Other Expenses (S/R)	0.63	2.19	1.56
6	Other Expenses (G/E)	0.95	2.94	1.99
7	Repairs & Maintenance (G/E)	3.35	6.75	3.40
8	Repairs & Maintenance (Admin)	25.16	32.88	7.72
9	Travelling & Entertainment (Admin)	11.07	11.96	0.89
10	Legal & Professional Charges (Admin)	5.92	12.20	6.28
11	Other Expenses (Admin)	6.00	25.15	19.15
12	Facilitation Charges	-	20.25	20.25
Total Amount Rs. in million		94.07	177.31	83.24
DP Nos.240, 254, 270 & 274				

Annex-29

(Para No.5.1.4.5)

Statement of additional payment made to the contractor M/s. NESPAK against the consultancy charges for SLTS PSDP funded Project.

S. No.	Description	Period of contract	Amount fixed per month in Rs.	Total amount paid in Rs.
1.	Due to requirement of Consultancy Services during extended construction period, consultants additional services were sought and Amendment No.1 was signed on June,2016 for consultancy services at Rs.1.6 million per month (exclusive of SST) till 31 st December, 2017.	06 months	1,600,000	9,600,000
2.	Due to increased scope of work of pilling construction period was extended and subsequently Amendment No.2 for construction supervision during extended period from January 1, 2018 till December 31, 2018 was signed. The lump sum remuneration for this period was Pak Rs.2.4 million per month inclusive of Sindh Sales Tax 13%.	12 months	2,450,000	29,400,000
3.	Due to delay in completion of works, construction period was delayed and subsequently Amendment No.3 for construction supervision for extended period from January 1 st 2019 till December 31 st 2019 was signed. The lump sum remuneration for this period was Pak.Rs.2.75 million per month inclusive of Sindh Sales Tax (SST) prevailing	12 months	2,750,000	33,000,000

	rate of 13%.			
4.	Services, as the construction works of SLTS are in progress, therefore the client has decided to extend consultants services from January 01,2020 till March 31, 2020 as per sub-clause 2.6 of the contract. <u>Amendment No.4</u> deals with (a) supervision of services contract of SLTS (b) Design review, FDSS and Supervision for Mechanical & Electrical works of SLTS as additional contract. Construction Supervision during extended period shall be regarded as Additional Services as per sub-clause 6.6 of the contract. The lump sum remuneration for this period shall be Pak Rs.2,667,309/= per month, inclusive Sindh Sales Tax (SST) o services at the prevailing rate of 13%.	03 months	2,667,309	8,001,927
5.	Client w.r.t (b) Design support and detailed supervision of Mechanical & Electrical systems and associated works at SLTS to the consultants as per Sub-Clause 6.6(a). The Additional Services are as follows: A. Design Review of Phase-I and Phase-II B. Field Design Support Services for Phase-I only. C. Detailed Construction supervision of Phase-I only. The period of Detialed supervision of Civil works of SLTS completion period shall be 31 st December, 2020 at the rate of Rs.2,667,309/= per month including SST prevailing rate of 13%.	09 months	2,667,309	24,005,781
6.	<u>A. Design Review of Phase-I &Phase-II:</u> The payment to the Consultant for the part (2) A Design Review for Phase-I and Phase-II Additional Services as per this Amendment No.4 shall be Pak Rs.7,900,000.	-	7,900,000	7,900,000
7.	<u>B. Field support services of Phase-I only:</u> The payment to the Consultant for the Part (2) B. Field Design Support Services of Phase-I only Additional Services as per this <u>Amendment No.4</u> Rs.1,000,000/= per month (from February 01,2020 till December 31, 2020), including SST@13%.	11 months	1,000,000	11,000,000
8.	<u>C. Detailed Construction Supervision Services of Phase-I only.</u> The payment to the consultant for the part (2) C. Detailed construction service of Phase-I only Additional Services as per this <u>Amendment No.4</u> shall be Pak Rs.2,298,624/= per month (from June 01, 2020 till December 31, 2020), including SST @13%.	06 months	2,298,624	13,791,744
Total amount in Rs.			136,699,452	

Annex-30

(Para No.5.1.4.8)

Statement of the contract awarded to the sub-contractor by KS&EW during 2020-21.

S#	Name of Sub-Contractor	Description of work sub-contracted	Amount of sub-contract work (Rs.)
1.	M/s. Al-Shafaq Enterprises	Cleaning of 06 wing wall tanks	1,017,000
2.	M/s. Abul Hussain & Sons	Hand Scrubbing/Cleaning of Surface Preparation	320,638
3.	M/s. Kalimullah& Son	Hand scrubbing, sea chest grating mud removing	365,88
4.	M/s. Haroon Enterprises	Cleaing 06 pontoons, scraping pump room.	3,706,400
5.	M/s. Matiullah Kachra	Rubbish collected & disposed off	150,000
6.	M/s. BOE Enterprises	Matching Seats repair of 06 gate valves	212,499
7.	M/s. Pioneer Engingeering Company	Grit blasting with one coat spray gun painting	4,623,508
8.	M/s. BOE Enterprises	Steel Renewal 20,000 Kg	1,808,000
9.	M/s. Mecom Engineering Services	Steel Renewal 25,000 Kg	2,260,000
10.	M/s. ZA Enterprises	Steel Renewal work 25,000 Kg	2,260,000
11.	M/s. ZA Enterprises	Erection/Dismantling of scaffolding	904,000
12.	M/s. Haroon Enterprises	FW washing/Grit Blasting of wing wall tanks	6,659,090
13.	M/s. ZA Enterprises	Fabrication of Catwalk Bridge	1,017,000
14.	M/s. Al-Ashfaq Enterprises	Weather Deck & Dock Basin Clipping & surface preparation	930,555
15.	M/s. Kalimullah& Sons	Removal of glass wool lagging	247,046
16.	M/s. Taj Marine Engineering	Cleaning and surface preparation of 06 wing wall tanks	4,279,875
17.	M/s. Pioneer Engineering Company	Grit Blasting painting work internal	1,017,000
18.	M/s. BOE Enterprises	Steel Renewal of Pontoon 1&3	4,126,000
19.	M/s. ZA Enterprise	Steel Renewal work 89,769 Kg	8,118,118
20.	M/s. MECON Engineering Service	Steel Renewal 28,746 Kg	2,598,638
21.	M/s. Haroon Enterprises	Grit Blasting/Washing/Painting	5,287,270
22.	M/s. New Noorani Marine	Grit Blasting/Washing/Painting	5,327,272
23.	M/s. New Noorani Marine	GritBlasting/Washing/Painting	4,210,719
24.	M/s. New Noorani Marine	Grit Blasting/Washing/Painting	5,287,270
Total			64,559,898

Annex-31
(Para No.5.1.4.12)

Irregular expenditure on foreign tours - Rs.30.523 million

S#	Date	Emp#	Name	Designation	Amount	Reason of Tour
1.	11-Aug-20	E743	Atif Perwaiz	Dy. General Manager (C)	1,862,696	Training In China
2.	11-Aug-20	E746	Muhammad Zia Ul Haq	Dy. General Manager	1,134,158	-do-
3.	11-Aug-20	E750	Zulfiquar	Dy. General Manager	1,134,158	-do-
4.	11-Aug-20	X509	Arfan Ali	Deputy Manager Tech (C)	1,056,825	-do-
5.	11-Aug-20	E744	Hammad Khalid	Dy. General Manager	1,014,384	-do-
6.	11-Aug-20	E747	Muhammad Siddique	Dy. General Manager	1,014,384	-do-
7.	28-Aug-20	D021	Ather Saleem Hi(M)	Managing Director	569,021	Visit To Istanbul
8.	28-Aug-20	E719	Muhammad Jahanzeb Ahsan	Dy. General Manager	388,206	Visit To Istanbul
9.	28-Aug-20	X321	M. Amin	Dy. General Manager (C)	349,856	Visit To Istanbul
10.	11-Sep-20	E734	Imran Aziz	Dy. General Manager	22,111	Visit To Is Turkey
11.	15-Sep-20	X281	Syed Talha Ishrat	Deputy Manager Tech (C)	581,416	Training In Istanbul
12.	15-Sep-20	X321	M. Amin	Dy. General Manager (C)	581,416	-do-
13.	15-Sep-20	X435	Saif Ahmed Khan	Manager (C)	581,416	-do-
14.	15-Sep-20	X504	Muhammad Taha Ali	Manager (C)	581,416	-do-
15.	15-Sep-20	X300	Shoaib Mansoor	Deputy Manager Tech (C)	387,722	-do-
16.	15-Sep-20	X515	Nadeem Shan Malik	Dy. General Manager (C)	387,722	-do-
17.	17-Sep-20	X515	Nadeem Shan Malik	Dy. General Manager (C)	38,739	-do-
18.	9-Oct-20	X511	Abdul Rahman Memon	Manager(Sg)	575,522	-do-
19.	13-Nov-20	E758	Zarar Bin Altaf	Dy. General Manager	79,450	Training In Turkey
20.	13-Nov-20	E757	Mujtaba Saeed Si(M)	General Manager	46,876	-do-
21.	13-Nov-20	E742	Muhammad Tahir	Dy. General	42,267	-do-

			Fayyaz	Manager		
22.	13-Nov-20	X534	Nisar Ahmed	Dy. General Manager (C)	42,267	-do-
23.	26-Nov-20	E746	Muhammad Zia Ul Haq	Dy. General Manager	1,072,633	Training In China
24.	26-Nov-20	E750	Zulfiqar	Dy. General Manager	1,072,632	-do-
25.	24-Dec-20	E719	Muhammad Jahanzeb Ahsan	Dy. General Manager	241,316	Visit To Bahrain
26.	28-Jan-21	E746	Muhammad Zia Ul Haq	Dy. General Manager	582,503	Training In China
27.	28-Jan-21	E750	Zulfiqar	Dy. General Manager	582,502	Training In China
28.	22-Feb-21	E748	Farhan Shaikh	Dy. General Manager	1,423,283	Training In China
29.	22-Feb-21	E745	Zeeshan Anwar Rana	Deputy Manager Tech (C)	1,327,483	Training In China
30.	22-Feb-21	E749	Syed Usman Ali Shah	Dy. General Manager	1,279,663	Training In China
31.	22-Feb-21	X481	Amash Asif	Deputy Manager Tech (C)	1,004,220	Training In China
32.	12-Mar-21	E743	Atif Perwaiz	Dy. General Manager (C)	435,795	Training In China
33.	12-Mar-21	X282	Abdul Salam Khan	Deputy Manager Tech (C)	145,780	Training In Dubai Iics
34.	17-Mar-21	X282	Abdul Salam Khan	Deputy Manager Tech (C)	545,398	Training In Turkey
35.	17-Mar-21	X310	Zohaib Islam	Deputy Manager Tech (C)	545,398	Training In Turkey
36.	17-Mar-21	X328	Cdr (R) Farooq Ali	Dy. General Manager (C)	545,398	Training In Turkey
37.	17-Mar-21	X505	Lt Cdr Saleem Ur Rehman	Manager (C)	545,398	Training In Turkey
38.	17-Mar-21	X508	Muhammad Kamran	Manager (C)	545,398	Training In Turkey
39.	17-Mar-21	X070	Muhammad Aslam	Dy. Manager (C)	363,599	Training In Turkey
40.	2-Apr-21	E719	Muhammad Jahanzeb Ahsan	Dy. General Manager	28,379	Exibition In Iraq Pdei
41.	2-Apr-21	X367	Syed Nasir Muhammad Farooq	Dy. General Manager (C)	25,464	Exibition In Iraq Pdei
42.	22-Apr-21	E750	Zulfiqar	Dy. General Manager	340,188	Training In China
43.	24-May-21	D021	Ather Saleem Hi(M)	Managing Director	513,317	Visit To Turkey

44.	24-May-21	E719	Muhammad Jahanzeb Ahsan	Dy. General Manager	357,278	Visit To Turkey
45.	24-May-21	X321	M. Amin	Dy. General Manager (C)	321,984	Visit To Turkey
46.	24-May-21	X446	Abdul Razzaque	Dy. General Manager (C)	143,190	Visit To Turkey
47.	3-Jun-21	E745	Zeeshan Anwar Rana	Deputy Manager Tech (C)	1,045,220	Training In China
48.	3-Jun-21	E748	Farhan Shaikh	Dy. General Manager	1,045,220	Training In China
49.	3-Jun-21	E749	Syed Usman Ali Shah	Dy. General Manager	1,045,220	Training In China
50.	3-Jun-21	X489	Waseem Akram	Manager (C)	618,400	Training In China
51.	3-Jun-21	X481	Amash Asif	Deputy Manager Tech (C)	309,200	Training In China
					30,523,487	

Annex-32

(Para No.5.1.4.13)

Statement of payment made to KS&EW employees appointed on contract basis after superannuation

Annex-30(i)						
S#	Name of Officer/Staff	Designation	Date of Re-appointment	Date of retire-ment	Period of contract	Total Salary & allowances paid in Rs.
1	Saif Ahmed Khan	Manager (C)	3.12.2018	3.12.2018	3.11.2023 (05 Years)	1,360,349
2	Mueen Ur Rashid	Deputy Manager Tech (C)	4.12.2019	4.12.2019	4.11.2023 (04 Years)	1,220,053
3	Muhammad Zardad Khan	Sr. Supervisor (C)	5.7.2018	5.4.2018	5.6.2022 (04 Years)	716,814
4	Abdul Rahman Memon	Manager(Sg)	9.11.2019	9.7.2019	9.10.2022 (03 Years)	1,617,591
5	Mirza Zahid Baig	Sr. Supervisor (Sg)	7.8.2020	6.30.2020	7.7.2022 (02 Years)	751,662
6	Masood Khan	Supervisor (C)	7.29.2019	7.25.2019	1.28.2023 (04 Years)	743,248
7	Shafqat Mand Ali Abbasi	Sr. Supervisor	6.23.2020	6.21.2020	6.22.2022 (02 Years)	602,024
8	Arshad Ali	Asstt. Manager Tech (C)	8.2.2017	8.1.2020	8.1.2022 (02 Years)	782,830
9	Muhammad Younus	Sr. Supervisor (C)	4.15.2019	4.14.2017	4.13.2023 (04 Years)	650,051
10	Rafiq Ur Rehman	Asstt. Manager Tech (C)	3.30.2011	3.29.2021	8.9.2022 (01 Year)	545,035
11	Malik Muhammad Pervaiz	Supervisor (C)	3.21.2021	4.13.2018	12.31.2022 (01 Year)	112,083
12	M. Javed	Manager (C)	7.15.2015	1.1.2018	7.14.2022 (07 Year)	1,211,326

13	M Ishaque Awan	Fitter (C)	8.16.2019	8.9.2019	8.15.2022 (03 Year)	819,510
14	Abdul Razzaque	Dy. General Manager (C)	6.11.2018	6.9.2018	12.10.2022 (04 Years)	2,012,090
15	Muhammad Afzal	Supervisor (C)	5.2.2019	5.1.2019	5.1.2022 (03 Years)	728,981
16	Muhammad Aslam	Fitter (C)	9.19.2018	9.18.2018	9.18.2022 (04 Years)	663,220
17	Naseem Ahmad Usmani	Sr. Supervisor (C)	6.6.2018	6.5.2018	12.5.2022 (04 Years)	647,816
18	Zubair Ahmed	Dy. General Manager (C)	12.14.2016	11.28.2018	6.30.2022 (06 Years)	1,915,322
19	Tafsir Ahmad	Supervisor (C)	11.4.2020	10.16.2020	5.3.2022 (02 Years)	437,641
20	Naseer Ahmad	Carpenter	7.2.2018	7.1.2018	7.1.2022 (04 Years)	717,289
21	Nisar Ahmed	Dy. General Manager (C)	4.14.2020	3.13.2020	5.21.2022 (02 Years)	2,388,395
22	Muhammad Javid	Welder (C)	4.1.2021	3.31.2021	3.31.2023 (02 Years)	189,902
23	Muhammad Banaras	Sr. Supervisor(Sg). Cont	6.29.2017	12.28.2021	6.26.2022 (04 Years)	639,595
24	Muhammad Khan	Sr. Supervisor (C)	6.14.2018	6.13.2019	12.13.2022 (02 Years)	759,915
25	Abdul Majeed	Sr. Supervisor (C)	7.6.2018	7.5.2018	7.5.2022 (04 Years)	604,700
26	Syed Zaheer Ali	Steel Fabricator (C)	3.15.2019	3.14.2019	3.14.2023 (05 Years)	984,666
27	Ghulam Rasool	Sr. Supervisor (C)	7.20.2017	7.19.2021	7.19.2022 (05 Years)	485,139
28	Zahid Bashir	Supervisor	3.29.2021	3.10.2021	3.28.2023 (02 Years)	157,347
29	Ishrat Pervaiz	Sr. Supervisor (C)	5.23.2018	5.18.2018	5.22.2022 (04 Years)	554,147
30	Abdul Mailk	Sr. Supervisor (Sg)	2.3.2020	2.1.2020	8.2.2022 (02 Years)	777,661
31	Muhammad Iqbal	Manager (C)	10.10.2017	10.9.2018	10.9.2022 (05 Years)	884,347
32	Mirza Salim Baig	Supervisor (C)	6.9.2021	5.19.2021	12.8.2022 (01 Year)	25,042
33	Abdul Rasheed	Pipe Fitter (C)	1.1.2021	1.1.2021	12.31.2022 (01 Year)	134,585
34	Abid Masud Khan	Manager(Sg)	4.2.2020	4.1.2020	4.1.2023 (03 Year)	1,518,020
35	Shahab Ahmed	Deputy Manager Tech (C)	11.17.2017	11.17.2017	9.30.2022 (05 Years)	875,576
36	Muhammad	Supervisor (C)	7.10.2020	7.9.2020	1.9.2023 (03 Years)	502,721
37	Asif Rahim	Sr. Supervisor (C)	1.3.2020	1.2.2020	1.2.2023 (03 Years)	698,075
Total Amount In Rs.						30,434,768

Annex-30(ii)
Statement of the officers deputed (now on extension) on secondment in KS&EW during 2020-

21.						
S#	P#	Name of Officer	Designation	Date of Secondment . deputation	Date of three years completion	Date of extension
1.	4305	CDR Jahanzeb Ahsan TI(M)	G.M -Ship Building	01.08.2017	31.07.2020	31.07.2021
2.	5923	Capt Syed Tauseef Ahmed	DGM (Planning & TDP)	11.10.2018	10.10.2021	11.10.2021
3.	3885	CDR A.M Abdul Rehman SI(M)	Director Finance	01.08.2017	31.07.2020	31.07.2021
2.	6105	CDR A.M Imran Aziz	DGM- Planning Ship Building	05.06.2018	04.06.2021	04.06.2022
3.	4687	LT CDR S.M Adnan Saeed	Manager (Fin.Proc)	08.09.2018	07.09.2021	07.09.2023
4.	8469	LT CDR M. Waqas Ahmed	Manager (Security)	07.06.2018	06.06.2021	06.06.2022
5.	5923	Capt. Tauseef Ahmed	-	10.10.2018	09.10.2021	09.10.2022
6.	4623	CDR Hammad Ahmed	PD (SLTS)	01.03.2017	28.02.2020	28.02.2021
7.	6949	LT CDR M. Yaha	-	23.03.2019	22.03.2022	22.03.2023
8.	7088	LT CDR M. Rashid	-	01.04.2019	31.03.2022	31.03.2023
9.	6408	Capt Tahir	-	02.04.2019	01.04.2022	01.04.2023
10.	5781	Capt Atif	-	04.04.2019	03.04.2022	03.04.2023
11.	Ts.1221	Mr. Ashiq Riaz	3 rd Engineer	01.04.2018	31.03.2021	31.03.2022
12.	Ts.1223	Mr. Abdul Aziz	3 rd Engineer	14.04.2018	13.04.2021	13.04.2022
13.	Ts.1379	Mr. Fazal Hussain Shah	Pfm	03.07.2018	02.07.2021	02.07.2022
14.	Ts.1224	Mr. Rafiqat Hussain	Pfm	31.01.2019	30.01.2022	30.01.2023

Annex-33

(Para No.5.1.4.19)

Statement of KS&EW officers receiving excess amount in deputation allowance during 2020-21.

S#	Name & Designation of deputation officer	Basic pay	Deputation amount receiving per month in Rs.	Maximum limit of deputation allowance in Rs.	Excess amount paid in Rs.	Period of deputation	Total amount paid in Rs.
1.	Rear Admiral Athar Saleem, M.D	171,560	43,370	12,000	31,370	04 years	1,505,760
2.	Cdr. M Abdur Rehman, D.F	137,175	27,435	12,000	15,435	04 years & 05 months	818,055
3.	Lt. Cdr. Waqas Ahmed, Manager	62,125	12,425	12,000	425	04 years	20,400
4.	Cdr. Imran Aziz, DGM	101,975	20,395	12,000	8,395	03 years	302,220
5.	Mr. Nazir Ahmed, DGM (Technical)	82,045	16,409	12,000	4,409	03 years	158,727
6.	Syed Naeem Asghar, DGM	111,925	27,033	12,000	15,033	03 years	541,180
7.	Cdr. Hammad Ahmed, SI(M), DGM	133,355	26,671	12,000	14,671	03 years	528,156
8.	Lt.Cdr Syed Muhammad Adnan Saeed, Manager	111,925	24,377	12,000	12,377	03 years	445,575
9.	Cdr. Hammad Khalid, Manager	91,415	18,293	12,000	6,283	03 years	226,188
10.	Capt. Muhammad Ziaul Haq, DGM	94,935	18,987	12,000	6,987	03 years	251,532
11.	Cdr. Mujtaba Saeed, SI(M), GM	143,875	28,775	12,000	16,775	03 years	603,900
12.	Mr. Zarar Bin Altaf, DGM	112,535	22,507	12,000	10,507	03 years	387,252
13.	Capt. Syed Tausef Ahmed,	105,495	21,099	12,000	9,099	03 years	327,564
14..	Lt. Cdr Muhammad Yahya, Deputy Manager (Tech)	88,685	17,737	12,000	5,737	03 years	206,532
15.	Capt. Atif Pervaiz	109,015	21,803	12,000	9,803	03 years	352,908
16.	Cdr. Zulfiqar, Manager	98,455	19,691	12,000	7,691	03 years	276,876
17.	Lt. Cdr Muhammad Rashid, DM (Tech)	85,365	16,409	12,000	4,409	03 years	158,724
18.	Lt. Cdr Zeeshan Ran, DM (Tech)	82,045	16,409	12,000	4,409	03 years	158,724
19.	Cdr. Farhan Shaikh, Manager	81,415	18,284	12,000	6,284	03 years	226,224
20.	Lt. Cdr. Syed Usman Ali Shah, Manager	94,935	18,987	12,000	6,987	03 years	251,532
21.	Capt. Muhammad Siddique, manager	94,935	18,987	12,000	6,987	03 years	251,532

22.	Lt. Cdr. Najaf Khan, Manager	111,925	24,377	12,000	12,377	03 years	445,572
23.	Cdr. Muhammad Jahanzeb Ahsan, DGM	138,615	27,723	12,000	15,723	05 years	943,380
24.	Cdr. Kashif Rahat, DGM	112,535	22,507	12,000	10,507	03 years	378,252
Total							9,500,461

Annex-34

(Para No.6.1.4.1)

Non-recovery from borrowers and ex-employees - Rs.526.676 million

Annex-32(i)				
House Building and Conveyance advances from ex-employees				
(Amount in Rs.)				
S#	Employee Name	House Building	Conveyance	Total
1.	Khurshid Alam Qureshi	75,859	19,353	95,212
2.	Muhammad Aslam	1,125	5,250	6,375
3.	Rizwana Hameed	7,134	-	7,134
4.	Aman Khan	-	53,619	53,619
5.	M. Rizwan Baloch	158,607	57,595	216,202
6.	Azhar Shahzad	327,986	83,607	411,593
7.	Muhammad Riaz Khan	154,942	92,030	246,972
8.	Ishaq Ahmed	45,000	-	45,000
9.	Shaukat Ali	128,576	-	128,576
10.	Shadab Anwar	-	(12,482)	-12,482
11.	Muhammad Sadiq	160,000	-	160,000
12.	Ahmed Ali	-	17,155	17,155
13.	Liaquat Mehmood	104,587	43,635	148,222
14.	Aziz Ahmed	47,500	4,279	51,779
15.	Muhammad Nawaz	(2,900)	116,475	113,575
16.	Mushtaq Ali	-	55,400	55,400
17.	Muhammad Hassan Man	328,146	-	328,146
18.	Shafiq ur Rehman	208,015	43,222	251,237
19.	Raja M Tasweer	-	30,150	30,150
20.	Muhammad Sabir	1,193	27,837	29,030
21.	Gazala Jameel	-	1,312	1,312
22.	Shad Muhammad	35,399	25,045	60,444
23.	Ahmed Nawaz	(2,617)	-	-2,617
24.	Wali Muhammad	54,857	4,022	58,879
25.	Saleem Ahmed Hashmi	69,160	3,400	72,560
26.	Muhammad Irshad	(532)	267	-265

27.	Pervaiz Amjad	18,102	-	18,102
28.	Muhammad Feroze	(26)	47,875	47,849
29.	Muhammad Khalid	59,078	166	59,244
30.	Muhammad Bashir Awan	(10,980)	64,750	53,770
31.	Khawaja Hafizullah	96,195	126,668	222,863
32.	Salamat Ali	-	7,304	7,304
33.	Fahim Abbas Abidi	74,641	400	75,041
34.	Ghulam Rasool Dahio	185,289	16,473	201,762
35.	Muhammad Ali	-	73,350	73,350
		2,324,336	1,008,157	3,332,493

Annex-32(ii)			
S#	Description	Amount (Rs.)	Violation
1.	Suit cases	21,123,674	a. Decreed in favor of HBFC but not recoverable.
2.	Defaulting customer	59,225,000	b. Outstanding amount on various schemes
3.	Defaulting customer	177,836,000	c. Outstanding amount did not recover more than 05 years.
4.	Defaulter	5,973,000	d. Outstanding amount not recovered last year.
		264,157,674	

Annex-32(iii)				
S#	Account Number	Suit No	Decree . Judgment Date	Decree Amount (Rs.)
1	947000327-9	06 of 2021	30-03-2021	6,817,459
2	946000374-3	09 of 2021	01-04-2021	6,219,641
3	946000939-3	03 of 2021	30-03-2021	3,503,034
4	847000319-8	100 of 2020	20-02-2021	1,660,083
5	853000862-5	53.2021	28-05-2021	1,268,776
6	853000391	82.2020	16-03-2021	925,333
7	846000908-0	83.2020	16-03-2021	729,348
	TOTAL			21,123,674

Annex-32(iv)					
S#	No. of Customers	Description	Determinant (Days Past Due)	Default Amount (Amount Rs)	Amount Disbursed Rs
1	16	Loss	Where rent or principal is overdue by two years or more from the due date	37,995,561	66,528,000
2	10	Doubtful	Where rent or principal is overdue by one year or more from the due date	14,487,413	49,357,352
3	11	Substandard	Where rent or Principal is overdue by one year or more from the due date.	6,742,852	49,370,000
	37		Total	59,225,826	165,255,352

(Amount in Rs.)

Annex-32(v)					
Name of Branches	No. of Customers	Loan Disbursed	Recovered Amount	Default Amount	Closing Balance
Islamabad	194	14,264,000	606,845	32,232,477	42,288,218
Wah Cantt	57	4,010,000	1,580,818	9,513,264	12,931,453
Peshawar	93	6,391,000	452,411	20,159,637	28,254,507
Attock	101	5,023,000	1,053,982	12,425,009	16,296,371
Total	607	44,903,000	5,001,951	118,300,648	158,623,922

Annex-32(vi)				
S#	Account Number	Suit No	Decree Date	Decree Amount (Rs.)
1	8090000350	48-2018	28-Sep-21	161,250
2	7090210612	46	13-Oct-21	88,000
3	9090000226	136.2020	6-Jul-21	1,005,039
4	9100001842	221-1	30-Jan-21	305,982
5	9260001756	#####	15-Dec-21	494,579
6	9260001467	25.1.2021	17-Nov-21	919,508
7	9260000659	16-2020	17-Feb-21	211,559
8	8260000511	62-2020	18-Feb-21	623,467
9	8260000636	48-20	17-Feb-21	251,074
10	9290001016	170.2019	8-Jul-21	962,589
11	9290001701	271.2019	3-Jun-21	1,750,000
12	8290001059	128	2-Nov-21	676,652

13	9290000943	137.2020	6-Oct-21	522,257
14	1300001946	3000.1	22-Dec-21	199,322
15	8300001685	3412-1	15-Dec-21	138,149
16	9300001709	3413-1	5-Nov-21	496,489
17	9310000824	52.2021	7-Oct-21	1,298,255
18	9310001756	53.2021	7-Oct-21	491,980
19	9310002036	54.2021	24-Nov-21	1,092,880
20	9310003232	63.2021	11-Nov-21	963,655
21	9310000592	Oct-21	4-Nov-21	789,444
22	9310000964	57.2021	7-Oct-21	780,674
23	9310001392	50.2021	7-Oct-21	529,745
24	9310001590	55.2021	7-Oct-21	690,054
25	9310001780	58.2021	7-Oct-21	638,069
26	9310002192	51.2021	7-Oct-21	546,631
27	9310002622	56.2021	7-Oct-21	431,825
28	8320000881	23-1-2020	17-Feb-21	1,150,929
29	8320001624	25-1-2020	17-Feb-21	451,380
30	9320000590	24-1-2020	17-Feb-21	637,762
31	9320003289	24-1-2020	17-Feb-21	637,762
32	1340001633	414-14	22-Mar-21	236,009
33	8340001885	145-2017	15-Feb-21	519,175
34	9340001107	204.2019	7-Oct-21	1,135,487
35	9340001461	220.2019	4-Oct-21	481,456
36	8340000499	173-19	4-Feb-21	196,385
37	9360001573	19.1.2020	1-Feb-21	1,201,451
38	8380000862	110.2014	21-Mar-21	7,821,345
39	9420000896	3328.1	27-Oct-21	473,262
40	9420001134	3424-1	10-Dec-21	628,960
41	9420001654	3437.1	8-Oct-21	226,097
42	7500219864	236.2016	1-Jul-21	368,569
43	9640002839	303-18	26-Jan-21	1,128,171
44	9640004801	381-18	19-Feb-21	901,298
45	9640004207	350.2019	10-Dec-21	2,155,121
46	9640003605	87-2020	3-Nov-21	333,556
TOTAL				37,743,303

Annex-32(vii)							
S #	No. of Accounts	Branch Name	Net Principal Outstanding amount (Rs.)	Recovered Amount (Rs.)	Amount Due Recoverable amount (Rs.)	Default Amount (Rs.)	Classification
1	05	Islamabad	19,767,773	11,509,503	30,341,034	18,831,531	Loss more than 5 years
2	11	Multan	13,739,936	2,907,715	13,026,256	10,118,541	Loss more than 5 years
3	02	Chitral	1,436,729	1,003,907	2,276,232	1,272,325	Loss more than 5 years
4	17	Civic Centre Karachi	42,210,187	17,590,147	49,075,254	31,485,107	Loss more than 5 years
5	13	Lahore	28,917,635	14,005,188	36,448,564	22,443,376	Loss more than 5 years
6	50	University Rd, Karachi	71,764,119	56,923,145	94,427,999	66,619,184	Loss more than 5 years
	98	Total	177,836,379	103,939,6605	225,595,339	150,770,064	

Annex-32(viii)				
S #	Account No.	Name of Customer	Address	Default Amount
1	9030000914	Mr. Iqbal Ahmed Khan,	E-01, Karachi 18, Gulistan-e-Jauhar, Gulistan-e-Jauhar, Star Shelter, Karachi.	5.973

Poor performance and non-obtaining of performance guarantee - Rs.142.177 million

Ticket Number	Date Created	Subject
6800	12.8.2022 9:54	Claim 133 Not Appearing In Anyone Ids
6826	17.08.2022 12:49	Proposal No. 16350
5953	14.03.2022 10:34	Problem In Tenor Revision Of Pr.1793-1
6824	17.08.2022 10:17	Deletion Of Uploaded Documents In RID # 522215
6822	16.08.2022 17:43	Insufficient Funds In Proposal No. 24275-1
6820	16.08.2022 16:12	Balloon Payment Adjustment Cp 15706
6572	24.06.2022 12:46	Closing Of P.N 17319
6819	16.08.2022 14:04	Participants Not Showing In Death CLAIM APLICATIO
6765	4.8.2022 10:58	Loan Account Balance Is Not Zero.
6814	15.08.2022 15:28	Error Message In Closure Initiation Window (18030)
6816	15.08.2022 16:10	A.C Closing Issue Proposal # 1133901 M.Asif
6806	12.8.2022 16:08	Insufficient Funds Error
6812	15.08.2022 11:51	BP # 001745201 & BP # 001755901 Reductoin List
6811	15.08.2022 11:10	All Branches Missing From CNIC Expiry
6573	24.06.2022 14:46	Proposal No. 2826
6810	13.08.2022 10:06	Cheque Could Not Be Authorized
6809	12.8.2022 18:36	Deletion Of Doc R.ID # 529446
6808	12.8.2022 18:04	Baloon Payment Error
6807	12.8.2022 16:41	Cancel Covid Deferment Period
6805	12.8.2022 15:32	Settlement Balance Letter Is Not Generating
6777	5.8.2022 15:52	Processing Fee Not Adjusted Proposal No. 47
6798	11.8.2022 16:53	Problem In Loan Amount Changing In Cp No.23934-1
6794	11.8.2022 15:13	Credit Proposal Not View In Lms
6788	11.8.2022 12:16	Error While Making Refund At HOK Level
6787	11.8.2022 12:08	User Unable To Update Login Password
6786	11.8.2022 11:28	Adjustment In P.I 1684-1
6729	27.07.2022 10:49	CP No.18325-1.Error In Closing
6519	17.06.2022 15:38	New Id Generation By Selecting Existing Customer
6783	10.8.2022 14:42	Invoice Payment Error
6775	5.8.2022 12:33	Auto LMS (BPNO.24222-1)
6780	5.8.2022 16:58	Processing Charges Reduction Required - 24289-1
6759	2.8.2022 17:11	Deferment Period Error

6771	5.8.2022 11:07	Non Generation Of New Schedule
6770	5.8.2022 10:55	Lms Login Issue (User Inoperative (Fahad Murad)
6767	4.8.2022 14:38	Gurantor Details Missing
6763	3.8.2022 14:05	18502-1
6715	23.07.2022 11:29	Outstanding Principal
6757	2.8.2022 16:32	Errors In Repayment Schedule
6754	2.8.2022 15:09	Loan Amount Is Not Zero Error
6367	19.05.2022 16:29	Settlement Not Allowed In Deferment Period
6750	2.8.2022 9:38	Name Screening Login Error
6745	1.8.2022 9:47	Request To Unblock PLEXUS
6709	22.07.2022 11:37	Deletion Of Old Property Address In RID # 522270
6743	29.07.2022 10:41	Duplicate Error In BP#2034.01(RID#502330)
6740	28.07.2022 13:34	14130-1 Covid Case For Closing
6737	27.07.2022 17:33	Refund Of Death Claim Amount A.C No.927000735-5
6736	27.07.2022 17:28	Modification Of Documents Proposal 20849-1
6735	27.07.2022 15:37	Conversation Of Scheme
6732	27.07.2022 14:54	Requisition For Grant Of Role In Auto LMS
6721	26.07.2022 11:49	Error While Making Adjustment Entry
6717	25.07.2022 12:50	Pasword Need To Be Refereshed
6712	22.07.2022 16:38	Error In Initial Verification Form
6706	21.07.2022 17:25	Account Closing-Preparation Screen
6705	21.07.2022 15:00	Covid Defferment
6699	21.07.2022 10:14	Closing Of Case Proposal No.15534-1.
6698	20.07.2022 16:26	Erro Occured In Termination Screen
6697	20.07.2022 14:33	Claim Amount Not Credit Yet In Client Account
6695	20.07.2022 11:38	Wrong Fees Charged In Proposal No 24121
6694	20.07.2022 11:12	Penalty Adjustment Issue In Proposal No.19884
6693	20.07.2022 11:02	Error . Loan Account Balance Is Not Zero
6645	13.07.2022 11:00	Removing Termination Charges
6690	19.07.2022 17:23	Requisition For Grant Of Role In Auto LMS
6688	19.07.2022 15:12	10447-1 Case Showing In 2 Buckets.
6687	19.07.2022 15:00	Disbursement Not Marked 23695-1
6686	19.07.2022 13:40	User Id 2573 Tresspassed
6685	19.07.2022 12:34	User Trespassed Error Id 2503
6610	30.06.2022 15:14	Death Claim Issue
6666	15.07.2022 14:33	Updation Of CPNO
6681	19.07.2022 10:00	Proposal # Not Showing In Hbl
4253	17.08.2021 17:27	50% Insurance Claim Case Status Showing Full Settl
6599	28.06.2022 12:30	Claim No. 122 & 127 Still Pending

6676	18.07.2022 13:04	Reset Login 2417
6674	18.07.2022 12:21	User Id For Ext Audit 100597 Not Active
6673	18.07.2022 12:16	Auto Lms Login Error
6665	15.07.2022 12:29	Access Required
6671	18.07.2022 11:09	Generating PLEXUS ID
6670	16.07.2022 10:47	Auto Lms Id 2573 Forgot Password
6669	15.07.2022 14:59	Dup Deletion P # 23328-1
6667	15.07.2022 14:51	New Autolms Access For Branch Manager
6664	15.07.2022 10:53	Error In Entering Death Claim Amount
6663	15.07.2022 10:50	Error In Entering Death Claim Amount (Proposal Num
6661	15.07.2022 10:06	Reset Password
6660	14.07.2022 17:42	Already Login Option
6659	14.07.2022 17:00	Refund Of Excess Amount In CP: 18352-1 Ghafoor Gul
6658	14.07.2022 16:43	Log Out User Id 2425
6613	4.7.2022 10:06	Insurance Issue In Proposal 24099
6657	14.07.2022 16:18	Processing Charges Issue
6655	14.07.2022 14:53	Old Plexsus Password
6652	13.07.2022 16:49	Reduction Required Proposal No.11960-1
6651	13.07.2022 16:43	Reduction Required Proposal No.11928-1
6364	19.05.2022 12:57	Refund Of Excess Amount In Proposal No. 17057
6563	23.06.2022 11:40	Removal Of Duplicate Proposal
6632	6.7.2022 12:47	Error While Early Terminating Proposal No. 14130
6622	5.7.2022 11:44	Name Correction For Valuation Company
6314	12.5.2022 15:43	Errors In Repayment Schedule
6603	28.06.2022 16:34	Audit Observations On Penalty & Remaining PIP
6602	28.06.2022 15:11	Loan Is Not Reviewing For Closing
6583	27.06.2022 10:42	Case Need To Return Back At Offer Acceptance Level
6579	25.06.2022 12:22	Error In Closing Proposal No 18230
6339	16.05.2022 16:16	Reversal Of Rental Installments From NCPA -1834
6570	24.06.2022 9:38	Auto LMS Not Generating Credit Proposal No. 23842
6274	9.5.2022 9:50	Auto Lms Clearance Report
6552	22.06.2022 12:28	Cancellation Of Case After Offer Letter Issuance
6551	22.06.2022 11:19	Insurance Amount Not Calculated In Proposl
6373	20.05.2022 15:45	In Proposal No 23186-1 Change Of Valuator
6203	23.04.2022 13:44	Settlement Balance Is Not Accurate After Data Mig
6478	9.6.2022 15:17	Proposal No.11097.1
6477	9.6.2022 15:06	Two Rentals Not Reversed During ERT
6475	9.6.2022 13:51	A.C Closing After Marking Reduction In System
6448	2.6.2022 17:20	Closing (Double Dr.) In P.I 2746-1

6439	2.6.2022 10:32	Widow Case- Wrong Data Migration
6432	1.6.2022 11:03	Correction Pf Pv Agency
6264	6.5.2022 10:01	Tenure Options Is Not Appearing In Tenor-Wise-Rest
6351	18.05.2022 11:25	Partial Claim Settlement In P.I-1638-1
6350	18.05.2022 10:17	Account Appearing As Settled
6308	12.5.2022 11:10	Audit Observations On Rate Revision (18210)
6298	10.5.2022 16:44	Closing Of Account P.I- 13988-1
6297	10.5.2022 16:27	Case Not Appearing In Auto LMS
6167	16.04.2022 12:46	Incorrect NCPA Reversal Of Proposal No.8509
6086	4.4.2022 16:37	Reversal Of Entries In P.I 1673-1
4704	28.09.2021 17:50	Repayment Plan Is Not Accurate Of Proposal Id 21.
6051	29.03.2022 18:43	Refund Cases
6045	29.03.2022 10:37	Wrong CR Balance In Closing Letter
6013	25.03.2022 9:47	Correction In Repayment Of Bachat Scheme Cases Qta
5999	21.03.2022 16:18	Audit Observation Proposal No.1072701.
5995	21.03.2022 12:14	Migrated Ledger Balance As Of June 2020 Incorrect
5342	14.12.2021 17:24	Settlement Balance Require
5892	3.3.2022 15:17	Wrong KIBOR Rate Revision In Installment Plan
5928	9.3.2022 11:04	19070: Settlement Balance Issue.....
5839	25.02.2022 13:10	Data Migration In Loan Account No. 16759 (Old A.C
5616	28.01.2022 16:33	Payment Issue
5590	25.01.2022 12:29	Report-Settlement Balance Lettter
5533	13.01.2022 14:45	Incorrect Repayment Plan After Deferment,
5347	15.12.2021 10:23	Issue Regarding Deduction Of Default Amount
3366	9.6.2021 21:07	Disbursement Amount Not Reflecting In Repayment Pl
6800	12.8.2022 9:54	Claim 133 Not Appearing In Anyone Ids
6826	17.08.2022 12:49	Proposal No. 16350
5953	14.03.2022 10:34	Problem In Tenor Revision Of Pr.1793-1
6824	17.08.2022 10:17	Deletion Of Uploaded Documents In RID # 522215
6822	16.08.2022 17:43	Insufficient Funds In Proposal No. 24275-1
6820	16.08.2022 16:12	Balloon Payment Adjustment Cp 15706
6572	24.06.2022 12:46	Closing Of P.N 17319
6819	16.08.2022 14:04	Participants Not Showing In Death CLAIM APPLICATIO
6765	4.8.2022 10:58	Loan Account Balance Is Not Zero.
6814	15.08.2022 15:28	Error Message In Closure Initiation Window (18030)
6816	15.08.2022 16:10	A.C Closing Issue Proposal # 1133901 M.Asif
6806	12.8.2022 16:08	Insufficient Funds Error
6812	15.08.2022 11:51	BP # 001745201 & BP # 001755901 Reductoin List
6811	15.08.2022 11:10	All Branches Missing From CNIC Expiry

6573	24.06.2022 14:46	Proposal No. 2826
6810	13.08.2022 10:06	Cheque Could Not Be Authorized
6809	12.8.2022 18:36	Deletion Of Doc R.ID # 529446
6808	12.8.2022 18:04	Baloon Payment Error
6807	12.8.2022 16:41	Cancel Covid Deferment Period

Annex-36
(Para No.6.1.4.3)

Irregular disbursement of various loans – Rs.138.181 million

(Rs. in million)					
Name of Customer	Account Number	Sanctioned Amount	Loan Disbursement	Scheme Product	Property Address
Sehrish Nauman	9640007465	2.490	2.490	GPS	Khasra No189,Burki ward No12 Gujjar Khan
Muhammad Iqbal khan	9640007804	0.900	0.900	GAS (Flexi)	Khasra No.649, 130 Khatooni No 252, Mouza Mistri,Rawalpindi
Sureya Begum	9640007978	3.000	3.000	GPS	House No. H-284, chichi Mohallah Rawalpindi.
Raja Imran Khan	9640008034	0.900	0.900	GAS (Flexi)	Khasra No.2995, Mouza Kahota, Rawalpindi
Shaida Parveen	9640008067	1.000	1.000	GPS	Khasra No.44,Mouza Chahat Near Millinium Wedding Hall Rawalpindi
Farhan Nawaz	9640008208	6.900	6.900	GAS (Flexi)	House No.902,Street No102,Sector III,Gulshan Abad Rawalpindi.
Muhammad irshad	9310004628	2.000	2.000	GAS (Flexi)	Khasra No. 1846.92,1837.57 Mouza Shakreyal, Rawalpindi
Sohail Bhatti	211691	0.900	0.900	GAS (Flexi)	KH# 82,84,85 Moza chorhta sinsh Janoobi, DG Khan
Faheem Abbas	211741	2.400	2.400	GPS	ST#1BLOCK Z Model Town DG Khan
Faheem Akhtar	206011	2.600	2.600	GAS (Flexi)	Khata # 447 New Model Town DGK
Amir Kareem pitafi	206031	2.400	2.400	GAS (Flexi)	KHATA# 739 NDVHS DG KHAN
Khair Khatoon	212511	1.250	1.250	GAS (Flexi)	KHATA#2440.2447 BLOCK 26 DG KHAN

Rukhsana Laghari	9310004354	2.00	2.00	GAS (Flexi)	KHATA#779 Mauza Fazilpur
Muhammad Sajjad	205621	1.500	1.500	GAS (Flexi)	KHATA#176.174 Khasra No26.5 plotNo103, Green valley MoazaKotla, Muzaffargarh.
Muhammad Nadeem	205601	1.35	1.35		Khevat No 154 near Cambridge school Muzaffargarh.
Muhammad Asghar	209091	1.400	1.400		KHATA#76 Purani Basti Muzaffargarh
Shaheen Begum 211501	211501	4.000	4.000		Khevat No 681 Khatooni #1030 Muzaffargarh
Malik Muhammad Ali	2135811	1.600	1.600		KHATA#769 Muhalla piplewala Muzaffargarh
Muhammad Yousuf	917003181	5.500	5.500		
Sughra Bibi	9180002991	0.700	0.700		Khewat No307 Khatooni #575 Khasra# 788 Mohalla chah Tarang,Gugrat. Muzaffargarh
Abdul Ltif	1800028680	0.850	0.850		Khewat No176 Khatooni #249-250 Khasra# 3 Mohalla FaizabadMandi,Bahuauddin
Shaheen Begum 211501		4.000	4.000		Khevat No 681 Khatooni #1030 Muzaffargarh
Malik 2135811 Muhammad Ali		1.600	1.600		KHATA#769 Muhalla piplewala Muzaffargarh
Muhammad 917003181 Yousuf		5.500	5.500		-
Sughra Bibi 9180002991		0.700	0.700		Khewat No307 Khatooni #575 Khasra# 788 Mohalla chah Tarang,Gugrat. Muzaffargarh
Abdul Ltif 91800028680		0.850	0.850		Khewat No176 Khatooni #249-250 Khasra# 3 Mohalla FaizabadMandi,Bahuauddin
Grand Total		45.640	45.640		

Annex-37
(Para No.6.1.4.7)

**Irregular payment to contractors before inspection / completion of work –
Rs.31.766 million**

S#	Supplier	Branch	Contract price	Time allowed	Remarks
01	M.s Design Craft Associates	Sahiwal, Gujranwala, Sialkot, Vehari	14,991,608	15-07-2021 (60 days)	incomplete and extended the work
North Region					
02	M.s Design Craft Associates	Abbottabad, Attock	5,839,614	15-07-2021 60 days	incomplete and extended the work
03	M.s KSS Engineering ltd	Hunza	3,010,796	15-07-2021 60 days	incomplete and extended the work
South Region					
04	M.s KSS Engineering ltd	Larkana, Tando Adam	7,924,054	15-09-2021 (60) days	incomplete and extended the work
Total Rs 31.766					

Annex-38
(Para No.6.2.4.2)

Non-recovery of various dues / advances - Rs. 81,576.438 million

Annex-38(i)		
PSEs (Rs. in million)		
S #	Name of Borrower	Outstanding Advances
1	Pakistan Steel Mills Ltd	40,013
2	Lakhra Power Generation Company Limited	6,133
3	Pakistan Textile City Limited	2,406
4	Telephone Industries of Pakistan (Private) Limited	998
5	Pakistan Machine Tool Factory	976
6	Barqaab Aviation	2,356
Total		52,882

Annex-38(ii)						
Nostro Accounts (Rs.5.041 million)						
S #	Branch Name	Entry Date	Amount (Foreign Currency)	Foreign Currency	Exchange Rate as at 31st October 2021	Amount in Rs.
1.	Steel Mill Branch Karachi	22.09.2010	6,769	US\$	172	1,164,336
2.	Civic Centre Karachi	19.10.2012	224	US\$	172	38,636
3.	Main Branch Karachi	10.10.2013	25	GBP	238	5,950
4.	Main Branch Karachi	10.10.2013	985	GBP	238	234,430
5.	Main Branch Karachi	18.06.2015	1,000	EUR	199	199,000
6.	Main Branch Karachi	28.04.2016	836	EUR	199	166,364
7.	FTC Building Branch	27.04.2017	253,413	JPY	1.44	364,914
8.	District Court Sialkot	27.09.2018	100	EUR	199	19,900

9.	Main Branch Karachi	16.08.2019	100	GBP	238	23,800
10.	Kwan Parity Transaction	01.08.2016	681	US\$	172	117,197
11.		21.09.2016	254	US\$	172	43,779
12.		21.11.2016	2567	US\$	172	441,582
13.		31.05.2017	1457	US\$	172	250,604
14.		26.03.2018	1,131	US\$	172	194,690
15.	Unknown	30.04.2009	320	GBP	238	76,160
16.		01.09.2009	1,244	GBP	238	296,072
17.		01.09.2009	4,766	GBP	238	1,134,427
18.		29.07.2011	1,565	US\$	172	269,217
Total						5,041,058

Annex-38(iii)			
NDFC (Defunct)			
(Rs. in million)			
Number of Customers	Total Outstanding Amount	Amount Recovered	Outstanding Amount as on 31-12-2020
72	8,431.577	2,657.567	3,592.901

Annex-39
(Para No.6.2.4.13)

**Irregular appointment of employees after attaining the age of superannuation
- Rs.611.065 million**

Name	Grade	Category (Regular Contractual)	Date of Retirement Superannuation	Date of leaving	Gross Pay per Month	No. of Days	No. of Months	Total Salaries (Rs)
Muhammad Moaaz Sabih	OG-I	Regular	14.06.2012	15.06.2013	124,920	361	12	1,499,040
Kalim Uddin	VP	Regular	13.08.2011	13.08.2013	143,296	720	24	3,439,104
S.Saeeduz Zafar	AVP	Regular	02.04.2013	23.02.2014	141,776	321	10	1,417,760
Nisar Ahmed	VP	Regular	07.06.2013	07.06.2014	175,519	360	12	2,106,228
Muhammad Aslam	SVP	Regular	14.07.2013	15.01.2014	265,496	181	6	1,592,976
M. Iqbal Qasim	EVP	Regular	03.08.2013	05.08.2015	544,024	722	24	13,056,576
Masroor Akhter	AVP	Regular	19.08.2013	19.02.2014	151,881	180	6	911,286
Muhammad Khalid	VP	Regular	11.10.2013	10.10.2014	248,660	359	11	2,735,260
Muhammad Suhaib Farooqui	SVP	Regular	21.12.2012	20.04.2014	230,815	479	15	3,462,225
Sajid Abbass Zaidi	VP	Regular	30.10.2013	30.10.2014	210,749	360	12	2,528,988
Shahryar Qaisrani	EVP	Regular	19.12.2013	01.07.2015	529,703	552	18	9,534,654
Shah Jehan Khan	EVP	Regular	05.01.2014	05.07.2015	584,190	540	18	10,515,420
Abdul Haq Bhatti	SVP	Regular	11.03.2014	10.03.2017	227,356	1079	35	7,957,460

Zubair Ahmed	SEVP	Regular	05.04.2014	06.01.2015	750,743	271	9	6,756,687
Muhammad Fawad	VP	Regular	31.10.2014	30.04.2015	237,214	180	5	1,186,070
Muhammad Hassan Khaskheli	EVP	Regular	31.12.2014	30.06.2015	507,183	180	5	2,535,915
Bashir Ahmed Pathan	VP	Regular	31.12.2014	31.03.2015	197,810	90	3	593,430
Khalid Mehmood	EVP	Regular	31.12.2014	31.12.2016	505,613	720	24	12,134,712
Suleman Shamsuddin	SVP	Regular	31.08.2015	31.08.2016	213,562	360	12	2,562,744
Anwar Khan	VP	Regular	23.12.2015	23.12.2016	222,295	360	12	2,667,540
Farouq Anwar Khawaja	SVP	Regular	15.01.2016	31.03.2017	267,861	436	14	3,750,054
Muhammad Ayyaz Khan	AVP	Regular	11.02.2016	11.02.2017	184,581	360	12	2,214,972
Nooruddin Ahmed	AVP	Regular	29.02.2016	28.02.2017	160,000	358	11	1,760,000
Khan Nawaz	OG-I	Regular	15.04.2016	30.07.2016	157,012	105	3	471,036
Asad Ali	OG-I	Regular	26.10.2015	31.07.2016	94,161	275	9	847,449
Waheed Ahmad	OG-I	Regular	30.04.2016	31.07.2016	155,784	90	3	467,352
Tahir Arman Khattak	OG-I	Regular	12.04.2016	31.07.2016	146,623	109	3	439,869
Sajid Masood Warriach	OG-I	Regular	31.12.2015	31.07.2016	144,989	210	7	1,014,923

Muhammad Zahid Ikram	AVP	Regular	04.01.2016	31.07.2016	188,642	207	6	1,131,852
Tahir Yousaf	AVP	Regular	15.10.2015	31.07.2016	165,218	286	9	1,486,962
Aijaz Ahmed Ansari.	AVP	Regular	02.06.2016	02.12.2016	165,740	180	6	994,440
Nausherwan Adil	SEVP	Regular	13.01.2017	17.07.2017	1,163,051	184	6	6,978,306
Hamid Masood	EVP	Regular	31.08.2017	31.08.2018	619,791	360	12	7,437,492
Raees Ahmed	VP	Regular	31.12.2017	31.12.2019	239,056	720	24	5,737,344
Muhammad Ramzan Baloch	SVP	Regular	18.02.2018	18.08.2019	360,642	540	18	6,491,556
Syed Jahangir	CLER-VI	Regular	03.11.2018	03.11.2019	280,829	360	12	3,369,948
S.Hassan Mustafa Naqvi	SVP	Regular	26.12.2018	26.06.2020	355,065	540	18	6,391,170
Aijaz Hasan Siddiqi	OG-I	Regular	31.12.2018	31.12.2019	102,089	360	12	1,225,068
Khawar Saeed	EVP	Regular	02.01.2019	24.12.2020	644,586	712	23	14,825,478
Muhammad Saleem Baig.	SVP	Regular	09.01.2019	09.01.2020	393,895	360	12	4,726,740
Muhammad Aslam	AVP	Regular	09.02.2019	08.02.2020	213,476	359	11	2,348,236
Ansar Raza Goraha	EVP	Regular	21.02.2019	21.08.2020	543,733	540	18	9,787,194
Jaffer Shah	VP	Regular	02.05.2019	02.05.2020	311,560	360	12	3,738,720

Ghullam Shabir Chang	VP	Regular	07.05.2019	11.07.2020	294,812	424	14	4,127,368
Aziz Ur Rehman	SVP	Regular	03.09.2019	03.03.2020	519,196	180	6	3,115,176
Khalid Mehmood Awan	VP	Regular	30.09.2019	30.09.2020	271,114	360	12	3,253,368
Farrukh Saeed Khan	SVP	Regular	31.10.2019	31.10.2020	472,905	360	12	5,674,860
Muhammad Naseer Khan	AVP	Regular	04.11.2019	30.09.2020	213,476	326	10	2,134,760
Ali Mardan Keerio	OG-I	Regular	26.12.2019	26.12.2020	179,273	360	12	2,151,276
Naveed Akhtar	AVP	Regular	31.12.2019	31.12.2020	213,476	360	12	2,561,712
Kh Naeem Ur Rehman	OG-I	Regular	03.02.2020	15.03.2020	160,847	42	1	160,847
Hassan Ali Memon	VP	Regular	02.03.2020	02.09.2020	344,174	180	6	2,065,044
M.Shamim Shakir Hussain	AVP	Regular	09.03.2020	09.09.2020	213,476	180	6	1,280,856
Muhammad Saleem Abdul Habib	AVP	Regular	09.06.2020	09.12.2020	213,476	180	6	1,280,856
Azra Naila Uzair	EVP	Regular	26.08.2020	26.08.2021	930,255	360	12	11,163,060
Abdul Qayum Zia	AVP	Regular	30.09.2020	20.02.2021	213,476	140	4	853,904
Muhammad Naeem Ansari	SVP	Regular	11.10.2020	11.04.2021	429,117	180	6	2,574,702
Imdad Hussain	EVP	Regular	10.11.2020	30.11.2021	717,019	380	12	8,604,228

Sultana Naheed	SEVP	Regular	17.01.2021	16.07.2021	1,189,049	179	5	5,945,245
Muhammad Farooq	EVP	Regular	11.04.2021	30.11.2021	568,985	229	7	3,982,895
Nadeem Manzar	OG-II	Regular	10.04.2021	30.11.2021	94,232	230	7	659,624
Syed Javid Raza	OG-I	Regular	23.06.2021	30.11.2021	174,042	157	5	870,210
Muhammad Saleem Abdul Habib	AVP	Regular	09.06.2020	12.09.2020	58,118	93	3	174,354
Muhammad Naeem Ansari	SVP	Regular	12.10.2020	04.11.2021	429,117	382	12	5,149,404
Imdad Hussain Khan	EVP	Regular	10.11.2020	05.09.2021	717,019	295	9	6,453,171
Abdul Qayyum Zia	AVP	Regular	01.10.2020	30.09.2021	213,476	359	11	2,348,236
M. Ibrahim Soomro	VP	Contractual	05.10.2011	09.06.2013	186384	604	20	3,727,680
Syed Pervaiz Ali	OG-I	Contractual	29.11.2009	01.01.2013	150376	1112	37	5,563,912
Malik-Noshad- Ahmed .	OG-I	Contractual	19.06.2015	31.12.2015	168480	192	6	1,010,880
Tabassum Israr	OG-II	Contractual	11.04.2017	03.12.2017	81256	232	7	568,792
Tahira Raza	SEVP	Contractual	21.04.2013	07.04.2014	795291	346	11	8,748,201
Muhammad Naeem Shaikh	VP	Contractual	08.12.2009	01.01.2013	247006	1103	36	8,892,216
M.Nasir Khan	VP	Contractual	31.12.2012	30.06.2015	252529	900	29	7,323,341
Saleem Ahmed	EVP	Contractual	11.10.2020	09.12.2020	674,265	58	1	674,265

Muhammad Jamil Qureshi	OG-II	Contractual	06.11.2011	31.12.2014	73922	1135	37	2,735,114
Manzurul Haq	EVP	Contractual	19.04.2009	31.12.2013	306,435	1692	56	17,160,360
Sahibzada Rafat Raoof Ali	EVP	Contractual	12.01.2014	12.01.2016	602,091	720	24	14,450,184
Hamid-Hussain-Syed .	VP	Contractual	21.06.2004	01.01.2013	221945	3070	102	22,638,390
Muhammad Rafique	VP	Contractual	02.01.2014	03.07.2014	245617	181	6	1,473,702
M Sameeh Shafi	VP	Contractual	02.11.2009	01.01.2013	146608	1139	37	5,424,496
Sirajuddin .	OG-I	Contractual	14.09.2011	01.01.2013	109109	467	15	1,636,635
Syed Rashid Ali	OG-I	Contractual	07.12.2005	01.01.2013	97972	2544	84	8,229,648
Muhammad Shahzada	OG-I	Contractual	12.12.2007	31.12.2012	93925	1819	60	5,635,500
Hanif Abbasi	VP	Contractual	31.12.2016	14.07.2017	332432	194	6	1,994,592
T Shamim Rizvi	OG-III	Contractual	14.10.2012	31.12.2015	62135	1157	38	2,361,130
Ekhlaq Ahmed	EVP	Contractual	14.02.2006	01.08.2011	N.A	1967	65	#VALUE!
Mustafa Mian Quadri	OG-I	Contractual	04.05.2014	31.12.2015	142614	597	19	2,709,666
S Ali Ahmed Alvi	OG-I	Contractual	06.04.2014	01.01.2016	198682	625	20	3,973,640
Naziruddin .	AVP	Contractual	14.06.2008	30.06.2013	144705	1816	60	8,682,300
N B Soomro	SEVP	Contractual	14.04.1998	02.10.2011	486753	4848	161	78,367,233

Syed Tariq Hasan	SVP	Contractual	29.06.2019	29.06.2020	717887	360	12	8,614,644
Muhammad Shahid	SVP	Contractual	06.04.2016	30.06.2016	579689	84	2	1,159,378
Muhammad Arif Qureshi	VP	Contractual	25.02.2010	11.09.2014	333049	1636	54	17,984,646
Dr. Mirza Abrar Baig	SEVP	Contractual	13.07.2011	31.12.2012	1535793	528	17	26,108,481
Abdus Saeed Khan	SVP	Contractual	24.11.2012	01.01.2013	321074	37	1	321,074
Muhammad Khursheed Khan	SVP	Contractual	11.06.2019	11.06.2020	570939	360	12	6,851,268
Ghlum-Mustfa-Memom .	VP	Contractual	06.01.2019	01.07.2019	369162	175	5	1,845,810
Liaqat Ali	AVP	Contractual	06.06.2009	01.01.2013	212187	1285	42	8,911,854
Muhammad-Khalil .	OG-I	Contractual	05.05.2013	13.12.2013	231861	218	7	1,623,027
Dr. Qadir Baksh	EVP	Contractual	31.03.2019	31.03.2021	752,471	720	24	18,059,304
Shamim Arshad	VP	Contractual	29.07.2012	01.01.2013	137641	152	5	688,205
Akhtar Nawaz	SVP	Contractual	14.01.2015	30.06.2015	318327	166	5	1,591,635
Salim Ansar	EVP	Contractual	06.11.2011	31.12.2013	474,905	775	25	11,872,625
Muhammad Safdar	SVP	Contractual	22.12.2009	30.08.2013	172612	1328	44	7,594,928
Muhammad Sadiq	NC-III	Contractual	07.06.2007	01.01.2013	10499	2004	66	692,934
Syed Arif Hussain Shah	NC-III	Contractual	26.03.2011	31.12.2013	7977	995	33	263,241

Zahida Khanum	AVP	Contractual	14.02.2018	30.06.2018	243818	136	4	975,272
Brig R Muzaffar Ul Hasan	SVP	Contractual	03.04.2010	01.09.2012	255789	868	28	7,162,092
Sikandar Ali Bhangwar	AVP	Contractual	02.05.2009	01.10.2011	87867	869	28	2,460,276
Muhammad Yousuf Suleman	AVP	Contractual	14.08.2009	30.09.2011	123233	766	25	3,080,825
Muhammad Hanif	EVP	Contractual	15.10.2009	01.10.2011	309,598	706	23	7,120,754
Muhammad Ebrahim	SVP	Contractual	11.02.2016	09.02.2018	495623	718	23	11,399,329
Ghulam Muhammad Khan	Player	Contractual	01.11.2012	31.12.2016	89601	1500	49	4,390,449
Ishaq Patel	Player	Contractual	24.04.2009	31.12.2016	67202	2767	92	6,182,584
Barbruce Ishaq	EVP	Contractual	17.11.2013	17.11.2015	1,062,860	720	24	25,508,640
Zahid Shaheen	VP	Contractual	09.02.2019	09.02.2020	266753	360	12	3,201,036
Akbar Hasan Khan	EVP	Contractual	24.02.2014	24.02.2016	783,585	720	24	18,806,040
Muhammad Yousuf Saudagar	SVP	Contractual	09.08.2013	10.08.2015	467765	721	24	11,226,360
Shahid Anwar Khan	SEVP	Contractual	01.12.2010	30.11.2012	965231	719	23	22,200,313
Huzair A Soomro	SVP	Contractual	25.12.2009	30.08.2013	449850	1325	44	19,793,400
Khaliq Uz Zaman	SVP	Contractual	06.07.2010	20.03.2013	238917	974	32	7,645,344

Mrs Tazeen Fasihuddin Khan	SVP	Contractual	31.12.2015	31.12.2016	382858	360	12	4,594,296
Musaddaque Hamid	SVP	Contractual	08.12.2006	29.03.2013	151562	2271	75	11,367,150
Riffat Karim Rana	SVP	Contractual	25.09.2007	30.09.2012	134294	1805	60	8,057,640
Khawaja Jananzeb	AVP	Contractual	04.12.2011	30.09.2012	137872	296	9	1,240,848
Tabashir Hussain Khan	VP	Contractual	29.09.2011	30.09.2012	127992	361	12	1,535,904
Ather Syed	VP	Contractual	14.09.2013	12.08.2014	164702	328	10	1,647,020
Tahir Hassan	SVP	Contractual	19.01.2013	19.01.2015	303744	720	24	7,289,856
Muhammad Ashraf Khan	NC-VI	Contractual	30.12.2007	06.01.2016	21597	2886	96	2,073,312
S M Baqir Bukhari	SVP	Contractual	07.03.2012	07.03.2014	317434	720	24	7,618,416
Imam Bakhsh Baloch	SEVP	Contractual	01.03.2012	02.03.2014	760419	721	24	18,250,056
Samar Abbas Jaffri	SVP	Contractual	29.06.2012	02.07.2013	252687	363	12	3,032,244
Moizuddin Khan	EVP	Contractual	09.05.2012	09.05.2014	383,584	720	24	9,206,016
S Sabah Ul Islam	VP	Contractual	22.06.2012	22.12.2012	174296	180	6	1,045,776
Muhammad Aslam	AVP	Contractual	31.07.2012	31.01.2013	149035	180	6	894,210
Khalid Bashir	EVP	Contractual	07.09.2012	06.09.2013	330,890	359	11	3,639,790
M. Aslam Ii	AVP	Contractual	31.07.2012	31.01.2013	149035	180	6	894,210

Imtiaz Ahmed Qadri	AVP	Contractual	13.09.2012	15.04.2013	168595	212	7	1,180,165
Muhammad Afsar	SVP	Contractual	23.09.2012	21.03.2014	322906	538	17	5,489,402
Ghulam Hassan	AVP	Contractual	19.08.2012	19.02.2013	137255	180	6	823,530
Muhammad Khalil Ur Rehman	AVP	Contractual	30.09.2012	01.10.2013	139333	361	12	1,671,996
Jamil Akhtar	VP	Contractual	11.12.2012	11.12.2013	192687	360	12	2,312,244
Muhammad Bilal Qadir Jaskani	EVP	Contractual	14.02.2013	14.02.2014	395,371	360	12	4,744,452
Niaz Muhammad Khan Durrani	SVP	Contractual	31.01.2013	31.01.2014	247597	360	12	2,971,164
Muhammad Iqbal	OG-I	Contractual	03.05.2013	02.05.2014	127502	359	11	1,402,522
Masood Karim Shaikh	SEVP	Contractual	11.01.2017	30.06.2017	1522710	169	5	7,613,550
Syed Khawaja Maaz Khair Uddin	SVP	Contractual	20.02.2017	07.07.2017	562446	137	4	2,249,784
Amna Hafeez	VP	Contractual	22.06.2018	22.06.2019	283545	360	12	3,402,540
Zahid Mahmood Chaudhry	SEVP	Contractual	11.06.2017	07.08.2018	1182133	416	13	15,367,729
Shahzad Alam	OG-I	Contractual	03.06.2021	30.11.2021	181488	177	5	907,440
Syed Muhammad Ali Zamin	EVP	Contractual	30.07.2017	30.11.2021	1,420,654	1560	52	73,874,008
Muhammad Amin	EVP	Contractual	01.03.2020	30.11.2021	990,698	629	20	19,813,960

Qazi								
Muhammad Yaqoob	OG-II	Contractual	01.04.2021	30.11.2021	146823	239	7	1,027,761
Suhail Anwar	VP	Contractual	13.10.2020	30.11.2021	509,805	407	13	6,627,465
Umar Azim Daudpota	SVP	Contractual	22.11.2020	30.11.2021	1044899	368	12	12,538,788
Sajjad Ahmed Rana	SVP	Contractual	16.01.2021	30.11.2021	559174	314	10	5,591,740
Total (Rs.)								611,065,591

Annex-40

(Para No.6.2.4.16)

Undue favor by acquiring House Building Finance at appointment - Rs.287.028 million

S. No	Name	Designation	Date of Joining	Amount Sanctioned (Rs.)
1	Syed Ahmed Iqbal Ashraf	President	22-Jan-2014	70,755,053
2	Asif Ahmed Menai	EVP	25-Jun-2014	8,685,825
3	Umar Azim Daudpota	SVP	06-Jan-2015	13,417,258
4	Farhan Javaid Durrani	SVP	05-Apr-2016	5,910,351
5	Farzan Nazeer	AVP	28-Apr-2016	1,881,144
6	Salma Adil	AVP	16-May-2016	5,341,140
7	Huma Masood	AVP	01-Aug-2016	5,012,222
8	Shahabuddin Ahmad Wani	VP	27-May-2016	5,100,007
9	Hakim Ali Laghari	SVP	16-Aug-2016	18,551,331
10	Muhammad Faraz Haider	SEVP	09-Dec-2016	18,121,174
11	Sumaira Mazhar	SVP	12-Apr-2017	15,105,896
12	Muhammad Asif	AVP	11-Jan-2017	4,261,901
13	Asif Mehmood Butt	VP	22-Dec-2017	6,617,000
14	Lubna Azam Tiwana	SEVP	10-Apr-2018	15,423,838
15	Mushahid Ali Khan	VP	01-Nov-2018	4,361,537
16	Reena Leeza Fernandes	OG-II	01-Aug-2017	1,726,779
17	Zafar Iqbal Khan	NC-II	01-Aug-2017	827,634
18	Zamir Ul Islam Usmani	OG-II	01-Aug-2017	1,604,758
19	Muhammad Rizwan Yasin	VP	31-Oct-2018	4,742,133
20	Adeel Ahmed Khan	VP	06-Dec-2019	7,866,684
21	Syed Abbas Raza	VP	27-Mar-2020	9,250,891
22	Moiz uddin Khan	SVP	29-Jun-2020	10,896,718
23	Muhammad Abdul Moeed	EVP	25-Feb-2020	10,086,305
24	Hafiza Hira Umar	OG-II	30-Jun-2020	1,875,000
25	Muhammad Ali Yousuf	AVP	25-Jun-2020	7,710,277
26	Bhawan Parakash	OG-I	29-Jun-2020	1,883,420
27	Salman Javed	OG-I	29-Jun-2020	3,700,000
28	Muhammad Ayaz Iqbal	OG-I	23-Jul-2020	3,758,794
29	Atif Nawaz	OG-I	23-Jun-2020	1,221,222
30	Syed Asif Aleem	OG-I	06-Jul-2020	1,622,269
31	Fahad Haider	OG-II	13-Jul-2020	2,234,961
32	Syed Ather Abbas	VP	15-Sep-2020	9,097,637
33	Rehan Nazeer	VP	17-Aug-2020	5,916,858
34	Muhammad Naseer	AVP	09-Sep-2020	2,460,418
Total				287,028,435

Annex-41
(Para No.6.2.4.17)

Irregular appointments without advertisement - Rs.267.635 million

S#	Emp ID	Name	Grade	Date of Joining	Gross Salary (Rs.)
1	4461	Mr. Haq Nawaz Ahmed	VP	30-06-2017	446,341
2	4462	Kashif Zubair	AVP	30-06-2017	215,007
3	4463	Raheel Iqbal	VP	30-06-2017	235,000
4	4464	Shabbir Hussain	VP	30-06-2017	358,544
5	4465	Muhammad Ahmer	VP	30-06-2017	250,340
6	4466	Mubashir Zafar Siddique	AVP	30-06-2017	281,949
7	4467	Muhammad Kashif Bari	AVP	30-06-2017	220,000
8	4468	Taha Munawar	AVP	30-06-2017	230,000
9	4469	Maqsood Ahmed Siddiqui	VP	30-06-2017	304,812
10	4470	Samar Shahid	AVP	30-06-2017	274,390
11	4471	Shahid Dilshad	AVP	30-06-2017	208,806
12	4472	Sajid Hassan Qasmi	AVP	30-06-2017	200,000
13	4473	Faheem Haider Naqvi	OG-I	30-06-2017	112,241
14	4474	Muhammad Umair	OG-I	30-06-2017	161,070
15	4475	Farhan Moughal	OG-I	30-06-2017	190,000
16	4476	Salman Raza	OG-I	30-06-2017	156,202
17	4477	Sumaira Mushtaq	OG-I	30-06-2017	134,622
18	4478	Hayyan Mustafa	OG-I	30-06-2017	114,026
19	4479	Muhammad Syed Qasim Ali	OG-II	30-06-2017	120,000
20	4481	Muhammad Abul Hasan Siddiqui	OG-II	30-06-2017	100,585
21	4482	Mizna Shahab	OG-III	30-06-2017	45,228
22	4483	Muneeb Ahmed	OG-III	30-06-2017 Resigned on 19.06.2021	66,000
23		Mujtaba Habib	SVP		642,120
24		Erum Mirza	OG-II		71,952
Total Rs.					5,139,235

Annex-42
(Para No.6.2.4.19)

Irrational . defective buy-back policy of vehicles – Rs.83.462 million

S #	Name	Grade	Make	Model	Purchase Price	At the time of Sale		Sale Proceeds	Year of Sale
						WDV	BV		
1	Syed Azhar Hussain	EVP	Toyota Corolla (Xli)	2015	1,657,500	331,500	331,500	331,500	2020
2	Mumtaz Rafi	SVP	Toyota Corolla (Xli)	2015	1,657,500	331,500	331,500	331,500	2020
3	Faisal Topra	SEVP	Toyota Corolla (Gli)	2015	1,857,500	371,500	371,500	371,500	2020
4	Mudassir Nabi	SVP	Toyota Corolla (Xli)	2015	1,657,500	331,500	331,500	331,500	2020
5	Rana Imdad Hussain	EVP	Toyota Corolla (Xli)	2015	1,657,500	331,500	331,500	331,500	2020
6	Syed Shabir Ahmed	Ex-SVP	Toyota Corolla (Xli)	2016	1,657,500	718,250	718,250	718,252	2020
7	Ahmed Naseem	SVP	Toyota Corolla (Xli)	2015	1,657,500	303,875	303,875	331,500	2020
8	Shaukat Mehmood	EVP	Toyota Corolla (Gli)	2016	1,872,500	468,125	468,125	468,125	2020
9	Salman Tallat	SVP	Toyota Corolla (Xli)	2015	1,657,500	331,500	331,500	331,500	2020
10	Mubashir Ahmed	SVP	Toyota Corolla (Xli)	2015	1,657,500	303,875	303,875	331,500	2020
11	Farooq Ahmed	EVP	Toyota Corolla (Xli)	2015	1,657,500	303,875	303,875	331,500	2020
12	Tariq Zafar Iqbal	EVP	Toyota Corolla (Xli)	2015	1,657,500	303,875	303,875	331,500	2020

13	Abid Kitchlew	SVP	Toyota Corolla (Xli)	2015	1,657,500	331,500	331,500	331,500	2020
14	Hidayat Ali Shar	EVP	Toyota Corolla (Xli)	2015	1,657,500	303,875	303,875	331,500	2020
15	Rizwana Ammar	SVP	Toyota Corolla (Xli)	2015	1,657,500	331,500	331,500	331,500	2020
16	Nasir Abbas	SVP	Toyota Corolla (Xli)	2015	1,657,500	331,500	331,500	331,500	2020
17	Mashkoor Ahmed Khan	EVP	Toyota Corolla (Xli)	2015	1,657,500	303,875	303,875	331,500	2020
18	A. J. Tariq Hassan	SVP	Toyota Corolla (Xli)	2015	1,657,500	331,500	331,500	331,500	2020
19	M. Akram Khan	SVP	Toyota Corolla (Xli)	2015	1,657,500	331,500	331,500	331,500	2020
20	Aziz ur Rehman	SVP	Toyota Corolla (Xli)	2015	1,657,500	331,500	331,500	331,500	2020
21	M. Ehsan Tabassum	SVP	Toyota Corolla (Xli)	2015	1,657,500	303,875	303,875	331,500	2020
22	A. Majeed Arshad	SVP	Toyota Corolla (Xli)	2015	1,657,500	331,500	331,500	331,500	2020
23	Syed Naveed Asghar	SVP	Toyota Corolla (Xli)	2015	1,657,500	331,500	331,500	331,500	2020
24	Karim Akram Khan	EVP	Toyota Corolla (Gli)	2015	1,857,500	340,542	340,542	371,500	2020
25	Farukh Ghauri	SVP	Toyota Corolla (Xli)	2015	1,657,500	331,500	331,500	331,500	2020
26	S. H. Irtiza Kazmi	EVP	Toyota Corolla (Gli)	2015	1,857,500	371,500	371,500	371,500	2020
27	Aqib Malik	EVP	Toyota Corolla (Xli)	2015	1,657,500	303,875	303,875	331,500	2020

28	Zaman Khan	SVP	Toyota Corolla (Xli)	2015	1,657,500	303,875	303,875	331,500	2020
29	Ismail Usuf	EVP	Toyota Corolla (Gli)	2016	1,857,500	340,542	340,542	371,500	2020
30	Saleem Qasim	Ex-SVP	Toyota Corolla (Xli)	2016	1,672,500	446,000	446,000	446,000	2020
31	Abdul Qadir	SVP	Toyota Corolla (Xli)	2015	1,657,500	303,875	303,875	331,500	2020
32	Muhammad Atlas	EVP	Toyota Corolla (Gli)	2016	1,857,500	371,500	371,500	371,500	2020
33	Kamran Masud Khan	SVP	Toyota Corolla (Xli)	2016	1,657,500	331,500	331,500	331,500	2020
34	Mansoor Ahmed	SVP	Toyota Corolla (Xli)	2015	1,657,500	303,875	303,875	331,500	2020
35	Hamid Raza	SVP	Toyota Corolla (Xli)	2016	1,657,500	331,500	331,500	331,500	2020
36	Syed Wasim Akhtar	SVP	Toyota Corolla (Xli)	2016	1,657,500	331,500	331,500	331,500	2020
37	Ovais Asad Khan	EVP	Toyota Corolla (Gli)	2016	1,857,500	371,500	371,500	371,500	2020
38	Shaeikh Tariq Abdullah	SVP	Toyota Corolla (Xli)	2015	1,657,500	303,875	303,875	331,500	2020
39	Rashid Mirza	SVP	Toyota Corolla (Xli)	2016	1,657,500	331,500	331,500	331,500	2020
40	Wajaht Malik	SVP	Toyota Corolla (Xli)	2015	1,657,500	331,500	331,500	331,500	2020
41	Sohail Ahmed Warraich	SVP	Toyota Corolla (Xli)	2016	1,657,500	303,875	303,875	331,500	2020
42	Abdul Wajid	SVP	Toyota Corolla (Xli)	2015	1,657,500	303,875	303,875	331,500	2020

43	Sarfaraz Ahmed	SVP	Toyota Corolla (Xli)	2016	1,657,500	331,500	331,500	331,500	2020
44	Taranum Sarwar	SVP	Toyota Corolla (Xli)	2016	1,657,500	331,500	331,500	331,500	2020
45	M. Ashfaq Khan	Ex-SVP	Toyota Corolla (Xli)	2013	1,537,500	1	1	153,750	2020
46	Khadim Hussain	EVP	Toyota Corolla (Gli)	2016	1,857,500	371,500	371,500	371,500	2020
47	Saeed Habib	SVP	Toyota Corolla (Xli)	2015	1,657,500	303,875	303,875	331,500	2020
48	Asadullah Saleem	SVP	Toyota Corolla (Xli)	2016	1,657,500	331,500	331,500	331,500	2020
49	Farooq Hassan	SVP	Toyota Corolla (Xli)	2016	1,657,500	331,500	331,500	331,500	2020
50	Amjad Pervez	SVP	Toyota Corolla (Xli)	2016	1,657,500	331,500	331,500	331,500	2020
51	Kauser Iqbal Malik	Ex-SEVP	Toyota Fortuner	2015	5,305,500	765,825	765,825	765,825	2020
52	M. Iqbal Malik	SVP	Toyota Corolla (Xli)	2016	1,657,500	331,500	331,500	331,500	2020
53	Qamar Hussain	Ex-SEVP	Toyota Fortuner	2015	5,305,500	765,825	765,825	765,825	2020
54	M. Ahsan Aslam	SVP	Toyota Corolla (Xli)	2016	1,657,500	331,500	331,500	331,500	2020
55	M. Khursheed Khan	SVP	Toyota Corolla (Xli)	2015	1,657,500	276,250	276,250	331,500	2020
56	Mehmood Akhtar Nadeem	EVP	Honda City	2015	1,567,000	313,400	313,400	313,400	2020
57	Ahmed	SVP	Toyota	2015	1,657,500	303,875	303,875	331,500	2020

	Liaquat		Corolla (Xli)						
58	Masood Iqbal	Ex-SVP	Toyota Corolla (Xli)	2016	1,672,500	446,000	446,000	446,000	2020
59	Rizwan Hameed	Ex-SVP	Toyota Corolla (Xli)	2010	1,269,000	972,900	972,900	972,900	2020
60	Ziaur Rashid Ibrahim	Ex-SVP	Toyota Corolla (Xli)	2017	1,664,000	1,109,333	1,109,333	1,109,333	2020
61	Shahid Iqbal Choudry	EVP	Toyota Corolla (Gli)	2016	1,872,500	343,292	343,292	374,500	2020
62	Aziz ur Rehman	Ex-SVP	Toyota Corolla (Xli)	2015	1,657,500	221,000	221,000	331,500	2020
63	Shamim Iqbal	Ex-SVP	Toyota Corolla (Xli)	2015	1,672,500	557,500	557,500	557,500	2020
64	Shafique Ahmed	Ex-EVP	Toyota Corolla (Gli)	2017	1,789,000	745,417	745,417	745,417	2020
65	M. Saleem Saleemi	SVP	Toyota Corolla (Xli)	2016	1,672,500	334,500	334,500	334,500	2020
66	Tallat Khursheed	Ex-SVP	Toyota Corolla (Xli)	2017	1,664,000	610,133	610,133	610,133	2020
67	Syed Hasan Mustafa Naqvi	Ex-SVP	Honda City	2016	1,714,000	996,333	996,333	996,333	2020
68	Daud Jan	SVP	Toyota Corolla (Xli)	2016	1,672,500	334,500	334,500	334,500	2020
69	Noorul Islam	SVP	Toyota Corolla (Xli)	2016	1,672,500	334,500	334,500	334,500	2020
70	Nasir Hussain	Ex-EVP	Toyota Corolla (Gli)	2015	1,857,500	123,833	123,833	185,750	2020
71	Syed Tariq Hassan	Ex-SVP	Toyota Corolla (Xli)	2016	1,642,500	438,000	438,000	438,000	2020

72	M. Saleem Baig	Ex-SVP	Toyota Corolla (Xli)	2015	1,657,500	635,375	635,375	635,375	2020
73	Mansoor Hussain Qureshi	SVP	Toyota Corolla (Xli)	2016	1,672,500	306,625	306,625	334,500	2020
74	Aqeel Muslim	SVP	Toyota Corolla (Xli)	2016	1,672,500	334,500	334,500	334,500	2020
75	Muhammad Amjad	SVP	Toyota Corolla (Xli)	2016	1,672,500	306,625	306,625	334,500	2020
76	Ghulam Rasool	SVP	Toyota Corolla (Xli)	2016	1,672,500	334,500	334,500	334,500	2020
77	Farhan J. Durrani	SVP	Toyota Corolla (Xli)	2016	1,672,500	306,625	306,625	334,500	2020
78	Rafique Ahmed Bhurgri	SVP	Toyota Corolla (Xli)	2016	1,672,500	278,750	278,750	334,500	2020
79	Hananeel Azhar Joseph	SVP	Toyota Corolla (Xli)	2016	1,672,500	306,625	306,625	334,500	2020
80	Nasir Khan	SVP	Toyota Corolla (Xli)	2016	1,672,500	334,500	334,500	334,500	2020
81	Muhammad Saqib	SVP	Toyota Corolla (Xli)	2016	1,672,500	334,500	334,500	334,500	2020
82	Masood Yasin	SVP	Toyota Corolla (Xli)	2016	1,672,500	334,500	334,500	334,500	2020
83	Akhtar Munir	SVP	Toyota Corolla (Xli)	2016	1,672,500	306,625	306,625	334,500	2020
84	Qaiser Rasheed	SVP	Toyota Corolla (Xli)	2016	1,672,500	334,500	334,500	334,500	2020
85	Irshad Ahmed	SVP	Toyota Corolla (Xli)	2016	1,672,500	334,500	334,500	334,500	2020

86	Syed Rehan Mobin	SVP	Toyota Corolla (Xli)	2016	1,672,500	278,750	278,750	334,500	2020
87	Abdul Hadi Palekar	SVP	Toyota Corolla (Xli)	2016	1,672,500	278,750	278,750	334,500	2020
88	Rashid Ata	SVP	Toyota Corolla (Xli)	2016	1,672,500	250,875	250,875	334,500	2020
89	Arshad Mehmood Mian	Ex-SVP	Toyota Corolla (Xli)	2016	1,627,500	1,022,125	1,022,125	1,022,125	2020
90	Khawar Saeed	Ex-EVP	Toyota Corolla (Gli)	2016	1,892,500	725,458	725,458	725,458	2020
91	Nadeem Khan	SVP	Toyota Corolla (Xli)	2016	1,672,500	306,625	306,625	334,500	2020
92	M. Mumtaz Ahmed Farooq	SVP	Toyota Corolla (Xli)	2016	1,672,500	306,625	306,625	334,500	2020
93	Arif Raza Abdi	SVP	Toyota Corolla (Xli)	2015	1,657,500	82,875	82,875	331,500	2020
94	Rana Mujahid Ali	SVP	Toyota Corolla (Xli)	2015	1,672,500	334,500	334,500	334,500	2020
95	Aamir Shabbir	SVP	Toyota Corolla (Xli)	2015	1,672,500	306,625	306,625	334,500	2020
96	Ashfaq Ahmed Qadir	SVP	Toyota Corolla (Xli)	2016	1,672,500	334,500	334,500	334,500	2020
97	Tariq Jamali	Ex-SEVP	Toyota Fortuner	2015	5,105,500	1	1	510,550	2020
98	M. Imran Butt	SVP	Toyota Corolla (Xli)	2012	1,537,500	128,125	128,125	153,750	2020
99	M. Naeem Ansari	SVP	Honda City	2016	1,708,000	370,052	370,052	370,052	2020
100	Hakim Ali	SVP	Toyota	2016	1,672,500	334,500	334,500	334,500	2020

	Laghari		Corolla (Xli)						
101	Shahid Iqbal Khan	SVP	Toyota Corolla (Xli)	2016	1,672,500	306,625	306,625	334,500	2020
102	Khadija Adnan	Ex-SVP	Toyota Corolla (Xli)	2017	1,672,500	390,250	390,250	390,250	2020
103	Syed Jamal Baqar	SEVP	Toyota Fortuner	2016	5,135,500	978,175	978,175	1,027,100	2020
104	Shahzad Karimi	SVP	Toyota Corolla (Xli)	2016	1,742,500	348,484	348,484	348,500	2020
105	Muhammad Akram	SVP	Toyota Corolla (Xli)	2016	1,672,500	306,625	306,625	334,500	2020
106	Hafiz M. Fayyaz	Ex-SVP	Toyota Corolla (Xli)	2017	1,664,000	526,933	526,933	526,933	2020
107	M. Kashif Khan	SVP	Toyota Corolla (Xli)	2016	1,672,500	250,875	250,875	334,500	2020
108	Shakeel Ahmed	SVP	Toyota Corolla (Xli)	2016	1,672,500	334,500	334,500	334,500	2020
109	Umar Azim Daudpota	SVP	Toyota Corolla (Xli)	2015	1,657,500	1	1	165,750	2020
110	Tanvir Yaqub	Ex-SVP	Toyota Corolla (Xli)	2016	1,672,500	223,000	223,000	223,000	2020
111	Ahmer Qadeer	SVP	Toyota Corolla (Xli)	2016	1,672,500	334,500	334,500	334,500	2020
112	Abdul Aziz Nadeem	Ex-SVP	Toyota Corolla (Xli)	2018	1,824,000	942,400	942,400	942,400	2020
					202,397,500	42,132,005	42,132,005	44,661,286	
1	Ali Ahmed	Ex-SVP	Toyota Corolla (Xli)	2015	1,657,500	607,750	607,750	607,750	2019
2	Shahzad A.	Ex-	Toyota	2015	5,105,500	1,531,650	1,531,650	1,531,650	2019

	Shami	SEVP	Fortuner						
3	Tariq Bin Hanif	Ex-SVP	Toyota Corolla (Xli)	2015	1,657,500	580,125	580,125	580,125	2019
4	Syed Tasleem Haider	Ex-SVP	Toyota Corolla (Xli)	2016	1,672,500	1,226,500	1,226,500	1,226,500	2019
5	Javed Anwar Khan	Ex-SVP	Toyota Corolla (Xli)	2017	1,664,000	970,667	970,667	970,667	2019
6	Aamir Sattar	SEVP	Toyota Fortuner	2016	5,105,500	936,008	936,008	1,021,100	2019
7	Sultana Naheed	SEVP	Toyota Fortuner	2015	5,105,500	936,008	936,008	1,021,100	2019
8	Qurban Ali Qunbhar	Ex-SVP	Toyota Corolla (Xli)	2016	1,627,500	497,250	497,250	497,250	2019
9	Tariq Jamali	SEVP	Toyota Fortuner	2015	5,105,500	850,917	850,917	1,021,100	2019
10	M. Naeemullah	Ex-SVP	Toyota Corolla (Xli)	2017	1,764,000	1,234,800	1,234,800	1,234,800	2019
11	M. Nusrat Ilyas	Ex-SVP	Toyota Corolla (Xli)	2018	1,764,000	1,381,800	1,381,800	1,381,800	2019
12	Mirza Babur Baig	EVP	Toyota Corolla (Gli)	2015	1,857,500	340,542	340,542	371,500	2019
13	Shahid Iqbal Dar	EVP	Toyota Corolla (Gli)	2015	1,857,500	371,500	371,500	371,500	2019
14	Farrukh Saeed	SVP	Honda City	2015	1,552,000	310,400	310,400	310,400	2019
15	S. M. Ayub	SVP	Toyota Corolla (Xli)	2015	1,657,500	303,875	303,875	331,500	2019
16	M. Irfan Khan	Ex-SVP	Toyota Corolla (Xli)	2017	1,664,000	804,267	804,267	804,267	2019
17	Bashrat Ali	Ex-	Toyota	2017	1,664,000	887,467	887,467	887,467	2019

		SVP	Corolla (Xli)						
18	Azra Naila Uzair	EVP	Toyota Corolla (Gli)	2015	1,857,500	371,500	371,500	371,500	2019
19	M. Saleem Tahir	SVP	Toyota Corolla (Xli)	2015	1,657,500	303,875	303,875	331,500	2019
20	Tahir Shahbaz Anjum	SVP	Toyota Corolla (Xli)	2015	1,657,500	303,875	303,875	331,500	2019
21	Bilal Qadir	Ex-EVP	Toyota Corolla (Gli)	2010	1,426,000	736,767	736,767	736,767	2019
					49,080,000	15,487,543	15,487,543	15,941,743	
1	Ms. Azmat Moiz	Ex-EVP	Toyota Corolla (Xli)	2015	1,657,500	994,500	994,500	994,500	2018
2	M. Rashid Ghani	Ex-SVP	Toyota Corolla (Xli)	2013	1,571,500	183,324	183,324	183,324	2018
3	M. Ramzan Baloch	Ex-SVP	Toyota Corolla (Xli)	2016	1,672,500	1,087,125	1,087,125	1,087,125	2018
4	Riffat Sultana Mighal	SVP	Toyota Corolla (Xli)	2013	1,571,500	314,300	314,300	314,300	2018
5	M. Nusrat Iliyas	SVP	Toyota Corolla (Xli)	2013	1,571,500	314,300	314,300	314,300	2018
6	M. Rizwan Khan	SVP	Toyota Corolla (Xli)	2013	1,537,500	1	1	153,750	2018
7	Imran Jaffery	Ex-SVP	Toyota Corolla (Xli)	2016	1,657,500	911,625	911,625	911,625	2018
8	M. Khurran Khawaja	Ex-SVP	Toyota Corolla (Xli)	2016	1,657,500	884,000	884,000	884,000	2018
9	Mohsin Furqan	Ex-EVP	Toyota Corolla (Gli)	2016	1,872,500	1,217,125	1,217,125	1,217,125	2018
10	Mudassir H.	Ex-	Toyota	2015	5,105,500	2,127,292	2,127,292	2,127,292	2018

	Khan	SEVP	Fortuner						
11	M. Iftikhar	Ex-SVP	Toyota Corolla (Xli)	2015	1,657,500	884,000	884,000	884,000	2018
12	M. Shahid Razzak	Ex-SVP	Honda City	2013	1,557,000	467,100	467,100	467,100	2018
13	Mahmood Siddique	Ex-EVP	Toyota Corolla (Gli)	2015	1,827,500	1,207,375	1,207,375	1,207,375	2018
14	Syed Ahmed Iqbal Ashraf	Ex-President	Mercedez Benz	2015	21,800,000	14,533,333	14,533,333	14,533,333	2018
15	M. Yaqoob	Ex-SVP	Toyota Corolla (Xli)	2013	1,537,500	1	1	153,750	2018
16	Syed Shabbir Ahmed	Ex-SVP	Toyota Corolla (Xli)	2016	1,657,500	718,250	718,250	718,250	2018
					49,912,000	25,843,651	25,843,651	26,151,149	

Annex-43
(Para No.6.2.4.20)

Loss due to defective club membership policy - Rs.72.637 million

Loss due to defective club membership policy - Rs. 72.637 million					
S#	SAP I.D #	Name of Employee	Designation	Name of Club	Membership fee Paid
1.	16618	Zubair Ahmed	SEVP	M.s. Defence Raya Golf & Country Club, Lahore	1,125,000
2.	15736	Syed Arsalan Sadiq	SVP	M.s. Defence Authority Country & Golf Club, Karachi	1,300,000
3.	16618	Zubair Ahmed	SEVP	M.s. Defence Authority Country & Golf Club, Karachi	1,350,000
4.	16617	Muhammad Suhaib Farooqui	SVP	M.s. Defence Authority Country & Golf Club, Karachi	1,300,000
5.	15693	Zia Ahmad Jan	SVP	M.s. Defence Authority Country & Golf Club, Karachi	1,300,000
6.	16481	Kashif A Aziz	SVP	M.s. Defence Authority Country & Golf Club, Karachi	1,300,000
7.	15682	M Khurram Khawaja	SVP	M.s. Defence Authority Country & Golf Club, Karachi	1,300,000
8.	16120	Zaheer Baig	EVP	M.s. Royal Palm Golf & Country Club, Lahore	1,170,000
9.	4778	Arif Raza Abdy	SVP	M.s. Karachi Club, Karachi	1,200,000
10.	15686	Nausherwan Adil	SEVP	M.s. Defence Authority Country & Golf Club, Karachi	1,350,000
11.	14775	Muhammad Rizwan Khan	SVP	M.s. Karachi Club, Karachi	1,200,000
12.	16479	Imran Jafferey	SVP	M.s. Defence Authority Country & Golf Club, Karachi	1,300,000
13.	4212	Ayesha Mehmood	SVP	M.s. Karachi Gymkhana, Karachi.	1,300,000
14.	15261	Barbruce Ishaq	EVP	M.s. Karachi Club, Karachi	1,200,000
15.	4537	Muhammad Naeem Ansari	SVP	M.s. Karachi Club, Karachi	1,200,000
16.	3866	Malik Amir Sultan	SVP	M.s. Karachi Club, Karachi	1,200,000
17.	15011	Kausar Iqbal Malik	SEVP	M.s. Karachi Club, Karachi	1,610,000
18.	4570	Khadija Adnan	SVP	M.s. Karachi Club, Karachi	1,200,000
19.	9678	Amjad Pervez	SVP	M.s. Royal Palm Country Club, Lahore	1,287,000
20.	5157	Saleem Ahmed	SVP	M.s. Karachi Club, Karachi	1,300,000
21.	18012	Syed Asrar Hussain	EVP	M.s. Defence Authority Country & Golf Club, Karachi	1,300,000
22.	18010	Mudassir H. Khan	SEVP	M.s. Defence Authority Country & Golf Club, Karachi	1,200,000
23.	5165	Aamir Sattar	SEVP	M.s. Karachi Club, Karachi	1,600,000
24.	9512	Shehzad.A.Shami .	SEVP	M.s. Defence Authority Country & Golf Club, Karachi	1,420,000
25.	18096	Abdul Qadir	SVP	M.s. Karachi Club, Karachi	1,300,000
26.	12742	Imtiaz Ul Haq	SVP	M.s. Peshawar Garrison Services Club, Peshawar	100,000
27.	15680	Yasir Ishaq Ansari	SVP	M.s. Gun & Country Club,	600,000

				Islamabad.	
28.	13924	Ansar Raza Goraha	SVP	M.s. Gun & Country Club, Islamabad.	600,000
29.	18060	Rima Athar	SVP	M.s. Defence Authority Country & Golf Club, Karachi	1,300,000
30.	111	Qamar Hussain	SEVP	M.s. Defence Authority Country & Golf Club, Karachi	1,600,000
31.	17964	Ehsan Waquar Ahmed	SVP	M.s. Karachi Club, Karachi	1,300,000
32.	9481	Hafiz Muhammd Fayyaz	SVP	M.s. Royal Palm Golf & Country Club, Lahore	1,170,000
33.	3874	Muhammad Salim Qasim	SVP	M.s. Karachi Club, Karachi	1,300,000
34.	9831	Arshad Mehmood Mian	SVP	M.s. Royal Palm Golf & Country Club, Lahore	1,170,000
35.	14623	Muhammad Ebrahim	SVP	M.s. Karachi Club, Karachi	1,300,000
36.	3863	Muhammad Ramzan Baloch	SVP	M.s. Defence Authority Country & Golf Club, Karachi	1,300,000
37.	18185	Zahid Mahmood Chaudhry	SEVP	M.s. Defence Authority Country & Golf Club, Karachi	1,550,000
38.	11783	Masood Iqbal	SVP	M.s. Royal Palm Golf & Country Club, Lahore	1,170,000
39.	11940	Imtiaz Ali Khan	SVP	M.s. Royal Palm Golf & Country Club, Lahore	1,170,000
40.	18313	Aamir Zareef Khan	EVP	M.s. Defence Authority Country & Golf Club, Karachi	1,300,000
41.	18185	Zahid Mahmood Chaudhry	SEVP	M.s. Karachi Club, Karachi	1,610,000
42.	4588	Tariq Jamali	SEVP	M.s. Defence Authority Country & Golf Club, Karachi	1,600,000
43.	4572	Suleman Shamsuddin	SVP	M.s. Defence Authority Country & Golf Club, Karachi	1,300,000
44.	12735	Abid Farooq	SVP	M.s. Peshawar Garrison Services Club, Peshawar	260,000
45.	5369	Muhammad Khursheed Khan	SVP	M.s. DHA Sunset Club Karachi.	900,000
46.	4207	Wajahat A Baqai	SEVP	M.s. Defence Authority Country & Golf Club, Karachi	1,600,000
47.	4500	S.Hassan Mustafa	SVP	M.s. Karachi Club, Karachi	1,300,000
48.	3864	Mirza Ishrat Baig	SVP	M.s. Defence Authority Country & Golf Club, Karachi	1,300,000
49.	18344	Wasif Khushro Ahmed	SVP	M.s. Karachi Boat Club, Karachi	1,300,000
50.	18906	Akhtar Hussain Khan	SVP	M.s. Defence Authority Country & Golf Club, Karachi	1,300,000
51.	2027	Qurban Ali Kunbhar	SVP	M.s. Defence Authority Country & Golf Club, Karachi	1,300,000
52.	18074	Azfar Jamal	EVP	M.s. Defence Raya Golf & Country Club, Lahore	1,300,000
53.	10698	Muhammad Iftikhar	SVP	M.s. .Jacaranda Family Club, DHA Islamabad	500,000
54.	13925	Safdar Ali	SVP	M.s. Peshawar Garrison Services Club, Peshawar	185,000
55.	18283	Shahid Saeed	SEVP	M.s. Defence Raya Golf &	1,350,000

				Country Club, Lahore	
56.	9850	Waseem Bashir	SVP	M.s. Royal Palm Golf & Country Club, Lahore	1,170,000
57.	9832	Maqsood Ahmed Rashad	SVP	M.s. Royal Palm Golf & Country Club, Lahore	1,170,000
58.	16741	Tanvir Yaqub	SVP	M.s. Islamabad Club, Islamabad	1,300,000
59.	17703	Mumtaz Rafi	SVP	M.s .Jacaranda Family Club, DHA Islamabad	500,000
60.	12816	Habib Ullah	SVP	M.s. Peshawar Garrison Services Club, Peshawar	400,000
61.	6280	Muhammad Nusrat Ilyas	SVP	M.s. Airmen Golf Club & Recreation Park, Karachi	750,000
62.	10697	Basharat Ali	SVP	M.s .Jacaranda Family Club, DHA Islamabad	500,000
63.	10904	Muhammad Irfan Khan	SVP	M.s .Jacaranda Family Club, DHA Islamabad	500,000
Total					72,637,000

Annex-44

(Para No.6.2.4.21)

**Irregular appointment of executives . officers without Head Hunters -
Rs.72.462 million**

S#	Name	Grade	Position	Date of Joining	As on	Gross Salary	No. of Months	Total Amount
1	Nida Haider	SVP	Head of Organizational Effectiveness	19.03.2020	30.09.2021	550,166	18.37	10,104,715.53
2	Abdul Waheed Sabir	EVP	Head of HR Governance	05.05.2020	30.09.2021	500,000	16.83	8,416,666.67
3	Haider Raza	VP	HRBP	29.05.2020	30.09.2021	330,000	16.03	5,291,000.00
4	Rabia Sultana	AVP	HRBP	11.05.2020	30.09.2021	250,000	16.63	4,158,333.33
5	Asma Abbas	AVP	HRBP	01.06.2020	30.09.2021	128,000	15.97	2,043,733.33
6	Shujat Habib	VP	HRBP	10.06.2020	30.09.2021	200,000	15.67	3,133,333.33
7	Farhan Akhtar	AVP	HRBP	01.06.2020	30.09.2021	145,000	15.97	2,315,166.67
8	Farheen Yousuf	AVP	HRBP	22.06.2020	30.09.2021	250,000	15.27	3,816,666.67
9	Syed Yasir Hussain	AVP	HRBP	29.05.2020	30.09.2021	170,000	16.03	2,725,666.67

10	Muhammad Riaz Uddin	SVP	Head of HR Operations	30.04.2020	30.09.2021	500,000	17.00	8,500,000.00
11	S. Muhammad Shakeel	SVP	Head of HR Operations	26.06.2020	30.09.2021	460,000	15.13	6,961,333.33
12	Shahzad Ajmery	SVP	Head of HR Operations	10.08.2020	30.09.2021	335,000	13.67	4,578,333.33
13	Shuja Shams	SVP	Head of Leadership Develop.	05.10.2020	30.09.2021	400,000	11.83	4,733,333.33
14	Hufrish Rayomand	SVP	Head of HR Planning	01.10.2020	30.09.2021	475,000	11.97	5,684,166.67
Total								72,462,448.87

Annex-45

(Para No.6.2.4.44)

Irregular appointment of EVP . Senior HR Business Partner - Rs.14.195 million

Irregular appointment of EVP . Senior HR Business Partner - Rs.14.195 million								
S #	Name	Education	Present Job Title	Total Employment Experience				Total obtained marks
				Total Exp.	10+ years HR . Banking	5 years as HRBP	Expertise in 2 HR	
1	Jaffer Ali Khan	-MBA -MBA HR	-Bank Alfalah Limited as Group Business HR Partner, Retail Banking -PICIC AMC as Head HR -Soneri Bank Limited as VP.Head Rewards, Staff Compensation & Benefits -RG Blue Communication as Manager HR -Grassroots Consultancy as Manager HR	18.7	18.7	4.8	Yes	177
2	Muhammad Zeeshan	MBA (HRM), B.Com	-AMTEX Company as Head of HR and Country HR Manager -Lafarge Pakistan Cement as AM HR -ZTE Pakistan Limited as HRBP	16.7	16.7	2.8	Yes	189
3	Baqar Ahmed	-(e) MBA -(e) MBA (IT)	-World Bank funded MDTT as HRM Specialist -U Microfinance Bank as EVP . CHRO -Askari Bank as: • SVP . Country Head • SVP . Head Training	24.1	19.1	No	Yes	230

			& Development					
4	Mirza Muhamm ad Asim Baig	-MBA & BBA (Comm . & Eco.)	-Agriauto Industries as GM HR -TCS Limited as Head HR -NIB Bank as Head Learning & Development -Silk Bank -Union Bank . Standard Chartered Bank	14.1	14.1	4	Yes	262

Annex-46

(Para No.6.2.4.51)

Irregular appointment of SVP . Senior HR Business Partner-Rs.8.500 million

S#	Name	Education	Present Job Title	Total Employment Experience				Total obtained marks
				Total Exp.	10+ years HR .	5 years as HRBP	Expertise in 2 HR function	
1	Jaffer Ali Khan	- MBA - MBA HR	-Bank Alfalah Limited as Group Business HR Partner, Retail Banking -PICIC AMC as Head HR -Soneri Bank Limited as VP.Head Rewards, Staff Compensation & Benefits -RG Blue Communication as Manager HR -Grassroots Consultancy as Manager HR -Uppal Mills Limited as AM HR	18.7	18.7	4.8	Yes	177
2	Muham mad Zeeshan	-MBA HRM -B.Com	-AMTEX as Head of HR and Country HR Manager. -Lafarge Pakistan Cement as AM HR -ZTE Pakistan Limited as HRBP	16.7	16.7	2.8	Yes	189

3	Syed Kaleem Ahmed Riaz	-MSc. HR -MPA -LLB	-Silk Bank as VP . Head HR -Meezan Bank as: • SVP . Head Talent Management, Sourcing & Employee Management • VP . Head of Organizational Development & HR system -The Royal Bank of Scotland as Manager HRBP	11.4	11.4	2	Yes	170
5	Asma Rashid	-MBA HR -MBA -HR Certificates	-Polio Eradication Initiatives Program (EPI) as Head and Admin Officer for District East -Planning and Development Department as HR and Communication Specialist -HR Ontario, Canada Ministry of Government as HR advisor -Real Co. Canada as HR Coordinator -Mastermind Pakistan as HR Manager	15.5	11.9	No	Yes	201

Annex-47
(Para No.6.2.4.54)

Irregular appointment of HR Business Partners - Rs.7.343 million

Annex-45(i)											
S#	Name	Education	Present Job Title	6 years HR.	3 years as HRBP	Expertise in HR	Total Experience	Salary Drawn	Expected Salary	Selected.rejected	
01	Muhammad Naeem Baloch	MPA, BA	K-Electric as: Manager Employee Relations TCS as: SM. HR K-Electric as: Asst. Manager HR Senior HR Officer	9.50	No	Yes	9.50	262,560	450,000	360,000	
02	Farees Anwer	MPA, BPA	SIUT as Manager HRG4S Pakistan as A M HR Inbox Business Technologies as HR Executive	11.40	No	Yes	11.40	217,000	250,000	250,000	
03	Hassan Jameel	MCS	ABL as: Manager Recruitment.AM Outsourcing	11.80	No	Yes	11.80	135,521	165,000	177,000	
04	Fahd Zaheer	MBA BBA	TCS as:HRBP NIB Bank as: Manager HR MCB Bank as:	11.90	3.50	Yes	11.90	188,380	300,000	262,000	

			Relation Manager							
05	Muhammad Rehan Siddiqui	MBA B.Com	Chase Up as Head of Corporate HR Sharp Image Ltd. as Manager HR Intl. Textile Ltd. as Deputy Director HR Dadabhoy as Dy. Manager Suzuki Motors Pakistan as Senior Executive	13.5 0	Yes	Yes	15.80	360,000	According to slab	Rejected
06	Shahzad Ajmeri	MBA	ASA Pakistan as Head of HR Deutsche Bank as: Head of HR	26.2 0	No	Yes	26.20	239,033	Market Competitive	Rejected
07	Muneerah Merchant	MBA B.Com	UTI Pakistan as HR Manager Television Network- as Asst. Manager HR Alsons Industries as Asst. Manager HR Bayer Pakistan. as: HR Officer	17.1 0	No	Yes	25.50	141,989	300,000 or according to NBP scale	Rejected
08	Rubab Zahra	MBA BA	FINCA Pakistan as AVP.Senior Manager HRBP Bank of Punjab	7.60	1.50	Yes	7.60	135,602	175,000	Rejected

			as: Head HR Operations							
			Harvest Topworth as Asst. Manager HR							
			American Lyceum as HR Officer							

Annex-45(ii)					
List of selected candidates HR business partner Rs. 7.343 million					
S#	Designation	Date of appointment	No. of months from April till 31-Oct-2021	Gross Salary per month	Total
	Muhammad Naeem Baloch	March, 2020	07 months	360,000.-	2,520,000
	Farees Anwer	March, 2020	07 months	250,000.-	1,750,000
	Hassan Jameel	March, 2020	07 months	177,000.-	1,239,000
	Fahad Zaheer	March, 2020	07 months	262,000.-	1,834,000
	Total				7,343,000

Annex-48

(Para No.6.2.4.57)

Irregular appointment of Vice President . HR Business Partner - Rs.6.480 million

S #	Name	Education	Present Job Title	6 years HR.	3 year as HRBP	Expertise in HR	Total Experience	Salary Drawn Rs.	Expected Salary Rs.
1	M. Naeem Baloch	MPA, BA	K-Electric as: Manager TCS as:Senior Manager HR K-Electric as:Asst. Manager HR	9.50	No	Yes	9.50	262,560	450,000
2	M. Rehan Siddiqui	MBA (HR), B.Com	Chase Up as Head of Corporate HR Sharp Image Ltd. as Manager HR Intl. Textile Ltd. as Deputy Director HR	13.50	Yes	Yes	15.80	360,000. -	According to slab
3	Shahzad Ajmeri	MBA	ASA Pakistan Ltd. as Head of HR Deutsche Bank Pakistan as:Head of HR	26.20	No	Yes	26.20	239,033. -	Market competitive
4	Muneerah Merchant	MBA HRM B.Com	-UTI Pakistan as HR Manager Television Network- as Asst. Manager HR	17.10	No	Yes	25.50	141,989. -	300,000 or according to NBP scale

			-Alsons Group of Industries as Manager HR						
5	Rubab Zahra	MBA	-FINCA Pakistan as AVP.Manager HRBP -Bank of Punjab as: Unit Head HR Operations	7.60	1.50	Yes	7.60	135,602.-	175,000

Annex-49

(Para No.6.2.4.65)

Irregular promotion of 75 officers.executives in violation of promotion policy . Contractual

Annex-47(i)											
S #	Name	Grade	D_Lprom	P Mark	Sen.	GC Recom.	APA 12	APA 13	APA 14	Int Marks	Total
1	Mr. Shamim Iqbal	VP	01.07.2004		5	10	4	3	4	8	34
2	Muhammad Raza	AVP			0	10	3	5	5	13	36
3	Yousuf A. Kadeer	AVP			3	10	0	0	5	15	33
4	Muhammad Hanif Abbasi	AVP	01.01.2009		3	10	4	3	3	9	32
5	Muhammad Saeed Ahmed	AVP	01.10.2008		3	10	3	4	3	7	30
6	M. Humayun Vardag	AVP	01.01.2009		3		3	0	3	5	14
7	Gurbuksh Rajpal	OG-I		0	2	10	3	3	4	15	37
8	Usman Tahir	OG-I	01.10.2008	5	3	10	3	4	4	8	37
9	Naveed Shaukat	OG-I		0	1	10	4	3	5	13	36
10	Tahseen Sadaf	OG-I		0	2	10	3	3	3	15	36
11	Humayun Khan	OG-I		0	0	10	4	3	5	13	35
12	Saadullah Khan	OG-I	01.01.2011	0	1	10	4	4	3	13	35
13	Zehra Sajjad	OG-I		0	0	10	5	3	3	14	35
14	Asad Ali Rizvi	OG-I	01.07.2009	0	2	10	4	3	4	11	34
15	Shazia Rizvi	OG-I	01.01.2011	0	1	10	4	4	4	11	34
16	Farhat Javaid Malik	OG-I		0	5	10	3	3	5	5	31
17	Farhan Babar	OG-II			1	10	3	4	4	15	37
18	Sajjad Khalil Khan	OG-II			4	10	4	3	3	13	37
19	S Zubair Ahmed Shah Bukhari	OG-II			4	10	3	3	3	13	36
20	Sabeen Shah	OG-II			2	10	3	3	4	14	36

21	Syed Aftab Ahmed Shah	OG-II			1	10	4	4	3	14	36
22	Tariq Muhammad	OG-II	01.01.2009		3	10	3	3	3	13	35
23	Faisal A Khan	OG-II			5	10	0	4	3	12	34
24	Faisal Muhammad Iqbal	OG-II				10	4	4	3	13	34
25	Sabghat Ullah Shaikh	OG-II				10	3	3	4	14	34
26	Syed Misbah Hussain	OG-II			4	10	0		4	13	31
27	Muddasar Zeeshan	OG-II	01.07.2009		2		5	4	4	12	27
28	Usman Ali Shah	OG-II		5	3		0	0	3	11	22
29	Syed Nazish Ali	OG-III	05.03.2007		4		3	3	3	14	27
30	Shahnawaz Narejo	OG-III	03.03.2009		2		4	4	3	13	26
31	Bushra Riaz	OG-III	03.03.2009		2		3	3	3	14	25
32	Asif Mahmood	OG-III	16.02.2009		2		3	3	3	14	25
33	Ashfaq Ahmad	OG-III	26.02.2009		2		3	3	3	14	25

Annex-47(ii)												
Irregular promotion of 75 officers.executives in violation of promotion policy. Regular												
S#	Name	Grade	Joining	D Lprom	E- Mark	P Mark	Sen.	APA 12	APA 13	APA 14	Int Marks	Total
1	Ch. Tanweer Yaqub	VP	12.06.1986	01.01.2007		5	10	2	2	2	14	35
2	Habibullah	VP	12.07.1986	01.01.2009		3	6	3	3	3	16	34
3	S. Nazneen Zaka (Ms)	VP	19.04.1995	01.01.2009		3	6	5	2	3	15	34
4	Syed Hasan Mustafa Naqvi	VP	12.07.1986	01.01.2009		0	6	5	5	3	15	34
5	Shakil Ahmed	VP	06.04.1995	01.01.2010		5	4	3	3	3	15	33
6	Faisal Haq Khan	VP	05.03.1995	01.01.2010		0	4	5	3	5	15	32
7	Shahzad Ahmed Karimi	VP	07.02.1996	01.01.2010		0	4	3	5	5	15	32
8	Umeed Ayaz Mehmood	VP	13.02.1994	01.01.2006		3	10	0	2	3	12	30
9	Ashfaq Ahmed Qadir	VP	09.02.1994	01.01.2011		3	2	3	3	2	15	28
10	Zulfiqar Ali Shah	VP	23.01.1993	01.01.2012		3	0	3	3	3	14	26
11	Sajjad Ahmed	AVP	07.11.1996	01.01.2010		5	4	2	2	2	17	32
12	Nabeel Zahoor	AVP	01.09.2004	01.09.2010		5	2	5	2	2	15	31
13	Muhammad Rizwan Qasim	AVP	22.10.1988	01.01.2012		0	0	5	5	5	15	30
14	Allah Ditta Malik	AVP	04.04.1995	01.01.2009		0	6	0	2	2	10	20
15	Dilawar Khan Babar	AVP	12.07.2003	01.02.2010		5	2	3	2	2	18	32
16	Syed Kazim Hasnain Jafri	AVP	04.03.1996	01.01.2010		3	4	3	3	2	6	21
17	Saima Rahim	AVP	01.09.2004	01.09.2010		5	2	3	5	5	6	26
18	Gobind Ram Lund	AVP	31.03.1996	01.01.2010		0	4	5	3	3	17	32
19	Muhammad Iftikhar Khan	OG-I	09.06.1979	01.01.2006		0	10	2	2	3	12	29
20	Waqar Ahmed	OG-I	05.12.1983	01.01.2009		0	6	2	2	3	10	23
21	Pervaiz Ahmed	OG-I	05.11.1983	01.01.2009		0	6	3	5	2	15	31
22	Shahid Ullah	OG-I	31.10.1996	01.01.2009		0	6	3	3	3	16	31
23	Muhammad Azharullah Siddiqui	OG-I	15.10.1981	01.01.2007		0	10	2	2	2	14	30
24	Mir Hassan	OG-I	26.03.1996	01.01.2009		0	6	3	2	2	15	28

	Brohi											
25	Muhammad Siddique Soomro	OG-I	17.04.1978	01.01.2007		0	10	2	2	2	9	25
26	Fahim uddin	OG-I	10.09.1974	01.01.2004		0	10	2	0	2	10	24
27	Asif Mehmood	OG-I	28.06.1978	01.01.2007		0	10	3	2	3	5	23
28	Rooh ullah Jan	OG-I	09.02.1981	01.01.2009		0	6	3	3	5	13	30
29	Arshad Iqbal	OG-I	01.01.1998	01.01.2009		0	6	3	3	3	16	31
30	S.M. Ali Abbass	OG-I	01.01.1998	01.01.2009		0	6	2	2	2	10	22
31	Mian Said Hussain	OG-I	09.08.1995	01.01.2012		0	0	5	5	5	15	30
32	Aman ullah Khan Ghazi	OG-I	12.04.1994	01.01.2006		0	10	0	2	3	15	30
33	Muhammad Saeed	OG-I	30.06.1996	01.01.2009		0	6	5	3	2	13	29
34	Samiullah Khan	OG-I	30.06.1996	01.01.2012		0	0	5	3	5	17	30
35	Ghulam Ali Memon	OG-I	12.05.1977	01.01.2007		0	10	2	2	2	13	29
36	Mushtaq Ahmed Bhutto	OG-I	19.04.1990	01.01.2009		0	6	3	3	3	14	29
37	Muhammad Ramzan Baloch	OG-I	27.06.1996	01.01.2009		0	6	3	3	3	17	32
38	Muhammad Ashraf	OG-II	23.06.1996	01.01.2009	5	0	3	3	3	7		21
39	Fayyaz Hussain	OG-II	20.08.1995	01.01.2009	8	0	3	3	3	3		20
40	Aijaz Hussain Siddiqi	OG-II	02.11.1995	01.01.2009	0	0	3	5	5	7		20
41	Abdul Majid Umrani	OG-II	26.07.1995	01.01.2008	10	0	4	5	3	3		25
42	Sajid Ali	OG-III	15.09.2003	01.01.2008	0	0	4	3	3	7		17

Overstayal of employees at foreign branches

S#	Name	Designation	Place of posting	Date of Posting	Date of return HO	Policy	Remarks
1.	Gohar Ali Shah	General Manager	Kabul Branch, Afghanistan	14.03.2015	01.02.2021	2012	Repatriated
2.	Abdul Wajid	Compliance Manager	Kabul Branch, Afghanistan	23.03.2015	22.09.2017	2012	
3.	Toqir Ahmed	Credit Manager	Kabul Branch, Afghanistan	23.03.2015	21.10.2017	2012	
4.	Akhtar Munir	General Manager	Baku Branch, Azerbaijan	22.06.2015	01.02.2016	2012	
5.	M Rizwan Khan	General Manager	Frankfurt Branch Germany	26.10.2015	04.02.2019	2012	
6.	Muhammad Ashfaq Khan	Country Manager	Tokyo Branch, Japan	04.09.2015	29.03.2019	2012	
7.	Ghulam Hussain Azhar	Deputy GM	Dhaka Bangladesh	06.08.2015	05.09.2019	2012	
8.	Rao Sajid Ali Qaisar	Branch Manager	Osaka Branch Japan	19.05.2016	08.02.2021	2012	
9.	Zar Wali Khan	General Manager	Baku Br. Azerbaijan	03.04.2017	02.04.2021	2012	
10.	Moeen Uddin	Country Manager	Main Branch, Hong Kong	09.02.2015		2012	Not repatriated
11.	Muhammad Yaqoob	General Manager	Paris Branch, France	25.08.2015		2012	
12.	Muhammad Ayyub	Branch Manager	Kowloon Br. Hong Kong	05.08.2015			
13.	Faisal Haq Khan	General Manager	Bahrain OBU	21.03.2017		2016	
14.	Imran Shehzad	General Manager	Seoul Branch, Korea	29.06.2015		2012	
15.	Mustafa Jamali	Operations Manager	Washington DC Br. USA	07.11.2017		2012	
16.	Imtiaz Ahmad Shaikh	Operations Manager	Bahrain OBU	29.09.2015		2012	
17.	Muhammad Rafiq	General Manager	Subs. Bank Kazakhstan	01.12.2016		2012	
18.	Shaikh M Shariq	Chief Rep. Officer	Rep Office Beijing China	03.01.2017		2012	
19.	Assad Khan	Head Credit Deptt.	New York Branch, USA	03.07.2015		2012	

20	Waseem Shahid	Branch Manager	Washington DC Br. USA	29.07.2015		2012	
21	Syed Iftahuddin Danish	Treasury Manager	Bahrain OBU	06.06.2018		2016	
22	SM. Jawwad Raza Naqvi	Deputy GM	Dhaka Branch, Bangladesh	18.04.2019		2016	
23	Sarfraz Ahmed	General Manager	Ashgabat Br Turkmenistan	08.06.2015		2012	
24	Muhammad Amin	General Manager	Bishkek Br. Kyrgyzstan	26.10.2015		2012	
25	Said Qamash	Operations Manager	Kabul Branch, Afghanistan	21.10.2017		2012	
26	Muhammad Ismail	Deputy GM	Paris Branch, France	19.09.2016		2012	
27	Arif Hussain	Branch Manager	Osaka Branch Japan	13.11.2017		2016	
28	Sheikh Ahtsham Ahmed	Deputy GM	Bishkek Br, Kyrgyzstan	02.11.2017		2016	
29	Wilayat Ullah	Credit Manager	Kabul Branch, Afghanistan	08.07.2017		2016	
30	Adnan	Internal Auditor	Kabul Branch, Afghanistan	05.03.2011		2008	
31	Muhammad Aziz	Compliance Manager	Kabul Branch, Afghanistan	27.11.2017		2016	
32	Shahzad Yaqub	Branch Manager	Kabul Branch, Afghanistan	01.08.2017		2016	
33	Hafeez Ullah Memon	AVP.Branch Manager	EPZ Branch Karachi	05.05.2016			
34	Syed Alim Hussain	OG-I.Operations	EPZ Branch Karachi	30.09.2012			
35	Haider Abbas	Operations Manager	EPZ Branch Karachi	09.07.2018			

Non-production of auditable record

Annex-51(i)						
HR and Miscellaneous (2012-20)						
S #	Date	Req #	Description			
1.	05-08-2021	06	SBP. Regulatory Inspection Reports and their compliance status. Complete details of penalties imposed on NBP by SBP and others.			
2.	05-08-2021	13	Sanctioned Staff Strength Vs Actual Staff Strength: a) Permanent b) On Bank Contract c) Outsourcing Services ➤ Working domestically ➤ Working Abroad Annual recruitment plan Vs Actual recruitment.Appointment.			
3.	09-08-2021	15	Perquisites and Facilities of the President & Chairman. Complete detail of loan .any type of outstanding from Ex-employee showing name, designation, recoverable, recovered and outstanding amount			
4.	08-09-2021	41 (a)	Detail of court cases of President and Chairman BoD, NBP along with files:			
			Case #	Case Description	Name of Court	Date of institution
					Name of Legal Advisor. Solicitor (penal. out of penal)	Fees Paid by NBP
						Current Status

5.	29-09-2021	56	Complete detail of payments made to President on travelling,boarding,lodging, patrol, salaries, credit card payments etc.
6.	28-10-2021	66	Appointment files of following Head hunters. Executive Search Firm, appointed.engaged before 2020 along with year wise payments: a. M.s Sidat Hyder b. M.s Executive Network International c. M.s Ace Consultants d. M.s HRS Global Recruiting

Annex-51(ii)			
Head Office –NBp for the year 2021			
S #	Req. No	Date	Description
1	1	18-07-2022	• Physical verification report of fixed assets
3	07	01-08-2022	• Complete files of waived off cases
4	23	15-08-2022	• Complete detail of PR violations observed by SBP along with corrective measures.
5	24	15-08-2022	• Complete detail.files of write off of loans • Quarterly report on performance of CIBG presented to senior management.
7	46	31-08-2022	• Complete details of total fund reserved and spent against loan incentivized finance facilities under the Prime Minister's Kamyab Jawan-Youth Entrepreneurship Scheme during 2021.
9	58	06-10-2022	• Complete detail of Show-cause notices issued by Tax Authorities along with original letters • Complete detail of recovery of tax refunds along with compensation on delayed refunds. • Complete detail of out of court settlement and waiver of loans of Non-MTO officers. • Complete detail of penalties imposed on foreign branches of NBP by foreign regulators along with working papers and payment there against. • Complete detail.file of Cyber-attack, subsequent enquiry.investigation thereof and any resultant loss there

			against. Complete file of awarded contract related to cyber security prior to cyber-attack along with payment there against.
10	59	06-10-2022	- Inspection report on assessment of high risk customers in High risk geographies. - Inspection report on assessment of NPO . NGOs.
11	60	06-10-2022	Complete file of hiring of contract for forensic investigation on supervisory role of Sugar Industry along with forensic investigation report.

Annex-52

(Para No.6.2.4.69)

Non-reconciliation of Government receipts and payments – Rs. 135,440.790 million

Detail of Government Receipt & Government Payment (Rs. in million)		
Financial Year	Government Receipt	Government Payment (Assignment A.c)
FY 2018-19	43,635.10	53.10
FY 2019-20	68,028.37	55.44
FY 2020-21	23,571.84	96.94
	135,235.31	205.48
Total	135,440.79	

Annex-53
(Para No.6.2.4.74)

**Non-verification of stocks under Running Finance -
Rs. 1,750.741 million**

Year	Number of Customers	Amount (in million)
2018	58	594.636
2019	57	520.930
2020	27	273.300
2021	40	361.875
	182	1,750.741

Annex-54
(Para No.6.2.4.81)

Non-recovery from various customers . ex-employees - Rs.117.071 million

(Rs. In million)							
Sr. #	Employee Name	Grade	Reason of Separation	Loan Type	Date of Separation	Classification Date	Balance Amount
1	Sharafat Ali	Ex-OG-III	Dismissal	Motor Car Finance	01.02.2012	28.02.2012	0.527
2	Muhammad Naeem Arif	Ex-OG-II	Dismissal	Motor Car Finance	16.05.2013	21.06.2012	0.035
3	Muhammad Rafi	Ex-OG-III	Dismissal	Motor Car Finance	27.02.2013	31.03.2013	0.133
4	Irshad Hussain	Ex-OG-II	Dismissal	House Building Finance	07.02.2003	01.05.2001	0.257
5	Muntazir Mehdi	Ex-OG-II	Dismissal	House Building Finance	01.04.2016	01.04.2016	1.815
6	Syed Ali Musa Gardezi	Ex-Assistant	Dismissal	Motor Cycle Finance	27.10.2001	31.12.2003	0.08
7	Sharaf Hussain Kanju	Ex-Cashier	Dismissal	Motor Cycle Finance	05.09.2003	01.07.2001	0.033
8	Sharafat Ali	Ex-OG-III	Dismissal	House Building Finance	01.02.2012	01.02.2012	0.789
9	Qamar Uz Zaman	Ex-G.Chowkidar	Dismissal	House Building Finance	10.05.2019	31.03.2018	0.233
10	Muhammad Tariq	Ex-OG-III	Dismissal	House Building Finance	03.04.2018	30.04.2018	1.775
11	Qamar Uz Zaman	Ex-G.Chowkidar	Dismissal	Motor Car Finance	10.05.2019	31.03.2018	0.248
12	Karam Hussain Khosa	Ex-OG-I	Dismissal	House Building Finance	12.10.2017	31.10.2017	2.478
13	Muhammad Azam	Ex-OG-II	Dismissal	House Building Finance	06.04.2021	30.04.2021	3.524
14	Muhammad Ali	Ex-OG-I	Dismissal	Motor Car Finance	06.04.2021	30.04.2021	0.348
15	Manazir Hussain	Ex-OG-I	Dismissal	House Building Finance	31.08.2018	30.09.2018	2.422
	Total						14.697

DETAILS OF OUTSTANDING ADVANCE MOBILIZATION AS ON 28-02-2022						
Staff Member Name	From	To	Total	Mobilization Advance	Difference	Submitted To Regional Office
ALLAH BUX	27.06.2021	13.07.2021	61800			TO BE SUBMITTED FOR SANCTION TO R.O
ALLAH BUX	03.06.2021	11.06.2021	38200			SENT FOR APPROVAL TO R.O VIDE LETTER NO DCM.OPG.ADM N.136 DATED 06.11.2021
			100,000	15,000	85,000	
AMIR IQBAL	16.06.2021	14.07.2021	253000			SUBMITTED FOR APPROVAL FOR SANCTION TO R.O
AMIR IQBAL	14.07.2021	16.07.2021	16300			SUBMITTED FOR APPROVAL FOR SANCTION TO R.O
AMIR IQBAL	06.06.2021	10.06.2021	46300			SUBMITTED FOR APPROVAL FOR SANCTION TO R.O
AMIR IQBAL	16.05.2021	04.06.2021	179000			SUBMITTED FOR APPROVAL FOR SANCTION TO R.O
AMIR IQBAL	25.01.2021	30.01.2021	67000 1919			SUBMITTED FOR APPROVAL TO RO VIDE LETTER NO DCM.OPG.ADM N.131 DATED 02.11.2021
AMIR IQBAL			56400			SUBMITTED FOR APPROVAL TO

						R.O VIDE LETTER NO DCM.OPG.ADM N.128 DATED 02.10.2021
AMIR IQBAL	16.09.2020	28.12.2020	970060			SUBMITTED FOR APPROVAL TO R.O VIDE LETTER NO DCM.OPG.ADM N.125 DATED 27.07.2021
AMIR IQBAL			88800			SUBMITTED FOR APPROVAL TO R.O VIDE LETTER NO DCM.OPG.ADM N.94 DATED 08.03.2021
AMIR IQBAL			865060			VIDE LETTER NO DCM.OPG.86 DATED 09.01.2021
AMIR IQBAL	13.06.2021	16.06.2021	34770			SUBMITTED FOR APPROVAL TO R.O VIDE LETTER NO DCM.OPG.ADM N.94 DATED 12.06.2021
			2,576,690	1,790,000	786,690	
ARIF MAHR	26.06.2021	30.06.2021	21800			TO BE SUBMITTED FOR SANCTION TO R.O
			21,800	44,000	(22,200)	
ASIF HUSSIAN			81400			VIDE LETTER NO DCM.OPG.ADM N.126 DATED 26.07.2021
ASIF HUSSIAN			83700			VIDE LETTER NO DCM.OPG.ADM N.126 DATED 26.07.2021
ASIF HUSSIAN	15.06.2021	21.06.2021	68950			VIDE LETTER NO

						DCM.OPG.ADM N.12 DATED 14.01.2022
ASIF HUSSIAN	10.06.2021	14.06.2021	60450			VIDE LETTER NO DCM.OPG.ADM N.13 DATED 13.01.2022
ASIF HUSSIAN	15.03.2021	26.03.2021	117500			VIDE LETTER NO DCM.OPG.ADM N.14 DATED 13.01.2022
ASIF HUSSIAN	29.06.2021	30-06-2021	21500			VIDE LETTER NO DCM.OPG.2111 DATED 25.08.2021
			433,500	225,000	208,500	
ATIF IDREES	31.05.2021	04.06.2021	61700			VIDE LETTER NO DCM.OPG.ADM N.113 DATED 07.06.2021
ATIF IDREES	28.02.2021	06.03.2021	81047			VIDE LETTER NO DCM.OPG.ADM N.133 DATED 06.11.2021
ATIF IDREES	08.04.2021	12.04.2021	45640			VIDE LETTER NO DCM.OPG.ADM N.111 DATED 27.05.2021
ATIF IDREES	01.04.2021	06.04.2021	53200			VIDE LETTER NO DCM.OPG.ADM N.106 DATED 19.04.2021
ATIF IDREES			59780			VIDE LETTER NO DCM.OPG.ADM N.105 DATED 19.04.2021
ATIF IDREES	11.03.2021	19.03.2021	108762			VIDE LETTER NO DCM.OPG.ADM N.104 DATED 07.04.2021
ATIF IDREES			217100			VIDE LETTER NO DCM.OPG.ADM

						N.93 DATED 27.01.2021
ATIF IDREES			98900			VIDE LETTER NO DCM.OPG.ADM N.90 DATED 03.03.2021
ATIF IDREES			75090			VIDE LETTER NO DCM.OPG.86 DATED 17.12.2020
ATIF IDREES	07.06.2021	23.06.2021	168300			TO BE SUBMITTED FOR SANCTION TO R.O
ATIF IDREES						
			801,219	2468410	(1,667,191)	
AZMAT ALI	16.03.2021	26.03.2021	56300			VIDE LETTER NO DCM.OPG.ADM N.103 DATED 19.04.2021
			56,300	10,000	46,300	
MUHAM MA IFTIKHAR	07.03.2021	12.03.2021	69100			VIDE LETTER NO DCM.OPG.ADM N.142 DATED 08.11.2021
MUHAM MA IFTIKHAR	09.12.2021	31.12.2021	209700			VIDE LETTER NO DCM.OPG.ADM N.138 DATED 06.11.2021
			278,800	68,000	210,800	
MUHAM MAD ASLAM SEYAL	28.06.2021	13.07.2021	60400			TO BE SUBMITTED FOR SANCTION TO R.O
MUHAM MAD ASLAM SEYAL	27.06.2021	13.07.2021	63000			TO BE SUBMITTED FOR SANCTION TO R.O
			123,400	40,000	83,400	
MUHAM MAD EJAZ HUSSAIN	30.11.2021	18.12.2021	79300			Submitted for approval to RO vide letter no.DCM.ADMN. 05 dated 10.01.2022
			79,300	60,000	19,300	

MUHAM MAD QAYYUM			422452			VIDE LETTER NO DCM.OPG.ADM N.96 DATED 24.03.2021
MUHAM MAD QAYYUM	18.10.2021		214500			submitted to RO for Approval vide letter NO.DCM.ADMN .124 dated 13.03.2022
MUHAM MAD QAYYUM	19.02.2021	02.03.2022	99700			submitted to RO for Approval vide letter NO.DCM.ADMN .125 dated 13.03.2022
MUHAM MAD QAYYUM	24.01.2022	16.02.2022	216500			submitted to RO for Approval vide letter NO.DCM.ADMN .123 dated 13.03.2022
MUHAM MAD QAYYUM	06.03.2022	11.03.2022	55100			submitted to RO for Approval vide letter NO.DCM.ADMN .122 dated 13.03.2022
MUHAM MAD QAYYUM	30.11.2021	17.12.2021	169100			submitted to RO for Approval vide letter NO.DCM.ADMN .127 dated 13.03.2022
			1,177,352	915,000	262,352	
MUHAM MAD SAEED	08.02.2021		299200			POTEDAR SENT FOR VERIFICATON TO SBP LAHORE
			299,200	378,500	(79,300)	
PARVEEN AKHTAR	08.06.2021	10.06.2021	28500			VIDE LETTER NO DCM.OPG.ADM N.121 DATED 25.06.2021
PARVEEN AKHTAR	22.12.2021	30.12.2021	79250			TO BE SUBMITTED FOR SANCTION TO R.O
			107,750	80,000	27,750	

KAISER NADEEM	23.02.2021	26.02.2021	55,500	5,800	49,700	VIDE LETTER NO DCM.OPG.ADM N.93 DATED 10.03.2021
						TO BE SUBMITTED FOR SANCTION TO R.O
RAFIQUE AHMED	15.06.2021	30.06.2021	144700			SUBMITTED FOR APPROVAL VIDE LETTER NO.DCM.ADMN .22 DATED 25.01.2022
RAFIQUE AHMED	05.07.2021	16.07.2021	117800			SUBMITTED FOR APPROVAL VIDE LETTER NO.DCM.ADMN .18 DATED 25.01.2022
RAFIQUE AHMED	25.07.2021	17.08.2021	216900			SUBMITTED FOR APPROVAL VIDE LETTER NO.DCM.ADMN .19 DATED 26.01.2022
RAFIQUE AHMED	01.09.2021	03.09.2021	30500			TO BE SUBMITTED FOR SANCTION TO R.O
RAFIQUE AHMED			131300			SUBMITTED FOR APPROVAL TO R.O VIDE LETTER NO DCM.OPG.ADM N.96 DATED 24.03.2021
RAFIQUE AHMED	15.02.2022	25.02.2022	93500			TO BE SUBMITTED FOR SANCTION TO R.O
			734,700	661,000	73,700	
RAFIULL AH	25.07.2021	13.08.2021	179000			TO BE SUBMITTED FOR SANCTION TO R.O
RAFIULL AH	02.09.2021	08.09.2021	60800			TO BE SUBMITTED FOR SANCTION TO R.O

RAFIULL AH	11.09.2021		138000			POTEDAR SENT FOR VERIFICATION TO SBP LAHORE
RAFIULL AH	22.11.2021	21.01.2022	548600			POTEDAR SENT FOR VERIFICATION TO SBP LAHORE
			926,400	615,000	311,400	
RASHID AZIZ	06.01.2021	19.03.2021	663700			SUBMITTED FOR APPROVAL TO R.O VIDE LETTER NO DCM.OPG.ADM N.127 DATED 27.07.2021
RASHID AZIZ	07.10.2020	05.01.2021	818900			SUBMITTED FOR APPROVAL TO R.O VIDE LETTER NO DCM.OPG.ADM N.124 DATED 27.07.2021
RASHID AZIZ	21.03.2021	19.04.2021	190700			SUBMITTED FOR APPROVAL TO R.O VIDE LETTER NO DCM.OPG.ADM N.107 DATED 20.04.2021
			1,673,300	1,085,000	588,300	
SHAUKAT HUSSAIN	29.05.2021	06.08.2021	94800			TO BE SUBMITTED FOR SANCTION TO R.O
			94,800	190,000	(95,200)	
SYED ALI RAZA	21.03.2021	06.05.2021	418300			TO BE SUBMITTED FOR SANCTION TO R.O
SYED ALI RAZA	23.08.2020	23.09.2020	293900			VIDE LETTER NO DCM.OPG.ADM N.
SYED ALI RAZA	03.02.2020	27.03.2020	482700			TO BE SUBMITTED FOR SANCTION

						TO R.O
SYED ALI RAZA	18.11.2021	18.12.2021	283000			VIDE LETTER NO DCM.OPG.ADM N. DATED 07.08.2021
SYED ALI RAZA	21.12.2020	19.03.2021	734000			
SYED ALI RAZA			38950			VIDE LETTER NO DCM.OPG.86 DATED 06.01.2021
SYED ALI RAZA			587800			VIDE LETTER NO DCM.OPG.80 DATED 28.11.2020
SYED ALI RAZA			852600			VIDE LETTER NO DCM.OPG.80 DATED 28.11.2020
SYED ALI RAZA	17.05.2021	16.07.2021	546400			POTEDAR SENT FOR VERIFICATON TO SBP LAHORE
			4,237,650	3,861,100	376,550	
MUHAM MAD NAEEM BILAL	24.11.2021	14.12.2021	189,000			TO BE SUBMITTED FOR SANCTION TO R.O
			189,000	93,000	96,000	
TARIQ SALEEM	14.6.21	30.6.2021	68600			TO BE SUBMITTED FOR SANCTION TO R.O
TARIQ SALEEM	18.05.2021	28.05.2021	46000			SUBMITTED FOR APPROVAL TO R.O VIDE LETTER NO DCM.OPG.CAS H DATED 18.05.2021
			114,600	65,000	49,600	TO BE SUBMITTED FOR SANCTION TO R.O
UMAR	05.05.2021	07.05.2021	23,900	120,000	(96,100)	SUBMITTED

HAYAT						FOR APPROVAL TO R.O VIDE LETTER NO DCM.OPG.ADM N. DATED 09.10.2021
ZAHOR AHMED	08.02.2022	10.02.2022	17700			
			17700	20,000	-2300	
TOTAL ADVANC E AGASNT TA.DA				12,809,810		
FOOD SUBSIDE RY				895,480		
M SHAFI VS NBP				17,974		
ANAS CCTV				50,000		
ADVANC E FOR REPAIR MANAGE R HALL				300,000		
ADVANC E FOR REPAIR MANAGE R HALL				45,905		
ADVANC E TO MUHAM MAD SALEEM VP RTD FOR CASH REMITTA NCE				240,181		
REGIONA L OFFICE ADVANC E				301,461		
TOTAL				14,660,811		
LESS CREDITE D FROM				564,850		

H.O IN THE GL DETAILS PENDING FOR RECONCI LIATION						
NET GL TOTAL				14,095,961		

Annex-55
(Para No.6.2.4.93)

Non Production of Record

#	Req.	Date	Particular
1	1	10.03.2022	1. Fixed assets Register. 2. Physical Verification Report of fixed Assets.
2	2	10.03.2022	1. Details of audit.inspection conducted by SBP and action taken by SBP for non-compliance of rules and PRs. 2. Complete detail of investigation or enquiries conducted by NBP's management, FIA, NAB or Banking Mohatasib or any other agency along with their investigation reports and other supporting documents. 3. Complete detail of cases forwarded by Banking Mohatasib or banking court.
3	3	10.03.2022	1. Complete detail of accounts of PEPs of the branch along with their transaction detail for years under review 2. Complete detail of dormant accounts with transactions there against. (Partial data provided) 3. Complete detail of STRs raised.reported against dormant accounts. 4. Complete detail of STRs raised.reported in all accounts.
4	6	10.03.2022	1. Complete detail of legal cases lodged during last five years. 2. Complete detail of expenditure incurred on pursuing above legal cases. 3. Complete detail of advocates on approved panel of the bank 4. Detail of number of cases assigned to advocates along with fees. 5. Complete detail of court cases pending with legal advisors. Advocates along with their present status and brief of fee paid.
5	7	10.03.2022	1. List of enquiries initiated against employees, concluded and in proces showing name, reason of inquiry and date of inquiry along with enquiry reports (Only list provided)
6	8	10.03.2022	1. Reconciliation statements with Accountant General & SBP related to disbursement of salary & pension along with supporting documents.
7	11	11.03.2022	1. Complete detail of KYC and Due Diligence carried out at the time of Account opening and approval.acceptance of new accounts. 2. Complete detail of periodic risk assessment of accounts as per AML guidelines.

			3. Complete detail of accounts changed from low risk to high risk and vice versa. 4. Complete detail of AML alerts along with their resolution. 5. Complete detail of Large Transaction Reports (LTR).
8	12	11.03.2022	1. Complete detail of holding capacity of cash Chest, vault along with documents, approvals, circulars. 2. Complete detail of balances, securities held in Chest. Vault at year ends.
9	13	11.03.2022	1. Complete detail of any mis-reporting under Clean Note policy of SBP. 2. Complete detail of surprise visit, checking of cash in accordance with Clean Note policy of SBP. 3. Complete detail of sale and purchase of prize bonds along with shut period register. 4. Cash verification reports of cash chest vault by SBP BSC. 5. Cash verification reports of cash chest vault by CVOs. 6. Cash verification reports of cash chest vault by Internal Audit.
10	14	11.03.2022	1. Complete detail of collection of custom duty along with reconciliation of PD Account. (Reconciliation not provided) 2. Complete detail of monthly reconciliation with AO.T.O.
11	20	18.03.2022	1. Complete detail of Agri finance advance of Rs. 3.752 M in Sarai Sidhu branch along with recovery there against.
12	21	18.03.2022	1. Triplicate monthly statements of day to day transactions related to Govt. operations and verification thereof from concerned Govt. department.
13	25	24.03.2022	1. Investigation report related to flying entries case of Rs. 14.125 million in various accounts of Jahanian Branch along with related supporting documents. 2. Complete detail of outstanding entries in SBP GL, SBP-Penalty GL, along with reasons for outstanding.
14	26	25.03.2022	1. Complete detail of penalties imposed by SBP, FBR, Banking Mohatasib or any other department along with files 2. Complete detail of request for extension of cash chest vault from Head Office or SBP and approval from relevant authority there against.

Annex-56
(Para No.6.2.4.112)

**Non-recovery of outstanding loans from staff –
Rs. 59.906 million**

S. No.	Br. Name	Ref	Borrower	Finance	Limit Amt	Finance Date	Default Date	Expiry Date	Principal	Mark up Suspense	Provision	Classification
1	Corp. Branch Kehkashan	KSO-1027-0071	Imran Aslam	Staff Motor Car. Motor Cycle Finance Account	0.95	15-Feb-12	31-Mar-16	31-Dec-22	0.550	-	0.550	Loss
2	Tando Bago (Distt. Badin)	HYD-0075-0040	Muhammad Hashim Samoon S.O Noor Muhammad	Staff Motor Car. Motor Cycle Finance Account	1.3	28-Sep-17	31-Mar-20	27-Sep-25	0.941	-	0.941	Loss
3	Bahawalpur Distt. Court	BAH-0308-0375	Muhammad Shareef	Staff House Building Finance Account	7.622	5-Jun-18	30-Jun-21	21-Jan-29	5.600	0.842	5.600	Loss
4	Uch Sharif	BAH-0703-0099	Mushtaq Mehmood Sajid	Staff Motor Car. Motor Cycle Finance Account	1.3	15-Oct-14	28-Feb-19	28-Feb-19	0.613	0.164	0.613	Loss
5	Bahawalpur Distt. Court	BAH-0308-0373	Nisar Ahmed	Staff House Building Finance Account	2.084	19-Dec-17	30-Jun-21	15-Feb-23	1.633	0.059	1.633	Loss
6	Bahawalpur Distt. Court	BAH-0308-0376	Nisar Ahmed	Staff Motor Car. Motor Cycle Finance Account	1.3	15-Apr-19	30-Jun-21	15-Feb-23	0.863	0.057	0.863	Loss
7	Bahawalpur Distt. Court	BAH-0308-0374	Syed Muhammad Ashiq Shah	Staff House Building Finance Account	6.553	6-Oct-15	30-Jun-21	1-Oct-27	2.188	0.578	2.188	Loss
8	Gulgasht Colony Br. Multan	MUL-0542-0222	Akbar Ali	Staff House Building Finance Account	3.802	7-Sep-16	30-Sep-21	28-Feb-26	1.455	0.236	0.364	Sub standard
9	Gulgasht Colony Br. Multan	MUL-0542-0223	Manazir Hussain	Staff House Building Finance Account	3.675	31-Aug-12	31-Dec-18	30-Nov-30	1.988	0.434	1.988	Loss
10	Gulgasht Colony Br. Multan	MUL-0542-0221	Muhammad Azam	Staff House Building Finance Account	4.56	3-Apr-19	6-Apr-21	31-Jul-30	3.524	0.323	3.524	Loss

				Account								
11	Main Branch Multan	MUL-0374-0261	Muhammad Naeem	Staff Motor Car. Motor Cycle Finance Account	0.65	14-Dec-15	31-Dec-20		0.640	0.117	0.640	Loss
12	Gulgasht Colony Br. Multan	MUL-0542-0213	Muhammad Waqas Asad	Staff Motor Car. Motor Cycle Finance Account	1.3	16-Mar-18	31-Dec-19	15-Mar-28	0.747	-	0.747	Loss
13	Railway Road Pakpattan	SAH-0384-0368	Hafeez Joyia	Staff House Building Finance Account	4.1	12-Feb-04	11-Nov-19	31-Aug-28	3.777	1.510	3.777	Loss
14	Railway Road Pakpattan	SAH-0384-0369	Hafeez Joyia	Staff Motor Car. Motor Cycle Finance Account	1.3	12-Dec-17	1-Nov-19	12-Dec-27	1.034	0.090	1.034	Loss
15	Bahawlnagar Main Branch	SAH-0307-0113	Javed Sattar	Staff House Building Finance Account	4.134	4-Apr-17	27-Oct-20	4-Apr-31	2.485	0.210	2.485	Loss
16	Sahiwal City	SAH-0536-0326	Rao Khurram Hakim	Staff Motor Car. Motor Cycle Finance Account	1.3	11-Sep-14	1-Jan-21	31-Dec-24	0.319	-	0.319	Loss
17	Mandi Sadiq Ganj	SAH-0576-0116	Sharif Bhatti	Staff Motor Car. Motor Cycle Finance Account	1.3	17-Nov-14	26-Apr-21	17-Nov-24	0.286	-	0.286	Loss
18	Wapda House Br Lhr	LCE-0490-0112	Fouzia Mehmood	Staff Motor Car. Motor Cycle Finance Account	1.3	7-Apr-17	1-Jun-21	6-Apr-27	1.001	0.175	1.001	Loss
19	Air Port Br Allama Iqbal International Terminal Lhr.	LCE-0496-0001	Imran Haq	Staff Motor Car. Motor Cycle Finance Account	1.3	6-Jan-18	11-Jun-20	6-Jan-28	0.750	0.086	0.750	Loss
20	Y Block Commercial Area D.H.A.	LCE-1966-0048	Saira Iqbal	Staff Motor Car. Motor Cycle Finance Account	1.3	28-Mar-16	1-Dec-20	28-Mar-26	0.629	0.181	0.629	Loss
21	Corporate Br.	LCE-1857-	Waseem Maqbool	Staff Motor Car.	1.3	3-Oct-14	9-May-21	30-Sep-24	0.301	-	0.301	Loss

	Rehman Plaza Fatima Jinnah Road Lhr	0046		Motor Cycle Finance Account								
22	Main Br. Civic Center Isl	FCA-0341-0653	Syed Imran Naqvi	Staff Motor Car. Motor Cycle Finance Account	1.3	31-Jul-18	31-Jul-18	31-Jul-28	0.955	0.107	0.955	Loss
23	Main Br. Mardan	MAR - 0365-2479	Mushtaq Ali	Staff House Building Finance Account	1.7	29-Nov-16	31-Dec-19	29-Nov-26	1.151	-	1.151	Loss
24	Main Br. Mardan	MAR - 0365-2478	Zil E Huma	Staff House Building Finance Account	6.309	14-Nov-19	30-Apr-20	14-Nov-29	6.093	-	6.093	Loss
25	City Branch Karak	BAN-0451-0001	Sher Afzal	Staff House Building Finance Account	4.029	27-Nov-14	31-Mar-21	27-Nov-26	4.029	-	4.029	Loss
26	M Br Mansehra	MAN - 0364-0037	Syed Mehran Shah	Staff House Building Finance Account	1.26	16-Nov-17	29-Jul-20	29-Jul-20	0.102	-	0.102	Loss
27	Civil Lines Br Distt Skp	SKP-0401-0195	Nadeem Tufail	Staff House Building Finance Account	4.161	3-Sep-12	31-Mar-21		0.987	-	0.987	Loss
28	Sangla Hill Br Distt Skp	SKP-0581-0039	Nadeem Tufail	Staff Motor Car. Motor Cycle Finance Account	1.3	28-Aug-14	31-Mar-21		-	0.133	-	Loss
29	Civil Lines Br Distt Skp	SKP-0401-0196	Nadir Khan Ali	Staff House Building Finance Account	3.17	25-Aug-10	31-Mar-21		1.413	-	1.413	Loss
30	Sangla Hill Br Distt Skp	SKP-0581-0040	Nadir Khan Ali	Staff Motor Car. Motor Cycle Finance Account	1.3	10-Dec-14	31-Mar-21		0.322	0.197	0.322	Loss
31	Usta Mohammad	SBI-1962-0249	Asif Ali	Staff House Building Finance Account	0	28-Mar-19	30-Jun-20	31-Dec-28	2.000	-	2.000	Loss
32	Usta Mohammad	SBI-1962-0248	Muhammad Nwaz	Staff Motor Car. Motor Cycle	0	15-Jul-15	30-Jun-20	31-Dec-25	0.834	-	0.834	Loss

				Finance Account								
33	Mingora Bank Square	SWT-0438-0006	Nawab Ali	Staff House Building Finance Account	0.995	29-Sep-20	30-Sep-21	30-Sep-21	0.711	-	0.178	Sub Standard
34	D.C. Khanewal	VEH-0734-0261	Inderyas	Housing Finance Investment A.C.	4.444	5-Mar-20	12-Jun-21	31-May-23	3.776	0.319	3.776	Loss
35	Jahanian	VEH-0550-0113	Muhammad Farooq Raza	Staff Motor Car. Motor Cycle Finance Account	0.675	12-Sep-09	16-Dec-12	11-Sep-19	0.228	-	0.228	Loss
36	Jahanian	VEH-0550-0114	Tariq Mahmood	Staff Motor Car. Motor Cycle Finance Account	0.55	17-Jan-14	1-Mar-17	16-Jan-24	0.163	-	0.163	Loss
Total					83.623				54.088	5.818	52.464	

Annex-57

(Para No.6.2.4.121)

Imprudent investment in non-performing debt securities - Rs. 16,222.489 million

S#	Name of Company	Outstanding Principal (Rs.)
1	A.K.D Securities Pvt. Ltd.	496,000,000
2	Afroze Textile Industries Pvt. Ltd.	284,000,000
3	Azgard Nine Ltd.	646,023,375
4	Colony Thall Textile Mill Ltd.	119,535,787
5	Independent Newspapers Cor Pvt. Ltd.	1,216,473,081
6	Javedan Corporation Ltd. (PPTFC)	920,349,876
7	Moro Textile Mills Ltd.	188,612,985
8	Pak Elektron Ltd.	3,165,690,000
9	Parthenon Pvt. Ltd.	1,748,181,061
10	WAPDA-TFC	2,000,000,000
	Total	10,784,866,165

S#	Name of Company	Outstanding Principal (Rs.)
1	Agritech Ltd.	308,911,744.49
2	Azgard Nine Ltd.	682,141,500
3	Bunny's Ltd.	22,500,000
4	New Allied Electronis	1,630,000,000
5	Pak HY Oils Ltd.	200,000,000
6	Suadi Pak Leasing Co. Ltd.	66,947,760.47

7	Quetta Textile Mills	229,606,119.28
8	Pakistan International Airlines	550,001,280
9	AKD Securities Pvt. Ltd.	496,000,000
10	Kiran Sugar Mills	120,000,000
11	Oils & Gas Investment Ltd.	1,048,885,714.29
12	Pak Libya Holding Co.	1,417.76
13	PIAC (Zero Coupon TFC)	82,627,500
	Total	5,437,623,036.29

Annex-58

(Para No.6.2.4.128)

Imprudent investment of shares suspended.frozen. revoked by CDC - Rs. 372.796 million

S#	Name of Company	Nos. of Shares	Investment Cost(Rs.)
1.	Dawiid Capital MGT	328,285	1,621,730
2	Adil Textile Mills	47,696	424,492
3	Dadabhoy Cement Ind.	5,004,500	50,034,007
4	Dominion Stock Fund	80,326	27,311
5	English Leasing Ltd.	360,416	432,500
6	Fateh Textile Mills	11,847	4,276,934
7	Fatima Enterprises	109	1,585
8	Gulistan Textile Mills	374,355	8,086,072
9	Gulshan Spinning Mills	313,190	2,087,935
10	Investec Mutual Fund	87,858	14,936
11	Javed Omer Vohra& Co	859,960	8,496,406
13	Khursheed Spinning Mills	53,900	107,800
14	Metropolitan Steel Corp.	50,204	801,258
15	Moonlite Pak (Blanket)	58,846	646,719
16	Paramount Spinning Mills	994,301	10,611,900
17	Zeal Pak Cement Ltd.	247,789	109,027
18	Karim Cotton Mills	56,285	-
19	Azgard Nine Ltd.	1,359,000	17,420,062
20	Nina Industries	4,906,000	49,060,000
21	SG Fibers Ltd.	3,754,900	218,535,180
	Total		372,795,854

Annex-59

(Para No.6.2.4.132)

Non-assigning of limits to brokers - Rs. 28.698 million

Annex-59(i)			
S#	Name of Broker	Commission paid Rs	% of total commission
1.	Taurus Securities Ltd.	6,386,267	
2.	Optimus Capital Mgt. Pvt. Ltd.	1,103,331	7.69
3	First Capital Equities Ltd.	1,049,464	7.32
4.	Topline Securities Pvt. Ltd.	773,638	5.40
5.	KASB Securities Ltd.	653,567	4.56
6.	Fortune Securities Ltd.	565,413	3.94
7.	AKD Securities Ltd.	422,063	2.94
8	ArifHabib Ltd.	399,750	2.79
9	Invest & Finance Securities Ltd.	258,804.25	1.8
10	Sherman Securities Pvt. Ltd.	248,194	1.73
	Sub-total	11,860,291	82.72
11	Others	2,478,333	17.28
	Total commission paid	14,338,824	100

Annex-59(ii)			
S#	Name of Broker	Commission paid Rs	% of total commission
1.	Taurus Securities Ltd.	2,454,495.67	17.09
2.	Fortune Securities Ltd.	1,294,232.42	9.01
3	Optimus Capital Mgt Pvt. Ltd.	1,068,793.29	7.44
4.	DJM Securities Pvt. Ltd.	998,102.33	6.95
5.	JS Global Capital Ltd.	821,329.48	5.72
6.	BMA Capital Magt. Ltd.	701,589.98	4.89
7.	ArifHabib Ltd.	538,070.15	3.75
8	Topline Securities Pvt. Ltd.	523,562.75	3.65
9	Sherman Securities	514,538.28	3.58
10	Shajar Capital Pakistan	506,554.94	3.53
	Sub-total	9,421,269.29	65.61
11	others	4,938,906.87	34.39
	Total commission paid	14,360,176.16	100

Annex-60

(Para No.6.2.4.135)

**Imprudent investment in quoted . un-quoted shares having zero . less than
par value**

Annex-60(i)			
S#	Name of Company	Nos. of Shares	Book Value (Rs.)
	Quoted Shares		
1.	Callmate	54	103
2	Dadabhoy Sack	29,791	-
3	Dominion Stock	95,332	32,413
4	Harrum Textile	35,228	-
5	Interasia Leasing	50,000	500,000
6	Indus Bank	90	-
7	Investee Mutual Fund	104,270	17,726
8	Investee Securities	59,583	-
9	Islamic Investment Bank	84,666	-
10	Indus Ployester	6	5
11	National Asset Leasing Corp.	160,278	16,028
13	Norrie Textile	82,550	-
14	Prudential Investment Bank	197,339	-
15	Shahrish Textile	10,043	20,702
	Un-Quoted Shares		
16	National Fructose Ltd.	1,300,000	6,500,000
17	Safa Rice Mills Ltd.	450,000	-
18	Sigma Knitting Mills Ltd.	500,000	-
19	Brikks (Pvt.)Ltd	39,050	-
20	Trans Mobile Ltd.	644,508	-
21	Enginee System	788,500	-
22	Tharparker Sugar Mills Ltd.	2,500,000-	
23	Prudential Fund Management Ltd.	150,000	-
24	New Pak Pvt. Ltd.	200,000	-
25	Kamal Enterprise Ltd.	11,000	-
26	Presecion Engineering Co. Ltd.	15,110	-
	Total	7,948,501	10,174,697

Annex-60(i)			
S#	Name of Company	Nos. of Shares	Book Value (Rs.)
1.	Adil Textile Mills	47,696	424,492
2	Ayaz Textile Mills	107,432	0
3	Casspak Industries	27,384	0
4	Crescent Knitwear	42,130	0
5	Dadabhoy Construction	35,390	0
6	Dominion Stock Fund	80,326	27,311
7	Fatima Enterprises	109	1,585
8	Greaves Aircondition	30,080	0
9	Glope Textile Mills	33,704	535,900
10	Hashimi Can Co.	82,154	0
11	Hakim Textile Mills	33,704	535,900
12	Investec Mutal Fund	87,858	14,936
13	Karim Cotton Mills	56,285	0
14	Khursheed Spinning Mills	53,900	107,800
15	MeharDastgir Textile	24,856	0
16	Mehran Jute Ltd.	61,931	0
17	Morafco Ltd.	29,069	0
18	National Over.	12,471	0
19	Pan Islamic Steamship	421	0
20	RMCP	13	0
21	Schon Textile Mills	131,446	0
22	Sadoo Textile Mills	421	0
23	Charsada Sugar Pref.(Salem P 6%)	105	0
24	Sunshine Cotton Mills	498,220	0
25	Suraj Ghee Ltd.	27,384	0
26	Twakkal Garments	172,325	0
27	Taj Textile	763,513	381,879
28	Zahur Cotton Mills	225	0
29	National Fibers Ltd.	17,030,231	0
	Total	19,470,783	1,493,903

Non-production of auditable record

S	Requisition	Dated	Particulars . Items
1	01	11.04.2022	2. Copy of Management Letter by External Auditors. 9. Delegation of Financial & Administrative powers. 10. Internal Audit Report(s). 11. Internal Audit Manual.
2	02	11.04.2022	6. Investment Policy of NSPC along with relevant files.
3	03	11.04.2022	-
4	04	11.04.2022	1. Detail list of legal advisors appointed . hired showing names, reasons of appointment, date of appointment, duration of appointment and amount paid. Serial no. 2 & 3. Sampling regarding the services provided to NSPC has not been provided yet to audit as was discussed.
5	05	11.04.2022	1. Performance Evaluation of senior management by Board 3. Detail of legal consultants, advocates along with cases being handled and fees for each case.
6	06	14.04.2022	1. Detail of investment made in TDR, bonds, share, PIBs etc. during the year comprising bidding process along with relevant files. 2. Statement of compliance with code of corporate governance certified by external auditors. 3. Detail of vehicles on pool and in officers use along with their log books. 4. List of suppliers and contractors prequalified and listed for NSPC. 10. Annual audit report of fund. 11. Detail of advances paid to others parties along with name of party, amount, date of advance paid, purpose of advance and period. 12. Detail of pension payable (deficit) comprising name of pensioner, amount of pension, date of retirement.death etc. along

			with pension policy. 14. Detail of investments sold during the year. 15. Detail of bonus paid to employees during the year.
7	07	25.04.2022	1. Detail of machines purchased but not utilized . not installed during the years 2019-21 along with relevant files.
8	08	28.04.2022	1. Approved list of prequalified vendors . suppliers with addresses (hard + soft). 2. Complete detail of all type of medical expenses occurred and medical reimbursements made during the period. 4. Softcopies of payroll Dec-2020-21 6. Details of projects on-going, completed and started along with the files. 8. Correspondence file with SECP. 7. Agreement files with Security Papers Ltd. And with Siepa Ink Ltd. 8. Agreement files of advertising agencies with payment details. 9. Complete list of IT, Financial advisors and Consultants appointed with appointment files and payment details. 10. List of employees re-employed after retirement on contract or through source along with their files.
9	09	16.05.2022	3. Detail of obsolete and condemned fixed assets giving date of purchase, purchase price, book value, date & cause of declaring obsolete.
1	10	23.05.2022	1. Promotion cases of all employees during the period. 2. Detail of departmental inquiries initiated against the employees during the period relating to any case. 3. Detail of TA.DA expenditure incurred by all the employees.

Annex-62

(Para No.6.5.4.2)

Blockage of fund on obsolete and excess procurements - Rs.1,083.001 million

S. #	Name of Machine	Balance 30.06.21	Purchases	Consumption	Balance 30.06.22
1	Susi -76	126,824,073	12,740,279	45,104,832	94,459,520
2	Soi Susi -73	7,440,462	1,366,278	1,476,371	7,330,370
3	Soi – 70	228,862,257	110,012,283	71,982,882	266,891,659
4	Sunu Cut Pak -74	32,082,245	2,550,230	7,194,332	27,438,144
5	Sunu -97	15,985,585	10,345,809	9,559,779	16,771,615
6	Nopa -95	37,098,431	7,092,645	5,279,643	38,911,433
7	S.Susi Sunu CutPak -72	11,069,645	11,269,077	10,331,360	12,007,362
8	Soi Susi Sunu -71	1,756,692	-	2,017	1,754,675
9	Susi Technotrans-90	354,963	-	-	354,963
10	Sealer Plant – 69	9,658,893	29,471,236	20,446,098	18,684,031
11	Nota Protector -77	53,827,340	59,209,423	31,998,469	81,038,294
12	Nota Number Nonu -79	26,737,247	31,969,506	12,863,005	45,843,748
13	Cut Pak II- 68	56,760,448	7,118,786	2,027,935	61,851,299
14	Cut Pak I -15	30,679,180	1,547,493	6,676,277	25,550,396
15	Sunu Susi - 75	6,208,193	11,163,014	2,584,354	14,786,853
16	Super Numerota 212 -43	11,201,880	24,578,933	24,150,563	11,630,250
17	Super Numerota & S. Intaglio New	25,902,926	23,922,729	1,293,264	48,532,391
18	Oil seals	79,078	-	-	79,078
19	Vacumatic machine	36,316,651	15,317,068	18,099,391	33,534,327
20	Polar cutting machine	8,574,967	-	235,722	8,339,245
21	Plastic Rota	3,355,616	7,179,869	4,632,570	5,902,915
22	Kuster machine	835,856	13,516,736	6,413,387	7,939,204
23	Gockel Granding	949,519	-	-	949,519
24	THU-72 & 76 SFS	284,628	-	-	284,628
25	Machine switches	5,529	-	-	5,529

26	Machine Heaters	1,763,560	-	69,780	1,693,780
27	IPM	318,202	-	-	318,202
28	Machine Spares II	35,309,009	45,886,578	18,955,841	62,239,745
29	Misc. spares	40,514,413	34,625,948	1,703,871	73,436,490
	Total:-	810,757,487	460,883,921	303,081,743	968,559,666

Irregular . unjustified revision of scope of work - Rs.111.630 million

S#	Description	Project Name	Purchase order	Date	Amount	Increased @15%	Total Amount (Rs.in million)
01	M.S Continental Enterprises	Renovation of old canteen	23038	18.06.2021	6.745	1.011	7.756
02	M.S Continental Enterprises	Renovation of community washroom	22745	29.03.2021	11.939	3.507	15.446
03	M.S Continental Enterprises	Provision and installation of outdoor emergency stairways	22826	03.05.2021	8.200	1.260	9.460
Total							32.662

Renovation of old canteen vide purchase order No. 23038.

As per BoQ specification quantity mentioned is 4635 sq ft whereas actual quantity was performed 6456 sq ft that is difference of 1821 sq ft as additional work which was beyond the BOQ items.

- Aluminum window work 750sqft performed 1765sqft which is not as per BOQ
- Marble replaced by black granite at kitchen top which is not as per BoQ
- Entrance gate only steps not included in BoQ
- Marble size 1” use instead of ¾” thickness which is not as per BoQ

Renovation of community washroom vide purchase order No. 22745 following revised scope of work and beyond bill of quantity (BoQ) items.

- Increment in the wall tiles quantity from BoQ
- Additional floor marble seat at washing area
- 4” under layer concrete for botticino marble.
- Additional master tap for washing area.

- Additional SS masturbation washing area
- Additional Angle 2"x1". for back support of Ms sheet of doors.
- Additional batch showers sets.

Provision and installation of outdoor emergency stairways vide purchase order No. 22826 following revised scope of work and beyond bill of quantity (BoQ) items.

- Total number of turn landing will increase from eight (8) to nine (9) which is contracted to drawing available in tender documents.
- Total number of steps in the first flight of stairs (starting from the stair base) will increase.

Annex-64
(Para No.6.5.4.11)

Non-imposition of liquidated damages – Rs.13.623 million

Year	Supplier	Project Name	Amount	Completion Date	Actual completion	Delayed Completion	Penalty @ 2% PM
20-21	Millwala Dredging	Re-construction of boundary wall (850) RFT	14,343,859	17-Jan-21	07-May-21	4 month	2,400,000
20-21	Continental enterprise	DSF Washroom	11,939,000	29-Jul-21	11-Nov-21	5 month	1,100,000
20-21	Aneel Construction	New Office Block	9,660,000	29-May-21	30-Nov-21	6 month	1,200,000
19-20 20-21	Electro line Engineers	Construction of new worker changing room	22,480,842	09-Aug-21	30-Nov-21	4 month	2,000,000
2020-21	Silicon Engineers	Installation and configuration of Active net work equipment	9,726,708	05 May 21	05 Nov 21	6 month	1,167,204
21-22	Continental Engineering	G,I stripes L Shape 37"x2"x2"	10,165,674	26 th oct 21	9 th march 21	4 month	813,253
21-22	Nabeesa contractor	G,I Flat Patti Size 1"x32"	14,913,932	26 th oct 21	9 th march 21	4 month	1,193,114
21-22	M.s ITG GMBH Graphic Product	Security printing blankets	Euro 487960 equivalent pak Rs 93,741,995	14-10-2021	8-12-2021	2 month	3,749,679
Grand Total Rs 13,623,251							

Non-production of auditable record

Req#	Dated	Description
7	27.09.2022	Complete case file of SBP acquired PSPC during the year under review along with all correspondence made with SBP & Ministries, Replies of Ministry & SBP.
12	30.09.2022	Performance report of the senior management assessed by the board for accomplishing objectives, goal and key performance indicators set for this purpose.
15	03.10.2022	Sharing purchase agreement (SPA) Finance Division of GoP and SBP.
15	03.10.2022	A copy of the restructuring Committee Report.
15	03.10.2022	As per minutes of EOGM dated June 14, 2017, board resolved that sales purchase agreement between Government of Pakistan and State Bank of Pakistan may got vetted by the law division of Government of Pakistan Clarification. comments may provide to audit which given by the law division in respect of SPA.
15	03.10.2022	Valuation for sale of PSPC by Audit firms M.s A.F Ferguson; Chartered Accountant
15	03.10.2022	Complete correspondence files of Government of Pakistan Finance Division (Internal Wing) regarding complaint against alleged corruption in PSPC letter No. F.2 (10) IF-III.2013 Government of Pakistan Finance Division (Internal Wing) dated October 31, 2017.
15	03.10.2022	Complete case file of M.s Oriental Rental Modarba
15	03.10.2022	Complete case file of M.s Wajid Ali for construction of Estate Gate Elevation and Boudary Wall

Annex-66
(Para No.6.6.4.1)

Non-achievement of Agriculture Financing targets – Rs. 84,033.000 million

				(Rs. in million)
S#	Banks	Indicative Agri. Target	Disbursement	% Achieved
1	Faysal Bank Ltd.	45,000	15,764.10	35
2	Sindh Bank Ltd.	1,500	267.3	17.8
3	Silk Bank Ltd.	2,500	667.1	26.7
4	Al Baraka Bank Ltd.	8,000	1,710.70	21.4
5	Dubai Islamic Bank Ltd.	10,000	3,772.20	37.7
6	MCB Islamic Bank Ltd.	3,000	1,014.60	33.8
7	Telenor Micro Finance Bank Ltd.	5,000	974.6	19.5
8	U Micro Finance Bank Ltd.	22,000	10,892.40	49.5
9	FINCA Microfinance Bank Ltd.	22,000	8,546.80	38.8
10	Thardeep Microfinance Fnd.	4,000	924	23.1
11	Punjab Rural Support Prog.	2,500	521.1	20.8
12	Damen Support Programme	3,000	-	0
13	Soon Valley Dev. Prog.	350	-	0
14	Al-Mehran Rural Dev Org.	50	-	0
15	Mojaz Foundation	200	11.7	5.8
	Total	129,100	45,067	
	Non-achievement of targets	84,033		

**Procurements made & contracts awarded outside procurement plan –
Rs. 676.026 million**

(Rs. in million)					
Irregular procurements & award of work without included in Procurement Plan - Rs 676.026 million					
S#	Name of Procurement	Tendered Cost	Awarded Cost	Plan	
				Amount	No.
1	Maintenance and Technical Support Services for Cisco Internet Firewalls and Web Security Appliances	80.0	63.1	0	0
2	Procurement of Drinking Mineral Water	26.3	26.3	0	0
3	Procurement of Stationery Items	14.0	9.2	0	0
4	100 Mbps Internet Link at SBP Karachi	12.5	4.3	0	0
5	Procurement of Hand Sanitizer and Surgical Face Mask	5.5	4.3	0	0
6	Procurement of CCTV System for Lifts at SBP Complex	2.8	2.7	0	0
7	Subscription of Oracle Linux Premier Limited and Support	1.2	0.8	0	0
8	Cloud Based Malware Analysis Sand Boxing Tool	1.0	1.3	0	0
9	Supply, Installation, Maintenance and Technical Support of UPS System	0.8	0.7	0	0
10	Supply, Installation, Customization, Configuration, Implementation, Maintenance & Support of Screening Solution	93.7	95.3	100	1
11	Supply, Installation, Integration, Maintenance & Support of VC Desktop Units and Next Generation Firewalls	50.0	49.9	7	1
12	Supply and Technical Support of CTI & DBP Solution	12.0	14.4	12	10
13	Supply, Implementation, Configuration and Technical Support of Simulated Phishing Platform	9.0	8.3	9.1	11
14	Supply, Installation, Maintenance and Technical Support of Switching Infrastructure	60.0	15.9	35	18
15	Renewal of Subscription of iThenticate Software	1.7	1.4	1.8	26
16	Supply of Countrywide SBP Backup Intranet WAN Links on Layer 3 MPLS	50	37.3	110	34
17	Supply, Installation, Maintenance & Support of Desktop IT Equipment (2020 -21) - PCs (Package I)	145	116.2	101	38
18	Supply, Installation, Maintenance & Support	65	47.9		38

	of Desktop IT Equipment (2020 -21) -Laptops (Package II)				
19	Supply, Installation, Maintenance & Support of Desktop IT Equipment (2020 -21) - Network Printers (Package V)	32.0	24.3		38
20	Supply, Implementation, Configuration and Technical Support of Web Application Security Scanning Solution	10.0	9.4		38
21	Supply, Installation, Maintenance & Support of Desktop IT Equipment (2020 -21) - e-Stamping Printers (Package VI)	9.5	4.0		38
22	Supply, Installation, Maintenance & Support of Desktop IT Equipment (2020 -21) - Workstations (Package IV)	6.5	2.2		38
23	Supply, Installation, Maintenance & Support of Desktop IT Equipment (2020 -21) -Thin Clients (Package III)	3.6	2.3		38
24	Supply, Installation, Maintenance & Support of Desktop IT Equipment (2020 -21) - ADF Flatbed Scanners (Package VII)	2.5	1.4		38
25	Supply, Installation, Maintenance & Support of Desktop IT Equipment (2020 -21) - Network Scanner (Package VIII)	0.9	0.7		38
26	Maintenance and Technical Support Services SLA for HPE Servers	35.0	27.7	7.3	39
27	Renewal of Technical Support and Subscription for VMware Products	20.0	14.8		39
28	Renewal of Subscription & Support of Red Hat Enterprise Linux	20.0	14.2		39
29	Maintenance & Technical Support Services for BACES	7.0	5.6	17.5	44
30	Maintenance & Support Services for DRDC Hyderabad	120	64.4	120	45
31	Supply, Installation, Maintenance and Technical Support of MultiFactor Authentication Solution	1.5	2.7	1	46
32	Procurement of Floor Management Services - General Support Services for SBP (Package 1)	0.0	Rate Based	300	64
33	Procurement of Fleet Management Services - General Support Services for SBP (Package 2)	0.0	Rate Based		64
34	Procurement of Museum Management Support Services - General Support Services for SBP (Package 4)	0.0	Rate Based		64
35	Procurement of Services of an Insurance Company to provide Insurance Coverage for Loans given to Employees by SBP & SBP	0.0	Rate Based	7	79

	BSC				
36	Procurement of Banknote Disintegration System	3.7	2.7	1.5	119
37	Procurement of Multimedia Projector (complete system)	0.7	0.6	0.8	121
	Total	903.3	676.0	831	

Annex-68
(Para No.6.6.4.24)

Non-production of auditable record

Req. No.	Particulars																
Req. No. 30	1) Complete detail of financing (funded and non-funded) sanctioned by banks to M.s. Hescol Petroleum Ltd (HPL), M.s. Hescol Terminal Ltd (HTL), M.s. Byco Petroleum during years 2015-2020. 2) Complete detail of NP L.default against financing sanctioned by banks to M.s. Hescol Petroleum Ltd (HPL). 3) Per party exposure limit for commercial banks. 4) Complete detail of US\$ 42 million illegally transferred by M.s. HPL & M.s. Vitol, Dubai Ltd (Exclusive supplier of POL products to HPL) through over- invoicing. 5) Complete detail of purchase of dollars and money transfer outside Pakistan by Saleem Butt and M. Ali Ansari, CEO & COO of HPL respectively. 6) Complete detail of siphoning off funds upto Rs. 117 million through cheques in favor of Tahir Ali and his several companies (fake contractors) by HPL for bribing the bankers. 7) Complete detail of investigation or enquiry initiated by SBP to probe the biggest banking fraud of Rs. 54. 0 billion in banking industry of Pakistan by M.s. Hescol Petroleum Ltd (HPL) and actions taken by SBP against involved banks and delinquent employees of various banks. 8) Actions taken by SBP against banks and bankers involved in bribery from HPL. 9) Rectifying measures taken by SBP to strengthen banking industry and controls regarding monitoring of securities against loans after mega financial fraud by M.s. Hescol Petroleum Ltd (HPL).																
Req. No. 32	1) Detailed list of amount financed to exporters under various subsidy schemes introduced by Government mentioning export's name, amount, date, scheme & reason. 2) Complete detail of export overdue cases outstanding since last three years. 3) Detail of penalties imposed by SBP-BSC on Authorized Dealers (ADs) along with reason & amount outstanding there against. 4) Monitoring & repatriation report of export proceeds. 5) Complete detail of DLTL Non-textile claims. 6) Cases of export over dues reported to FE Adjudication court and current status thereof.																
Req. No. 35	<table border="1"> <thead> <tr> <th>Instance ID</th><th>Subject</th></tr> </thead> <tbody> <tr> <td>116724</td><td>Enquiry No. 34.2021 Of FIA Crime Circle, Hyderabad Against Bismillah Goods Transport Company.</td></tr> <tr> <td>103908</td><td>Notice From The Court Of District Judge Karachi East For Verification of Premium Prize Bonds.</td></tr> <tr> <td>100753</td><td>Request For Information – Notice U.S 25 Of AML Act 2010, Enquiry No. 50.2021of FIA Corporate Crime Circle, Karachi.</td></tr> <tr> <td>97897</td><td>Request for General Search of Bank Accounts- Provision of Information U.S 19 Of Nao 1999 - Inquiry Against Saifullah Magsi, Additional District Account Officer Pension- Iii, Muhammad Azam And Other Treasury Department Hyderabad, Govt. Of Sindh.</td></tr> <tr> <td>95322</td><td>Provision Of Information To FIA Karachi - Enquiry No. 17 . 2021 of FIA State Bank Circle, Karachi.</td></tr> <tr> <td>93918</td><td>Request For General Search Of Bank Accounts - Inquiry Against Dr. Fazalullah Pechuho, Ex-Secretary Education & Literacy Department And Health Department, Government Of Sindh & Others.</td></tr> <tr> <td>97259</td><td>Provision Of Information U.S 19 Of Nao 1999-Inquiry Against Rasheed Ahmed Zardari, Dc Tando Allahyar & Others.</td></tr> </tbody> </table>	Instance ID	Subject	116724	Enquiry No. 34.2021 Of FIA Crime Circle, Hyderabad Against Bismillah Goods Transport Company.	103908	Notice From The Court Of District Judge Karachi East For Verification of Premium Prize Bonds.	100753	Request For Information – Notice U.S 25 Of AML Act 2010, Enquiry No. 50.2021of FIA Corporate Crime Circle, Karachi.	97897	Request for General Search of Bank Accounts- Provision of Information U.S 19 Of Nao 1999 - Inquiry Against Saifullah Magsi, Additional District Account Officer Pension- Iii, Muhammad Azam And Other Treasury Department Hyderabad, Govt. Of Sindh.	95322	Provision Of Information To FIA Karachi - Enquiry No. 17 . 2021 of FIA State Bank Circle, Karachi.	93918	Request For General Search Of Bank Accounts - Inquiry Against Dr. Fazalullah Pechuho, Ex-Secretary Education & Literacy Department And Health Department, Government Of Sindh & Others.	97259	Provision Of Information U.S 19 Of Nao 1999-Inquiry Against Rasheed Ahmed Zardari, Dc Tando Allahyar & Others.
Instance ID	Subject																
116724	Enquiry No. 34.2021 Of FIA Crime Circle, Hyderabad Against Bismillah Goods Transport Company.																
103908	Notice From The Court Of District Judge Karachi East For Verification of Premium Prize Bonds.																
100753	Request For Information – Notice U.S 25 Of AML Act 2010, Enquiry No. 50.2021of FIA Corporate Crime Circle, Karachi.																
97897	Request for General Search of Bank Accounts- Provision of Information U.S 19 Of Nao 1999 - Inquiry Against Saifullah Magsi, Additional District Account Officer Pension- Iii, Muhammad Azam And Other Treasury Department Hyderabad, Govt. Of Sindh.																
95322	Provision Of Information To FIA Karachi - Enquiry No. 17 . 2021 of FIA State Bank Circle, Karachi.																
93918	Request For General Search Of Bank Accounts - Inquiry Against Dr. Fazalullah Pechuho, Ex-Secretary Education & Literacy Department And Health Department, Government Of Sindh & Others.																
97259	Provision Of Information U.S 19 Of Nao 1999-Inquiry Against Rasheed Ahmed Zardari, Dc Tando Allahyar & Others.																

	90661	Complaint To Wafaqi Mohatasib - Refusal To Pay Prize Money.
	90515	Provision Of Information & Assistance U.S 19 & 27 Of Nao 1999 - Inquiry Against Ramesh Lal S.O Madan Lal, Ex-Mna & Others.
	88037	Provision Of Bank Record - Investigation Against Mian Javed Latif, MNA, Sheikhpura & Others.
	86872	Enquiry No. 43. 2021 Of FIA Corporate Crime Circle, Karachi - Provision Of Record U.S 25 Of Anti Money Laundering Act, 2010.
	86069	Investigation Against Muntazir Mehdi OG-II NBP Etc In Acr # 47 M.2016 - Pension Fraud Case NBP Muzaffargarh.
	80665	Request For Provision Of Original Documents In A Forged Prize Bond Case
	70906	Provision Of Information To FIA Corporate Crime Circle, Karachi - Provision Record U .S 25 Of Anti Money Launderingact, 2010.
	71037	Enquiry No. 19.2021 Of FIA Corporate Crime Circle, Karachi - Provision Of Record U.S 25 Of Anti Money Laundering Act, 2010.
	70237	Provision Of Information To FIA Corporate Crime Circle, Karachi – Provision Of Record U.S 25 Of Anti Money Laundering Act, 2010.
	70363	Provision Of Information To FIA Corporate Crime Circle, Karachi – Provision Of Record U.S 25 Of Anti Money Laundering Act, 2010 .
	70453	Provision Of Information To FIA Karachi - Enquiry No. 30.2020 of FIA Corporate Crime Circle, Karachi.

Annex-69

(Para No. 6.7.4.4)

(Rs. in million)

Loan Code	Project Name	Date of Disburse	Type of product	Period	Amount Disbursed	Outstanding amount
1405	M.s Asif Public School System, Rwp	24-Aug-10	TLWC	33 M	9.760	9.146
1420	M.s Asif Public School System, Rwp	24-Aug-10	TLFA	57 M	15.240	12.389
	Total amount of first loan				25.000	21.536
1460	M.s Asif Public School System, Rwp	6-Jul-11	TLWC	48 M	13.000	
1461	M.s Asif Public School System, Rwp	7-Jul-11	TLFA	60 M	12.000	
	Total disbursement Second loan				25.000	
	Total disbursement in both loans				50.000	

Annex-70

(Para No. 6.7.4.6)

(Rs. in million)

Loan Code	Project Name	Date of Disburs	Type of product	Period	Amount Disbursed	Outstanding amount
1405	M.s Asif Public School System, Rwp	24.08.2010	TLFA	57 M	9.760	6.597
1420	M.s Asif Public School System, Rwp	24.08.2010	TLWC	33 M	15.240	5.490
1461	M.s Asif Public	06.07.2011	TLWC	48 M	13.000	11.683

	School System, Rwp					
1461	M.s Asif Public School System, Rwp	07.07.2011	TLFA	60 M	12.000	9.832
	Total of four loans				50.000	33.602
1671	M.s Asif Public School System, Rwp	30.12.2014	TF	60 M	34.386	40.234

Annex-71

(Para No. 6.7.4.11)

S. No	Year	Total	S. No	Year	Total
1	2006	976,800	9	2014	1,740,816
2	2007	976,800	10	2015	1,827,852
3	2008	1,135,200	11	2016	2,216,748
4	2009	1,135,200	12	2017	2,327,580
5	2010	1,174,800	13	2018	2,688,348
6	2011	1,578,720	14	2019	2,688,348
7	2012	1,618,320	15	2020	2,587,530
8	2013	1,657,920			
Total	10,253,760	Total	16,077,222	Total	10,253,760
Total (10,253,760 + 16,077,222)					26,330,982

Annex-72

(Para No. 6.8.4.27)

Branches in loss for 03 years Granted 1 Bonus		
S. No.	Branch Name	Amount Rs
1	Quetta	59,523
2	Abbottabad	88,803
3	Loralai	55,703
4	Havelian	83,962
5	Bhiria City	82,189
6	Pishin	86,203
7	Oghi	57,634
8	Matta	72,395
9	Kamalia	76,412
10	Kingri	154,099
11	Tandlianwala	82,446
12	Kanjwani	79,117
13	Gadap	54,050
14	Kot Diji	81,723
15	Sehwan Sharif	58,167
16	Shikarpur	101,681
17	Gambat	61,167
18	Pano Akil	81,862
19	Sehnsa	65,242

Total	1,482,378

Annex-73
(Para No. 6.8.4.27)

Branches in loss for 03 years Granted 02 Bonuses		
S.No	Branches in loss for 03 years Having taken 02 Bonuses	Amount Rs
1	LARKANA	162,348
2	MINGORA	63,805
3	Chakdara	194,578
4	Thul	75,129
5	Tank	135,273
6	Sanghar	1,207,458
7	Muzaffarabad	235,158
8	Kashmore	338,954
9	Dargai	145,927
10	Sujawal	126,181
11	Sibbi	130,320
12	Chur Jamali	134,850
13	Johi	142,959
14	Muslim Bagh	151,087
15	Mastung	131,451
16	Hab Chowki	129,761
17	Attock	63,837
18	Fish Harbour	83,614
19	Qila Saifullah	133,387
20	Rodu Sultan	219,267
21	Zhob	74,439
22	Haripur	345,455
23	Kharan	289,680
24	Jhelum	72,009
25	Noshki	666,418
26	Seeta Road	114,017
27	Karak	72,009
28	Dalbandin	75,220
29	Ziarat	233,495
30	Kohat	137,532
31	Dir	98,710
32	Panjgur	134,445
33	Pasni	71,863
34	Rustam	269,447
35	Harnai	205,632
36	Kandiaro	153,085
37	Mandi Usman Wala	143,913
38	Alpurai	196,359
39	Kotli	164,357

40	Jhatpat	123,076
41	Kotri	307,352
42	Kandhkot	223,099
43	Pul Pira	284,499
44	Jati	167,695
45	Mirpur Sakro	216,760
46	Bhag	242,922
47	Ludden	144,031
48	Batkhela	164,037
49	Balakot	147,001
50	Shinkiari	117,229
51	Bewal	164,301
52	Lassan Nawab	260,378
53	Baffa	354,846
54	Darband	209,062
55	Dijkot Town	67,051
56	Behrain	174,927
57	Khanpur Mahar	160,202
58	Radhan	516,673
59	Rawalakot	93,212
60	Naushero Feroz	525,053
61	Thatta	180,268
62	Rawalpindi	119,171
63	Hingorno	175,884
64	Murree	167,579
65	Turbat	175,260
66	Uthal	141,895
67	Hangu	206,663
68	Wadh	134,392
69	Khuzdar	184,957
70	Agra Town	285,569
71	Chaman	57,266
72	Galleywal	80,537
73	Ghotki	142,510
74	Mehar	146,309
75	Skardu	68,504
76	Khaplu	101,487
77	Memon Goth	65,320
78	Bhimber	155,983
79	Jalla Jeem	164,591
80	Pacca Chung	442,766
81	Adda Chak Humand	156,931
82	Daultala	234,296
Total		15,774,973
Grand Total		17,257,351

Annex-74

(Para No. 6.9.4.3)

Sr #	Name of employee	Designation	Qualification	Date of joining	Pay per month	Total Pay upto 31.8.2021
1	Irfan Ali	DSR	MA	19.10.15	22935	1,605,450
2	Naveed Ali	Asstt.	FA	13.4.15	19590	1,488,840
3	Zulekha Begum	Asstt.	Bsc	5.6.15	21090	1,581,750
4	Bhan saeed Abad	-do-	FA	6.7.15	20425	1,511,450
5	Imran Ali	-do-	MA	23.6.15	21995	1,627,630
6	Wajahat Ghorri	-do-	BA	13.4.15	19590	1,488,840
7	Abbas Ali	Sr Asstt.	MA	3.6.15	21995	1,649,625
8	Shahid Ahmad	Asstt.	FA	9.10.15	20425	1,429,750
9	Nizamuddin	-do-	FA	6.7.15	20425	1,511,450
10	Zaheer Ahmad	-do-	-do-	30.4.15	19590	1,488,840
11	Safeer Mohammad	-do-	-do-	27.5.15	19590	1,469,250
12	Maqbool Ahmad	-do-	Msc	13.5.15	19590	1,469,250
13	Saeed Ahmad	-do-	FSC	13.01.15	20390	1,607,650
14	Muhammad Irfan	-do-	B.com	03.12.15	20428	1,409,532
15	Muhammad Yousaf	-do-	B.A	07.10.15	20425	1,429,750
16	Abd Razzaque	-do-	B.S.C	03.07.15	20425	1,429,750
17	Naseem Bhatti	-do-	F.A	23.06.15	19590	1,449,660
18	Amir Ali	-do-	B.A	07.07.15	20425	1,511,450
19	Inam Ali	-do-	Bsc	26.05.15	19590	1,469,250
20	Waqar Ali	-do-	BA	12.10.15	20425	1,429,750
21	Bishar Ali	-do-	FA	15.05.15	19590	1,469,250
22	Muhammad Raza Ali	-do-	Fsc	28.05.15	19590	1,469,250
23	Insaf raza Shah	-do-	MA	10.06.15	21995	1,649,625
24	Mansoor Akhtar	-do-	MA	26.08.15	23425	1,686,600
25	Gh Hussain	-do-	MA	27.04.15	21995	1,671,620
26	Azhar Ali	-do-	BA	04.06.15	22590	1,694,250
27	Gulzar Ahmad	-do-	MA	12.08.15	20425	1,470,600
28	Ali dino	Asst	BA	13.04.15	19590	1,488,840
29	Lal Khan	Dsr	Fsc	10.09.15	20425	1,450,175
30	Abdul Jabbar	Asst	bA	26.05.15	19590	1,469,250
31	Kabeer Ali	Dsr	Bsc	28.05.15	19590	1,469,250
32	Imtiaz Ali	Asst	FA	15.05.15	19590	1,469,250
33	Yar Muhammad	-do-	FA	03.09.15	20425	1,450,175
34	Ubedullah	-do-	BA	15.06.15	19590	1,469,250
35	Fehmeed Ali	Sr Asst	MA	09.03.15	24995	2,155,615
36	Rohail Ahmad	Asst	BS	19.11.15	23425	1,710,025
37	Rashid Pervez	Dsr	Msc	24.08.15	22935	1,651,320
38	Subhan Ali	-do-	MA	13.04.15	19590	1,488,840
39	Matloob Ahmad	Sr Manager	-	7.1.15 to	90000	3,780,000

				13.2.20		
40	Mohammad Riaz	Manager	-	9.3.12 to 10.7.18	40000	2,720,000
41	Shamsudin Kalho	Sr Manager	-	3.11.17 to 1.12.19	150000	3,750,000
42	Mohammad Yasin	Sr Manager	-	1.8.16 to 31.7.19	110000	3,960,000
43	Mohammad Dawood Shah	Jr Manager	-	22.3.18	30000	1,170,000
43	Mohammad Ayub	Typist	Dcom	6.12.16	16000	912,000
						74,734,102

Annex-75

(Para No. 6.9.4.4)

S. #	Name of Player	Date of appointment / joining	Posting Place	Game	Monthly Salary (Rs)	Total Salary Paid (Rs)
1	Miss Sidra Nawaz	8.12.2017	Lahore	Cricket	25,000 40,000	200,000 (Rs. 25000 x 8 months) 1,160,000 (Rs. 40000 x 29 months)
2	Miss Samina Bibi	29.8.2016	Islamabad	-do-	15,000 20,000	345,000 580,000
3	Miss Aiman Anwar	22.3.2016	Karachi	-do-	25,000	1,125,000
4	Ms. Kainat Imtiaz	18.3.2019	Lahore	-do-	40,000	800,000
5	Miss Muneeba Ali	4.12.2017	Karachi	-do-	25,000 40,000	200,000 1,160,000
6	Miss Maham Mughal	22.9.2016	Hyderabad	-do-	15,000 25,000	330,000 725,000
7	Miss Ayesha	19.3.2020	Abbottabad	-do-	25,000	225,000
8	Ms. Najiha Alvi	25.2.2019	Karachi	-do-	25,000	550,000
9	Ms. Fatima Sana	28.2.2019	Karachi	-do-	25,000	550,000
10	Syed Zain Ejaz	5.9.2017	Gujranwala	Hockey	20,000	800,000
11	M. Anees	22.12.2017	Gojra Br.	-do-	20,000	720,000
12	Zakir Ullah	30.8.2017	D.I. Khan	-do-	20,000	800,000
13	M. Iftikhar	17.11.2016	Haripur	Shoot Ball	16,000	784,000

14	Abdullah Adnan	9.5.2019	Lahore	Tennis	25,000	500,000
Total						16,774,000

Annex-76

(Para No. 6.9.4.10)

S. #	Name of employee	Designation	Qualification	Date of joining	Pay per month	Total Pay upto 31.8.2021
1	Abdul jabbar	Asstt.	MA	18-11-16	22640	1290480
2	Syed Ali Jan shah	-do-	BA	10-8-16	22640	1358400
3	Owais Raza	-do-	Bsc	29-8-16	19640	1178400
4	Mustafa kamal	DR	FA	18-8-16	17500	1050000
5	Mohammad Javed	Asstt.	BA	9-11-16	19640	1119480
6	Javeria Jamal	-do-	B.com	19-7-16	23140	1411540
7	Ali Munawar	-do-	MBA	25-6-16	19590	1214580
8	Khadim Ali shah	-do-	BA	21-7-16	19640	1198040
9	Azeezam Lashari	-do-	BA	24.06.16	21090	1307580
10	Saifullah	-do-	BS	14.06.16	22590	1400580
11	Asif Ali	-do-	Bsc	31.05.16	19590	1234170
12	Samiullah	-do-	FA	31.05.16	19590	1234170
13	Qutob Ali Shah	-do-	mA	04.07.16	21735	1325835
14	Asif Ali Kaloi	-do-	BA	05.08.16	22640	1358400
15	Danish Ali	Sr Asst	MA	01.06.16	21995	1385385
16	Sohail Ahmad	-do-	MA	27.07.16	22045	1344745
17	Mukhtiaz Ahmad	Dsr	MA	01.12.16	21145	1205265
18	Sanaullah	Asst	BA	10.05.16	18790	1783770
19	Ali Asghar	-do-	BA	18.07.16	19640	1198040
20	Himad Ali Shah	Sr Asst	BS	19.10.16	22045	1300655
21	Muhammad Sajid	Asst	B.com	09.05.16	22590	1423170
22	Mehrab Ali	Dsr	BA	03.08.16	19640	1178400
23	Wajid Ali	Asst	Bsc	05.08.16	22640	1354800
24	Imran Khan	Typist	BA	11.07.16	19640	1158760
25	Shafqat Abbas	Dsr	MA	12.11.16	22045	1256565
26	Na	Asst	BA	02.08.16	22640	1358400
27	Abdul Aziz	-do-	FA	01.09.16	19640	1158760
28	Riaz Ali	-do-	FA	10.11.16	19640	1119480
29	Pervez Ahmad	-do-	b.com	12.05.16	19590	1234170
30	Jameel Ahmad	-do-	MA	27.07.16	19640	1158760
31	Mohammad Abbass	-do-	Bcom	24-8-17	18400	846400
32	Rashid Ahsan	-do-	FA	4-1-17	18800	1015200
33	Mohammad Kamran Aziz	-do-	MA	20-11-17	18400	791200
34	Mohammad Ali	-do-	FA	27-12-17	19600	823200
35	Saad Rashid	-do-	FSc	30-8-17	18400	846400
36	Mohammad Amir	-do-	FA	19-9-17	18400	828000

	Hassan					
37	Waqas Saleem	-do-	Mcom	18-9-17	20200	909000
38	Mohammad Muazam	-do-	BSC	18-11-17	18400	791200
39	Anees Fatima	-do-	MA	11-9-17	19500	877500
40	Mohammad Kamran	-do-	Dcom	27-4-17	18800	940000
41	Saifuddin	-do-	BA	3-2-17	21800	1155400
42	Azmat Rashid	-do-	MA	13-4-17	18800	940000
43	Amina Bano	-do-	BA	12-9-17	21800	981000
44	Ayaz sarwar	-do-	MA	31-5-17	24100	1180900
45	Faiza Abrar	Call centre Agent	BA	17-12-20	25000	200000
46	Khadeeja Aqeel	-do-	MBA	16-12-20	25000	200000
47	Anum Khaliq	-do-	Msc	4-12-20	25000	200000
48	Uzma Riaz	-do-	BA	10-12-20	25000	200000
49	Sadia Zaheer	-do-	MA	10-12-20	25000	200000
50	Shaheen Akhtar	-do-	MA	4-12-20	25000	200000
51	Shumaila Kabir	-do-	Mcom	4-12-20	25000	200000
52	Syeda Bushra Munir	-do-	MA	15-12-20	25000	200000
53	Uzman khan	-do-	MA	9-12-20	25000	200000
54	Mehreen Javed	-do-	Bsc	7-12-20	25000	200000
55	Rida Zainab	-do-	MA	10-12-20	25000	200000
56	Amna Rashid	-do-	MA	28-12-20	25000	200000
57	Nureen Riaz	-do-	MS hon	29-12-20	25000	200000
58	Rafia Naseem	-do-	BA	29-12-20	25000	200000
59	Hajira Khalid	-do-	Msc	29-12-20	25000	200000
						54226180

Annex-77

(Para No. 6.9.4.13)

Month	Reimbursable Cost (Debit Note)		Service Charges	Services Tax @ 16% on service charges	Total Sales Tax Invoice	Total Receivable
<u>2018</u>						
Dec-18	8,366,744		836,674	133,868	970,542	9,337,286
<u>2019</u>						
Jan-19	3,781,729		378,173	60,508	438,681	4,220,410
Feb-19	4,531,481		453,148	72,504	525,652	5,057,133
Mar-19	5,246,025		524,603	83,936	608,539	5,854,564
Apr-19	4,537,801		453,780	72,605	526,385	5,064,186
May-19	3,595,997		359,600	57,536	417,136	4,013,133
Jun-19	5,356,259		535,626	85,700	621,326	5,977,585

Jul-19	3,215,117		321,512	51,442	372,954	3,588,071
Aug-19	3,202,152		320,215	51,234	371,450	3,573,602
Sep-19	4,344,406		434,441	69,510	503,951	4,848,357
Oct-19	2,751,203		275,120	44,019	319,140	3,070,343
Nov-19	2,816,103		281,610	45,058	326,668	3,142,771
Dec-19	4,499,398		449,940	71,990	521,930	5,021,328
Dec-19	2,014,019		201,402	32,224	233,626	2,247,645
Total 2019	49,891,690		4,989,169	798,267	5,787,436	55,679,126
<u>2020</u>						
Jan-20	2,893,969		289,397	46,304	335,701	3,229,670
Feb-20	3,502,851		350,285	56,046	406,331	3,909,182
Mar-20	3,842,079		384,208	61,473	445,681	4,287,760
Apr-20	2,380,857		238,086	38,094	276,180	2,657,037
May-20	2,873,702		287,370	45,979	333,349	3,207,051
Jun-20	1,569,643		156,965	25,114	182,079	1,751,722
Jul-20	2,093,828		209,383	33,501	242,884	2,336,712
Aug-20	1,958,233		195,823	31,332	227,155	2,185,388
Sep-20	3,506,059		350,606	56,097	406,703	3,912,762
Oct-20	2,961,790		296,178	47,388	343,566	3,305,356
Nov-20	1,707,751		170,776	27,324	198,100	1,905,851
Dec-20	3,319,150		331,915	53,106	385,021	3,704,171
Total 2020	32,609,912		3,260,992	521,758	3,782,750	36,392,662
Grand Total	90,868,346		9,086,835	1,453,893	10,540,728	101,409,074

Annex-78

(Para No. 7.1.4.15)

Sr. No.	Financial Year	Rule No.	Requirements of Rules which did not comply with
1	2018-19	3(2)	The Board has at least one third of its total members as independent directors.
2		3(5)	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously except their subsidiaries.
3		6(1)	The board has met at least four times during the year
4		11	All board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules
5		13	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor by whatever name, with their remuneration and terms and conditions of employment.
6		21(3)(a) 21(3)(c)	The Chief Financial officer, the Chief Internal Auditor and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed. The audit Committee met the CIA and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.
7		22 (a) 22(b) 22(c)	The Board has setup an effective internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed. The audit committee met the external auditors at least once a year without the presence of the chief financial officer, the chief internal auditor and other executives. The internal audit reports have been provided to the external auditors for their review.

Annex-79

(Para No. 7.1.4.25)

Sr. No	Name of Officer / Designation	Appointment grade/date	Promotion grade/date	Remarks
1	ALI Hamid Senior Engineer (G-10)	09 12.06.2015	10 01.07.2016	Appointed in G-09 (BS-18) and promoted after 01 year in the next grade against required stay of 07 years in current grade
2	Ayub Khawar Senior Engineer (G-10)	10 04.12.2019	11 01.07.2021	Appointed in G-10 (BS-19) and promoted after 01 year & 06 months in next grade against required stay of 07 years in current grade
3	Touqeer Hussain	8(a)	09	Appointed in G-8(A) (BS-17) and

	Senior Architect (G-10)	06.07.2009	01.07.2010	promoted after 01 year in next grade against required stay of 05 years in current grade
4	Syed Ali Hussain Senior Engineer (G-10)	8(A) 11.05.2006	09 01.07.2008	Appointed in G-8(A) (BS-17) and promoted after 02 year in next grade against required stay of 05 years in current grade
5	Imran Hussain Memon Senior Engineer (G-10)	8(A) 02.07.2007	09 01.07.2008	Appointed in G-8(A) (BS-17) and promoted after 01 year in next grade against required stay of 05 years in current grade
6	Rashid Hussain Principal Engineer G-11	11 28.11.2018	12 01.07.2021	Appointed in G-11 (BS-19) and promoted after 02 years & 6 months in next grade against required stay of 05 years in current grade

Annex-80

(Para No.9.1.4.1)

Non-achievement of committed exports - US\$ 120.971 million equivalent to Rs.24,799.055 million

S #	Unit	Committed export	Actual Export less than 33%	Difference (3-4)	Achieve ment in %
-1-	-2-	-3-	-4-	-5-	-6-
1	Bushra International	2,000,000	10,400	1,989,600	0.52
2	Marvel Metal Products	4,887,200	26,532	4,860,668	0.54
3	Dehlawi Optical Industries	4,550,240	51,632	4,498,608	1.13
4	Ziqi Enterprises	2,000,000	31,096	1,968,904	1.55
5	Unipack Industry	1,335,000	20,929	1,314,071	1.57
6	Casual Sportswear	4,000,000	69,400	3,930,600	1.74
7	Asian Source Pakistan	2,233,750	43,442	2,190,308	1.94
8	Fujiplus International	1,315,200	26,207	1,288,993	1.99
9	Fujiwara Pakistan	2,000,000	51,175	1,948,825	2.56
10	Achack Enterprises	3,000,000	82,000	2,918,000	2.73
11	Monaco Industries	1,000,000	31,220	968,780	3.12
12	Paradise Industrial Corporation	3,000,000	98,316	2,901,684	3.28
13	Mast Qulandar Industries	1,000,000	36,301	963,699	3.63
14	Multigarment& Print International	1,000,000	37,080	962,920	3.71
15	So Safe International	1,375,000	59,839	1,315,161	4.35
16	Eram Fashions Pvt. Ltd.	2,000,000	91,420	1,908,580	4.57
17	Munawwar International	3,578,000	166,225	3,411,775	4.65
18	Amar & Sons Industries	4,987,200	239,132	4,748,068	4.79
19	Fong Heng (Pvt.) Ltd.	4,000,000	193,969	3,806,031	4.85
20	Hemani Trading International	4,000,000	209,956	3,790,045	5.25
21	ABM Industries G3	4,000,000	217,856	3,782,144	5.45
22	Perfect Packaging (Pvt.)	1,000,000	54,587	945,413	5.46
23	Eurotex	1,000,000	67,715	932,285	6.77

24	TexPak Industries	1,000,000	77,661	922,339	7.77
25	Allied Trading (T.U)	400,000	33,137	366,863	8.28
26	H.Y. International Trading	1,000,000	84,695	915,305	8.47
27	Premier Sticking	5,821,000	501,416	5,319,584	8.61
28	Pakistan Japan Petrochemical	2,000,000	185,859	1,814,142	9.29
29	Maraya International (Pvt.)	1,000,000	93,657	906,343	9.37
30	Rehbros Embroidery Yarn	2,000,000	190,757	1,809,243	9.54
31	AFUSO Packaging & Printing Industry (P II)	1,000,000	112,791	887,209	11.28
32	Polytek International	3,000,000	347,139	2,652,861	11.57
33	GB Global	2,000,000	258,141	1,741,859	12.91
34	Napco International (T.U)	526,000	68,917	457,083	13.1
35	Vision Hub	565,500	77,549	487,951	13.71
36	Denim Clothing Company	4,000,000	549,380	3,450,620	13.73
37	Cedar .Conifer	2,000,000	276,654	1,723,346	13.83
38	Anam Safety First Traders	545,000	76,655	468,345	14.07
39	S.I. Global Trading	1,000,000	142,732	857,268	14.27
40	Euro Clothing (Pvt.) Ltd.	1,000,000	143,240	856,760	14.32
41	Farhan Industries	1,000,000	150,113	849,887	15.01
42	Sonraj International (Pvt.)	1,172,000	177,809	994,191	15.17
43	Zaf Polymers	3,000,000	465,947	2,534,053	15.53
44	Friends Services (Pvt.) Ltd. (Expansion)	2,000,000	311,363	1,688,637	15.57
45	Shahzad Apparels (Pvt.)	4,343,750	678,115	3,665,635	15.61
46	Hands Industries (Pvt.) Ltd.	4,000,000	640,244	3,359,756	16.01
47	Munawwar Trading (T.U)	1,577,500	261,909	1,315,591	16.6
48	Mersi Food Industries	2,000,000	337,216	1,662,784	16.86
49	ELFY Chemicals Industries	1,000,000	173,027	826,973	17.3
50	International Industrial Services	1,000,000	188,511	811,489	18.85
51	Plas-Met International	1,000,000	191,526	808,474	19.15
52	N.S. Enterprises (Pvt.) Ltd.	2,000,000	393,010	1,606,990	19.65
53	Crystal Clothing (Pvt.) Ltd.	4,000,000	805,841	3,194,159	20.15
54	Polygal AG (Polygal Habib Gums)	8,129,000	1,736,640	6,392,360	21.36
55	AAA Packages	815,000	174,990	640,010	21.47
56	Yaqiq Industries (Pvt.) Ltd.	1,000,000	216,321	783,679	21.63
57	White Star International	526,250	114,167	412,083	21.69
58	Imperial General Trading	655,000	148,204	506,796	22.63
59	New Techno Plastic Ind.	1,172,000	290,817	881,183	24.81
60	A.R. Plastic (Pvt.) Ltd.	1,000,000	281,063	718,937	28.11
61	AL Wadaq Industry International	4,700,000	1,325,216	3,374,785	28.2
62	Health Supplies General Trading (Pvt.) Ltd. (T.U)	400,000	125,125	274,875	31.28
63	Zahabiya Chemical Industries	1,000,000	314,151	685,849	31.42
Total		135,609,590	14,638,134	120,971,459	10.79

Annex-81
(Para No.9.1.4.3)

Non-recovery of outstanding dues – Rs. 324.497 million

Annex-81(i)						
(Amount in US\$)						
Particulars	No. of Units	Opening Balance	Bill raised in May-2022	Receivable Amount	LPS	Outstanding Amount
Water Charges	09	357,989	535,184	893,174	53,518	4,730
Electricity	28	66,986	15,376	82,362	1,496	83,858
Security Deposit	01					21,617
AGR						1,404,427
TOTAL						1,514,632
Equivalent to Rs. 1,514,632 x 205 =						310,499,560

Annex-81(ii)	
(Amount in Rs.)	
Electricity Charges	416,897
Outstanding against different Clearing and Forwarding Agents	4,270,000
Advance against expenses to employees	7,257,974
TOTAL	11,944,871

Annex-81(iii)					
M.s. Q.S.S Enterprises					
Particulars	Opening Balance	Bill Raised In B.M May-2022	Receivable Amount	LPS	Outstanding Amount in Rs.
Electricity	1,059,644	46,880	1,106,524	4,688	1,111,212
Water	354,243	534,291	888,534	53,429	941,963
Total outstanding from canteen					2,053,176
Grand total in Rs.					324,497,607

Annex-82

(Para No.9.1.4.4)

Loss of remittance due to zero exports - US\$ 1.487 million equivalent to Rs.304.835 million

S#	Unit	Import In US\$	Export In US\$
1	Wasa Printers (Pvt.) Ltd.	1,000	-
2	Paradise Enterprises (T.U)	1,100	-
3	Fortune Rags (Pvt.) Ltd.	6,039	-
4	S.I. Global Trading (Expansion)	9,350	-
5	Beltexco Limited (Warehouse.Trading)	18,501	-
6	Shahzad Apparels (Pvt.) Ltd. (UTC)	20,838	-
7	Chaudry Industries (Pvt.) Ltd. (T.U)	21,001	-
8	Health Care General Trading (T.U)	33,626	-
9	Sun Gravure	94,981	-
10	Atlas Trading Corporation (T.U)	101,466	-
11	Liberty Rags (Pvt.) Ltd.	118,843	-
12	Sherwani Traders (T.U)	124,670	-
13	Progressive Enterprises (Pvt.) Ltd.	936,145	-
Total		1,487,561	-

Annex-83

(Para No.9.1.4.15)

Loss of foreign exchange due to renewal of license of underperforming investor – US\$ 39,795 equivalent to Rs.8.158 million

US \$ in million			
Year	Total Export	Total Import	Difference Export & Import
Since Inception to June 30, 2001	0.162	1.310	-1.148
2001-2002	0.059	0.275	-0.216
2002-2003	0.092	0.093	-0.001
2003-2004	0.072	0.095	-0.023
2004-2005	0.074	0.131	-0.057
2005-2006	0.132	0.150	-0.018
2006-2007	0.186	0.153	0.033
2007-2008	0.194	0.242	-0.048
2008-2009	0.191	0.117	0.074
2009-2010	0.226	0.208	0.018
2010-2011	0.213	0.197	0.016
2011-2012	0.180	0.215	-0.035
2012-2013	0.223	0.207	0.016
2013-2014	0.293	0.197	0.096
2014-2015	0.334	0.217	0.117
2015-2016	0.235	0.143	0.092
2016-2017	0.358	0.176	0.182
2017-2018	0.402	0.219	0.183
2018-2019	0.323	0.175	0.148
2019 to Feb. 2020	0.155	0.121	0.034
Total	4.104	4.641	-0.537

Non-verification of degrees . certificates of officers . officials

Export Processing Zone Authority
Degree verification of officers (From year 2000 to 2009)

S#	Name	Grade	Designation	Status
1	Kamran Mughal	E-III	Manager	Not verified
2	Junaid Ahmed Alvi	E-III	Manager	-do-
3	S.M Kazim Zaidi	E-III	Manager	-do-
4	Syed Sarwar Abbas	E-III	PS to Chairman	-do-
5	Ghulam Mustafa Shaikh	E-II	Dy. Manager	-do-
6	Obaid Ahmed Farooqi	E-II	Dy. Manager	-do-
7	Abdul Hafeez	E-II	Dy. Manager	-do-
8	Saif-ur-Rehman	E-II	Dy. Manager	-do-
9	Iqbal Ahmed Qureshi	E-II	Dy. Manager	-do-
10	Abdul Rahim	E-II	Dy. Manager	-do-
11	Abdul Latif	E-II	Dy. Manager	-do-
12	Muhammad Hanif	E-II	Dy. Manager	-do-
13	Arsahd Hussain Khoso	E-I	Asstt: Manager	-do-
14	Shahnawaz	E-I	Asstt: Manager	-do-
15	Sohail Iqbal	E-I	Asstt: Manager	-do-
16	Sudheer Ahmed	E-I	Asstt: Manager	-do-
17	Tahir Mahmood	E-I	Asstt: Manager	-do-
18	Saulat Ali Khan	E-I	Asstt: Manager	-do-
19	Bahiruddin	E-I TSP	Supervisor	-do-

Appointment of officials with nil experience . qualification

Appointment of officials with nil experience . qualification			
Annex-6			
S #	Name	Designation	Remarks
1	Imran Majid	Dy. Manager	Nil Experience
2	Syed Wasiq Shabbir	Dy. Manager	Nil Experience
3	Ali Hassan	Dy. Manager	Nil Experience
4	Faisal Khan	Dy. Manager	Nil Experience
5	Ahsan Nawaz	Asstt. Manager	Nil experience
6	Waleed Azhar	Supervisor	Nil experience
7	Rashid Shahzad	Supervisor	Nil experience
8	M. Wasim Akram	Supervisor	Nil experience
9	Irfan ullah	Supervisor	Nil experience
10	Sami Qureshi	Supervisor	Nil experience, fake degree BBA
11	Zubair Khan	Supervisor	Nil experience
12	Asad Ahmed Memon	Supervisor	Nil experience
13	Shakeel Ahmed Memon	Supervisor	Nil experience, fake degree BSC Nil experience.irrelevant qualification
14	Saiman Sabir	Supervisor	Nil experience
15	Jawad Saleem	Supervisor	Nil experience.irrelevant qualification
16	Fawad Hassan Cheema	Supervisor	Nil experience.irrelevant qualification
17	Ali Murtaza	Supervisor	Nil experience.irrelevant qualification
18	Abdul Manan	Supervisor	Nil experience.irrelevant qualification
19	Muhammad Akram	Supervisor	Nil experience.irrelevant qualification
20	Waqar Ahmed	Supervisor	Nil experience.irrelevant qualification
21	Waheed Riaz Butt	Supervisor	Nil experience.irrelevant qualification
22	Athar Zaman	Supervisor	Nil experience.irrelevant qualification
23	Amna Abdul Sattar	Supervisor	Nil experience.irrelevant qualification
24	Wajid Iqbal	Supervisor	Nil experience.irrelevant qualification
25	Omer Akhtar Nawaz	Supervisor	Nil experience.irrelevant qualification
26	Rab Nawaz	Supervisor	Nil experience.irrelevant qualification
27	Mubashir Ali	Supervisor	Nil experience.irrelevant qualification
28	Anum Aftab	Supervisor	Nil experience
29	Miss Mubeen Fayaz	Supervisor	Nil experience

Annex-86
(Para No.9.2.4.4.)

Non-recovery from allottees of industrial projects - Rs. 851.195 million

Annex-86(i)						
(Bin Qasim Industrial Park)						
S#	Name of Allottee	Date of Allotment	Plot Area (Acres)	Selling Price Per Acre (Rs.)	Total Sale Value (Rs.)	Outstanding Amount as of 30 Jun 2020 (Rs.)
1	Gasco Engineering Pvt. Ltd.	21-Sep-2015	2.000	13,500,000	27,000,000	4,100,000
2	Central Ventilation System Pakistan Pvt. Ltd.	21-Sep-2015	3.467	13,500,000	46,804,500	14,041,350
3	Ahmad Glass Industries Pvt. Ltd.	22-Mar-2017	4.426	18,000,000	79,668,000	56,330,800
4	Tecno Auto Glass Pvt. Ltd.	22-Mar-2017	10.784	18,000,000	194,112,000	58,233,600
5	Pinnacle Biotech Pvt. Ltd.	22-Mar-2017	10.000	18,000,000	180,000,000	117,000,000
6	Master Auto Engineering SMC - Pvt. Ltd.	20-Dec-2017	12.000	35,000,000	420,000,000	271,050,000
	Total					520,755,750

Annex-86(ii)						
Annex- (Rachna Industrial Park)						
S#	Name of Allottee	Date of Allotment	Plot Area (Acres)	Selling Price Per Acre (Rs.)	Total Sale Value (Rs.)	Outstanding Amount as of 30 Jun 2021 (Rs.)
1	InterwoodMobel (Pvt.) Ltd.	27-Oct-17	25	12,000,000	300,000,000	180,000,000
2	Mr Hassan Mian	10-Aug-15	1	10,000,000	10,000,000	7,000,000
3	Next Bridge (Pvt.) Ltd	14-Jul-15	1	10,000,000	10,000,000	7,000,000
4	Syed Omer	14-May-15	1	10,000,000	10,000,000	7,000,000
5	Sky High Industries	8-Jun-15	1	10,000,000	10,000,000	7,000,000
6	M.s Bamboo King	21-Oct-14	1	10,000,000	10,000,000	7,000,000
7	M.s Risan Synthetic Technic (Iftikhar Ahmad)	8-Dec-15	1	10,000,000	10,000,000	6,500,000
8	CalganPhytoPharmaPvt Ltd	22-Dec-16	0.5	10,400,000	5,200,000	3,120,000
9	Mr. Usman Anwar Kiani	27-Jan-16	0.46	11,200,000	5,180,000	1,555,000
10	Mahmood ShafiBatla	16-Jan-17	1.56	10,000,000	15,620,000	620,000
11	Muhammad Sajjad	28-Apr-15	0.54	10,400,000	5,590,000	390,000
Total						227,185,000

Annex-86(iii)						
ANNEX- (KCIP)						
Sr.#	Customer Name	Date of Allotment	Plot Area (Acres)	Selling Price Per Acre (Rs.)	Total Sale Value (Rs.)	Outstanding Amount as of 30 Jun 2021 (Rs.)
1	Al Shaheer Corporation (Pvt.) Ltd	19-Jun-13	1.401	29,500,000	41,329,500	10,000,000
2	Gigi Industries (Pvt.) Ltd (Unit-1)	25-Sep-12	0.988	29,500,000	29,146,000	13,146,000
3	Dewan Development (Pvt.) Ltd	22-Jun-18	0.988	150,000,000	148,200,000	73,200,000
4	Reliance Services Company	19-Jun-13	0.468	29,500,000	13,806,000	6,903,000
	Total		6.226		471,141,500	103,249,000

Annex-87
(Para No.9.2.4.16)

Irregular.unjustified reorganization of staff - Rs.33.786 million

Name	Designation	Per Month Salary	Salary drawn from Sep, 2021 to June, 2021
Akhtar Hussain Ansar	Sr. Assistant	179,164	1,791,640
Muhammad Saleem Awan	Sr. Assistant	139,750	1,397,500
Nazir Hussain Qureshi	Sr. Assistant	160,196	1,601,960
Mujeeb A. Rehman	Sr. Assistant	139,850	1,398,500
Noman Ahmed	Sr. Assistant	112,508	1,125,080
Muhammad Amin	Security Incharge	136,475	1,364,750
Imran Hussain Mangi	Assistant	96,352	963,520
Shahzad Hassan Rizvi	Assistant	206,058	2,060,580
Faisal Izhar	Record Keeper	84,240	842,400
Abdul Razzak	Tel: Operator	91,504	915,040
Yasmeen Shaikh	Tel: Operator	91,504	915,040
Ubaid ur Rehman	Lift Operator	78,016	780,160
Zaki-ur-Rehman	Lift Operator	78,016	780,160
Salamat Khan	Lift Operator	78,016	780,160
Tanveer Ahmed	Lift Operator	78,016	780,160
Rehan Din	Lift Operator	85,702	857,020
Abdul Hameed	Lift Technician	87,853	878,530
Muhammad Taqi Mirza	Lift Operator	78,016	780,160
Imran Khan	Lift Operator	78,016	780,160
Arshad Shamim	Qasid	102,643	1,026,430
Qadeer Jan	Qasid	101,023	1,010,230
M. Shoaib Khan	Auto Electrician	85,619	856,190
Muhammad Khan	Qasid	77,427	774,270
Shehryar	Qasid	88,432	884,320
Muhammad Irfan	Qasid	77,427	774,270
Abdul Rauf	Qasid	84,094	840,940
Muhammad Saleem	Qasid	77,427	774,270
Samina Qaim	Manager	272,844	2,728,440
Ali Sohail Abidi	Dy. Manager	167,066	1,670,660
Muhammad Zakaria	Dy. Manager	165,420	1,654,200
		Total	33,786,740

Annex-88

(Para No.9.2.4.23)

Loss due to renting out the premises at lower rates - Rs.7.720 million

Name of Tenant	Place (PIDC House)	Rate per sq. ft	Total Area Rented out (sq. ft)	Difference in rates as compared with highest rate of rented of per sq. ft. on same floor	Loss in (Rs.)
1	2	3	4	5	(4 x 5) 6
National Manag Consultants	1st Floor	44.77	3,218.00	88.09	283,474
Pak Stone Dev. Company	1st Floor	132.86	296.00	-	-
Coastal Devel Authority	1st Floor	53.57	2,616.00	79.29	207,423
Pak Gems Jew. Dev Co.	1st Floor	107.17	6,325.00	25.69	162,489
Engineering Deve Board	2nd Floor	115.00	1,269.00	133.30	169,158
Mitsui & Co.Ltd	2nd Floor	177.79	4,590.00	70.51	323,641
JETRO	2nd Floor	248.30	3,500.00	-	-
Dewan Mushtaq Group	2nd Floor	64.45	18,505.00	183.85	3,402,144
Marubeni Corporation	2nd Floor	185.21	3,488.00	63.09	220,058
Gizri Corporation	3rd Floor	54.04	903.00	45.96	41,502
Petroleum Packages Ltd	3rd Floor	54.04	1,130.00	45.96	51,935
Sui Northern Gas Pipe Lines	5th Floor	100.00	2,805.00	-	-
Muslim Comm Bank Ltd	G.Floor	166.38	2,072.00	81.12	168,081
COMSATS	G.Floor	168.37	100.00	79.13	7,913
PTCL	G.Floor	247.50	190.00	57.5	-
Chick-a-Zee	G.Floor	90.75	1,272.00	156.75	199,386
Abraham & Sarwana Adv.	G. Space	58.45	14.00	-	-
Phoenix Armour	G.Space	30.00	48,801.00	28.45	1,388,388
Shadab Goods	G.Space	33.00	17,333.00	25.45	441,125
Shoaib Associates	G.Space	33.00	9,027.00	25.45	229,737
Total Loss Rs.					7,720,593

Annex-89
(Para No.9.2.4.26)

Irregular appointment & payment of pay and allowances to Chief Executive Officer - Rs.5.818 million

MP-I Scale			
Revised w.e.f. 01.07.2017			
Description	Minimum (Rs.)	Annual increment (Rs.)	Maximum (Rs.)
Basic Pay	433,950	33,000	532,950
House Rent	101,000		142,000
Utilities	19,650		24,300
Total	554,600		699,250

Pay and allowances actually given to C.E.O					
Description	Rs.	Period	Total amount paid to CEO Rs	Total Amount admissible (Maximum of MP1	Excess Amount paid to CEO
Basic Pay	515,152	January 2020 to June 2021 850,000 x 18 = 15,300,000	15,300,000	12,586,500	2,713,500
House Rent	231,818				
Utilities	103,030				
Total	850,000				
Increment	Rs 150,000	July 2021 to March 2022 150,000 x 9 = 1,350,000	1,350,000	-	1,350,000

POL	375 litres	375 x Rs 100 x 27 months	1,012,500	-	1,012,500
Driver's salary	Rs 20,000	January 2021 to March 2022 20,000x27	540,000	-	540,000
Mobile phone reimbursement	Rs 5,000	January 2021 to March 2022 5,000x27	135,000	-	135,000
Internet Bill Re-imbursement	Rs 2,500	January 2021 to March 2022 2,500x27	67,500	-	67,500
Grand Total:			18,405,000	12,586,500	5,818,500

The above salary package was drawn on the date of appointment 23rd December 2019 which remained in force till the announcement of increment on 1st July 2021 after a period of almost one and a half year.

Annex-90
(Para No.9.4.4.16)

Irregular appointment of security guards on daily wages - Rs.76.196 million

Sr. No.	Name	Department	Designation	Nature of Appointment	Category Code:	Rate Rs. Per Day. Per Month
1	Major Fida Hussain (Rtd.)	Security Department	General Manager (Security)	Contract		250,000
2	Major Aijaz Hussain (Rtd)	Security Department	Manager (Security)	Contract		150,000
3	Major Muhammad Ali (Rtd.)	Security Department	Manager (Security)	Contract		150,000
4	Noor Hassan	Security	Security Guard	Daily Wage	371	1100
5	Muhammad Arab	Security	Security Guard	Daily Wage	371	1100
6	Junaid	Security	Security Guard	Daily Wage	371	1100
7	Nazir Hussain Soomro	Security	Security Guard	Daily Wage	371	1100
8	Amir Alam	Security	Security Guard	Daily Wage	382	1400
9	Khalid Hussain	Security	Security Guard	Daily Wage	371	1100
10	Inayat Ullah	Security	Security Guard	Daily Wage	382	1400
11	Muhammad Hassan	Security	Security Guard	Daily Wage	382	1400
12	Mumtaz Khan	Security	Security Guard	Daily Wage	382	1400

13	Amanullah Khan	Security	Security Guard	Daily Wage	371	1100
14	Shamas Din	Security	Security Guard	Daily Wage	371	1100
15	Talib Hussain	Security	Security Guard	Daily Wage	371	1100
16	Zulfiqar Ali	Security	Security Guard	Daily Wage	371	1100
17	Shafiq Ahmed	Security	Security Guard	Daily Wage	356	1167
18	Abdul Majeed	Security	Security Guard	Daily Wage	371	1100
19	Allah Dad	Security	Security Guard	Daily Wage	371	1100
20	Waseem Babar	Security	Security Guard	Daily Wage	359	834
21	Gulab Hussain Narejo	Security	Security Guard	Daily Wage	371	1100
22	Wahid Bakhsh	Security	Security Guard	Daily Wage	371	1100
23	Abdul Hameed	Security	Security Guard	Daily Wage	371	1100
24	Rajab Ali Solangi	Security	Security Guard	Daily Wage	371	1100
25	Suhrab Ali Shar	Security	Security Guard	Daily Wage	371	1100
26	Ansar Ali	Security	Security Guard	Daily Wage	371	1100
27	Zahid Ali Khokhar	Security	Security Guard	Daily Wage	369	1000
28	Sohbat	Security	Security Guard	Daily Wage	371	1100
29	Muhammad Bux	Security	Security Guard	Daily Wage	371	1100

30	Nazeer Hussain Bhatti	Security	Security Guard	Daily Wage	371	1100
31	Sajjad Hussain	Security	Security Guard	Daily Wage	371	1100
32	Muhammad Wali	Security	Security Guard	Daily Wage	371	1100
33	Rafique Ahmed	Security	Security Guard	Daily Wage	371	1100
34	Asif Khan	Security	Security Guard	Daily Wage	371	1100
35	Yasin Solangi	Security	Security Guard	Daily Wage	371	1100
36	Umar Din	Security	Security Guard	Daily Wage	371	1100
37	Munir Ali	Security	Security Guard	Daily Wage	371	1100
38	Mushtaq Ahmed	Security	Security Guard	Daily Wage	371	1100
39	Allah Dewayo	Security	Security Guard	Daily Wage	371	1100
40	Imtiaz Ahmed	Security	Security Guard	Daily Wage	371	1100
41	Muhammad Aslam	Security	Security Guard	Daily Wage	371	1100
42	Tarique	Security	Security Guard	Daily Wage	371	1100
43	Khan Muhammad Soomro	Security	Security Guard	Daily Wage	371	1100
44	Waseem Akhtar	Security	Security Guard	Daily Wage	371	1100
45	Mir Afzal	Security	Security Guard	Daily Wage	382	1400

46	Ghanwar Khan	Security	Security Guard	Daily Wage	371	1100
47	Asif	Security	Security Guard	Daily Wage	371	1100
48	Iqbal Ahmed	Security	Security Guard	Daily Wage	371	1100
49	Muhabat Ali Shah	Security	Security Guard	Daily Wage	371	1100
50	Muhammad Siddique	Security	Security Guard	Daily Wage	371	1100
51	Raza Muhammad	Security	Security Guard	Daily Wage	371	1100
52	Shah Muhammad Brohi	Security	Security Guard	Daily Wage	371	1100
53	Israr Ahmed	Security	Security Guard	Daily Wage	371	1100
54	Nasrullah Jan	Security	Security Guard	Daily Wage	371	1100
55	Shahbaz Ali	Security	Security Guard	Daily Wage	371	1100
56	Sikandar Ali	Security	Security Guard	Daily Wage	371	1100
57	Zahid Hussain	Security	Security Guard	Daily Wage	371	1100
58	Nazir Hussain (Gb)	Security	Security Guard	Daily Wage	371	1100
59	Muhammad Hanif	Security	Security Guard	Daily Wage	371	1100
60	Umar Daraz	Security	Security Guard	Daily Wage	371	1100

61	Kareem Dad	Security	Security Guard	Daily Wage	371	1100
62	Manthar Ali Rind	Security	Security Guard	Daily Wage	371	1100
63	Muhammad Ilyas	Security	Security Guard	Daily Wage	371	1100
64	Ghulam Rabbani	Security	Security Guard	Daily Wage	371	1100
65	Noor Ul Zaman	Security	Security Guard	Daily Wage	371	1100
66	Ashfaq Baig	Security	Security Guard	Daily Wage	371	1100
67	Iqbal Khan	Security	Security Guard	Daily Wage	371	1100
68	Muhkamdin	Security	Security Guard	Daily Wage	371	1100
69	Muhammad Alam	Security	Security Guard	Daily Wage	371	1100
70	Allah Obhayo	Security	Security Guard	Daily Wage	371	1100
71	Gul Javed	Security	Security Guard	Daily Wage	371	1100
72	Abdul Hafeez	Security	Security Guard	Daily Wage	371	1100
73	Manzoor Ali	Security	Security Guard	Daily Wage	371	1100
74	Bilal Ahmed	Security	Security Guard	Daily Wage	356	1167
75	Asif Raza	Security	Security Guard	Daily Wage	392	1334
76	Muhammad Saeed Anwar	Security	Security Guard	Daily Wage	392	1334
77	Nisar Ahmed	Security	Security Guard	Daily Wage	392	1334

78	Shahid Akhtar	Security	Security Guard	Daily Wage	392	1334
79	Zulfiqar Ahmed	Security	Security Guard	Daily Wage	392	1334
80	Mujhaid Ali	Security	Security Guard	Daily Wage	359	834
81	Gulsher	Security	Security Guard	Daily Wage	356	1167
82	Muhammad Iqbal	Security	Security Guard	Daily Wage	356	1167
83	Abdul Karim	Security	Security Guard	Daily Wage	356	1167
84	Hizbullah Shar	Security	Security Guard	Daily Wage	371	1100
85	Sajjad Haider	Security	Security Guard	Daily Wage	371	1100
86	Abdul Rasheed	Security	Security Guard	Daily Wage	371	1100
87	Sanya	Security	Security Guard	Daily Wage	359	834
88	Zia Ul Mustafa	Security	Security Guard	Daily Wage	359	834
89	Qamar Uddin	Security	Security Guard	Daily Wage	369	1000
90	Hazoor Bux	Security	Security Guard	Daily Wage	359	834
91	Ali Khan	Security	Security Guard	Daily Wage	359	834
92	Waseem	Security	Security Guard	Daily Wage	359	834
93	Ali Sher	Security	Security Guard	Daily Wage	369	1000
94	Syed Shamim Haider Naqvi	Security	Security Guard	Daily Wage	371	1100

95	Kamran Soomro	Security	Security Guard	Daily Wage	359	834
96	Muhammad Arif Khan	Security	Security Guard	Daily Wage	359	834
97	Muhammad Zaheer	Security	Security Guard	Daily Wage	359	834
98	Javed Ali	Security	Security Guard	Daily Wage	371	1100
99	Waseem	Security	Security Guard	Daily Wage	371	1100
100	Muhammad Ashraf	Security	Security Guard	Daily Wage	359	834
101	Sana Ullah Bugti	Security	Security Guard	Daily Wage	359	834
102	Yousaf Khan	Security	Security Guard	Daily Wage	382	1400
103	Khalid Umar	Security	Security Guard	Daily Wage	359	834
104	Abdul Wahid Brohi	Security	Security Guard	Daily Wage	359	834
105	Imtiaz Hussain Mirani	Security	Security Guard	Daily Wage	359	834
106	Kafeel Sarwar	Security	Security Guard	Daily Wage	359	834
107	Muhammad Hassain	Security	Security Guard	Daily Wage	359	834
108	Sultan Ahmed	Security	Security Guard	Daily Wage	359	834
109	Muhammad Ali	Security	Security Guard	Daily Wage	359	834
110	Muhammad Sachal	Security	Security Guard	Daily Wage	359	834

111	Zakir Ali	Security	Security Guard	Daily Wage	359	834
112	Muhammad Saleem	Security	Security Guard	Daily Wage	359	834
113	Pir Ahmed Khan	Security	Security Guard	Daily Wage	371	1100
114	Fida Hussain	Security	Security Guard	Daily Wage	359	834
115	Saeed Ullah Khan	Security	Security Guard	Daily Wage	371	1100
116	Muhammad Arshad	Security	Security Guard	Daily Wage	359	834
117	Aftab Iqbal	Security	Security Guard	Daily Wage	359	834
118	Ghulam Shabbir Jalbani	Security	Security Guard	Daily Wage	359	834
119	Sajan	Security	Security Guard	Daily Wage	359	834
120	Bashir Ahmed	Security	Security Guard	Daily Wage	359	834
121	Niaz Ali	Security	Security Guard	Daily Wage	359	834
122	Abdul Ghaffar Sial	Security	Security Guard	Daily Wage	359	834
123	Abdul Shakoor Soomro	Security	Security Guard	Daily Wage	359	834
124	Ali Hassan	Security	Security Guard	Daily Wage	359	834
125	Gul Machi	Security	Security Guard	Daily Wage	359	834
126	Gulzar Ahmed Mallah	Security	Security Guard	Daily Wage	359	834

127	Manthar Ali	Security	Security Guard	Daily Wage	359	834
128	Muhammad Khan	Security	Security Guard	Daily Wage	359	834
129	Muhammad Sharif	Security	Security Guard	Daily Wage	359	834
130	Muhammad Suleman	Security	Security Guard	Daily Wage	359	834
131	Muzaffar Hussain	Security	Security Guard	Daily Wage	359	834
132	Rajab Ali	Security	Security Guard	Daily Wage	359	834
133	Sabtain Ali	Security	Security Guard	Daily Wage	359	834
134	Muhammad Niaz	Security	Security Guard	Daily Wage	359	834
135	Mohsin Ali	Security	Security Guard	Daily Wage	359	834
136	Samar Abbas	Security	Security Guard	Daily Wage	359	834
137	Awal Noor	Security	Security Guard	Daily Wage	369	1000
138	Muhammad Asif	Security	Security Guard	Daily Wage	359	834
139	Ijaz Ahmed Khan	Security	Security Guard	Daily Wage	359	834
140	Muhammad	Security	Security Guard	Daily Wage	359	834
141	Abdul Rehman	Security	Security Guard	Daily Wage	359	834
142	Nek Muhammad	Security	Security Guard	Daily Wage	359	834

143	Wajid Ali	Security	Security Guard	Daily Wage	359	834
144	Syed Saqlain Abbas	Security	Security Guard	Daily Wage	359	834
145	Ashiq Hussain	Security	Security Guard	Daily Wage	359	834
146	Sono Khan	Security	Security Guard	Daily Wage	359	834
147	Shah Gul Khan	Security	Security Guard	Daily Wage	369	1000
148	Ali Asghar Soomro	Security	Security Guard	Daily Wage	359	834
149	Muhammad Hassan	Security	Security Guard	Daily Wage	359	834
150	Adnan M. Sohail	Security	Security Guard	Daily Wage	359	834
151	Asad	Security	Security Guard	Daily Wage	359	834
152	Masood Ur Rehman	Security	Security Guard	Daily Wage	359	834
153	Farid Gul	Security	Security Guard	Daily Wage	369	1000
154	Muhammad Nazeer	Security	Security Guard	Daily Wage	369	1000
155	Banaras Khan	Security	Security Guard	Daily Wage	369	1000
156	Zain Haider Khan	Security	Security Guard	Daily Wage	359	834
157	Noor Hussain	Security	Security Guard	Daily Wage	371	1100
158	Somar Gabar	Security	Security Guard	Daily Wage	369	1000

159	Abdul Wahid Ali	Security	Security Guard	Daily Wage	359	834
160	Rab Dino	Security	Security Guard	Daily Wage	369	1000
161	Khalil Ahmed	Security	Security Guard	Daily Wage	369	1000
162	Muhammad Ishaq	Security	Security Guard	Daily Wage	359	834
163	Faisal Azad Bhatti	Security	Security Guard	Daily Wage	369	1000
164	Abid Ali	Security	Security Guard	Daily Wage	359	834
165	Sikandar Ali	Security	Security Guard	Daily Wage	359	834
166	Mujadid Iqbal	Security	Security Guard	Daily Wage	359	834
167	Mukhtiar	Security	Security Guard	Daily Wage	359	834
168	Bashir Ahmed	Security	Security Guard	Daily Wage	369	1000
169	Roshan Ali	Security	Security Guard	Daily Wage	359	834
170	Aslam Parvez Bhutto	Security	Security Guard	Daily Wage	359	834
171	Muhammad Rahim	Security	Security Guard	Daily Wage	359	834
172	Nasir Ahmed	Security	Security Guard	Daily Wage	359	834
173	Abdul Qadir	Security	Security Guard	Daily Wage	371	1100
174	Ramzan Mallah	Security	Security Guard	Daily Wage	359	834

175	Muhammad Ismail	Security	Security Guard	Daily Wage	359	834
176	Naveed	Security	Security Guard	Daily Wage	359	834
177	Syed Ikhlaq Tabbassum	Security	Security Guard	Daily Wage	359	834
178	Abdul Fateh	Security	Security Guard	Daily Wage	359	834
179	Asif Ali	Security	Security Guard	Daily Wage	359	834
180	Ghulam Nabi	Security	Security Guard	Daily Wage	359	834
181	Amir Khan	Security	Security Guard	Daily Wage	369	1000
182	Zahoor Ahmed	Security	Security Guard	Daily Wage	369	1000
183	Imdad Ali Junejo	Security	Security Guard	Daily Wage	369	1000
184	Misri Shah	Security	Security Guard	Daily Wage	369	1000
185	Mustafa Kamal	Security	Security Guard	Daily Wage	369	1000
186	Barkat Ali	Security	Security Guard	Daily Wage	359	834
187	Ghulam Murtaza Abro	Security	Security Guard	Daily Wage	359	834
188	Hussain Bux	Security	Security Guard	Daily Wage	359	834
189	Muhammad Mazhar Khan	Security	Security Guard	Daily Wage	359	834
190	Riaz Ahmed Memon	Security	Security Guard	Daily Wage	369	1000

191	Iqbal Ali	Security	Security Guard	Daily Wage	371	1100
192	Muhammad Aslam	Security	Security Guard	Daily Wage	359	834
193	Muhammad Waqas	Security	Security Guard	Daily Wage	359	834
194	Ahsan Ali	Security	Security Guard	Daily Wage	359	834
195	Abdul Sattar	Security	Security Guard	Daily Wage	371	1100
196	Amir Ali	Security	Security Guard	Daily Wage	371	1100
197	Zulfiqar Ali	Security	Security Guard	Daily Wage	371	1100
198	Mumtaz Ali	Security	Security Guard	Daily Wage	371	1100
199	Abdul Salam	Security	Security Guard	Daily Wage	359	834
200	Imtiaz Hussain	Security	Security Guard	Daily Wage	359	834
					Total Rs.	195495x356
					G.T Wages	69596220
					Contract	6600000
					G.Total Rs.	76196220

Annex-91

(Para No.9.4.4.21)

Irregular and unjustified hiring of 369 employees on daily wages - Rs.54.495 million

Detail of daily wage employees hired during 2019-2021												
S #	Ame	Depart- ment	Cate- gory Code:	Rate Rs. Per Day	Engagement Period						No. of Days	Amount (Rs)
					From			To				
					DD	M M	YY	DD	M M	YY		
1	Ms. Fatima Javed	A&P Dte.	10102	3335	06	04	2021	26	12	2021	193	643,655
2	Atiq-Ur- Rahman	Guest House	10106	2500	25	08	2021	26	12	2021	91	227,500
3	Shahid Hussain Shah	Guest House	00362	1167	18	03	2021	26	12	2021	205	239,235
4	Harris Chouhan	Guest House	00364	667	12	11	2020	26	12	2021	283	188,761
5	Dildar Bhatti	Guest House	00338	667	22	06	2021	26	12	2021	138	92,046
6	Philips Naveed	Guest House	00030	834	26	04	2021	26	12	2021	179	149,286
7	Barnabas Sabir	Guest House	00364	667	26	04	2021	26	12	2021	179	119,393
8	Umair Ali	Guest House	00364	667	22	04	2021	26	12	2021	182	121,394
9	Hero	Guest House	00338	667	16	06	2021	26	12	2021	142	94,714
10	Vishan	Guest House	00338	667	24	11	2021	26	12	2021	19	12,673
11	Nasir	Guest House	00338	667	09	07	2021	26	12	2021	125	83,375
12	Abdul Rasheed	Guest House	00366	667	26	04	2021	26	12	2021	179	119,393
13	Nadir Hussain	Guest House	00370	834	22	04	2021	26	12	2021	182	151,788
14	Muhammad Junaid Hassan	Guest House	00276	1167	12	07	2021	26	12	2021	124	144,708
15	Muhammad Ali	Guest House	00370	667	14	07	2021	26	12	2021	122	81,374
16	Shakeel	Guest House	00338	667	06	06	2021	26	12	2021	149	99,383
17	Suresh	Guest House	00338	667	03	12	2021	26	12	2021	12	8,004
18	Amir Ali	Guest House	00006	834	29	09	2021	26	12	2021	63	52,542
19	Muhammad	Guest	00174	834	29	09	2021	26	12	2021	63	52,542

	Muqeem	House										
20	Raja Babar Jalbani	Guest House	00370	834	29	09	2021	26	12	2021	63	52,542
21	Muhammad Irfan	Guest House	00389	834	29	09	2021	26	12	2021	63	52,542
22	Khalil Ahmed	Guest House	00348	767	11	08	2021	26	12	2021	75	57,525
23	Muhammad Yamin Zuberi	Law	10068	2000	30	09	2021	26	12	2021	62	124,000
24	Dr. Ghulam Jafar Shah	Medical	10091	4000	10	11	2021	26	12	2021	29	116,000
25	Dr. Madiha Aslam	Medical	10021	1400	10	11	2021	26	12	2021	29	40,600
26	Dr. Saeeda Hamza	Medical	10087	1750	04	08	2020	26	12	2021	354	619,500
27	Dr. Summiya Akbar	Medical	10087	1750	06	05	2021	26	12	2021	170	297,500
28	Dr. Rabia Hameed	Medical	10087	1750	03	10	2020	26	12	2021	311	544,250
29	Dr. Raishum Mujahid Hussain	Medical	10088	1400	10	03	2021	26	12	2021	211	295,400
30	Dr. Saba Taba	Medical	10088	1400	03	05	2021	26	12	2021	173	242,200
31	Dr. Muhammad Mansoor	Vaccination Centre (Psh)	10087	1750	16	06	2021	26	12	2021	142	248,500
32	Dr. Mumtaz Fareed	Vaccination Centre (Psh)	10087	1750	16	06	2021	26	12	2021	142	248,500
33	Dr. Tahreem Jabbar	Vaccination Centre (Psh)	10087	1750	16	06	2021	26	12	2021	142	248,500
34	Mr. Stephenis Adeel	Vaccination Centre (Psh)	00376	800	16	06	2021	26	12	2021	142	113,600
35	Ms. Naila Julius	Vaccination Centre (Psh)	00376	800	16	06	2021	26	12	2021	142	113,600
36	Ms. Sughra	Vacci-	00376	800	16	06	2021	26	12	2021	142	113,600

	Andleeb	nation Centre (Psh)										
37	Ms. Shabana Khattoon	Vacci- nation Centre (Psh)	00376	800	16	06	2021	26	12	2021	142	113,600
38	Ms. Rubina Shahid	Vacci- nation Centre (Psh)	00377	800	21	06	2021	26	12	2021	140	112,000
39	Ms. Marry Mubarak	Vacci- nation Centre (Psh)	00378	667	14	06	2021	26	12	2021	144	96,048
40	Ms. Jameela Bibi	Vacci- nation Centre (Psh)	00378	667	22	10	2021	26	12	2021	46	30,682
41	Ms. Qaz Bano	Vacci- nation Centre (Psh)	00378	667	09	11	2021	26	12	2021	30	20,010
42	Ms. Humaira Saleem	Vacci- nation Centre (Psh)	00379	667	1 4	0 6	2021	26	12	202 1	144	96,048
43	Ms. Filmeena Arif	Vacci- nation Centre (Psh)	00379	667	14	06	2021	26	12	2021	144	96,048
44	Mr. Naveed Ali	Public Relations	00365	1000	26	04	2021	26	12	2021	178	178,000
45	Maj Muhammad Baqaar	Security	10067	5000	12	03	2021	26	12	2021	209	1,045,000
46	Maj Muhammad Ali	Security	10067	5000	09	03	2021	26	12	2021	212	1,060,000
47	Kafeel Sarwar	Security	00350	667	01	12	2021	26	12	2021	18	12,006
48	Muhammad Hussain	Security	00350	667	01	12	2021	26	12	2021	18	12,006
49	Imtiaz Hussain	Security	00350	667	01	12	2021	26	12	2021	18	12,006
50	Sajid	Security	00350	667	06	12	2021	26	12	2021	15	10,005
51	Waqas Ali Bhutto	Security	00350	667	11	12	2021	26	12	2021	10	6,670
52	Sultan	Security	00350	667	11	12	2021	26	12	2021	10	6,670

	Ahmed											
53	Fida Hussain	Security	00350	667	11	12	2021	26	12	2021	10	6,670
54	Abdul Salam	Security	00350	667	11	12	2021	26	12	2021	10	6,670
55	Allah Wasayo	Security	00350	667	04	12	2020	26	12	2021	265	176,755
56	Jamil Ahmed	Security	00350	667	04	12	2020	26	12	2021	265	176,755
57	Manzoor Ahmed	Security	00350	667	04	12	2020	26	12	2021	265	176,755
58	Muhammad Imran	Security	00350	667	25	04	2021	26	12	2021	177	118,059
59	Muhammad Irfan Palijo	Security	00350	667	04	12	2020	26	12	2021	265	176,755
60	Naseebo Khan	Security	00350	667	04	12	2020	26	12	2021	265	176,755
61	Nasrullah Jokhio	Security	00350	667	04	12	2020	26	12	2021	265	176,755
62	Saifal Jokhio	Security	00350	667	04	12	2020	26	12	2021	265	176,755
63	Sajid Ali	Security	00350	667	04	12	2020	26	12	2021	265	176,755
64	Sarwar Ahmed	Security	00350	667	04	12	2020	26	12	2021	265	176,755
65	Sohrab Mirbehar	Security	00350	667	04	12	2020	26	12	2021	265	176,755
66	Allah Dino	Security	00350	667	04	12	2020	26	12	2021	265	176,755
67	Khuda Dino	Security	00350	667	04	12	2020	26	12	2021	265	176,755
68	Muhammad Yasin	Security	00350	667	04	12	2020	26	12	2021	265	176,755
69	Zain Ul Aabiden	SECURITY	00350	667	04	12	2020	26	12	2021	265	176,755
70	Zubair Ali	Security	00350	667	04	12	2020	26	12	2021	265	176,755
71	Abdul Rehman	Security	00350	667	04	12	2020	26	12	2021	265	176,755
72	Muhammad Akram	Security	00350	667	04	12	2020	26	12	2021	265	176,755
73	Muhammad Hassan	Security	00350	667	04	12	2020	26	12	2021	265	176,755
74	Muhammad Sami Khan	Security	00350	667	04	12	2020	26	12	2021	265	176,755
75	Jumman	SECURITY	00350	667	04	12	2020	26	12	2021	265	176,755
76	Khan Muhammad	Security	00350	667	04	12	2020	26	12	2021	265	176,755
77	Mashooque Ali	Security	00350	667	04	12	2020	26	12	2021	265	176,755

78	Muhammad Ashraf Jokhio	Security	00350	667	04	12	2020	26	12	2021	265	176,755
79	Munawar Ali	Security	00350	667	04	12	2020	26	12	2021	265	176,755
80	Nadir Ali	Security	00350	667	04	12	2020	26	12	2021	265	176,755
81	Noor Din	Security	00350	667	04	12	2020	26	12	2021	265	176,755
82	Noor-Ul-Ameen	Security	00350	667	04	12	2020	26	12	2021	265	176,755
83	Rizwan Ul Haq	Security	00350	667	04	12	2020	26	12	2021	265	176,755
84	Samiullah Jokhio	Security	00350	667	04	12	2020	26	12	2021	265	176,755
85	Shah Nawaz	Security	00350	667	04	12	2020	26	12	2021	265	176,755
86	Shah Nawaz Khoso	Security	00350	667	04	12	2020	26	12	2021	265	176,755
87	Imtiaz Hussain	Security	00350	667	04	12	2020	26	12	2021	265	176,755
88	Abdul Hameed	Security	00350	667	04	12	2020	26	12	2021	265	176,755
89	Mumtaz Ali	Security	00350	667	04	12	2020	26	12	2021	265	176,755
90	Akram Ali	Security	00350	667	04	12	2020	26	12	2021	265	176,755
91	Anwar Ali Solangi	Security	00350	667	04	12	2020	26	12	2021	265	176,755
92	Aughan Ali	Security	00350	667	04	12	2020	26	12	2021	265	176,755
93	Imdad Ali	Security	00350	667	04	12	2020	26	12	2021	265	176,755
94	Jaif Masih	Security	00350	667	04	12	2020	26	12	2021	265	176,755
95	Javed Chohan	Security	00350	667	04	12	2020	26	12	2021	265	176,755
96	Khalil Ahmed	Security	00350	667	04	12	2020	26	12	2021	265	176,755
97	Muhammad Arslan	Security	00350	667	04	12	2020	26	12	2021	265	176,755
98	Muhammad Hussnain	Security	00350	667	04	12	2020	26	12	2021	265	176,755
99	Muhammad Iqbal	Security	00350	667	04	12	2020	26	12	2021	265	176,755
100	Muhammad Muslim	Security	00350	667	04	12	2020	26	12	2021	265	176,755
101	Muhammad Nawaz	Security	00350	667	04	12	2020	26	12	2021	265	176,755
102	Muhamma d Tanveer Abbas	Security	00350	667	04	12	2020	26	12	2021	265	176,755
103	Mukhtiar Ahmed	Security	00350	667	04	12	2020	26	12	2021	265	176,755

	Solangi											
104	Munir Ahmed	Security	00350	667	04	12	2020	26	12	2021	265	176,755
105	Nazakat Ali	Security	00350	667	04	12	2020	26	12	2021	265	176,755
106	Noroz Khan	Security	00350	667	04	12	2020	26	12	2021	265	176,755
107	Pasand Ali	Security	00350	667	04	12	2020	26	12	2021	265	176,755
108	Saddam Hussain	Security	00350	667	04	12	2020	26	12	2021	265	176,755
109	Sanobar Ali Khan	Security	00350	667	23	01	2021	26	12	2021	247	164,749
110	Shahid Ullah	Security	00350	667	04	12	2020	26	12	2021	265	176,755
111	Zahoor Ahmed	Security	00350	667	04	12	2020	26	12	2021	265	176,755
112	Zahoor Elahi	Security	00350	667	04	12	2020	26	12	2021	265	176,755
113	Awais Ali Bhatti	Security	00350	667	04	12	2020	26	12	2021	265	176,755
114	Babal Khan Jeho	Security	00350	667	04	12	2020	26	12	2021	265	176,755
115	Ghulam Mustafa	Security	00350	667	04	12	2020	26	12	2021	265	176,755
116	Kamal Uddin	Security	00350	667	04	12	2020	26	12	2021	265	176,755
117	Karu Jokhio	Security	00350	667	04	12	2020	26	12	2021	265	176,755
118	Khadim Hussain	Security	00350	667	04	12	2020	26	12	2021	265	176,755
119	Manzoor Hussain	Security	00350	667	04	12	2020	26	12	2021	265	176,755
120	Muhammad Latif	Security	00350	667	04	12	2020	26	12	2021	265	176,755
121	Muhammad Rafiq	Security	00350	667	04	12	2020	26	12	2021	265	176,755
122	Muhammad Umar	Security	00350	667	04	12	2020	26	12	2021	265	176,755
123	Najam Din Soomro	Security	00350	667	04	12	2020	26	12	2021	265	176,755
124	Rab Nawaz	Security	00350	667	04	12	2020	26	12	2021	265	176,755
125	Shah Nawaz	Security	00350	667	04	12	2020	26	12	2021	265	176,755
126	Shaman	SECURITY	00350	667	04	12	2020	26	12	2021	265	176,755
127	Siddique Ahmed	Security	00350	667	04	12	2020	26	12	2021	265	176,755
128	Ghulam Kabir	Security	00350	667	04	12	2020	26	12	2021	265	176,755

129	Hakim Ali Soomro	Security	00350	667	04	12	2020	26	12	2021	265	176,755
130	Khaliq Ul Zaman	Security	00350	667	04	12	2020	26	12	2021	265	176,755
131	Rizwan Ahmed	Security	00350	667	04	12	2020	26	12	2021	265	176,755
132	Qurban Ali	Security	00350	667	-	-	-	26	12	2021		-
133	Muhammad Ali	Security	00350	667	26	11	2021	26	12	2021	25	16,675
134	Riaz Ali	Security	00350	667	06	12	2021	26	12	2021	18	12,006
135	Maqsood Ahmed	Security	00350	667	06	12	2021	26	12	2021	18	12,006
136	Abdul Rashid	Security	00350	667	06	12	2021	26	12	2021	18	12,006
137	Pir Ahmed Khan	Security	00350	667	06	12	2021	26	12	2021	18	12,006
138	Muhammad Sachal	Security	00350	667	02	12	2021	26	12	2021	21	14,007
139	Zakir Ali	Security	00350	667	02	12	2021	26	12	2021	21	14,007
140	Zahid Ali	Security	00350	667	02	12	2021	26	12	2021	21	14,007
141	Muhammad Ali	Security	00350	667	02	12	2021	26	12	2021	21	14,007
142	Ahmed Aijaz	Security	00350	667	02	12	2021	26	12	2021	21	14,007
143	Muhammad Ali	Security	00350	667	02	12	2021	26	12	2021	21	14,007
144	Muhammad Saleem	Security	00350	667	02	12	2021	26	12	2021	21	14,007
145	Imran Khan	Security	00350	667	01	12	2021	26	12	2021	22	14,674
146	Muhammad Arif Khan	Security	00350	667	01	12	2021	26	12	2021	22	14,674
147	Khalid Umar	Security	00350	667	30	11	2021	26	12	2021	24	16,008
148	Ayaz Ahmed Chohan	Security	00352	1350	04	12	2020	26	12	2021		
149	Gulsher	SECURITY	00353	1183	11	08	2021	26	12	2021	80	94,640
150	Muhammad Iqbal	Security	00353	1183	11	08	2021	26	12	2021	80	94,640
151	Sajid Shah	Security	00354	1083	04	12	2020	26	12	2021	265	286,995
152	Bilal Ahmed	Security	00354	1083	02	11	2021	26	12	2021	20	21,660
153	Sajjad Haider	Security	00355	1050	12	11	2021	26	12	2021	20	21,000
154	Muhammad Zeeshan Khan	Security	00355	1050	04	12	2020	26	12	2021	265	278,250

155	Ali Ghulam	Security	00355	1050	04	12	2020	26	12	2021	265	278,250
156	Syed Shamim Haider Naqvi	Security	00355	1050	23	11	2021	26	12	2021	29	30,450
157	Soonharo Khan	Security	00356	1167	04	12	2020	26	12	2021	265	309,255
158	Khadim Hussain	Security	00358	1500	18	03	2021	26	12	2021	210	315,000
159	Mukhtiar Ali Shah	Security	00359	833	20	11	2021	26	12	2021	30	24,990
160	Mujhaid Ali	Security	00359	833	05	11	2021	26	12	2021	41	34,153
161	Mujadid Iqbal	Security	00359	833	05	11	2021	26	12	2021	41	34,153
162	Zahid Ali Khokhar	Security	00359	833	13	08	2021	26	12	2021	103	85,799
163	Muhammad Zaheer	Security	00359	833	26	11	2021	26	12	2021	26	21,658
164	Abdul Ghafoor	Security	00359	833	04	12	2020	26	12	2021	265	220,745
165	Ashfaq Ahmed	Security	00359	833	23	11	2021	26	12	2021	29	24,157
166	Saifuddin	SECURITY	00359	833	04	12	2020	26	12	2021	265	220,745
167	Aamir Ali	Security	00359	833	22	06	2021	26	12	2021	143	119,119
168	Abdul Fateh	Security	00359	833	04	12	2020	26	12	2021	265	220,745
169	Waseem	SECURITY	00359	833	19	11	2021	26	12	2021	31	25,823
170	Ali Khan	Security	00359	833	19	11	2021	26	12	2021	31	25,823
171	Mazhar Masih	Security	00359	833	30	06	2021	26	12	2021	137	114,121
172	Zia Ul Mustafa	Security	00359	833	18	11	2021	26	12	2021	31	25,823
173	Sanya	SECURITY	00359	833	15	11	2021	26	12	2021	35	29,155
174	Muhammad Muzamil	Security	00359	833	19	07	2021	26	12	2021	129	107,457
175	Waseem Babar	Security	00359	833	02	08	2021	26	12	2021	117	97,461
176	Ziaullah	SECURITY	00359	833	16	09	2021	26	12	2021	82	68,306
177	Akhtiar Hussain	Security	00368	1000	26	04	2021	26	12	2021	189	189,000
178	Mumtaz Ali	Security	00369	1000	04	12	2020	26	12	2021	265	265,000
179	Hamza	Security	00369	1000	30	06	2021	26	12	2021	137	137,000

	Ahmed											
180	Muhammad Munawar	Security	00369	1000	24	05	2021	26	12	2021	164	164,000
181	Muhammad Tariq	Security	00369	1000	04	12	2020	26	12	2021	265	265,000
182	Shahan Khan	Security	00369	1000	04	12	2020	26	12	2021	265	265,000
183	Waseef Ullah	Security	00369	1000	04	12	2020	26	12	2021	265	265,000
184	Ali Sher	Security	00369	1000	23	11	2021	26	12	2021	29	29,000
185	Faisal Azad Bhatti	Security	00369	1000	30	07	2021	26	12	2021	117	117,000
186	Qamar Uddin	Security	00369	1000	16	09	2021	26	12	2021	77	77,000
187	Ashfaq Baig	Security	00371	1100	14	10	2021	26	12	2021	56	61,600
188	Hazir Jan	Security	00371	1100	21	10	2021	26	12	2021	52	57,200
189	Iqbal Khan	Security	00371	1100	14	10	2021	26	12	2021	56	61,600
190	Junaid	SECURITY	00371	1100	16	07	2021	26	12	2021	125	137,500
191	Muhabat Ali Shah	Security	00371	1100	26	09	2021	26	12	2021	70	77,000
192	Muhammad Alam	Security	00371	1100	21	10	2021	26	12	2021	52	57,200
193	Muhammad Hanif	Security	00371	1100	05	10	2021	26	12	2021	63	69,300
194	Muhammad Ramzan	Security	00371	1100	10	08	2021	26	12	2021	106	116,600
195	Muhammad Wali	Security	00371	1100	20	08	2021	26	12	2021	99	108,900
196	Nasrullah Jan	Security	00371	1100	29	09	2021	26	12	2021	68	74,800
197	Noor Hassan	Security	00371	1100	05	07	2021	26	12	2021	134	147,400
198	Rao Muhammad Faizan	Security	00371	1100	16	07	2021	26	12	2021	125	137,500
199	Talib Hussain	Security	00371	1100	29	07	2021	26	12	2021	118	129,800
200	Waseem Akhtar	Security	00371	1100	13	09	2021	26	12	2021	80	88,000
201	Mahir Ali	Security	00371	1100	22	06	2021	26	12	2021	70	77,000
202	Shahbaz Ali	Security	00371	1100	29	09	2021	26	12	2021	143	157,300
203	Syed Aqeel Muslim	Security	00371	1100	25	04	2021	26	12	2021	68	74,800
204	Allah Dewayo	Security	00371	1100	11	09	2021	26	12	2021	184	202,400

205	Allah Obhayo	Security	00371	1100	27	09	2021	26	12	2021	80	88,000
206	Abdul Rasheed	Security	00371	1100	13	11	2021	26	12	2021	70	77,000
207	Asif	SECURITY	00371	1100	26	09	2021	26	12	2021	35	38,500
208	Ghanwar Khan	Security	00371	1100	24	09	2021	26	12	2021	70	77,000
209	Inayat Ali	Security	00371	1100	04	12	2020	26	12	2021	71	78,100
210	Nawazish Ali	Security	00371	1100	04	12	2020	26	12	2021	265	291,500
211	Raza Muhammad	Security	00371	1100	27	09	2021	26	12	2021	265	291,500
212	Shah Muhammad Brohi	Security	00371	1100	27	09	2021	26	12	2021	70	77,000
213	Shan Muhammad	Security	00371	1100	-	-	-	26	12	2021		-
214	Gul Jawad	Security	00371	1100	27	09	2021	26	12	2021	70	77,000
215	Imtiaz Ahmed Khushik	Security	00371	1100	11	09	2021	26	12	2021	80	88,000
216	Muhammad Aslam	Security	00371	1100	11	09	2021	26	12	2021	80	88,000
217	Tarique	SECURITY	00371	1100	11	09	2021	26	12	2021	80	88,000
218	Abdul Aziz	Security	00371	1100	08	10	2021	26	12	2021	60	66,000
219	Abdul Latif	Security	00371	1100	01	08	2021	26	12	2021	112	123,200
220	Allah Dad	Security	00371	1100	01	08	2021	26	12	2021	112	123,200
221	Amanullah Khan	Security	00371	1100	29	07	2021	26	12	2021	118	129,800
222	Attai Khan	Security	00371	1100	07	10	2021	26	12	2021	61	67,100
223	Hamdullah	Security	00371	1100	13	08	2021	26	12	2021	98	107,800
224	Hassan Din	Security	00371	1100	19	06	2021	26	12	2021	144	158,400
225	Imam Bakhsh	Security	00371	1100	28	06	2021	26	12	2021	139	152,900
226	Imran Zaman	Security	00371	1100	01	04	2021	26	12	2021	201	221,100
227	Iqbal Ahmed	Security	00371	1100	27	09	2021	26	12	2021	70	77,000
228	Israr Ahmed	Security	00371	1100	29	09	2021	26	12	2021	68	74,800
229	Kareem Dad	Security	00371	1100	07	10	2021	26	12	2021	61	67,100
230	Manthar Ali Rind	Security	00371	1100	07	10	2021	26	12	2021	61	67,100
231	Muhammad Arslan	Security	00371	1100	04	12	2020	26	12	2021	265	291,500

232	Muhammad Ashraf	Security	00371	1100	20	08	2021	26	12	2021	99	108,900
233	Muhammad Hussain	Security	00371	1100	19	07	2021	26	12	2021	124	136,400
234	Muhammad Ibrahim	Security	00371	1100	10	08	2021	26	12	2021	106	116,600
235	Muhammad Shafiq	Security	00371	1100	22	06	2021	26	12	2021	143	157,300
236	Muhammad Shan	Security	00371	1100	30	06	2021	26	12	2021	137	150,700
237	Muhammad Sharif	Security	00371	1100	10	08	2021	26	12	2021	106	116,600
238	Muhammad Siddique	Security	00371	1100	27	09	2021	26	12	2021	70	77,000
239	Muhammad Tahir	Security	00371	1100	20	08	2021	26	12	2021	99	108,900
240	Muhkamdin	SECURITY	00371	1100	18	10	2021	26	12	2021	54	59,400
241	Manzoor Ali	Security	00371	1100	01	11	2021	26	12	2021	45	49,500
242	Muhammad Javed	Security	00371	1100	01	11	2021	26	12	2021	45	49,500
243	Abdul Hafeez	Security	00371	1100	01	11	2021	26	12	2021	45	49,500
244	Abdul Karim	Security	00371	1100	09	11	2021	26	12	2021	39	42,900
245	Mukhtiar Hussain	Security	00371	1100	29	07	2021	26	12	2021	118	129,800
246	Nazeer Hussain	Security	00371	1100	16	08	2021	26	12	2021	116	127,600
247	Nazir Ahmed Solangi	Security	00371	1100	11	08	2021	26	12	2021	119	130,900
248	Nazir Hussain	Security	00371	1100	01	10	2021	26	12	2021	65	71,500
249	Niaz Hussain	Security	00371	1100	01	08	2021	26	12	2021	112	123,200
250	Noor Alam Khan	Security	00371	1100	22	09	2021	26	12	2021	72	79,200
251	Noor Ul Zaman	Security	00371	1100	11	10	2021	26	12	2021	59	64,900
252	Shah Rais Khan	Security	00371	1100	13	09	2021	26	12	2021	80	88,000
253	Shakoor Ali	Security	00371	1100	19	07	2021	26	12	2021	124	136,400
254	Sikandar Ali	Security	00371	1100	29	09	2021	26	12	2021	68	74,800
255	Sohbat	Security	00371	1100	13	08	2021	26	12	2021	98	107,800
256	Suhrab	Security	00371	1100	11	08	2021	26	12	2021	100	110,000

257	Umar Daraz	Security	00371	1100	05	10	2021	26	12	2021	63	69,300
258	Zahid Hussain	Security	00371	1100	29	09	2021	26	12	2021	68	74,800
259	Zulfiqar Ali	Security	00371	1100	29	07	2021	26	12	2021	118	129,800
260	Abdul Rashid	Security	00371	1100	15	09	2021	26	12	2021	78	85,800
261	Ghulam Hussain	Security	00371	1100	02	08	2021	26	12	2021	112	123,200
262	Hizbullah Shar	Security	00371	1100	11	10	2021	26	12	2021	59	64,900
263	Khan Muhammad Soomro	Security	00371	1100	13	09	2021	26	12	2021	80	88,000
264	Muhammad Bux	Security	00371	1100	13	08	2021	26	12	2021	98	107,800
265	Muhammad Ilyas	Security	00371	1100	07	10	2021	26	12	2021	61	67,100
266	Rafique Ahmed	Security	00371	1100	20	08	2021	26	12	2021	99	108,900
267	Sanaullah	SECURITY	00371	1100	22	06	2021	26	12	2021	143	157,300
268	Shamas Din	Security	00371	1100	29	07	2021	26	12	2021	118	129,800
269	Abdul Hameed	Security	00371	1100	11	08	2021	26	12	2021	100	110,000
270	Abdul Majeed	Security	00371	1100	30	07	2021	26	12	2021	117	128,700
271	Ahsan Ali	Security	00371	1100	22	06	2021	26	12	2021	143	157,300
272	Ansar Ali	Security	00371	1100	12	08	2021	26	12	2021	104	114,400
273	Arbaz Khan	Security	00371	1100	30	06	2021	26	12	2021	137	150,700
274	Asif Khan	Security	00371	1100	23	08	2021	26	12	2021	98	107,800
275	Ghulam Rabbani	Security	00371	1100	07	10	2021	26	12	2021	61	67,100
276	Khalid Hussain	Security	00371	1100	25	07	2021	26	12	2021	115	126,500
277	Muhammad Bux	Security	00371	1100	16	08	2021	26	12	2021	99	108,900
278	Zulfiqar Ali	Security	00371	1100	23	08	2021	26	12	2021	98	107,800
279	Muneer Ali	Security	00371	1100	03	09	2021	26	12	2021	85	93,500
280	Rajab Ali Solangi	Security	00371	1100	11	08	2021	26	12	2021	105	115,500
281	Sajjad Hussain	Security	00371	1100	17	08	2021	26	12	2021	101	111,100
282	Gulab Hussain	Security	00371	1100	05	08	2021	26	12	2021	109	119,900

283	Gul Feroz	Security	00371	1100	16	09	2021	26	12	2021	83	91,300
284	Hashim	SECURITY	00371	1100	16	08	2021	26	12	2021	99	108,900
285	Muhammad Arab	Security	00371	1100	14	07	2021	26	12	2021	127	139,700
286	Mushtaque Ahmed	Security	00371	1100	08	09	2021	26	12	2021	83	91,300
287	Wahid Bakhsh	Security	00371	1100	10	08	2021	26	12	2021	104	114,400
288	Yasin Solangi	Security	00371	1100	27	08	2021	26	12	2021	102	112,200
289	Munwer Hussain	Security	00371	1100	10	03	2021	26	12	2021	216	237,600
290	Umar Din	Security	00371	1100	30	06	2021	26	12	2021	137	150,700
291	Nazeer Hussain	Security	00371	1100	24	07	2021	26	12	2021	115	126,500
292	Muhammad Yaqoob	Security	00380	1600	23	06	2021	26	12	2021	142	227,200
293	Mumtaz Khan	Security	00382	1400	29	07	2021	26	12	2021	116	162,400
294	Inayat Ullah	Security	00382	1400	19	07	2021	26	12	2021	124	173,600
295	Muhammad Hassan	Security	00382	1400	19	07	2021	26	12	2021	124	173,600
296	Shafique Ahmed	Security	00382	1400	19	07	2021	26	12	2021	124	173,600
297	Yousaf Khan	Security	00382	1400	29	11	2021	26	12	2021	25	35,000
298	Amir Alam	Security	00382	1400	25	07	2021	26	12	2021	121	169,400
299	Mir Afzal	Security	00382	1400	14	09	2021	26	12	2021	79	110,600
300	Aslam Moin Danishman di	Security	00390	1834	04	11	2021	26	12	2021	42	77,028
301	Muhammad Saeed Anwar	Security	00392	1334	04	11	2021	26	12	2021	42	56,028
302	Nisar Ahmed	Security	00392	1334	04	11	2021	26	12	2021	42	56,028
303	Muhammad Rizwan	Security	00392	1334	04	11	2021	26	12	2021	42	56,028
304	Shahid Akhtar	Security	00392	1334	04	11	2021	26	12	2021	42	56,028
305	Asif Raza	Security	00392	1334	04	11	2021	26	12	2021	42	56,028
306	Zulfiqar Ahmed	Security	00392	1334	04	11	2021	26	12	2021	42	56,028
307	Maj. Fida Hussain (R)	Security	10067	5000	27	05	2021	26	12	2021	161	805,000
308	Arif Masih	Township	00333	667	18	12	2019	26	12	2021		-

309	Mr. Habib	Township	00068	700	05	01	2021	26	12	2021	261	182,700
310	Mr. Alamgir	Township	00068	700	05	01	2021	26	12	2021	261	182,700
311	Mr. Peer Bux	Township	00068	700	05	01	2021	26	12	2021	261	182,700
312	Mr. Jahngir Hussain	Township	00068	700	05	01	2021	26	12	2021	261	182,700
313	Mr. Rasool Bux	Township	00336	667	05	01	2021	26	12	2021	261	174,087
314	Mr. Azeem	Township	00336	667	05	01	2021	26	12	2021	261	174,087
315	Mr. Nazim Hussain Jokhio	Township	00336	667	05	01	2021	26	12	2021	261	174,087
316	Mr. Muhammad Ghayyas Khan	Township	00336	667	05	01	2021	26	12	2021	261	174,087
317	Mr. Feroz Ahmed	Corporate Sectt.	10040	3500	26	06	2020	26	12	2021	380	1,330,000
318	Mr. Muhammad Iqbal	Cdb	10100	5000	12	04	2021	26	12	2021	194	970,000
319	Mr. Shahid Waseem Ansari	Cdb	00335	1500	25	02	2021	26	12	2021	225	337,500
320	Mr. Muhammad Kaleem	Education	00381	1200	06	09	2021	26	12	2021	85	102,000
321	Ms. Inteha Pirzada	Education	00383	1200	06	09	2021	26	12	2021	85	102,000
322	Hafiz Jawwad Lakhani	Accounts	10062	3000	16	09	2019	26	12	2021		-
323	Mr. Muhammad Adnan Mussani	Accounts	10063	2000	07	07	2021	26	12	2021	132	264,000
324	Mr. Aizaz Haider	Accounts	10096	3000	09	07	2021	26	12	2021	130	390,000
325	Mr. Muhammad Kamran	Accounts	10108	2500	13	09	2021	10	12	2021	129	322,500
326	Mr. Ather Saeed Khan	Accounts	10108	2500	20	09	2021	10	12	2021	75	187,500
327	Mr. Mobin Ahmed	Accounts	10108	2500	13	09	2021	10	12	2021	129	322,500
328	Mr. Ali Ahmed	Accounts	10109	2200	13	09	2021	10	12	2021	129	283,800

	Arman											
329	Mr. Saif Ali Khan	Accounts	10109	2200	13	09	2021	10	12	2021	129	283,800
330	Hafiz Muhammad Hasan Zeb Zafar	Accounts	10111	3600	29	09	2021	26	12	2021	68	244,800
331	Ms. Asia Zareen	Finance	10051	1400	22	10	2020	26	12	2021	297	415,800
332	Mr. Abid Hussain	Billet Mill	10068	2000	01	07	2021	26	12	2021	128	256,000
333	Mr. Mushtaq Ali	Bwsd	10109	2200				26	12	2021		-
334	Mr. Liaqat Ali Asif	Bwsd	10109	2200	25	11	2021	26	12	2021	27	59,400
335	Syed Altaf Hussain Jafri	Bwsd	01111	1500				26	12	2021		-
336	Mr. Muhammad Moosa	Bwsd	10068	2000	01	07	2021	26	12	2021	128	256,000
337	Mr. Nafeer Gul	Bwsd	01111	1500	08	02	2021	26	12	2021	238	357,000
338	Mr. Ghulam Mustafa	Bwsd	00361	1000	20	04	2021	26	12	2021	188	188,000
339	Mr. Hamzo	Bwsd	00361	1000	01	07	2021	26	12	2021	128	128,000
340	Mr. Riaz Masih	Bwsd	00361	1000	20	04	2021	26	12	2021	188	188,000
341	Mr. Nasir Ali	Bwsd	00361	1000	20	04	2021	26	12	2021	188	188,000
342	Mr. Noor Hassan	Bwsd	00361	1000	20	04	2021	26	12	2021	188	188,000
343	Mr. Naseem Akhtar	Bwsd	00361	1000	01	07	2021	26	12	2021	128	128,000
344	Mr. Immam Bux	Bwsd	00361	1000	01	07	2021	26	12	2021	128	128,000
345	Mr. Hamza Maqsood	Bwsd	00361	1000	01	07	2021	26	12	2021	128	128,000
346	Mr. Muhammad Rehan Asif	Bwsd	00361	1000	24	03	2021	26	12	2021	207	207,000
347	Mr. Muhammad Ashraf	Bwsd	00361	1000	01	07	2021	26	12	2021	128	128,000
348	Mr. Raja	Bwsd	00361	1000	24	03	2021	26	12	2021	207	207,000

	Karim											
349	Mr. Rustam Ali Soomro	Bwsd	00361	1000	24	03	2021	26	12	2021	207	207,000
350	Mr. Imdad Ali Jokhio	Bwsd	00361	1000	24	03	2021	26	12	2021	207	207,000
351	Mr. Ghulam Sarwar	Bwsd	00361	1000	01	07	2021	26	12	2021	128	128,000
352	Mr. Allah Buksh Mirbahr	Bwsd	00361	1000	24	03	2021	26	12	2021	207	207,000
353	Mr. Abdul Farhad Paliyo	Bwsd	00361	1000	24	03	2021	26	12	2021	207	207,000
354	Mr. Shakeel Ahmed Jokhio	Bwsd	00361	1000	24	03	2021	26	12	2021	128	128,000
355	Mr. Ayaz Latif	Bwsd	00361	1000	01	07	2021	26	12	2021	128	128,000
356	Mr. Ghulam Mustafa Shaikh	Bwsd	00361	1000	24	03	2021	26	12	2021	128	128,000
357	Mr. Muhammad Aslam Meer Bahar	Bwsd	00361	1000	24	03	2021	26	12	2021	128	128,000
358	Mr. Fahim Jokhio	Bwsd	00361	1000	01	07	2021	26	12	2021	128	128,000
359	Mr. Sudheer	Bwsd	00361	1000	01	07	2021	26	12	2021	128	128,000
360	Mr. Asif Ali Mirhabar	Bwsd	00361	1000	01	07	2021	26	12	2021	128	128,000
361	Mr. Naveed	Bwsd	00361	1000	01	07	2021	26	12	2021	128	128,000
362	Mr. Sirajuddin	Bwsd	00361	1000	01	07	2021	26	12	2021	128	128,000
363	Mr. Mazhar Ali Memon	Bwsd	00361	1000	01	07	2021	26	12	2021	128	128,000
364	Mr. Noman	Bwsd	00361	1000	01	07	2021	26	12	2021	128	128,000
365	Mr. Ahmed Ali Mir Bhar	Bwsd	00361	1000	01	07	2021	26	12	2021	128	128,000
366	Mr. Shahjahan	Bwsd	00361	1000	01	07	2021	26	12	2021	128	128,000

	Soomro											
367	Mr. Abdul Aziz Palijo	Bwsd	00361	1000	01	07	2021	26	12	2021	128	128,000
368	Mr. Pasha Karim Jokhio	Bwsd	00361	1000	01	07	2021	26	12	2021	128	128,000
369	Mr. Fayyaz Ahmed	Bwsd	00361	1000	20	04	2021	26	12	2021	188	188,000
	Total:											54,494,818

Annex-92
(Para No.9.4.4.25)

**Irregular promotion from Assistant Managers to Deputy Managers –
Rs. 4.827 million**

LIST OF EMPLOYEES WHO RETRENCHED.RETIRED.EXPIRED & RETAINED					
S #	P. No.	NAME	DESIGNATION	DEPT	STATUS
01	146404	Muhammad Iqbal	D.M	I.M.D	Retrenched
02	216585	Muhammad Akram	D.M	PURCHASE	Retrenched
03	241806	Muhammad Ashraf	D.M	H.S.M	Retrenched
04	244201	Arshad Ali	D.M	H.S.M	Retrenched
05	244651	Abdul Jabbar	D.M	H.S.M	Retrenched
06	245399	Ali Sher Memon	D.M	H.S.M	Retrenched
07	245887	Manzoor Elahi	D.M	H.S.M	Retrenched
08	247138	Muhammad Shafiq	D.M	H.S.M	Retrenched
09	247189	Shahabudin Saddar	D.M	CMD-F&PM	Retrenched
10	247863	Moazzam Ali	D.M	PROCESS LAB	Retrenched
11	282413	Ghulam Mustafa	D.M	I.M.D	Retrenched
12	304646	Shahid Mehmood	D.M	SAFETY	Retrenched
13	305618	Syed Jafar Raza	D.M	RAILWAY	Retrenched
14	306061	Ghulam Murtaza	D.M	H.S.M	Retrenched
15	307319	Tarique Mahmood	D.M	COBP	Retrenched
16	309346	Muhammad Anwar	D.M	CRM	Retrenched
17	316903	Rao Muhd.Ahtesham kh	D.M	CRM	Retrenched
18	317152	Muhammad Nisar	D.M	I.M.D	Retrenched
19	317187	Mansoor Ali Khan	D.M	I.M.D	Retrenched
20	317829	Muhammad Bashir	D.M	CRM	Retrenched
21	317918	Muhammad Asif Massod	D.M	CRM	Retrenched
22	318078	Muhammad Saeed Ansar	D.M	C&S	Retrenched
23	318086	Arshad Mehmood	D.M	C&S	Retrenched
24	318167	Naeem Ahmed Sidiqui	D.M	C&S	Retrenched
25	318183	Muhammad Kaleem	D.M	SAFETY	Retrenched
26	318191	M.Arshad Shahab	D.M	C&S	Retrenched
27	318655	Ali Bux	D.M	WWC&TP	Retrenched
28	318698	Nadeem Saeed	D.M	PROCESS LAB	Retrenched
29	318728	Amjad Ali	D.M	PAT	Retrenched
30	319023	Abdul Karim	D.M	CRM	Retrenched
31	319295	Imtiaz Ali	D.M	CRM	Retrenched
32	320226	Muhammad Anwar	D.M	CRM	Retrenched
33	320269	Muhammad Bilal	D.M	H.S.M	Retrenched

		Sadiq			
34	320722	Imtiaz Ali	D.M	CRM	Retrenched
35	321133	M.Humayoun Siddiqui	D.M	CRM	Retrenched
36	321281	Naseer Muhammad	D.M	CRM	Retrenched
37	321435	Muhammad Raheel Quers	D.M	CRM	Retrenched
38	322075	Obaidullah Omer	D.M	I.M.D	Retrenched
39	322148	Ali Murtaza Solangi	D.M	CRM	Retrenched
40	322415	Sobdar Khan Dhanni	D.M	Q.C.D	Retrenched
41	322652	Ahmed Ali	D.M	CRM	Retrenched
42	323241	Hussain Bux	D.M	CRM	Retrenched
43	323373	Muhammad Ayoub Gill	D.M	CRM	Retrenched
44	324094	Nisar Ahmed	D.M	CRM	Retrenched
45	327921	Muhammad Amir Ishaque	D.M	CRM	Retrenched
46	327964	Rahim Bux	D.M	BILLET MILL	Retrenched
47	329495	Ghulam Qadir	D.M	CRM	Retrenched
48	329517	Anwer Ali	D.M	M.E&I.C	Retrenched
49	329541	Muhammad Nabi	D.M	Q.C.D	Retrenched
50	329568	Rafaqat	D.M	CRM	Retrenched
51	352829	Asad Usmani	D.M	H.S.M	Retrenched
52	285943	S.M Sabih Ahsan	AM	AS&GN	Retired 10.11.2014
53	157619	Muhammad Farooq	AM	H.S.M	Retired 14.05.2014
54	209589	Syed Ethtesham Hussain	D.M	HSM	Retired 31.05.2019
55	317055	Abdul Sami	AM	H.S.M	Expired 20.12.17
56	258652	Muhammad Asad	AM	SMD	Retired 31.03.17
57	074594	Nangar Din Almani	AM	I.M.D	Retired 31.08.15
58	318221	S.Waqar Hussain	AM	C&S	Expired 15.03.18
59	234141	M.Azhar Hussain	AM	PROCESS LAB	Retired 02.08.14
60	219231	Abdul Sattar	D.M	T.P.P&T.B.S	Retired 04.11.19
61	269204	Shahid Hasan	AM	REFRACTORIES	Retired 28.02.15
62	307297	S.M Shuaib	AM	COBP	Retired 12.12.14
63	208876	Muhammad Rashid Khan	D.M	STORES	Retired 21.05.20
64	319678	Waseem Ahmed Khan	AM	CRM	Expired 17.11.16
65	322865	Farhat Abas	D.M	H.S.M	Retrenched 22.03.21
66	318264	Aftab Hussain Mirani	D.M	BWSD	Retrenched 22.03.21
67	323934	Muhammad Farroq	D.M	BWSD	Retrenched 22.03.21
68	317071	Aftab Ahmed Memon	D.M	BWSD	Retrenched 22.03.21
69	321958	Muhammad Afzal	Actg.MGR	PUBLIC RELATIONS	Retrenched 22.03.21
70	323268	Ghulam Shabbir	D.M	SECURITY	Retrenched 22.03.21
71	308595	Tariq Mehmood	D.M	TOWNSHIP	Retrenched 22.03.21

72	318035	Abdul Wadood Khan	D.M	A&P DIROCT.	Retained
73	317284	Zahid Pervaiz	D.M	I.S.M.D	Retained
74	319384	Muhammad Zardad Abbasi	Actg.MGR	IND.RELATIONS	Retained
75	322601	Hameedur Rehman	D.M	IND.RELATIONS	Retained
76	212601	Sajid Mahmood Butt	D.M	A&P	Retained

Non Production of auditable record

Requisition No 01 dated 01-08-2022 Item No 1,2,3,5,15	Requisition No 33 dated 15-08-2022 Item No 2& 3 Table
Requisition No 02 dated 01-08-2022 Item No 4, 9, 12	Requisition No 34 dated 15-08-2022 Item No 2,5(incomplete),7,8,9
Requisition No 03 dated 02-08-2022 Item No 2,10	Requisition No 35 dated 16-08-2022 Item No 1,2,3,5,6(incomplete),7,8,9,10,11
Requisition No 04 dated 02-08-2022 Item No2,5,7,8,9,11,12	Requisition No 36 dated 16-08-2022 Item No 1,2,3 Tables
Requisition No 05 dated 03-08-2022 Item No 1,8,9,11	Requisition No 38 dated 16-08-2022 Item No 1,2,3,4,5,6,7,8,9,10,11,12,14,17
	Requisition No 39 dated 16-08-2022 Item No 7
Requisition No 06 dated 03-08-2022 Item No 3,4,5,7,8,10,11,12,14,15	Requisition No 40 dated 17-08-2022 Item No 1,2,3,4,5,6,
	Requisition No 41 dated 18-08-2022 Item No 2,3,4,5,6,7
Requisition No 8 dated 03-08-2022 Item No 8.11.13.14	Requisition No 42 dated 19-08-2022 Item No 2(incomplete),3,4,6,7
	Requisition No 43 dated 22-08-2022 Item No 1(incomplete)3,4,5,6,7
Requisition No 10 dated 03-08-2022 Item No 3	Requisition No 44 dated 22-08-2022 Item No 1,2,3,5(incomplete),6
Requisition No 11 dated 04-08-2022 Item No 2,5,9,11,12,13(incomplete)	
Requisition No 12 dated 04-08-2022 Item No 6,7,14(incomplete),	Requisition No.46 dated 22-08-2022 Item No 1,2,3,4,5,
Requisition No 13 dated 04-08-2022 Item No 1,4,8(incomplete),9,	Requisition No 47 dated 23-08-2022 Item No 1,2,3, Tables
Requisition No 14 dated 04-08-2022 Item No 10	Requisition No 48 dated 23-08-2022 Item No ,3
Requisition No 15 dated 04-08-2022 Item No 8(incomplete),10,11,12,13,	
Requisition No 17 dated 05-08-2022 Item No 1,2,(incomplete),5,7,8,9,10,12,13	Requisition No 50 dated 24-08-2022 Item No 1 (incomplete)Table,2,3
Requisition No 18 dated 05-08-2022	

Item No 2,4,7&8(incomplete),9,11,12,13	
	Requisition No 52 dated 24-08-2022 Item No 1
Requisition No 24 dated 10-08-2022 Item No. 2,3,4,5,6,8,9,10	Requisition No 54 dated 25-08-2022 Item No 1,2,3,4,5,6,7,8
Requisition No 26 dated 10-08-2022 Item No 11	Requisition No 56 dated 29-08-2022 Item No 1,2,3,4,5,6,7,8,9,10,11,
Requisition No 27 dated 10-08-2022 Item No 1,2,6,8,9,10,11,12,13	Requisition No 57 dated 29-08-2022 Item No 1,2,3,4,5,6,7,8,9,10,11,12
Requisition No 28 dated 10-08-2022 Item No 1,2,4,5,6,	
Requisition No 29 dated 10-08-2022 Item No ,3,4,5(incomplete),6	Requisition No 58 dated 29-08-2022 Item No 1,2,3,4,5,6,7,8,9,10,11,12
Requisition No 30 dated 11-08-2022 Item No 1,4,5,6,7,8	Requisition No 64 dated 31-08-2022 Item No ,4 to19
Requisition No 31 dated 11-08-2022 Item No 2,5(Incomplete),8, 14 (incomplete)(record not provided),13,14(incomplete)	Requisition No 65 dated 1-09-2022 Item No.1
Requisition No 32 dated 12-08-2022 Item No 2,3,	Requisition No 66 dated 2-09-2022 Item No.5,6,7,8,9,10,12,13,16,17,18,19
Requisition No 68 dated 06-09-2022 Item No 2,,3	Requisition No 76 dated 12-09-2022 Item No.1,2
Requisition No 69 dated 07-09-2022 Item No 3(incomplete),5 (Table)	Requisition No 77 dated 12-09-2022 Item No.2,3
Requisition No 71 dated 08-09-2022 Item No 1(incomplete)	Requisition No 76 dated 15-09-2022 Item No 1(incomplete),2
Requisition No 72 dated 08-09-2022 Item No 1(incomplete)	Requisition No 77 dated 14-09-2022 Item No 1,2,3,4
Requisition No 73 dated 09-09-2022 Item No 2 Table	Requisition No 78 dated 16-09-2022 Item No 1,2,3,4,5,6,7,8
Requisition No 74 dated 09-09-2022 Item No 1,2	Requisition No 79 dated 16-09-2022 Item No 1,2,3,4,5,
Requisition No 75 dated 12-09-2022 Item No 1	Requisition No 80 dated 19-09-2022 Item No 2,3
Requisition No81 dated 19-09-2022 Item No 1(Table)	Requisition No 89 dated 23-09-2022 Item No.1, (Table)
Requisition No 83 dated 19-09-2022	Requisition No 90 dated 23-09-2022

Item No 1(I,ii,iii,iv,v,vi)	Item No.1, (Table)
Requisition No 84 dated 21-09-2022 Item No 1to (21 Table),2,3,45,6,7	Requisition No.91 dated 23-09-2022 Item No 1,2,3
Requisition No 85 dated 21-09-2022 Item No 1 to 8	Requisition No 92 dated 23-09-2022 Item No 1,(I to v)
	Requisition No 93 dated 27-09-2022 Item No 1 to 7
Requisition No 86 dated 22-09-2022 Item No 1 (I to v)	Requisition No 94 dated 23-09-2022 Item No 1
Requisition No 87 dated 22-09-2022 Item No 1,2,3	Requisition No 95 dated 28-09-2022 Item No 1,2,
Requisition No 88 dated 23-09-2022 Item No 1(table) to ix	
Requisition No dated 23-09-2022 Vide letter No.PS.STR.GCA.2022.370 dated 30-09-2022	The management has not provided the original stock bin cards of 100 valuable items for physical verification as they quoted in their letter dated 30-09- 2022

Annex-94
(Para No. 9.6.4.3)

Quarry name 1	Date of physical stock taking 2	inventory Stock (in tons) 3	Sale Rate per ton shown by PASDEC 4	value per ton as per PC-1 (1500 to 4000) or sale price 5	Difference in rate 6(5-4)	Value of the stock of the blocks 7(6*3)
QUG-Salarzai	21-Jun	2,519	500	4,000	3,500	8,816,500
Aziz Roks	21-Jun	1,600	1800	4,000	2,200	3,520,000
Saliheen	21-Jun	564	2500	4,000	1,500	846,000
Bagh-ud Din	21-Jun	1,442	4500	4,500	0	0
Chitral	21-Jun	1,515	1600	4,000	2,400	3,636,000
Bampokh	21-Jun	4,292	600	4,000	3,400	14,592,800
Kassa	21-Jun	523	2000	4,000	2,000	1,046,000
KhuzdarNaal	21-Jun	7,899	1800	4,000	2,200	17,377,800
Total:- A		20,354				49,835,100
Javed Khan	21-Jun	5,586	6500	6,500		36,309,000
Universal Mining	21-Jun	1,354	5000	5,000		6,770,000
Total B		6940				43,079,000
Total:-		27,294				92,914,100

Annex-95
(Para No. 9.6.4.6)

Detail of outstanding rent of machinery issued to M.s Shah Khalid Mine FATA								
Description	Date of issue	Date of last billing	Date of receipt	Months of delay	V.No.	Qty	Rate P.M.	Recoverable amount
Excavator-470		30.06.2020	12.8.2021	14 months and 12 days	MPR.RV.21	1	400,400	5,765,760
Compressor C-110		30.06.2020	8.7.2021	12 months and 08 days	MPR.RV.21	1	57,200	701,653
Hydraulic Jack Hammer		30.06.2020	8.7.2021	12 months and 08 days	MPR.RV.21	1	57,200	701,653
Generator-200 KVA	29.04.2019	30.06.2020	8.7.2021	12 months and 08 days	MPR.RV.21	1	63,440	778,197
Wire Saw-50 HP(Benetti) Sr. No. 875-2010-37	29.04.2019	30.06.2020	8.7.2021	12 months and 08 days	MPR.RV.21	1	57,200	701,653
Wire Saw-50 HP(Benetti) Sr. No. 875-2010-43	29.04.2019	30.06.2020	8.7.2021	12 months and 08 days	MPR.RV.21	1	57,200	701,653
Wire Saw-25 HP (Benetti)	30.04.2019	30.06.2020	Pending till 04.2022	21 mionths		1	34,320	720,720
DTH(Oellegri ni), 7501	30.04.2019	30.06.2020	8.7.2021	12 months and 08 days	MPR.RV.21	1	34,320	420,992
DTH(Oellegri ni), 7445	30.04.2019	30.06.2020	8.7.2021	12 months and 08 days	MPR.RV.21	1	34,320	420,992
Wire Saw-50 HP(Benetti), 875-2010-36	21.08.2019	30.06.2020	8.7.2021	12 months and 08 days	MPR.RV.21	1	80,800	991,147
DTH(Oellegri ni), 7445	21.08.2019	30.06.2020	8.7.2021	12 months and 08 days	MPR.RV.21	1	34,320	420,992
Total:-								12,325,413

Annex-96

(Para No. 9.6.4.17)

Detail of the surplus funds available at the end of year

Opening balance as on	Account No.	Amount available (Rs)	Pay order amount (Rs)	Total funds available (Rs)
30.06.2019	147110001281	17,395,382	Nil	17,395,382
	000236852932	5,926,467	Nil	5,926,467
	147110000417	13,698,505	Nil	13,698,505
	147110000400	16,702,576	Nil	16,702,576
	100060002260018	7,091,886	Nil	7,091,886
	Total (A)	60,814,816	Nil	60,814,816
30.06.2020	147110001281	236,502	33,900,000	34,136,502
	000236852932	13,900	7,300,000	7,313,900
	147110000417	397,304	13,900,000	14,297,304
	147110000400	268,438	27,600,000	27,868,438
	100060002260018	230,884	7,200,000	7,430,884
	Total (B)	1,147,028	89,900,000	91,047,028
	Total A+B	61,961,844	89,900,000	151,861,844

Annex-97
(Para No. 12.1.4.4)

PBC units / stations	Description	Date of auction	Firm	Amount of auction including taxes (Rs. In million)
HPT Complex Rawat Islamabad	250 KW SW, two 100 KW SW and one 100 KW SW	22.10.21	A.F. Corporation	103.990
EPU Rawat Islamabad	Obsolete machinery and equipment's	21.03.22	Pak Metal Gujranwala	11.338
HPT-Landhi Karachi	Generators, transmitter etc. Lot No. 1 to 04	13.09.21	Afridi enterprises	6.634
-do-	Transmitters etc. lot No. 05	13.09.21	A.F. Corporation	3.134
-do-	Lot No. 06	13.09.21	Mega metals Pvt. Ltd	0.857
-do-	Lot No. 07	13.09.21	-do-	5.979
-do-	Lot No. 08	13.09.21	Green metals	0.965
Grand Total:				132.897

Annex-98

(Para No. 12.1.4.15)

S. No.	Equipment	Cost (Rs)	Location	Date of theft	Recovery affected
1	Transformer	600,000	Rawat PBC Colony	13.01.2022	No recovery
2	Open Circuit Breaker (OCB)	-	HPT Complex at Rawat	15.16.01.2022	No recovery
3	copper wires	-		6.7.01.2022	No recovery
4	Other Equipment (Pointed out by Inquiry Committee)	3,000,000		2014	No recovery
5	copper wire 2730 yards, 600 feet and other items	250,000 (as per report)	HPT-1, Lahore	27.05.2019	No recovery
6	water pump, turbine motor horse power, electric panel and pipes	500,000	HPT	18.02.2021	No recovery
	Total	4,350,000			

Annex-99

(Para No. 12.1.4.30)

Name of terminated employee	Quarter No. occupied	Monthly rent	Period	Months of non-payment of rent	Total amount of rent to be recovered
Narjis Kazmi	E-10	5656	10.2020 to 06.2022	21	118,776
Shabina Nawaz	E-15	5656	-do-	21	118,776
Muhammad Tariq	F-1	2996	-do-	21	62,916
Muhammad Arshad	F-14	2996	-do-	21	62,916
Muhammad Asif	F-16	2996	-do-	21	62,916
Shahid Nawaz	F-18	2996	-do-	21	62,916
Nazar Abbas	G-1	2996	-do-	21	62,916
Mansoor Ahmad	G-2	2996	-do-	21	62,916
Rizwan Ahmad	G-6	2996	-do-	21	62,916
Visal Khan	H-2 + H-3	2996 x 2 = 5992	-do-	21	125,832
Naeem Saleem	H-4 + H-5	2996 x 2 = 5992	-do-	21	125,832
Farooq Shah	H-14 + H-15	2996 x 2 = 5992	-do-	21	125,832
Total:-					1,055,460

Annex-100

(Para No. 13.1.4.1)

Jamal & Brother				
Sr. No.	Description of items	Purchase order #	Date	Amount (Rs.)
1	Procurement of office items	6142	07.07.2020	402,012
2	Provision of 1 x colour printer for EPD	6155	09.07.2020	362,700
3	Provision of tonner	6180	05.08.2020	38,610
4	Provision of new printer HP	6233	18.09.2020	39,780
5	Provision of multifunction printer	6277	13.10.2020	66,690
6	Printer tonners for project Dte.	6351	24.11.2020	296,946
7	Purchase of new printer	6355	25.01.2020	65,520
8	Demand of tonner cartage	6366	14.12.2020	191,295
9	Stationary items July to September	6372	14.12.2020	249,500
10	Provision of new printer HP	6407	06.01.2021	61,425
11	Provision of new printer tonners	6413	13.01.2021	151,632
12	Provision of raw material & consumable	6419	15.01.2021	6,547,028
13	Provision of printer	6421	21.01.2021	30,420
14	Utilization of tonner	6426	21.01.2021	128,232
15	Utilization of tonner	6438	03.02.2021	1,755,000
16	Requirement of tonner cartage	6439	03.02.2021	80,145
17	Purchase of tonner	6479	19.02.2021	80,145
18	Requirement of tonner cartage	6513	05.03.2021	178,766
19	Provision of 1 x colour printer	6530	12.03.2021	125,775
20	Provision of 750 paper ream A4	6532	12.03.2021	483,000
21	Procurement of CRMS paper	6549	30.03.2021	355,600
22	Provision of 750 x paper ream A4	6562	12.04.2021	483,000
23	Provision of all in one LaserJet printer	6565	13.04.2021	93,600
24	Procurement of CRMS paper	6569	14.04.2021	355,600
25	Provision of hardware equipment	6571	14.04.2021	148,590
26	Provision of paper A4 Ream	6591	26.04.2021	19,020,000
27	Provision of consumable of printer HP LaserJet	6597	29.04.2021	7,365,150
28	Provision of 02 x drums for printer	6599	30.04.2021	30,420
29	Requirement of stationary (paper ream)	6601	30.04.2021	105,800
30	Provision of equipment to HR Director	6611	04.05.2021	84,942
31	Bulk procurement of CRMS paper	6624	17.05.2021	13,260,000
32	Provision of 1 x HP LaserJet colour printer	6649	28.05.2021	49,725
33	Quarterly demand stationary items	6654	28.05.2021	1,902,000
34	Requirement of tonner cartage for printer	6684	14.06.2021	53,001

Total				54,642,049
Shirazi Trading Co				
1	Provision of smart scanner	6148	07.07.2020	440,000
2	Provision of tonner	6181	05.08.2020	23,498
3	Repair maintenance of photocopier machine	6196	20.08.2020	113,987
4	Repair maintenance of photocopier machine	6197	20.08.2020	44,415
5	Drum units for photocopier machine	6209	27.08.2020	212,233
6	Provision of consumable of Connon	6214	07.09.2020	10,136,752
7	Repair maintenance of photocopier	6232	18.09.2020	21,060
8	Procurement of office item intelligence	6248	24.09.2020	63,489
9	Repair of photocopier machine	6379	14.12.2020	14,906
10	Provision of raw material & consumable	6404	04.01.2021	1,424,821
11	Repair of photocopier	6405	06.01.2021	35,525
12	Procurement of spare parts consumable	6424	21.01.2021	1,980,115
13	Provision of consumable of printer	6468	16.02.2021	586,257
14	Provision of hardware equipment	6486	25.02.2021	475,800
15	Repair of photocopier machine	6493	25.02.2021	14,620
16	Repair of photocopier machine	6494	25.02.2021	24,920
17	Replace . procurement of printer	6495	26.02.2021	2,997,000
18	Repair of photocopier machine	6503	02.03.2021	70,325
19	Provision of 1 x Teslin printer heavy	6551	01.04.2021	6,172,410
20	Provision of hardware equipment	5572	14.04.2021	267,000
21	Purchase of 1 x MAC pro other hardware	6625	17.05.2021	1,775,000
22	Service level agreement (SLA)	6694	28.06.2021	306,240
Total				27,200,373
Grand Total				81,842,422

Annex-101

(Para No. 13.1.4.6)

Sr. #	Name of Supplier	Description	Invoice amount (Rs)	Amount paid (Rs)	Tax to be withheld @ 5.5% Rs
01	Jahangir & Company	5KVA Generators	42,816,454	42,816,454	2,354,905
02	Jamal & Brothers	Tonnors . Drums for printers	5,497,879	5,497,879	302,383
03	New Horizon computer	Ocean Stor Dorado 3000 v3	4,098,259	3,688,435	225,404
04	Gold Reef Computer	Toner and Drums for xeror	4,323,000	4,048,596	237,765
05	Jamal & Brothers	Paper Ream imported A-4	2,322,000	2,322,000	127,710
06	Jamal & Brothers	Tonnors . Drums for printers	10,915,879	10,915,880	600,373
07	SG Technical Services	OKI B412 DN Printer	10,404,693	9,637,058	572,258
08	Jamal & Brothers	Paper Ream imported A-4	2,322,000	2,322,000	127,710
09	Jamal & Brothers	Paper Ream imported A-4	2,322,000	2,322,000	127,710
10	Jamal & Brothers	Paper Ream imported A-4	1,902,000	1,902,000	104,610
11	Digital Management	Provision of Spare Parts	6,510,000	6,510,000	358,050
12	IDEMIA Pak Pvt. Ltd	CCTV Camera Surveillance	5,549,406	5,549,406	305,217
13	DWP Tech Pvt. Ltd	Provision of consumable	1,228,500	1,228,500	67,568
14	UBC Convertec Pvt.	Paper Ream	2,614,500	2,614,500	143,798
15	Premier system Pvt.	Provision of equipment	99,989,970	99,989,970	5,499,448
Total					11,154,909

Annex-102

(Para No. 13.1.4.18)

Sr. No.	Name/Designation	Deficiencies /Audit objections
1	Syed Shabahat Ali, Management Associate	(1) Selection, promotion and increase in pay was done without reference of any criteria duly approved by the authority.BODs. (2) No Qualification certificates found in the personal file provided to audit (3) Scale of the post not defined in the contract letter (4) No process of security clearance found in the personal file.
2	Lt Col (Ret) Jafar Iqbal, DG	(1) As per advertisement published in the daily News, dated 24.02.2011, the requisite experience was 14 years of IT and Sale.Marketing. However there is no documentary evidence found in the personal file which shows that officer has fulfilled the relevant 14 years of experience. (2) Increase in pay was done without reference of any criteria duly approved by the authority.BODs. (3) The Competent Authority for appointment in O-9 which is equivalent to BS-19 is the Authority.BODs which mean BODs. whereas, there is no any approval of the Authority.BODs (4) No process of security clearance found in the personal file.
3	Maj (R)M. JamilAsghar, Manager Technical	(1) Qualification certificates are verified from the concerned university but not verified from HEC (2) Medical fitness certificates not issued from Medical Board. (3) Increase in pay was done without reference of any criteria duly approved by the authority.BODs. (4) As per advertisement, the requisite experience is at least 8 years whereas there is no experience documents found in the personal file provided for audit. (5) No process of security clearance found in the personal file.
4	Brig @ Bilal SaeedUllah Khan, DG	(1) Certificates are verified by the concerned university but not verified by the HEC (2) No reference of any criteria for selection & promotion duly approved by the authority.BODs found in record. (3) No process of security clearance found in the personal file.
5	Abdul Rasheed, Director	(1) Certificates are verified by the concerned university but not verified by the HEC (2) Increase in pay was done without reference of any

		criteria duly approved by the authority.BODs. (3) Audit is unable to verify the requisite experience & qualification as per requirement published in the advertisement as copy of the detailed terms & conditions published on the NADRA website only. Copy of the detailed terms and conditions not found in the personal file provided for audit (4) No process of security clearance found in the personal file.
6	Mir Alam Khan, Deputy General Manager	(1) Certificates are verified by the concerned university but not verified by the HEC (2) Increase in pay was done without reference of any criteria duly approved by the authority.BODs. (3) Experience of the employee does not fulfil the requisite requirement of 12 years relevant experience (4) Requisite qualification is MBA, BS whereas the employees highest qualification is LLB which is irrelevant from the post to be fulfilled (5) No process of security clearance found in the personal file. (6) The intermediate exam was passed in 1982 Supplementary session whereas, got the Bachelor degree in August 1983 with 3rd Division within one year.
7	Gul Mazhar, Software Development	(1) Certificates are verified from the concerned university through a letter (not stamped on the mark sheet.degree) vide letter 20.02.2018 but not verified from HEC. (2) No process of security clearance found in the personal file.

Annex-103

(Para No. 13.1.4.31)

Non-deduction of GST from the consultancy fee of consultants

PMU-EAD					
S. No.	Name of Consultant	Amount paid . month	GST . month	Total No. of months w.e.f 07.2016 to 11.2021	Total amount of GST
1	Waseem Haider	420,000	67,200	66	4,435,200
2	Fahad Abdul	350,000	56,000	66	3,696,000
3	Aemal Khan	350,000	56,000	66	3,696,000
4	Abdul Raffay	250,000	40,000	66	2,640,000
5	Ateequr Rehman	205,000	32,800	66	2,164,800
6	Roozi Ali	200,000	32,000	66	2,112,000
7	SaqibUsman	250,000	40,000	66	2,640,000
8	Muhammad Mehdi	105,000	16,800	66	1,108,800
9	Kashif Riaz	105,000	16,800	66	1,108,800
10	Muhammad Hamza	50,000	8,000	66	528,000
Total (A)					24,129,600
FATA-DoH					
S. No.	Name of Consultant	Amount paid / month	GST / month	Total No. of months w.e.f 07.2016 to 11.2021	Total amount of GST
1	Syed Jawad Shah	100,000	16,000	66	1,056,000
2	Raina Gul	100,000	16,000	66	1,056,000
3	Qasim Zia	50,000	8,000	66	528,000
4	Syed Hakimullah	50,000	8,000	66	528,000
5	Fawad Waheed	50,000	8,000	66	528,000
6	Riaz Hussain	50,000	8,000	66	528,000
7	Muhammad Jawad	45,000	7,200	66	475,200
8	Abdul GhaniAfridi	30,000	4,800	66	316,800
9	Fazal Jan	30,000	4,800	66	316,800
10	Usman Zada	30,000	4,800	66	316,800
11	Muhammad Kashif	30,000	4,800	66	316,800
12	Abdullah	30,000	4,800	66	316,800
13	Farhad Ahmad Barki	30,000	4,800	66	316,800
14	Harooun-ur-Rashid	90,000	14,400	66	950,400
15	Muhammad Adnan	50,000	8,000	66	528,000
16	Muhammad Jalal	30,000	4,800	66	316,800
17	Arslan Abdullah	30,000	4,800	66	316,800
Total (B)					8,712,000

NADRA					
S. No.	Name of Consultant	Amount paid .month	GST.mon th	Total No. of months w.e.f 07.2016 to 11.2021	Total amount of GST
1	Umar Bin Jamshaid	242,000	38,720	66	2,555,520
2	Fahad Zubair	165,000	26,400	66	1,742,400
3	Jawad Riaz Ahmad	100,000	16,000	66	1,056,000
4	Gulnaz	85,000	13,600	66	897,600
5	Mushkbar Batool Haseef	85,000	13,600	66	897,600
6	Muhammad Hamid	80,000	12,800	66	844,800
7	Khawaja Usama Rafique	50,000	8,000	66	528,000
8	Zulqarnain Khan	35,000	5,600	66	369,600
Total (C)					8,891,520
Grand Total (A)+(B)+(C)					41,733,120

Annex-104

(Para No. 13.1.4.32)

Undue favour due to less deduction of withholding tax on consultancy services

PMU-EAD							
S. No.	Name of Consultant	Amount paid / month	Income Tax deducted as per salary slabs	Income Tax To be Deducted @ 10% on consultancy	Difference (Less Deduction)	Total No. of months w.e.f 07.2016 to 11.2021	Loss to exchequer
1	Abdul Raffay	250,000	23,542	25,000	1,458	66	96,228
2	Ateequr Rehman	205,000	15,750	20,500	4,750	66	313,500
3	Roozi Ali	200,000	15,000	20,000	5,000	66	330,000
4	Saqib Usman	250,000	23,542	25,000	1,458	66	96,228
5	Muhammad Mehdi	105,000	3,000	10,500	7,500	66	495,000
6	Kashif Riaz	105,000	3,000	10,500	7,500	66	495,000
7	Muhammad Hamza	50,000	-	5,000	5,000	66	330,000
Total (A)							2,155,956
FATA-DoH							
S. No.	Name of Consultant	Amount paid /month	Income Tax deducted as per salary slabs	Income Tax To be Deducted @ 10% on consultancy	Difference (Less Deduction)	Total No. of months w.e.f 07.2016 to 11.2021	Loss to exchequer
1	Syed Jawad Shah	100,000	2,500	10,000	7,500	66	495,000
2	RainaGul	100,000	2,500	10,000	7,500	66	495,000
3	Qasim Zia	50,000	-	5,000	5,000	66	330,000
4	Syed Hakimullah	50,000	-	5,000	5,000	66	330,000
5	Fawad Waheed	50,000	-	5,000	5,000	66	330,000
6	Riaz Hussain	50,000	-	5,000	5,000	66	330,000
7	Muhammad Jawad	45,000	-	4,500	4,500	66	297,000
8	Abdul Ghani Afridi	30,000	-	3,000	3,000	66	198,000
9	Fazal Jan	30,000	-	3,000	3,000	66	198,000
10	UsmanZada	30,000	-	3,000	3,000	66	198,000
11	Muhammad Kashif	30,000	-	3,000	3,000	66	198,000
12	Abdullah	30,000	-	3,000	3,000	66	198,000
13	Farhad Ahmad Barki	30,000	-	3,000	3,000	66	198,000
14	Haroon-ur-Rashid	90,000	2,200	9,000	6,800	66	448,800
15	Muhammad Adnan	50,000	-	5,000	5,000	66	330,000
16	Muhammad Jalal	30,000	-	3,000	3,000	66	198,000
17	Arslan Abdullah	30,000	-	3,000	3,000	66	198,000

Total (B)							4,969,800
NADRA							
S. No.	Name of Consultant	Amount paid / month	Income Tax deducted as per salary slabs	Income Tax To be Deducted @ 10% on consultancy	Difference (Less Deduction)	Total No. of months w.e.f 07.2016 to 11.2021	Loss to exchequer
1	Umar Bin Jamshaid	242,000	22,142	24,200	2,058	68	139,944
2	Fahad Zubair	165,000	9,750	16,500	6,750	68	459,000
3	Jawad Riaz Ahmad	100,000	2,500	10,000	7,500	68	510,000
4	Gulnaz	85,000	1,750	8,500	6,750	68	459,000
5	Mushkbar Batool Haseef	85,000	1,750	8,500	6,750	68	459,000
6	Muhammad Hamid	80,000	1,500	8,000	6,500	68	442,000
7	Khawaja Usama Rafique	50,000	-	5,000	5,000	68	340,000
8	Zulqarnain Khan	35,000	-	3,500	3,500	68	238,000
Total (C)							3,046,944
Grand Total (A)+(B)+(C)							10,172,700

Annex-105

(Para No. 13.1.4.59)

Sr. No.	Regional Head Office	NRC ID	National Registration Center Name	No. of persons having OIC role/privileges
1	Sukkur	10501	Larkana	7
2	Sukkur	10505	Jacobabad	5
3	Sukkur	10510	Ghotki	5
4	Sukkur	10532	Ratodero	5
5	Sargodha	10605	Bakhar	4
6	Sargodha	10618	Noor PurThal	4
7	Sargodha	10638	Liaqat road Faisalabad	10
8	Sargodha	50142	Kundian	4
9	Quetta	10700	Sariab Road	4
10	Quetta	10731	Usta Muhammad	4
11	Peshawar	10109	Chitral	4
12	Peshawar	10110	Bannu	7
13	Peshawar	10116	LakiMarrawat	6
14	Peshawar	10117	Tank City	5
15	Peshawar	10127	South Waziristan	5
16	Peshawar	10138	Balakot	5
17	Peshawar	50427	Katlang	4
18	Multan	10410	Rajanpur	6
19	Multan	10414	Sadiqabad	6
20	Multan	10425	Tounsa	7
21	Multan	10429	Yazman	4
22	Multan	10431	Minchanabad	4
23	Multan	50424	Thall	4
24	Lahore	10821	Safdarabad	6
25	Lahore	10837	Chawinda	5
26	Lahore	10847	PECO Road Township	6
27	Lahore	50440	Shahdrah	4
28	Karachi	10310	Badin	6
29	Karachi	10373	Gulistan-e-Johar	4
30	Islamabad	10204	Sakardu	5
31	Islamabad	10209	Gilgit	4
32	Islamabad	10251	Lalamusa	4
33	Islamabad	10256	KalarKahar	6
34	Islamabad	50555	NSC Murree road Rwp	28

Source: System report shown by operations department of NADRA

Annex-106

(Para No. 13.1.4.62)

Sr. No.	ERP No.	Name	NRC ID	Region	NRC Name
1	14151	Khadim Hussain	10524	Sukkur	Thul
2	29370	Kamran khan	10524	Sukkur	Thul
3	41544	Aftabahmed	10524	Sukkur	Thul
4	42292	AftabNoonari	10524	Sukkur	Thul
5	48803	Muhammad Hanifa	10721	Quetta	Qial Abdullah
6	16082	Nazeer Ahmed	10723	Quetta	Naseera Abad
7	29585	GhulamSarwar	10731	Quetta	Usta Muhammad
8	35415	Raqiaz Khan	10110	Peshawar	Bannu
9	50266	Abed Ullah Khan	10116	Peshawar	LakiMarrawat
10	31758	Mr. Naik Nawaz	10117	Peshawar	LakiMarrawat
11	48471	Haroon Khan	10117	Peshawar	Tank City
12	30068	Zia urRehman	10173	Peshawar	UtmanKhel
13	48043	Rafiq Ali	50427	Peshawar	Katlang
14	52256	Ahmad Raza	50440	Lahore	Shahdrah
15	38740	Abdul Manan	10373	Karachi	GulistaneJohar
16	46155	Tariq Aziz	10373	Karachi	GulistaneJohar
17	30471	Muhammad Iqbal	50555	Islamabad	NSC Murree road rwp

Annex-107
(Para No.14.1.4.4)

Non-deduction of taxes - Rs. 130.170 million

(Rs in million)

S. #	Name of Consultant	Description	Cost of Contract	Payment to Consultant	BST Rate	BST Payable
1	M.s Zabaad Construction Company & Suppliers	Acquisition of Marine Services vessel	319.000	307.299	15%	46.094
2	M.s CCCC-FHDI engineering company	Studies to make Gwadar port more competitive.	295.000	148.124	15%	22.218
03	M.s National Engineering Cooperation (NEC)	Study of Capital Dredging of Berthing Area and Channel for Additional Terminal at GPA	260.836	91.760	15%	13.764
04	M.s RAB Construction Company	Upgradation of Berthing Facilities for Boats at Gwadar	128.050	112.044	15%	16.806
05	M.s RAB Construction Company	Establishment of Port Control Tower	192.168	119.144	15%	17.8716
06	M.s RAB Construction Company	Rehabilitation of Leading Light Tower, Gwadar	20.590	12.766	15%	1.9149
Total Amount			1,215.644	791.137		118.67

Annex-108

(Para No.14.1.4.6)

Non recovery of rent and revenue – Rs. 112.357 million

Annex-107(i)						
S#	Bungalow / Office	Name of Tenant	Monthly rent	Lum sum dues	Outstanding amount	Total amount as on 31st Dec 2022
01	GAP Zirbar Commercial Complex	Gulf Agency Company (GAC) Pakistan Pvt. Ltd	15,000	78,900	38,940	117,840
02	Old Office Building	QESCO	24,000	337,102	46,898	384,000
03	Old Office Building	Regional Passport Office Gwadar	111,250	129,000	667,500	796,500
04	GPA Business Complex	NEPRA	38,780	90,000	38,780	128,750
05	Flat No 04, Flat No 03, Flat No 05, Flat No 06 JOA block-07	HQ 44 Division	83,736	-	1,339,776	1,339,776
06	Flat No. 01 & 02 at GPA complex	Military Intelligence	35,500	-	4,609,320	4,609,320
07	Banglow No. 08, at GPA complex	ISI	44,100	24,000	352,800	376,800
08	Banglow No. 03, at GPA complex	ISI	48000	-	1,152,000	1,152,000
09	Old Office Building at GPA complex	Election Commission	84729	-	508,374	508,374
10	Old Office Building at GPA complex	Mr. Rustom Baloch, Advocate	23,957	60,3918	-	603,918
11	GPA Head office Building	UBL Bank	-	1,385,873	-	1,385,873
12	GPA shops	M/s MORE Enterprises	127,728	2,660,841	-	2,660,841
13	Banglow No. 05, GPA complex	Military Intelligence	- 2027	10,771,100		10,771,100

14	Flat No. 05& 06	Intelligence Bureau	-	6,028,854	-	6,028,854
15	Flat No 04, at GPA complex	ISI		3,337,480		3,337,480
16	SSA-05 Flat No. 2	Military Intelligence		3,415,977		3,415,977
17	Banglow No. 07, at GPA complex	Frontier Corps (FC)		9,532,037		9,532,037
Total Amount						47,149,440

Annex-107(ii)					
Non-recovery of rent of workshop shed and late payment markup from PNSC					
S#	Description	Rent PM	Amount in Rs.	Late payment @ 10%	Amount with interest
1.	Rent charges from 01-01-2021 to 31-12-2021 @ Rs. 440,000 per month (with 10% increased), 12 months.	440,000	5,280,000	1447 per day (1447*365) Rs. 528,155	5,808,155
2.	Rent charges from 01-01-2022 to 31-12-2022 @ Rs. 484,000 per month (with 10% increased), 12 months	484,000	5,808,000	1591 per day (1591*365) Rs. 580,715	6,388,715
Total Amount		865,270	11,088,000	1,108,870	12,196,870

Annex-107(iii)					
Non-recovery of rent of container repair shed and late payment markup from PNSC					
S. No.	Description	Rent PM	Amount in Rs.	Late payment @ 10%	Amount with Interest
1.	Rent charges from 01-04-2021 to 31-03-2022 @ Rs. 440,000 per month (with 10% increased), 12 months.	440,000	5,280,000	1447 per day (1447*365) Rs. 528,155	5,808,155
2.	Rent charges from 01-04-2022 to 31-03-2023 @ Rs. 484,000 per month (with 10% increased), 12 months	484,000	5,808,000	1591 per day (1591*365) Rs. 580,715	6,388,715
Total Amount		865,270	11,088,000	1,108,870	12,196,870
Grand Total A+B Rs 24.392					

Annex-109
(Para No.14.2.4.3)

Non recovery of annual ground rent & utility charges – Rs. 74.260 million

S #	Description	Total Outstanding amount (Rs)	Total Received amount (Rs)	Closing Trial Balance (Rs)
1	ABC Fisheries Unit-I A-27,28,33 & 34:Power Utility Service A.R	4,866,000.78	3,000,000.00	1,866,000.78
2	Abdul Razzaq Shop #9:Power Utility Service A.R	6,131.36	-	6,131.36
3	Al Habib Hotel Shop #1 :Power Utility Service A.R	303,637.05	222,006.00	81,631.05
4	Ali Ice Factory A-37:Power Utility Service A.R	4,638,339.68	4,154,020.00	484,319.68
5	Al-Malik Traders A-41:Power Utility Service A.R	42,568.66	3,554.00	39,015.30
6	AmjadShafqat C-6:Power Utility Service A.R	155,055.88	69,000.00	86,055.88
7	AR Traders Shop #8:Power Utility Service A.R	10,922.31	-	10,922.31
8	Ather Ali MW C-9:Power Utility Service A.R	39,404.12	28,368.00	11,036.12
9	Atta Muhammad Dry Cleaner D-6:Power Utility Service A.R	67,387.94	31,455.00	35,932.94
10	Badshah Company C-35:Power Utility Service A.R	66,467.07	43,342.00	23,125.30
11	Bahria Boat Building Yard C-36:Power Utility Service A.R	600,865.50	487,982.00	112,883.50
12	Blue Lagoon A-46:Power Utility Service A.R	4,096,661.31	2,148,812.00	1,947,849.31
13	Botan Corporation F-I:Power Utility Service A.R	8,597,210.28	5,200,734.00	3,396,476.28
14	Business Engg. Trends C-39 & 40:Power Utility Service A.R	586,465.30	507,549.00	78,916.30

15	Colonel Sea Food A-9,10,17 & 18:Power Utility Service A.R	921,371.95	890,861.00	30,510.95
16	Falcon Oils Filling Station D-1:Power Utility Service A.R	1,134.84	1,055.00	79.84
17	Ghulam Azhar Commercial D-3:Power Utility Service A.R	1,480,299.52	751,000.00	729,299.52
18	Haidery Eng. Works MW C-26 & 27:Power Utility Service A.R	51,812.83	-	51,812.83
19	Imdad Hussain LPG C-22:Power Utility Service A.R	19,536.92	15,175.00	4,361.92
20	Jahangir Shop #2:Power Utility Service A.R	2,700.70	-	2,700.70
21	Jam Ameer Ahmed Shop #5:Power Utility Service A.R	2,591.00	-	2,591.00
22	Khadim Hussain Mole #2:Power Utility Service A.R	23,420.43	19,199.00	4,221.43
23	Lacandela A-38:Power Utility Service A.R	10,463,546.4	8,049,330.00	2,414,216.47
24	Marina Sea Craft C-37 & 38:Power Utility Service A.R	1,213,436.88	1,070,592.00	142,844.88
25	Maritime Security Agency Boat:Power Utility Service A.R	19,991.73	16,578.00	3,413.73
26	Maritime Security Agency C-2:Power Utility Service A.R	64,435.26	55,786.00	8,649.26
27	Maritime Security Agency MSA C-36.A:Power Utility Service A.R	787,712.52	615,527.00	172,185.52
28	Meccon Engineering C-10 & C-11:Power Utility Service A.R	13,467.48	10,878.00	2,589.48
29	Morawala Engineering C-3, 4 & 5:Power Utility Service A.R	34,455.41	29,588.00	4,867.41
30	Muhammad Sabir Shop# 5:Power Utility Service A.R	26,802.26	22,663.19	4,139.07
31	National Bank Pakistan:Power Utility Service A.R	337,272.92	293,360.00	43,912.92

32	Nazir Ahmed Mole #15:Power Utility Service A.R	8,277.30	6,216.00	2,061.30
33	NisarEngg Works C-24 & C-25:Power Utility Service A.R	26,673.44	-	26,673.44
34	Pak Sea Pearl (Kane Shero) A-5 to A-8:Power Utility Service A.R	3,659.00	-	3,659.00
35	Seo Young Intl A-1 to A-4:Power Utility Service A.R	6,465,012.28	4,784,910.00	1,680,102.28
36	Shaheen Diesel Services D-8:Power Utility Service A.R	1,288.77	845.00	443.77
37	Shaikh Rehman C-12:Power Utility Service A.R	76,025.81	75,818.00	207.81
38	Sindh Fisheries Mole Building :Power Utility Service A.R	70,390.47	-	70,390.47
39	Trans Power Logistic C-23:Power Utility Service A.R	2,795.77	2,735.00	60.77
40	Unsa Filling Station (PSO) D-7:Power Utility Service A.R	2,027.22	-	2,027.22
41	Zulfiqar Ali Shop #3:Power Utility Service A.R	17,894.78	17,871.00	23.78
42	ABC Fisheries Unit-I A-27,28,33 & 34:Water Utility Service A.R	1,178,283.65	-	1,178,283.65
43	Al Habib Hotel Shop #1:Water Utility Service A.R	131,211.43	79,334.00	51,877.43
44	Ali Ice Factory A-37:Water Utility Service A.R	172,887.25	170,558.00	2,329.25
45	Al-Malik Traders A-41:Water Utility Service A.R	13,390.52	3,583.00	9,807.52
46	Aqua Pearl (Son Of Sea) B-1:Water Utility Service A.R	2,164,072.20	2,021,619.00	142,453.20
47	Ather Ali MW C-9:Water Utility Service A.R	13,931.23	9,653.00	4,278.23
48	Atta Muhammad Dry Cleaner D-6:Water Utility Service A.R	91,667.81	62,674.00	28,993.81

49	Badshah Company C-35:Water Utility Service A.R	4,939.17	4,406.00	533.17
50	Bahria Boat Building Yard C-36:Water Utility Service A.R	69,039.06	59,236.00	9,803.06
51	Bismillah Petroleum Service PP-I:Water Utility Service A.R	441,298.83	-	441,298.83
52	Blue Lagoon A-46:Water Utility Service A.R	554,308.56	448,608.00	105,700.56
53	Botan Corporation F-I:Water Utility Service A.R	534,373.49	448,637.00	85,736.49
54	Business Engg. Trends C-39 & C-40:Water Utility Service A.R	180,682.13	171,989.00	8,693.13
55	Colonel Sea Food A-9 & 10, 18 & 17:Water Utility Service A.R	216,740.05	214,867.00	1,873.05
56	Falcon Fisheries Pvt Ltd. A-40:Water Utility Service A.R	238,087.85	209,439.00	28,648.85
57	Falcon Oils Filling Station D-1:Water Utility Service A.R	19.08	-	19.08
58	Friends Sea Food A-44:Water Utility Service A.R	142,736.58	142,610.00	126.58
59	Ghulam Azhar Commercial Center D-3:Water Utility Service A.R	303,894.16	172,000.00	131,894.16
60	Haji Muhammad Sadiq A-35:Water Utility Service A.R	3,225,857.47	3,114,120.00	111,737.47
61	Hei 5 International Food A-43:Water Utility Service A.R	600,623.95	545,270.00	55,353.95
62	Hussain Engineering Works F-5:Water Utility Service A.R	18,782.23	-	18,782.23
63	Jam Ameer Ahmed Shop #5:Water Utility Service A.R	6,892.00	-	6,892.00
64	Lacandela A-38:Water Utility Service A.R	323,748.22	269,420.00	54,328.22
65	Legend International A-11 to A-13:Water Utility Service A.R	3,795,292.33	2,585,246.00	1,210,046.3

66	Marina Sea Craft C-37 & 38:Water Utility Service A.R	139,080.66	127,886.00	11,194.66
67	Maritime Security Agency C-2:Water Utility Service A.R	25,311.27	24,663.00	648.27
68	Maritime Security Agency MSA C-36.A:Water Utility Service A.R	156,792.31	136,959.00	19,833.31
69	Morawala Engineering C-3 & 4 & 5:Water Utility Service A.R	6,155.75	3,304.00	2,851.75
70	Muhammad Sabir Shop# 5:Water Utility Service A.R	115,334.02	106,315.05	9,018.97
71	MukhiNooruddin& Sons A-29,30 & 31:Water Utility Service A.R	2,917,531.17	2,672,001.00	245,530.17
72	MukhiNooruddin& Sons A-45:Water Utility Service A.R	1,067,798.39	1,031,237.00	36,561.39
73	Pak Sea Pearl (KaneShero) A-5 to A-8:Water Utility Service A.R	125,241.93	106,207.00	19,034.93
74	Seo Young International A-1 to A-4:Water Utility Service A.R	228,454.23	168,704.00	59,750.23
Total				17,682,256.8

Annex-110

(Para No.14.3.4.2)

Non-recovery of outstanding dues – Rs. 4,347.984 million

S#	Head of Account	Name of Party . Company	Recoverable Amount (Rs.)
1.	Demurrages	Pakistan State Oil 2,351,576,106 Pak Arab Refinery Limited 288,949,461 National Refinery Limited 99,234,893 Pakistan Refinery Limited 52,850,091 Saudi ATC 18,023,471 Vitol Bahrain EC 2,913,014 International Oil Overseas 33,678,102 Kuwait Petroleum Corp. 49,191,458 Turbo Asia 1,706,933 CSSA Shipping Services 75,910,007 Litasco Middle East DMCC 25,674,258 Petroineos Trading Limited 891,689	3,000,599,000
2.	Loans and Advances	PNSC Employees & Executives	60,491,000
3.	Outstanding Against Different PNSC Contractors and Suppliers	PNSC Contractors and Suppliers	25,899,000
4.	Outstanding Against Agents and Ship Owners	Agents and Ship Owners	15,774,000
5.	Sales Tax Refund Claims	FBR	12,974,000
6.	Trade Debts	Others (Considered Good) 371,155,000 Others (Considered Doubtful) 218,883,000	590,038,000
7.	Sundry Debtors		507,113,000
		Government of Pakistan 24,867,000	
		Port Qasim Authority 73,277,000	
		Sindh Revenue Board 13,67,000	
		Others Sundry Debtors 395,299,000	
8.	Other Receivables	Others (Considered Doubtful) 88,100,000	88,100,000
9.	Receivable from Tenants		46,995,000
		Considered Good 7,913,827	
		Court Cases 32,861,111	
		Ex-Tenants 6,220,795	
		Total	4,347,984,000

Annex-111

(Para No. 14.3.4.16)

Irregular procurement of spare parts – Rs. 40.180 million

S#	Spares Description	Original Maker	Original Maker's Agent.Supplier	Amount (Rs.)
1	Remote control equipment for ballast	Nakakita Seisakusho Co. Ltd	ISS Machinery	1,428,940
2	Auxiliary Engine	Yanmar Co. Ltd	Albwardy Marine	2,790,355
3	Inert Gas System	Misuzu Machinery	ISS Machinery	3,221,353
4	AUX Engine	Yanmar Co. Ltd	Albwardy Marine	1,060,187
5	AUX Engine	Yanmar Co. Ltd	Albwardy Marine	2,340,656
6	HFO Purifier Supply Pump	Naniwa Pump MFG Co. Ltd	ISS Machinery	1,500,541
7	AUX Engine	Yanmar Co. Ltd	Albwardy Marine	1,905,120
8	AUX Engine	Yanmar Co. Ltd	Albwardy Marine	1,086,497
9	AUX Engine	Yanmar Co. Ltd	Albwardy Marine	3,146,060
10	AUX Engine	Yanmar Co. Ltd	Albwardy Marine	2,439,072
11	Oxygen Analyser	Servomex	Aber Ahmed Equipment	1,350,415
12	Spares for Diesel Generator	Yanmar Co. Ltd	Albwardy Marine	1,187,219
13	Fuel Injection Pump	Yanmar Co. Ltd	Albwardy Marine	2,163,913
14	Cylinder Block Liner	Yanmar Co. Ltd	Albwardy Marine	2,625,291
15	AUX Engine	Yanmar Co. Ltd	Albwardy Marine	4,322,494
16	Starting Air Motor & Air Pipe	Yanmar Co. Ltd	Albwardy Marine	1,384,268
17	Main Air Compressor	Suction Gas Engine MFG. Co.	ISS Machinery	1,186,161
18	Check Valve 5K-400	Hinomoto BEN MFG. Co.	ISS Machinery	1,040,448
19	Cargo Oil Pump Turbine	Naniwa Pump MFG Co.	ISS Machinery	4,001,427
	TOTAL			40,180,417

Annex-112

(Para No.14.3.4.20)

Loss due to renting out properties at lower rates - Rs.28.503 million

S#	Tenant	Rented Area (SqFt)	Demanding Rate/SqFt (Rs.)	Actual Paid by Tenant/SqFt (Rs.)	Difference in rate/SqFt (Rs.)	Amount (Loss) Rs
1	Commissioner AEIO Zone (FBR)	6341	100	99	1	6341
2	MCB Bank Ltd	24888	100	92.1	7.9	196,615.2
3	Polani's (Pvt.) Ltd	835	40	30	10	8350
4	Rotary Club of Karachi	401	40	24.55	15.45	6195.45
5	Mr. Manzoor Hussain Panhwar	757	40	33	7	5299
6	National Advertisers Ltd	2659	40	3	37	98383
7	Arshad Amjad Abid (Pvt.) Ltd	744	40	21.78	18.22	13555.68
8	Khan H. R & Co	587	40	27.81	12.19	7155.53
9	Ali Ahmed Fazeel	1024	40	6	34	34816
10	Terry Towellers Ltd	971	40	15	25	24275
11	Terry Towellers Ltd	976	40	15	25	24400
12	Beema Pak. Ltd	6917	40	26.84	13.16	91027.72
13	Khairullah & Co.	950	40	20	20	19000
14	Asian Business Corporation	700	40	0.38	39.62	27734
15	Eastern Shipping Company	819	40	0.77	39.23	32129.37
16	Al-Hassan Cargo Services	2220	40	32	8	17760

17	Eastern Automobile	21000	40	1.82	38.18	801780
18	Enbee Corporation	3060	40	23.84	16.16	49449.6
19	Sajjad Akhtar	1079	40	38.92	1.08	1165.32
20	Associated Wine Merchant	2670	40	16.88	23.12	61730.4
21	Darayas T. Sethna	1500	40	1.02	38.98	58470
22	Agha Food Beverages	1530	40	24.16	15.84	24235.2
23	Fast Food Inds.	400	40	15	25	10000
24	Qurban Sons	400	40	22	18	7200
25	Fund Marketing International	1335	40	24.16	15.84	21146.4
26	Fund Marketing International	1094	40	26.62	13.38	14637.72
27	Fund Marketing International	900	40	28.51	11.49	10341
28	Fund Marketing International	714	40	32.13	7.87	5619.18
29	Fund Marketing International	466	40	25.93	14.07	6556.62
30	Fund Marketing International	400	40	35.35	4.65	1860
31	ISR Software (Pvt.)	1080	40	38.90	1.1	1188
32	Marine Consultants	3094	40	17.26	22.74	70357.56
33	Master Mariners	500	40	4	36	18000
34	MehtabTheature	592	40	23.23	16.77	9927.84
35	New Muhammadi Printing Press	1700	40	38.72	1.28	2176
36	Bhombal& Co.	2576	40	1.04	38.96	100360.96

37	Karachi Botts Co.	640	40	0.75	39.25	25120
38	M.S Malbari	525	40	2.5	37.5	19687.5
39	Seaward Surveyors	2710	40	2.88	37.12	100595.2
40	TajjarulBahar (Pvt.)	2082	40	1.5	38.5	80157
41	Eastern Estate	1500	40	15.73	24.27	36405
42	Marine Institute	1564	40	2.08	37.92	59306.88
43	Marine Superintendence Co.	1726	40	2	38	65588
44	Seatrade Management	968	40	2	38	36784
45	Internet Security	1772	40	32.7	7.3	12935.6
46	Terra Marine Agencies	4100	40	29.98	10.02	41082
47	Consultancy International	673	40	27.50	12.5	8412.5
	Total per Month					2,375,312.43
	Total for the year (2,375,312.43 * 12)					28,503,749

Annex-113

(Para No.14.3.4.25)

**Abnormal / unjustified increase in remuneration of Executive Director
(Finance) – Rs. 21.350 million**

Annex-113(i)								
Details of abnormal hikes in salary and allowances of Mr. Jarar over the years;								
	As on 01.02.20 16	Oct 10, 2017 (40% inc: in HRA)	01.01.2018 (5.6% inc: in B.Pay)	19.06.20 18 (12% Revision in B. Pay & Allow.)	19.06 2018 (5.6% increase w.e.f 01.02.2018 on ren: of contr)	13.02.2019 (11.43% inc in salary w.e.f. 31.10.2018)	27.02.201 9 (10% B.Pay w.e.f 01.02.201 9) BoD renewed contract for two years.	% Inc
Basic Pay	460,000	460,000	485,000	541,000	572,023	641,203	705,323	53% (40% in 2018 alone)
HRA	69,000	184,000	194,304	216,675	228,809	256,481	282,129	308%
Utilities	46,000	46,000	46,000	46,000	46,000	46,000	46,000	00
Total	575,000	690,000	726,064	804,363	846,832	943,684	1,033,452	80%

Annex-113(ii)						
Details of the difference in salary of EDs;						
S#	Name of Incumbent	Date of appointment & Designation	Initial Salary	Salary as on 30.12.2021	Increase in Salary (w.e.f 2016 to 2021)	% Inc
1.	Mr. S.Jarar Kazmi	01.02.2016 Executive Director (Finance. CFO)	575,000	1,033,452	458,452	80%
2.	Capt. M.Sarfraz	01.02.2016 Executive Director (SP&P)	350,000	Left	n.a	n.a
3.	Mr.Tarique Majeed	01.02.2016 Executive Director (SM)	350,000	574,417	224,417	64%
4.	Capt. M. Skakeel	01.02.2016 Executive Director (Commercial)	350,000	574,417	224,417	64%

Annex-114

(Para No.14.3.4.27)

Loss of income due to non-charging dead freight charges - Rs. 11.901 million

Loss of income due to non-charging Dead Freight charges - Rs.11.901 million (Annex)						
S#	Month	Average Minimum cargo to be lifted in M.Tons	Average Actual Cargo Quantity lifted in M.Tons	Difference Cargo lifted in M.Tons	AFRA Rate in US\$ per M.Ton	Total Cost of Dead weight charges in US\$
1	20-Jul		68,877	773	7.75	5,986.89
2	20-Aug	(70,000-0.5%)=69,650	69,537	113	6.26	707.16
3	21-Feb		69,356	294	4.9	1,440
4	21-May		65,139	4,511	6.38	28,780.18
5	21-Jun		66,211	3 439	6.15	21,142.98
Sub-total amount in US\$ (PARL)						58,057.21
Sub-total amount in Rs. (1US\$ equal to Rs.160)						9,289,153
1	July-20 to Sep-20		68,276	594	5.08	3,016.92
2	Oct-20 to Dec-20	68,870	68,324	546	4.45	2,429.70
3	Jan-21 to Mar-21		68,786	84	5.51	463.09
4	April-21 to June-21		67,190	1,680	6.2	10,414.32
Sub-total amount in US\$ (PRL)						16,324.03
Sub-total amount in Rs. (average 1US\$ equal to Rs.160)						2,611,844
Grand-Total amount in US\$						74,381.24
Grand-Total amount in Rs. (average 1US\$ equal to Rs.160)						11,900,997

Annex-115

(Para No.14.3.4.30)

Less deduction of income tax on car monetization allowance - Rs. 6.248 million

Annex-115(i)									
Name	Taxable Income	Car monetized (170,000 * 9)	Total taxable Income	taxable after fix amount	Tax deductible as per slab (fix)	25%	T/tax Payable	Actual tax deducted	Total recoverable tax amount 2020 to 2022
Syed Jarar Haider Kazmi	12,800,289	1,530,000	14,330,289	2,330,289	2,345,000	640,829	2,985,829	2,641,579	828,750
Capt Muhammad Shakil	6,796,819	1,530,000	8,326,819	326,819	1,345,000	81,704.75	1,426,705	1,150,784.28	679,341
Tariq Majeed	7,984,028	1,530,000	9,514,028	1,514,028	1,345,000	378,507	1,723,507	1,417,906	738,701
Khurum Mirza	7,307,699	1,530,000	8,837,699	837,699	1,345,000	209,424.75	1,554,425	1,265,732.28	704,885
Mr. Atique Sultan Raja	874,666	362,667	1,237,333	37,333	30,000	3,733.30	33,733	31,867	358,867
Zafarullah Khan	11,202,413	1,080,000	12,282,413	282,413	2,345,000	70,603.25	2,415,603.25	2,199,603	522,001
Capt Mustafa Kizilbash	6,291,162	1,080,000	7,371,162	2,371,162	670,000	533,511.45	1,203,511.45	1,014,511	459,001
Dr. M. Khursheed Farooqi	9,008,285	1,080,000	10,088,285	2,088,285	1,345,000	522,071.25	1,867,071.25	1,651,071	522,001
Ali Imam Qadri	4,890,111	1,080,000	5,970,111	970,111	670,000	218,274.98	888,274.98	702,022	453,506
Syed Zeeshan Taqvi	8,817,349	1,080,000	9,897,349	1,897,349	1,345,000	474,337.25	1,819,337.25	1,603,337	522,001
Mr. Baber Jamal Zubairi	6,425,103	1,080,000	7,505,103	2,505,103	670,000	563,648.18	1,233,648.18	1,044,648	459,000
		12,962,667						Total	6,248,053

Annex-115(ii)									
Name	Taxable Income	Car monetized (170,000 * 9)	Total taxable Income	Taxable after fix amount	Tax deductible as per slab (fix)	25%	T.tax Payable	Actual tax deducted	
Syed Jarar Haider		2,040,000		2,840,289	2,345,000	781,079	3,126,079	2,641,579	

Kazmi	12,800,289		14,840,289						
Capt Muhammad Shakil	6,796,819	2,040,000	8,836,819	836,819	1,345,000	209,204.75	1,554,205	1,150,784.28	
Tariq Majeed	7,984,028	2,040,000	10,024,028	2,024,028	1,345,000	506,007	1,851,007	1,417,906	
Khurum Mirza	7,307,699	2,040,000	9,347,699	1,347,699	1,345,000	336,924.75	1,681,925	1,265,732.28	
Mr. Atique Sultan Raja	5,247,996	2,040,000	7,287,996	2,287,996	670,000	514,799.10	1,184,799	827,799.00	
Zafarullah Khan	11,202,413	1,440,000	12,642,413	642,413	2,345,000	160,603.25	2,505,603.25	2,199,603	
Capt Mustafa Kizilbash	6,291,162	1,440,000	7,731,162	2,731,162	670,000	614,511.45	1,284,511.45	1,014,511	
Dr. M. Khursheed Farooqi	9,008,285	1,440,000	10,448,285	2,448,285	1,345,000	612,071.25	1,957,071.25	1,651,071	
Ali Imam Qadri	4,890,111	1,440,000	6,330,111	1,330,111	670,000	299,274.98	969,274.98	702,022	
Syed Zeeshan Taqvi	8,817,349	1,440,000	10,257,349	2,257,349	1,345,000	564,337.25	1,909,337.25	1,603,337	
Mr. Baber Jamal Zubairi	6,425,103	1,440,000	7,865,103	2,865,103	670,000	644,648.18	1,314,648.18	1,044,648	
		18,840,000							

Annex-116

(Para No.14.4.4.5)

Non-imposition of penalty on un-constructed plots - Rs. 2,270.960 million

S. #	Current allottee. transferee	Plot No.	Area in acre	Amount (Acre*PDC. acre)	Available facilities	Notices for cancellation due to non construction	Total amount (@10% of PDC per year * No. of year) approx.
1	M.s M.N Textile pvt. Ltd.	A-34	4.7	(40m*4.7) =Rs.188m	RD	23.07.15	Rs.18.8*5 yrs = Rs. 94m
2	M.s Pakistan Lubricants pvt. Ltd	B-6 to B-7	9	(40m*9) =Rs.360m	RD, WT,SW	9.12.15	Rs.36m*5 yrs =Rs.180m
3	Mr. kashif Mumtaz	E-08	1	(40m*1) =Rs.40m		14.1.15	Rs.4m*5 yrs =Rs.20m
4	Pakistan Telecommunication co. ltd	B-18	1.148	(40m*1.148) =Rs.45.92m	RD, WT,SW	23.7.15	Rs.4.59m*5 yrs =Rs.22.96m
5	M. yaqoob s.o M. Haroon	E-98	1	(Rs.40m*1) =Rs.40m	RD	23.7.15	Rs.4m*5 yrs =Rs.20m
6	Mr. Adnan Abrar, Waseem Ahmed, Kashif Abrar Ms. Tasneem Abrar	F-34, F-35 & E-169	4.7	(40m*4.7) =Rs.188m	RD	22.7.15	Rs.18.80*5 yrs =Rs.94m
7	M.s Indus refinery products Ltd.	SP- LPG.OIL. 02	25	(40m*25) =Rs.1000m	RD, WT,SW	11.8.15	Rs.100*5 yrs =Rs.500m
8	Mrs. Fareeda Saeeda	W2.1.17	1	(40m*1) =Rs.40m	RD, WT,SW, ST	16.5.16	Rs.4m*4 yrs =Rs.16m
9	M.s commercial Alliance corp.	W2.1.30 & W2.1.31	2	(40m*2) =Rs.80m	RD, WT,SW	16.12.15	Rs.8m*5 yrs =Rs.40 m
10	M.s selling Business system	W2.1.40	1	(40m*1) =Rs.40m	RD, WT,SW	27.7.17	Rs.4m*3 yrs =Rs.12m
11	M.s steel & co.	W2.1.41	1	(40m*1) =Rs.40m	RD, WT,SW	27.7.17	Rs.4m*3 yrs =Rs.12m
12	Mr. Ahmed Jaffer Kadia	W2.1.56	1	(40m*1) =Rs.40m	RD, WT,SW, ST	16.5.16	Rs.4m*4 yrs =Rs.16m
13	Mrs. Ghazala Khan	W3.09	3	(40m*3) =Rs.120m	RD, ST	16.5.10	Rs.12m*10 yrs =Rs.120m
14	Mr. Taufeef Ahmed	W4.04	4	(40m*4) =Rs.160m	RD, ST	-	Rs.16m*5 yrs approx. =Rs.80m
15	M.s JAK Traders	W5.05	4	(40m*4) =Rs.160m	RD, SW	22.7.15	Rs.16m*5 yrs =Rs.80m
Total area in acre in NWIZ @ Rs. 40 million approx.			63.548	Rs. 2,541.92m			Rs. 1,226.96 million
16	M.s IFFCO Pak. Pvt. Ltd.	85 to 92 & 98 to 100	11	(60m*11) = Rs. 660m	RD, WT, SW, ST	17.10.17	Rs.66m*3 yrs =Rs.198m
17	M.s world ocean cont. terminal ltd.	POZ.SP- 05	25	(60m*25) = Rs. 1,500 m	RD, WT	22.7.15	Rs.150m*5 yrs =Rs.750m
18	M.s Mama Industries	OZ.01-P- 175	2	(60m*2) = Rs. 120 m	RD, WT	01.08.17	Rs.12m*3 yrs =Rs.36m
19	M.s Mistle-2 corp (Mr. zulfiqar Malik)	27-A, 27- B	2	(60m*2) = Rs. 120 m	RD, WT, SW, ST	-	Rs.12m*5 yrs approx. Rs.60m
Total area in acre in SWIZ @ Rs. 60 million approx.			40.00	Rs. 2,400.00 m	-	-	Rs.1,044.00 m
Grand Total (NWIZ & SWIZ)			103.548	4,941.92m	-	-	Rs. 2,270.96 m

Annex-117

(Para No.14.4.4.25)

Loss due to non-imposition of compensation charges - Rs. 20.253 million

S. #		Period	Date of deposit	Amount deposited (Wharfage Charges)
1		15-6-20 to 30-6-20	15-7-20	11,648,525
2		8-6-20 to 15-6-20	08-8-20	3,182,538
3		27-7-20 to 31-7-20	18-8-20	2,871,248
4		1-8-20 to 10-8-20	25-8-20	4,789,594
5	2951	1-9-20 to 7-9-20	21-9-20	3,656,154
6	2643	17-8-20 to 31-8-20	11-9-20	8,100,452
7	2645	10-8-20 to 17-8-20	11-9-20	4,511,091
8	3608	14-9-20 to 21-9-20	8-10-20	4,353,219
9	3703	21-9-20 to 30-9-20	12-10-20	6,649,244
10	4103	1-10-20 to 5-10-20	26-10-20	4,653,986
11	4701	19-10-20 to 26-10-20	16-11-20	4,863,672
12	4702	12-10-20 to 19-10-20	16-11-20	5,628,744
13	4705	5-10-20 to 12-10-20	16-11-20	5,795,522
14	4751	26-10-20 to 31-10-20	14-11-20	6,699,440
15	5334	9-11-20 to 23-11-20	7-12-20	10,041,064
16	5890	23-11-20 to 30-11-20	21-12-20	6,861,765
17	6229	1-12-20 to 7-12-20	28-12-20	3,640,366
18	6231	7-12-20 to 14-12-20	28-12-20	5,466,824
19	6710	21-12-20 to 31-10-20	11-1-21	9,214,462
20	7416	1-1-21 to 11-1-21	29-1-21	8,750,562
21	7419	11-1-21 to 18-1-21	29-1-21	5,515,400
22	7841	25-1-21 to 31-1-21	16-2-21	5,707,680
23	7842	18-1-21 to 25-1-21	16-2-21	6,251,326
24	9510	15-3-21 to 31-3-21	20-4-21	13,004,605
25	8377	8-2-21 to 15-2-21	5-3-21	6,186,963
26	8551	13-2-21 to 22-3-21	12-3-21	4,056,096
27	8771	22-2-21 to 28-2-21	18-3-21	7,430,104
28	10265	1-5-21 to 12-4-21	19-5-21	7,857,660
29	9511	1-3-21 to 15-3-21	20-4-21	10,566,899
30	10267	12-4-21 to 26-4-21	19-5-21	11,206,888
31	10553	1-5-21 to 10-5-21	26-5-21	6,348,478
32	11293	10-5-21 to 31-5-21	15-6-21	132,037,799
				337,548,370 * 6% = Rs 20,252,902

Annex-118

(Para No.14.4.4.27)

Loss of revenue due to charging lesser rates - Rs. 18.807 million

Annex-117(i)							
S#	Items	PQA Charges (Rs.)	KPT Charges (Rs.)	% difference	PQA Charges (Rs.)	KPT Charges (Rs.)	% Difference
		IMPORT			EXPORT		
1.	Fertilizer	14	54	74%	14	40	65%
2.	Chemicals	44	100	56%	44	100	56%
3.	Heavy project cargo	65	140	54%	65	70	7%
4.	Coal	34	54	37%	34	40	15%
5.	Cement	41	54	24%	22	44	50%
6.	Rice	44	54	19%	31	40	23%
7.	Crude oil/diesel oil/fuel oil	25	30	17%	25	30	17%
8.	Edible oil	31	35	11%	31	35	11%
9.	Wheat	21	21	-	17	21	19%

Annex-117(ii)					
Items (A)	Rate difference of Imports (Rs.) (B)	Rate difference of Export (Rs.) (C)	Cargo handle in Tonnes import(2020-21 (D)	Cargo handle in tonnes export (2020-21 (E)	Loss due to Rate difference (Rs.) (F)
Chemicals	56		72,867		4,080,552
Cement	-	13	-	878,071	11,414,923
Rice	-	10	-	318,125	3,181,250
Edible oil	4	-	32,690		130,760
Total					18,807,485

Annex-119

(Para No. 15.1.4.12)

S. No.	Name	Designation	Amount (Rs. in million)	Pattern of share holding in PASSCO (%)
1.	Mr. Gufran Memon	Chairman BOD PASSCO Ministry of National Food Security & Research Government of Pakistan, Islamabad	7.500	25.00
2.	Dr. Imran Ullah Khan	Joint Secretary (CF) Finance Division, Government of Pakistan, Islamabad		
3.	Mr. Khurram Saeed Naik	Member BOD PASSCO Executive Vice President, National Bank of Pakistan, Head Office, Karachi	5.500	18.33
4.	Mr. Kashif Umar Thanvi	Member BOD PASSCO General Manager – Head-Rural Banking, Habib Bank Limited, Head Office, Karachi	5.500	18.33
5.	Mr. Mir Aamir Nawaz	Member BOD PASSCO GM-Central North, United Bank Limited, Lahore	5.500	18.33
6.	Mr. Hassan Nawaz Tarar	Member BOD PASSCO Group Head Security & Marketing, MCB Bank Ltd., Lahore	2.500	8.34
7.	Mr. Asif Bashir	Member BOD PASSCO Chief- Commercial & Retail Banking Group, Allied Bank Limited, Karachi	1.000	3.33
8.	Mr. Muhammad Hafeez	Member BOD PASSCO SEVP.Group Head, R & RAM, SAM & OREO, Credit and Operations Division, Zarai Taraqati Bank Limited, Islamabad	2.500	8.34
		Total	30.000	100

Annex-120

(Para No. 15.1.4.30)

(Para No. 13.1.4.50)

Sr. #	BPS	Designation	Held without authorization	Avg. Salary as on 31.03.2021	Total Salary Per Month
1	15	Assistant	14	118,000	1,652,000
2		Assistant (HVAC)	1	119	119
3		Gym Instructor	0	-	-
4	14	Security Inspector	0	-	-
5		Asst. Database Operator	1	42,272	42,272
6		Asst. System Operator	0	-	-
7		Asst. Network Operator	1	42,272	42,272
8		Accountant	29	63,000	1,827,000
9		Purchase Inspector	240	75,000	18,000,000
10		Senior Clerk	24	83,000	1,992,000
11	11	Sub-Accountant	10	48,000	480,000
12		Sub-Engineer	5	31,163	155,815
13	9	Tele.Fax Operator	5		-
14		Accounts Clerk	2	30,405	60,810
15		A.Draftsman AutoCad	0	-	-
16		Foreman	3	101,735	305,205
17		Assistant Draftsman	1	111,464	111,464
18		Senior Electrician	1	90,310	90,310
19		Junior Clerk	52	45,245	2,352,740
20		Diary. Despatch Clerk	1		-
Total			390		27,112,007

*Source: Resolution by circulation dated 24.02.2011

Annex-121
(Para No. 16.1.4.4)

Description	M/s Naseer Khan Const. Co.		M/s ICE Berg Industries	
	Qty.	Amount (Rs.)	Qty.	Amount (Rs)
Package Type Unit				
PACU-01 (as per schedule)	02	3,159,771	02	6,529,250
PACU-02 (as per schedule)	01	2,064,379	01	4,777,500
PACU-03 (as per schedule)	01	2,744,189	01	7,718,317
PACU-04 (as per schedule)	02	5,488,378	02	14,279,417
PACU-05 (as per schedule)	02	6,224,681	02	14,279,417
Single Split AC Unit	0	0	0	0
AC-01 (as per schedule)	10	505,858	14	1,916,096
AC-02 (as per schedule)	04	259,807	0	0
AC-03 (as per schedule)	02	147,324	02	342,160
CT-04 (as per schedule)	04	324,759	04	1,024,418
Ventilation Fans	0	0	0	0
EAF-05 (as per schedule)	02	42,578	02	178,204
EAF-06 (as per schedule)	02	42,578	02	176,204
EAF-09 (as per schedule)	01	109,644	01	89,102
FAF-02 (as per schedule)	02	369,996	02	213,854
SEF-01 (as per schedule)	08	1,479,986	08	2,339,376
Refrigerant. Copper Pipes	0	0	0	0
AC-01(as per schedule)	375	733,763	375	767,625
AC-02(as per schedule)	135	264,155	135	313,065
AC-03(as per schedule)	75	170,786	75	203,625
AC-04(as per schedule)	155	303,289	155	359,445
G.I Sheet Tray	50	115,600	50	178,250
uPVC Drain Pipes	0	0	0	0

25mm	210	69,080	210	161,070
32mm	50	19,933	50	53,550
G.I Pipes for external drain	0	0	0	0
32mm dia	10	7,276	10	12,980
40mm dia	75	59,861	75	124,425
50mm dia	50	49,385	50	103,500
65mm dia	20	24,480	20	57,220
Kitchen Turbo Hoods	01	93,208	01	105,800
20mm	0	0	0	0
G.I Duct Work	2,496	3,944,054	2,496	7,176,000
Fibre Glass Insulation	2,132	1,168,869	2,132	948,740
2" thick PU Insulation	300	961,605	300	3,174,000
G.I Cladding	330	396,066	330	929,610
Sound Linear	150	97,665	150	86,550
Louvers	0	0	0	0
Fresh Air with VCD	05	131,702	05	124,200
Fresh and Exhaust Air	05	98,777	05	112,700
Air Devices	0	0	0	0
Supply & Return Air Diffuser	25	429,441	25	668,425
S.S Mesh	15	257,665	15	379,500
Swift Diffuser 300mm dia	264	1,122,000	264	2,884,200
Disk Valve 150mm dia	49	57,515	49	112,700
Volume Control Dampers	15	300,722	15	414,000
Rigging, placement, installation, testing and commissioning of self-contained package type air conditioning units of different capacities (as per mentioned in schedule) complete in all respects, including supply of supports, brackets, rubber isolator, flashing, flexible duct connector, gas charging (if required), control wiring for controller from unit to manager room & power wiring (connection) in G.I for external . PVC for internal complete in all respects ready to operate as per drawings, specification, instruction and approval of consultant	0	0	0	0

PACU-01 (as per schedule)	02	110,000	02	115,000
PACU-02 (as per schedule)	01	71,500	01	57,500
PACU-03 (as per schedule)	01	77,000	01	57,500
PACU-04 (as per schedule)	02	154,000	02	115,000
PACU-05 (as per schedule)	02	161,700	02	115,000
Installation, testing and commissioning of air conditioning units decorative type (reversible) of different capacities (as per drawing) including supply of supports, brackets, rubber isolator, flashing, control wiring & power wiring (connection) in G.I for external.PVC for internal from outdoor unit to indoor unit complete in all respects ready to operate as per drawings, specification, instruction and approval of consultant.	0	0	0	0
AC-01 (as per schedule)	10	38,500	14	48,300
AC-02 (as per schedule)	04	19,800	0	0
AC-03 (as per schedule)	02	11,000	02	11,500
AC-04 (as per schedule)	02	19,129	04	18,400
Installation, testing and commissioning of refrigerant pipes (liquid + gas) with 12mm thick expended rubber foam insulation PVC tape wrapping + control wring from indoor to outdoor, including gas charging if required complete in all respects ready to operate as per schedule specification drawings and as per instruction of consultant	0	0	0	0
AC-01 (as per schedule)	375	187,440	375	153,375
AC-02 (as per schedule)	135	67,476	135	62,505
AC-03 (as per schedule)	0	0	75	40,725
AC-04 (as per schedule)	0	0	155	71,765
Installation of uPVC pipe (drain) for internal units with 10mm thick expanded rubber foam insulation, PVC tape wrapping for condensate drain including support hangers, excavation, cutting chiselling and making good complete in respect ready to operate as per drawings, specification, instruction and approval of consultant	0	0	0	0
25mm dia	210	25,318	210	15,980
32mm dia	50	7,7000	50	5,350
Supply and Installation of G.I pipe (drain) for external units with 10mm thick expanded rubber foam insulation, PVC tape wrapping for condensate drain including support hangers, excavation, cutting chiselling and making good complete in respect ready to operate as	0	0	0	0

per drawings, specification, instruction and approval of consultant.				
32mm dia	10	1,540	10	1,290
40mm dia	75	13,662	75	12,375
50mm dia	50	11,836	50	10,350
65mm dia	20	5,720	20	5,720
Rigging, lifting, placement, installation, testing and commissioning of Ventilation Fans (as per mentioned in schedule) including supply of Vibration isolator, electrical connection, flexible duct connection, support & hangers complete in all respects ready to operate as per drawings, specification, instruction and approval of consultant	0	0	0	0
EAF-05 (as per schedule)	02	18,700	02	6,900
EAF-06 (as per schedule)	02	18,700	02	6,900
EAF-09 (as per schedule)	01	19,800	01	3,450
EAF-02 (as per schedule)	02	55,000	02	11,500
EAF-01 (as per schedule)	08	220,000	08	92,000
Installation testing and commissioning of Kitchen Turbo Hood, including supports, hangers, electric connections, pipe connection & other accessories complete in all respects ready to operate as per specification, drawings and as per instruction of Consultant	0	0	0	0
EH-01 (as shown in drawing)	01	9,651	01	17,250
Installation, testing and commissioning of uPVC Sch 40 pipe for kitchen hood exhaust including clamps, bends, tees, sockets, protection treatment, PVC tape wrapping complete in all respects ready to operate as per specification, drawings and as per instruction of consultant	0	0	0	0
200mm dia	15	4,343	15	15,015
Fabrication and installation of machine made G.I sheet metal duct of different sections of supply, return fresh & exhaust air complete in all respects including plenums, splitter dampers, guide vanes, flexible duct connector, access door, transformation, plenums chambers, wooden frame, anchors supports & hangers complete in all respects ready to operate as per drawings, specification, instruction and approval of consultant.	2,496	948,879	2,496	1,550,016
Installation of Aluminium Foil facing Fibre Glass (16kg.m3 density) insulation 25mm thick for G.I sheet metal ducts of different sections with Aluminium tape protected with 8oz canvas cloth than painted with anti fungus paint complete in all respects ready to operate as per specification, drawings and as per instruction of Consultant.	2,132	405,251	2,132	808,028

Installation of 2" thick Pre Formed Polyurethane insulation (Bituminous Kraft Paper Facing 50 kg.m3 density for external duct, exposed supply & return air duct complete in all respects ready to operate as per drawings, specification, instruction and approval of Consultant	300	227,832	300	207,000
Fabrication and installation of 26 SWG gauge painted G.I. cladding for external ducting etc. complete in all respects ready to operate as per drawings specification, instruction and approval of consultant.	330	125,453	330	189,750
Installation of acoustical duct sound liner in supply air duct complete in all respects ready to operate as per specification, drawings and as per instruction of consultant	150	28,512	150	60,300
Installation of aluminium fabricated powder coated fresh air intake louvers with VCD & 1" thick aluminium filter, including rain protection sheet, bird mesh etc. complete in all respects ready to operate as per drawings, specification, instruction and approval of consultant.	05	34,088	05	34,500
Installation of aluminium fabricated powder coated fresh & exhaust air louvers including wooden frame, rain protection sheet bird mesh etc. complete in all respects ready to operate as per specification, drawings and as per instruction of Consultant	05	22,246	05	28,750
Installation of volume control damper in 16 SWG G.I sheet metal with gas kits, nut bolts, complete in all respects ready to operate as per specification, drawings and as per instruction of consultant	15	66,738	15	120,750
Painting & Identification work on supports, hangers, platform of condensing units etc. complete in all respects with on coat of ICI make Red lead oxide primer & two coats of ICI make enamel paint complete in all respects ready to operate as per drawings, specification, instruction and approval of consultant	01	22,000	01	184,000
Testing, balancing and commissioning of air side of the system (from independent agency) complete in all respects including air measurement & balancing, temp, pressure & electrical data of related equipment etc. complete in all respects ready to operate as per drawings, specification, instruction and approval of consultant.	01	220,000	01	517,500
Total		37,340,639		78,085,739

Annex-122

(Para No. 16.1.4.6)

Project Name	Party Name	Total Amount Paid (Rs)	DRP Fund @ Rs 2000 per 1 Million
Border Services Improvement Program - Torkham	Abdul Karim Sherani & Brothers (Pvt.) Limited	106,934,968	212,000
--do--	Abdul Jabbar & Sons Builder Pvt. Limited	1,584,247	2,000
--do--	Adnan Traders	1,870,272	2,000
--do--	Al Fateh International	8,805,888	16,000
--do--	Al Majid Logistics Prefab & Container Sale Centre	6,961,586	12,000
--do--	Allah Dad Contractor	1,658,751	2,000
--do--	Banu Mukhtar	41,921,282	82,000
--do--	Bilal Switchgear Engineering Pvt. Ltd	111,266,698	222,000
--do--	Burki Construction Company	77,924,824	154,000
--do--	Burraq Trading Company	13,646,996	26,000
--do--	Capstone Builders Engineers Pvt. Limited	10,977,915	20,000
--do--	Concrete Concept (Pvt.) Limited	18,700,000	36,000
--do--	Falak Enterprises	12,517,789	24,000
--do--	Farooq Shah & Brothers	2,171,635	4,000
--do--	Firetech Enterprises Private Limited	16,846,802	32,000
--do--	Gamrani Builders	3,251,102	6,000
--do--	Haji Rasool Shah Contractor	2,874,056	4,000
--do--	Harbinger Pvt. Limited	2,889,408	4,000
--do--	Hashim Khan & Sons	1,166,992	2,000
--do--	i BUILD	2,872,480	4,000
--do--	International Industries Limited	3,658,955	6,000
--do--	Kaka Khan & Company	1,949,044	2,000
--do--	Karsaz Pvt. Limited	1,523,562,150	3,046,000
--do--	Mina Construction Company	4,964,792	8,000
--do--	Nabi Bajor	1,206,261	2,000
--do--	Najeeb Ullah & Co	4,647,515	8,000
--do--	Naseer Khan Construction Company	10,035,394	20,000
--do--	Naveed Brothers Enterprises	233,302,784	466,000
--do--	Pronet Private Limited	17,255,788	34,000
--do--	Raqeeb& Brothers	1,896,264	2,000
--do--	Riaz Ud Din Engineering Pvt. Limited	139,684,597	278,000
--do--	Shafi Khattak & Sons	1,362,051	2,000
--do--	Sher Ali & Co	19,926,159	38,000
--do--	Sika Pakistan (Pvt.) Limited	1,228,500	2,000
--do--	Star Engineering	3,883,499	6,000
--do--	Tayyab Engineering Services	1,019,832	2,000
--do--	Waleed Khan & Brothers (Pvt.) Ltd	18,198,836	36,000
--do--	WaliZai Construction Co.	14,819,056	28,000
--do--	Warraich Builders & Contractors	30,616,534	60,000
Const. of River	Ali Akbar Enterprises	2,452,625	4,000

Training Works on Indus River			
--do--	AM99 Private Limited	10,116,102	20,000
--do--	Dilawar Yousaf Khan & Company	22,925,950	44,000
--do--	MGH Construction Services	12,908,796	24,000
--do--	New Mushtarka Lucky Marwat	2,047,148	4,000
Road Const.of CPEC Pkg - 1	Al Nafay 99 Private Limited	8,155,059	16,000
--do--	Dilawar Yousaf Khan & Company	27,791,642	54,000
--do--	AM99 Private Limited	7,040,568	14,000
--do--	Kohinoor Trading Corporation	3,153,865	6,000
--do--	M.I.K Sons Builders (Private) Limited	9,127,086	18,000
--do--	ME Qureshi and Sons Trading Corporation	1,422,555	2,000
--do--	MGH Construction Services	2,498,044	4,000
		2,589,701,142	5,122,000
Total Rs.		2,589,701,142	5,122,000

Annex-123

(Para No. 16.1.4.8)

Detail of loss due to less.short collection of toll fee

S. No.	Toll Plaza	per month share to be paid to NHA	Total (From July 2021 to June 2022)	Total monthly Expenditure (2021-22)	Total expenditure including NHA Share	Total revenue from toll plaza (2021-22)	Profit.(Loss)
1	Mianwali	10,360,000	124,320,000	5,350,663	129,670,663	108,202,510	(21,468,153)
2	Harro ETTM	37,870,000	454,440,000	18,623,775	473,063,775	455,229,430	(17,834,345)
3	Sangjani ETTM	71,350,000	856,200,000	34,910,415	891,110,415	882,064,180	(9,046,235)
4	Mandra ETTM	52,260,000	627,120,000	26,308,036	653,428,036	637,113,460	(16,314,576)
5	Terraki ETTM	38,670,000	464,040,000	19,169,753	483,209,753	470,083,130	(13,126,623)
6	Chenab North	25,851,000	310,212,000	12,630,708	322,842,708	309,193,730	(13,648,978)
7	Gujranwala	61,788,000	741,456,000	29,723,149	771,179,149	739,714,550	(31,464,599)
8	Okara ETTM	44,350,000	532,200,000	20,980,029	553,180,029	551,671,280	(1,508,749)
9	Harrappa	36,650,000	439,800,000	18,263,939	458,063,939	457,354,920	(709,019)
10	Qutabpur	31,650,000	379,800,000	13,694,133	393,494,133	392,638,400	(855,733)
11	Bahawalpur	46,370,000	556,440,000	20,161,536	576,601,536	571,300,050	(5,301,486)
12	Ahmedpur East	38,350,000	460,200,000	16,155,804	476,355,804	466,348,470	(10,007,334)
13	Khanbela	50,160,000	601,920,000	22,630,779	624,550,779	610,842,720	(13,708,059)
14	Sukkur	20,110,000	241,320,000	11,063,243	252,383,243	248,315,600	(4,067,643)
15	Ranipur	61,750,000	741,000,000	25,036,527	766,036,527	733,675,230	(32,361,297)
16	Kandiaro	61,650,000	739,800,000	25,636,970	765,436,970	722,060,730	(43,376,240)
17	Moro	62,750,000	753,000,000	25,117,634	778,117,634	739,945,210	(38,172,424)
18	Saeedabad	67,860,000	814,320,000	27,532,423	841,852,423	797,436,470	(44,415,953)
19	Karachi (KNB)	22,560,000	270,720,000	11,487,680	282,207,680	264,764,280	(17,443,400)
							(334,830,846)

Annex-124

(Para No. 16.1.4.9)

Sr. No.	Contract No.	Date	Description.Particular	Amount (Rs)	0.25% of Contract Value	Supplier Name	Value of Stamp Paper (Rs)
1	7848	07.07.2021	Supply and Installation of IT Equipment for NLC Data Centre	179,365,089	448,413	M.s Computer Marketing Co Ltd	100
2	7843	21.06.2021	Supply of Prime Movers 111 (ISUZU CYZ 51 390PS CKD)	2,036,850,000	5,092,125	M.s Ghandhara Industries Ltd	50
3	7906	30.10.2021	Purchase. Supply of IT Equipment	25,760,782	64,402	M.s Wise Tech	100
4	7971	09.03.2022	Purchase. Supply of IT Equipment	31,591,854	78,980	M.s Wise Tech	100
5	7855	12.07.2021	Supply of ISUZU FVR-34 (240 PS) PM (Qty-25)	291,875,000	729,688	M.s Ghandhara Industries Ltd	50
6	7860	19.07.2021	Supply of Prime Movers 100 (ISUZU CYZ 51 390PS CKD)	1,835,000,000	4,587,500	M.s Ghandhara Industries Ltd	100
7	8014	15.06.2022	Supply of ISUZU NHR Pickup 1.8 Qty 03	11,792,000	29,480	M.s Ghandhara Industries Ltd	100
8	7866	14.09.2021	Supply and Installation of Active Equipment	37,381,349	93,453	M.s COMMTEL	100
9	7852	07.07.2021	Procurement of Office Furniture	63,141,216	157,853	M.s Interwood Mobel (Pvt) Ltd	100
10	7889	30.09.2021	Implementation of Oracle Moduels for oracle Primavera Portfolio Management	21,473,857	53,685	M.s Celmore Technologies (Pvt) Ltd	100
11	7778	30.12.2020	Implementation of Project Accounting Module of Oracle E-Buisness Suite (EBS) and Helth Check of Financials, SCM and HCM Modules	59,431,687	148,579	M.s Celmore Technologies (Pvt) Ltd	100
12	7939	10.01.2022	2xTender Fire Crash Vehicle	58,450,000	146,125	M.s Miraj Ltd	100
13	8004	06.06.2022	Supply of ISUZU FVR-34 Prime Movers (Qty-50)	675,000,000	1,687,500	M.s Ghandhara Industries Ltd	100
14	7967	24.02.2022	Procurement of Furniture NLC Chaklala Guest rooms	27,977,662	69,944	M.s Makky Brothers Furniture	100
15	8005	07.06.2022	Supply of ISUZU CYZ51 (390 PS) Qty 50	1,175,000,000	2,937,500	M.s Ghandhara Industries Ltd	100
16	7943	21.01.2022	Supply of Filters	19,112,125	47,780	M.s Qaim Automotive Mfg (Pvt) Ltd	100
17	8010	10.06.2022	Supply of Static Pump	38,500,000	96,250	M.s Global Technologies	100
Total				6,587,702,621	16,469,257		

Annex-125

(Para No. 16.1.4.11)

S. No.	Name of Project	Contract No.	Contractor Name	Amount paid (Rs)
1.	7th Avenue	7 th Avenue.Gen.PDN.NLC-4VN39T	M.s BKB Engineering	36,285,340
2.	IJP Road	PM.29.IJP.PDN.578.NLC	M.s Evershine Construction Pvt. ltd	1,715,887
3.	7th Avenue	7th Avenue.Gen.PDN.NLC-JQN9D5	M.s Bravo Associates	13,054,274
4.	7th Avenue	7th Avenue.Gen.PDN.NLC-JYN32Y	M.s Rana Shafique & sons	1,721,228
5.	MBS Pkg-1	MBS.Pkg-1.04.2020	M.s Fas Tube & Mills	549,691
6.	7th Avenue const of grade	PV-199 dated 28-04-2022	M.s Thaikadar shah	1,517,908
7.	Block C	Block C.PDN.NLC-4HNVCG	M.s Bin Aziz Associates	12,648,141
8.	Murree Kashmir road 66 km	Project.RMKR.NLC.RAR	M.s Softsys Pvt. ltd	321,867,172
9.	KHU	KHU.17.202.1.PDN.NLC	M.s Malik Abdul Hanon & sons	37,259,505
10.	MCRP	MCRP.18.2015.PDN.NLC	M.s Mehmood khan & co	21,866,441
11.	Murree Kashmir road 66 km	Gen.SCRP.PDN.NLC-JTNOIU	M.s Softsys Pvt. ltd	250,515,993
12.	MBS Pkg-1	MBS Pkg-1.isb-4LNV24	M.s Akhtar Engineering services	2,460,500
13.	Block C	Block C.PDN.NLC-4UNIZM	M.s Bin Aziz Associates	5,384,921
15.	Granular sub base & Aggregate base	NIIA.Gen.PDN.NLC-4LN32R	M.s ITTIFAQ ENTERPRISES	37,749,263
16.	BOSC	BOSC.29.2013.PDN.NLC	M.s Iftikhar Ahmed khan & co	3,370,083
17.	NLC Tower	NLC Tower.PDN.NLC-4UNH2U	M.s Malik Abdul Hanon & sons	71,543,481
18.	NLC Tower	NLC Tower.09.20.21.PDN.NLC	M.s Malik Abdul Hanon & sons	148,950,866
19.	NLC TOWER	NLC-Tower.6.21.PDN.NLC	M.s VPL Ltd.	25,002,480
20.	NLC TOWER	PV-183 dated 28-04-2022	M.s Malik Abdul Hanon & sons	122,684,051
21.	7th Avenue	7th Avenue.Gen.PDN.NLC-4LNSAS	M.s Techney Links	3,289,500
22.	Mahota Dam	Mahota Dam. Gen. PDN. NLC-4VN6VO	STC Engineers & general	11,516,349
23.	PECB	PECB.Gen.PDN.NLC-	M.s Driller	5,630,537

		46NWE0		
24.	Cambridge block	Cambridge block.PDN.NLC-4GNA41	M.s Decora enterprises	6,318,692
25.	10th Avenue	10th Avenue.Gen.PDN.NLC-4VNFM	M.s West ARC Const	4,803,926
26.	Cambridge block	APSAC.PDN.NLC-JYNTK8	M.s YAT Builders & GOS	1,152,635
27.	-do-	Cambridge block.PDN.NLC-4VNVUT	M.s Naik Ahmed	4,318,429
28.	-do-	Cambridge block.PDN.NLC-46NPUM	-do-	627,730
29.	IJP Road	27409.IJP RD.Gen.pdn.nlc-j5nc3	M.s Vouge Engg Services	5,969,229
30.	MBS Pkg-1 IBD	27201.MBS Pkg-1.ibd-4UNVZP	M.s Jamal Khalil cons co swat	5,608,745
31.	MBS Pkg-1 Ibd	PV-10 dated 05-10-2021	M.s International Traders	17,041,892
32.	-do-	27409.MBS Pkg 1.PDN.NLC-4UNF5N	M.s Al Khair Cons co	4,239,375
33.	-do-	27409.MBS Pkg 1.PDN.NLC-J5NC75	M.s Al khair engineering	2,884,923
34.	-do-	27409.MBS Pkg 1.PDN.NLC-J5NEEK	M.s Fastube mills	5,080,284
35.	NLC TOWER	27409.NLN Tower.PDN.NLC-4UN7E7	M.s Superstar developers	10,375,054
36.	IJP ROAD	27201.IJP Road.A&P.PDN.NLC-JANEQI	M.s VISTALADRILLO	2,498,839
37.	Cambridge block	27409.Cambridge block.PDN.NLC-JYNB52	M.s Yat builders& GOS	1,322,137
38.	MCRP	PV-182 & Cheque 660106 dated 23-6-2022	M.s Mehmood khan	31,412,582
39.	Main link road (M-1.M-2)	CHEQUE NO 660169 dated 30-06-2022	M.s NETCO PVT LTD	8,884,259
40.	SCRIP	Cheque No.656576 dated 22-06-2022	M.s Mehmmd Iqbal khan trand	18,556,053
41.	7th Avenue	27409.7th Avenue.Gen.PDN.NLC-JAN9XI	M.s Thaikaidat shah behram	2,368,927
42.	RMK	27409.RMK.Gen.PDN.NLC-4VNEQ4	M.s Softsys Pvt. ltd	328,441,609
43.	KHU	2740.KHU.PDN.NLC-JAN09T	M.s Malik Abdul Hanan & sons	62,644,045
44.	IJP Road	27409.IJP RD. Gen. PDN. NLC-JANSOY	M.s Freypak Pvt. ltd	96,877,125
45.	-do-	27409.IJP.Gen.PDN.NLC-	M.s Muhammad	6,654,508

		JYNYSK	Afzal	
46.	MBS Pkg	27409.MBS Pkg- 1.PDN.NLC-4VNNB1	M.s Eastern Highway Company	4,652,277
				1,769,316,886

Annex-126

(Para No. 16.1.4.13)

Sr. No.	Designation	Grade	Total Posts	Per month Pay (Rs)	Payment for 12 Months (Rs)
1	Director	20	1	517,991	6,215,892
2	Sr. Manager Admn	19A	1	200,000	2,400,000
3	DD Projects	19B	1	315,000	3,780,000
4	Sr. Manager Projects	19B	1	348,272	4,179,264
5	Deputy Manager Projects	18	1	210,000	2,520,000
6	Manager Engineer Plans	18	1	218,665	2,623,980
7	Sr Quantity Surveyor	17	1	142,845	1,714,140
8	Sr Quantity Surveyor	17	1	126,000	1,512,000
9	Foreman Electrical	16	1	101,324	1,215,888
10	SDO (Buld & Rd)	16	1	88,668	1,064,016
11	Quantity Surveyor	16	1	84,000	1,008,000
12	Site Incharge	16	2	84,000	1,008,000
13	Foreman Diesel	16	1	84,000	1,008,000
14	Locomotive Driver	14	28	82,467	989,604
15	Assistant Foreman Mechanical	12	1	36,478	437,736
16	Wireman	9	4	32,011	384,132
17	Fitter Mistry	9	3	45,550	546,600
18	Technical Helper	7	3	31,288	375,456
19	Assistant Technical Helper	6	1	32,600	391,200
20	Wireman Mistry	9	1	45,550	546,600
21	Diesel Fitter	9	1	45,550	546,600
22	Operator Bitumen Sprinkler	5	1	29,885	358,620
Total			57		34,825,728

Annex-127

(Para No. 16.1.4.14)

Statement showing detail of CP Fund monthly deduction from army retired personnel during the period from 01.01.2021 to 30.11.2022

S. No.	Name of officer / official	Designation	Personal No.	Pay	Date of Joining	CP Fund contribution P.M	Period From to	Months	Total amount
1.	Lt Col Mirza Muhammad Saqib	Senior Manager Security	127269	200,000	01.02.2021	8,330	01.02.21 30.11.22	22	183,260
2.	Lt Col Abid Sadique Janjua	Senior Manager Admn	126019	200,000	07.08.2020	8,330	01.01.21 30.11.22	23	191,590
3.	Maj Ahmad Asif Siddique	Manager Admn	127595	160,000	15.03.2021	6,664	01.04.21 30.11.22	20	133,280
4.	Lt Col Muhammad Faisal But	Senior Manager pre-audit	129715	200,000	27.08.2021	8,330	01.09.21 30.11.22	15	124,950
5.	Col Shahid Ahmad Khan	General Manager HR	16334	275,000	28.09.2020	11,454	01.01.21 30.11.22	23	263,442
6.	Lt Col Zeeshan Sardar	Senior Manager HR	126809	200,000	20.11.2020	8,330	01.01.21 30.11.22	23	191,590
7.	Brig RehanJamshaid Nemati	Director ICT	125660	493,865	28.04.2020	20,569	01.01.21 30.11.22	23	473,087
8.	Lt Col Muhammad Awais Khan Treen	Senior Manager Technical	127581	200,000	11.03.2021	8,330	01.04.21 30.11.22	20	166,600
9.	Lt Col Muhammad Ziaul Haq	Senior Manager Procurement	15669	217,684	06.02.2019	9,067	01.01.21 30.11.22	23	208,541
10.	Col Zahid Ashrf	General Manager Land & Qua	127067	250,000	01.01.2021	10,413	01.01.21 30.11.22	23	239,499
11.	Lt Col Tariq Shabaz Khan Niazi	Senior Manager Quatering	127920	200,000	03.05.2021	8,330	01.05.21 30.11.22	19	158,270
12.	Lt Col Raja Ahmed Jahanzeb Khan	Senior Manager HR	129716	200,000	20.11.2020	8,330	01.01.21 30.11.22	23	191,590
13.	Lt Col Rana Hammad Hassan	Senior Manager Land & Quatering	127337	200,000	03.02.2021	8,330	01.02.21 30.11.22	22	183,260
14.	Lt Col Azam Sultan	Senior Manager Vigilance	125666	200,000	30.04.2020	8,330	01.01.21 30.11.22	23	191,590
15.	Lt Col Syed Raza Mustahsan Zaidi	Senior Manager Vigilance	17690	200,000	04.11.2019	8,330	01.01.21 30.11.22	23	191,590
16.	Lt Col Ilyas Ahmed	Officer Commanding Vigilance	127341	200,000	01.02.2021	8,330	01.02.21 30.11.22	22	183,260
17.	Brig Naveed Ahmed Khan	Director Operation	127084	375,000	01.01.2021	15,619	01.01.21 30.11.22	23	359,237
18.	Lt Col Fayaz Mehboob Malik	Senior Manager Operations	127324	200,000	08.02.2021	8,330	01.03.21 30.11.22	21	174,972
19.	Lt Col Nawazish	Senior Manager	124307	221,844	21.02.2019	9,240	01.01.21	23	212,520

	Ali	Aviation					30.11.22		
20.	Maj Abdul Aziz	Manager Admn&Accounts	130212	160,000	27.08.2021	6,664	01.09.21 30.11.22	15	99,960
21.	Maj Zubair Mughees	Chief Instructor	128842	160,000	20.11.2020	8,330	01.01.21 30.11.22	23	191,590
22.	Col Tassadaq Rashid	GM ATINs	124687	308,238	02.09.2019	12,838	01.01.21 30.11.22	23	295,274
23.	Lt Col Arshad Akhtar Khilji	Principal ATIN	127453	200,000	23.02.2021	8,330	01.03.21 30.11.22	21	174,930
24.	Brig Muhammad Hussain	Director NLC GB	127366	375,000	28.01.2021	15,619	01.02.21 30.11.22	22	343,618
25.	Brig Abdul Waheed	Director Plans	124813	200,000	08.10.2019	19,997	01.01.21 30.11.22	23	459,931
26.	Lt Col Nasir Latif	Senior Manager CPEC.Reg Trade	127074	200,000	01.01.2021	8,330	01.01.21 30.11.22	23	191,590
27.	Col Faisal Zeeshan	GM Strategic Planning	129187	200,000	15.07.2021	10,413	01.08.21 30.11.22	16	166,608
28.	Lt Col Omaid Saeed Khan	Senior Manager Analytics	129209	200,000	15.07.2021	8,330	01.08.21 30.11.22	16	133,280
29.	Col Raza Tahseen	GM Support	127639	250,000	25.03.2021	10,413	01.04.21 30.11.22	18	187,434
30.	Maj Rizwan Gul	Manager DCC-2	124727	175,345	25.11.2019	7,303	01.01.21 30.11.22	23	167,969
31.	Maj Faraz Mahmood	Manager Technical	127530	160,000	01.03.2021	6,664	01.03.21 30.11.22	21	139,944
32.	Col Yaseen Abrar	GM Logistics	18246	250,000	16.01.2020	10,413	01.01.21 30.11.22	23	239,499
33.	Maj Muhammad Tahrir Durrani	Manager Dry Port	128045	160,000	01.06.2021	6,664	01.06.21 30.11.22	18	119,952
34.	Maj Shafiqur Rehman	Manager Operations	125439	160,000	03.03.2020	6,664	01.01.21 30.11.22	23	153,272
35.	Lt Col Abdul Sattar	Senior Manager Operations	130217	203,105	23.08.2021	8,459	01.09.21 30.11.22	14	118,426
36.	Maj Amin Khan	Manager Operations	124371	77,116	10.05.2019	3,212	01.01.21 30.11.22	23	78,876
37.	Brig Muhammad Abid	Director Its	125634	433,401	04.05.2020	18,051	01.01.21 30.11.22	23	415,173
38.	Lt Col KhudaBukhsh	Senior Manager Operations	127100	200,000	04.01.2021	8,330	01.01.21 30.11.22	23	191,590
39.	Maj Mirza Shahid Baig	Manager Operations	127444	160,000	01.02.2021	6,664	01.02.21 30.11.22	22	146,608
40.	Lt Col Gohar Aftab	Senior Manager Project	124287	249,874	20.02.2019	10,407	01.01.21 30.11.22	23	239,361
41.	Lt Col Allah Nawaz Afridi	Senior Manager Admn	128265	200,000	01.07.2021	8,330	01.07.21 30.11.22	17	141,610
42.	Lt Col Imtiaz Ahmed Khan	Senior Manager Admn	129789	200,000	01.09.2021	8,330	01.09.21 30.11.22	15	124,590
43.	Maj Rustam Khan	Manager Admn	15676	160,000	01.02.2019	6,664	01.01.21	23	153,272

							30.11.22		
44.	Maj Muhammad Imran	Manager Admn	130250	160,000	08.10.2021	5,598	01.11.21 30.11.22	13	72,774
45.	Maj Zulfiqar Ahmed	Manager Admn	15913	160,000	01.01.2019	6,664	01.01.21 30.11.22	23	153,272
46.	Maj Muhamamd Nasir Iqbal	Manager Audit	125834	176,996	30.06.2020	7,372	01.01.21 30.11.22	23	169,556
47.	Maj Muhammad ShujaIshaq	Manager HR	124677	160,000	21.08.2019	6,664	01.01.21 30.11.22	23	153,272
48.	Lt Col Tanveer Muhammad	Senior Manager contracts	125718	249,874	29.05.2020	10,407	01.01.21 30.11.22	23	239,361
49.	Maj Ameer Muhammad Khusro	Manager Admn	127604	160,000	11.03.2021	8,330	01.04.21 30.11.22	20	166,600
50.	Lt Col Muhammad Ali Yasin Khan	Senior Manager Project	125914	249,874	15.07.2020	10,407	01.01.21 30.11.22	23	239,361
51.	Brig Javaid Anwar	Director Tolling	124923	436,835	07.12.2019	18,194	01.01.21 30.11.22	23	418,462
52.	Col Kashif Alamgir Khan	GM Tolling	127802	250,000	15.04.2021	10,413	01.05.21 30.11.22	19	197,847
53.	Maj Nabeel Shajad	Manager Printing Press	128049	160,000	24.05.2021	6,664	01.06.21 30.11.22	18	119,952
54.	Maj Rashid Rabbani	Manager Monitoring & Field insp	125856	170,416	30.06.2020	8,330	01.01.21 30.11.22	23	191,590
55.	Hav Muhammad Zahoor	Personal Assistant	125784	45,000	12.06.2020	1,874	01.01.21 30.11.22	23	43,102
56.	N.Sub Muhammad Ilyas	Office Superintendent	127800	50,000	05.04.2021	2,083	05.04.21 30.11.22	20	41,660
57.	NK Syed Fazal-e-Akbar	Lower Division clerk	121869	30,483	01.10.2016	1,270	01.01.21 30.11.22	23	29,210
58.	Hav Syed Wajid Hussain Shah	Operator Field Intelligence	125662	30,425	21.04.2020	1,267	01.01.21 30.11.22	23	29,141
59.	Hav Qamar Zaman	Senior Sup. Field Intelligence	125664	32,368	21.04.2020	1,348	01.01.21 30.11.22	23	31,004
60.	Hav Ghulam Hussain	Operator Field Intelligence	125672	30,425	21.04.2020	1,267	01.01.21 30.11.22	23	29,141
61.	Hon.Cap Muhamamd Saleem	Senior Sup. Field Intelligence	126350	80,000	10.09.2020	3,332	01.01.21 30.11.22	23	76,636
62.	Sub Muhammad Rafi	Senior Sup Field Intelligence	126937	80,000	01.12.2020	3,332	01.01.21 30.11.22	23	76,636
63.	Sub Javed Khan	Senior Sup Field Intelligence	127325	80,000	29.01.2021	3,332	01.02.21 30.11.22	22	73,304
64.	Sub Muhammad Amir Khan	Senior Sup. Field Intelligence	127335	80,000	14.01.2021	3,332	01.02.21 30.11.22	22	73,304
65.	Hav Zahoor Ahmed	Personal Assistant	127169	34,310	13.01.2021	1,429	01.02.21 30.11.22	22	31,438
66.	Sub Muhammad	Senior		80,000	01.09.2021	3,332	01.09.21	14	46,648

	Iqbal	Supervisor Security					30.11.22		
67.	Hav Muhammad Akhtar	Supervisor Security		34,310	01.09.2021	1,429	01.09.21 30.11.22	15	21,435
68.	L.Hav Asghar Mehmood	Supervisor Security		34,310	01.09.2021	1,429	01.09.21 30.11.22	15	21,435
69.	Lnk Zaheer Iqbal khan	Security guard		27,189	01.09.2021	1,132	01.09.21 30.11.22	15	16,980
70.	N.Sub Ghulam Yasin	Office Superintendent		50,000	03.02.2021	2,083	01.03.21 30.11.22	21	43,743
71.	Hav Gul Nawaz	Supervisor NLC Guest House		31,861	05.05.2020	1,327	01.05.21 30.11.22	19	25,213
								Total	11,528,562

Annex-128

(Para No. 17.1.4.24)

S. #	Voucher No.	Date	Cheque No.	Date	Amount (Rs)
01	26	23.06.16	324333	23.06.16	315,930
			324334	23.06.16	30,000
			324335	23.06.16	24,440
			324336	23.06.16	29,140
			324337	23.06.16	25,490
02	108	22.06.17	399788	22.06.17	400,000
			399789	22.06.17	225,485
03	95	21.06.18	462040	22.06.18	146,720
			462041	22.06.18	96,150
			462042	22.06.18	55,570
			462043	22.06.18	61,310
			462044	22.06.18	15,180
			462045	22.06.18	38,670
			462046	22.06.18	178,440
			462047	22.06.18	174,300
			462048	22.06.18	1,372,240
04	69	24.06.19	619512	25.06.19	132,048
			619513	25.06.19	40,000
			619514	25.06.19	90,594
			619515	25.06.19	20,000
			619516	25.06.19	20,000
			619517	25.06.19	15,000
			619518	25.06.19	15,000
			619519	25.06.19	1,233,161
			619520	25.06.19	388,947
05	72	19.05.21	839669	20.05.21	304,880
			839670	20.05.21	908,250
					6,343,445

Annex-129

(Para No. 6.2.2.1)

Detail of procurement of vehicles

OM Reference	Contract No.	Model No.	No. of PMs	Amount (Rs in million)	Remarks
20	5659/ P/ FOR/ PMs/ 6x4/ Isuzu/ NLC-7843 dated 21.06.2021	Isuzu CYZ51 (390 PS)	111 (@ Rs18,350,000 per PM)	2,171.807	Rs 1,979.541 [2,036,850,000 (-) 53,812,689 addl. Custom duty (-) 3,496,500 amount of shift knob] plus Freight Charges Rs

					192.267
21	5659/ P/ FOR/ PMs/ 6x4/ Isuzu/ NLC-7860 dated 19.07.2021	Isuzu CYZ51 (390 PS)	100 (@ Rs18,350,000 per PM)	1,783.370	1,783.370 [1,835,000,000(-) 48,479,900 addl. Custom duty (-) 3,150,000 amount of shift knob]
22	5659/ P/ FOR/ PMs/ 6x4/ Isuzu/ NLC-7855 dated 12.07.2021	Isuzu FVR-34 240 PS (4x2)	25 (@ Rs11,675,000 per PM)	285.141	1,783.370 [291,875,000(-) 6,734,175 addl. Custom duty]
15	5659/ P/ PMs/ 4x2/ ISUZU/ NLC-8004 dated 06.06.2022	Isuzu FVR-34 240 PS CKD	50 (@ Rs.13,500,000 per PM)	675.000	
01	No. 5659/ P/ FOR/ PMs 6x4/ ISUZU/ NLC-8005 dated 07.06.2022	Isuzu 51 CYZ 390PS CKD	50 @ (Rs. 23,500,000 per PM)	1,175.000	-
01	No. 5659/ P/ FOR/ PMs 4x2/ ISUZU/ NLC-7972 dated 14.03.2022	Isuzu 51 CYZ 390PS CKD	30 @ (Rs. 19,500,000)	585.000	Rs.19,000,000 + 500,000 Freight charges =585,000,000
				6,675.319	

Annex-130
(Para No. 6.2.2.3)

Irregular procurement and customization of vehicles

Contract No.	Model No.	No. of vehicles	Amount (Rs in million)	Remarks
No.5615/W/BZR/10 KL/NLC-7987 dated April 19, 2022	06 Nos Isuzu Truck Chassis FVR90 (4X2) with general tyres duly fabrication of water bowzer 10 KL with Honda Pump	06 Nos. Isuzu Truck Chassis	67.189	
No.5659/FOR/Bzrs & Tlrs/2021/NLC-7882 dated 06.12.2021	48 KL Oil Bowzer without Tyres 3 Axle 45 Half Body Trailer 50 Ton 3 Axle 40 Ft Flat Bed Semi Trailer 40 ton	Qty 05 @ Rs.5,290,000) Qty 05 @ Rs.4,300,000) Qty 05 @ Rs. 3,410,000	65.000	
Contract agreement dt 05.07.2021	3 Axle, 45 ft. Half Body Trailers, 60 Ton	Qty 111 @ (Rs. 4.300)	477.300	
No. 5959/ P/ FOR/ TLRS/ 2021/ NLC-7863 dated 30.07.2021	3 Axle, 45 ft. Half Body Trailers, 50 Ton	Qty 100 @ Rs.4.300	430.000	
			1,039.489	

Annex-131
(Para No.-6.2.2.9)

Date	PV No.	Vendor	NLC order #	Date	Amount (in Rupees)
18.05.2022	515	MinTin Corporation Pvt. Ltd	04.NEFT.Part.NLC	04.04.1922	494,000
18.05.2022	514	MinTin Corporation Pvt. Ltd	05.NEFT.Part.NLC	04.04.1922	494,000
18.05.2022	513	MinTin Corporation Pvt. Ltd	06.NEFT.Part.NLC	04.04.1922	494,000
Total					1,482,000

Annex-132
(Para No.-6.2.2.9)

Vr. No.	Date	Quotation obtained from	Supplier name	Name of service.parts	Amount (Rs)
517& 217	17.5.22	- Jameel Traders - M.R Traders - Nizami Enterprises	Jameel Traders-	RM of locomotive	133,400
506& 156	29.4.22	- Jameel Traders - M.R Traders - Nizami Enterprises	Jameel Traders-	Payment for consumable.spares etc. exp	320,814
98	7.10.21	- Nazir Engineering & Services, - YFA Tech Merchant - AQ Traders	Nazir Engineering & Services,	Glyptal	292,968
97	5.10.21	- Nazir Engineering & Services, - YFA Tech Merchant - AQ Traders	Nazir Engineering & Services,	DB Compound	421,200
458	31.3.22	- Spirit Industries Pvt Ltd, - Rubberex - Lami Pak Industries	Spirit Industries Pvt Ltd,	R.M Locomotives Exp	298,500
468	20.4.22	- Hi-Tech Engineering, - ASR Enterprise - Mega Multi Solutions	Hi-Tech Engineering,	R.M of Voltage Regulator Exp	264,000
478	28.4.22	- Hi-Tech Engineering, - ASR Enterprises - Mega Multi Solutions	Hi-Tech Engineering,	R.M of Voltage Regulator Exp	176,000
333	23.3.22	- Hussain Corporation - Faizan Impex, - Rayan Traders	Hussain Corporation,	Switch Assy. Solendid	190,000
332	23.3.22	- Shah Rubber works - Hussain corporation - Iqra Engineering works	Shah Rubber works	Traction motor nose suspension Assy	491,700
Total					2,588,582

Annex-133
(Para No. 6.2.2.11)

Sr. #	Name of office	Name of sub-contractor	Amount of Subcontract	Remarks
1	PD (North) Project of construction of IJP Road	M.s Vouge Engineering Services Pvt. Ltd	7,833,400	➤ Work awarded on quotation basis.
2	PD (North) External Electric work of NLC office	M.s Super star	21,690,732	➤ Work awarded on quotation basis. ➤ Contractor was not enlisted with NLC. ➤ Extension granted without LD ➤ Contract exceeds 15% of admissible limit ➤ Earnest money obtained after signing of contracts
3	PD (North) Establishment of Camp Office , Consultant Office etc for Construction of Grade Separation Facility at Intersection of 7th Avenue	M.s Bravo Associates	14,955,030	➤ Work awarded on quotation basis. ➤ The successful bidder was not in pre-qualified list of NLC
4	PD (North) Rehabilitation and widening of IJP Road, Islamabad RD 9+000 to 9+809.60)	M.s Mehmood Khan & Co.	67,361,275	➤ Work awarded on quotation basis. ➤ PEC license was expired. ➤ The tender fee was deposited after issuing of tender.
5	PD (North) Rehabilitation and widening of IJP Road, Islamabad (RD 1+653 – 1+743) and (2) Faqir Aipee Flyover (RD 6+370 – 6+640).	M.s Freypak (Pvt.) Ltd. i.e. Rs	215,282,499	➤ Tender was issued to only two firms ➤ Specifications were not generic and are made to favor successful subcontractor.
6	PD (North) Construction of soldier block & data center MT Park Rwp	M.s Malik Abdul Hanan & Sons	125,716,606	➤ Work awarded on quotation basis without advertisement ➤ Tender was opened on 01.12.2021 & while agreement was executed from backdate i.e 22.11.2021 ➤ Extension was granted w.o LD
7	PD (North) Diesel Generator Sets for NLC Corporate Office at MT Park Rawalpindi	M.s VPL Limited Ltd (Rs 34,593,150.-)	34,593,150	➤ Work awarded on quotation basis without open competition. ➤ PEC license was expired ➤ Contract exceeds 15% of admissible limit

8	Construction of Grade Separation Facility at Intersection of 7 th Avenue with Khayaban-e-Suharwardy and Srinagar Highway and Underpass	M.s Bahawal Khan Brothers (BKB) Engineering	179,973,919	➤ Work awarded on quotation basis without open competition. ➤ Tender was opened on 01.12.2021 & while agreement was executed from backdate i.e 22.11.2021 ➤ PEC license which was valid till 30.06.2021 at the time of awarding contract.
	Total		667,406,611	

Annex-134
(Para No. 6.2.2.13)

Item #	Description	Unit	Rate in 1st contract (dt. 26.03.2020)	Rate in 2nd and 3rd contract (dated 22.06.2021 & 07.06.2022)	Difference in rates (Rs.)	Executed Qty (2nd contract)	BOQ Qty (3rd contract)	Total executed qty. of 2nd & 3rd Contract	Amount (Rs.)
401f	Lean Concrete	CM	4,309.630	4,459.63	150	4,816	7,000	11,816	1,772,400
401h	Plum concrete	CM	4,230.480	4,380.485	150	14,766.50	18,400	33,166.50	4,974,975
401a1i	Concrete class "A1"	CM	4,224.530	4,374.53	150	20	300	320	48,000
401a3i	Concrete class "A3"	CM	3,869.880	4,019.88	150	1000	12,000	13,000	1,950,000
401a3ii	Concrete class A3	CM	3,869.880	4,019.88	150	17,076.50	22,000	39,076.50	5,861,475
401a3iii	Concrete class A3	CM	3,869.880	4,019.88	150	2,545.50	12,000	14,545.50	2,181,825
401giv	Precast concrete class D1	CM	3,978.220	4,128.22	150	385.50	100	485.50	72,825
									16,861,500

Annex-135

(Para No. 6.2.2.15)

PD	Voucher No. & date	Description	Amount (Rs. In million)	Supplier	Remarks
PD North	81 dt. 27.12.2021	Solid Block	2,573,550	M.s NLC Construction Solution Pvt. Ltd.	• In piecemeal • Quotation basis
-do-	82 dt. 27.12.2021	Solid Block	3,545,916	-do-	
-do-	163 dt. 02.12.2021		484,297	M.s Indus Engineering & Company	• In piecemeal • Quotation basis
-do-	164 dt. 01.12.2021		489,893	-do-	
-do-	166 dt. 06.12.2021		404,355	-do-	
-do-	-do-		711,470	-do-	
-do-	167 dt. 08.12.2021		498,653	-do-	
-do-	168 dt. 15.12.2021		462,259	-do-	
-do-	169 dt. 15.12.2021		450,638	-do-	
-do-	171 dt. 15.12.2021		491,436	-do-	
-do-	705/KHU/NLC/I SB/10 dt. 09.11.2021	Survey equipment	1,329,435	M.s Surveying system	• Quotation basis
-do-	705/7 th Avenue/ NLC/ 87 dt. 11.11.2021	Form work	1,867,614	M.s Abdul Ghaffar Engineering	
-do-	705/F&A/NLC/IJ P	Fabrication of formwork	4,787,337	-do-	
-do-	703/KHU/NLC/I SB/10 dt. 30.05.2022	Bricks	4,003,200	M.s S.A Mughal Associate & builder	
-do-	703/KHU/NLC/I SB/10 dt. 31.05.2022	Bricks	2,668,800	M.s Mas Vibrant construction Pvt. ltd	
-do-	17.05.2022	Ultra super plast, water stopper, cure 675,SBR Latex etc.	3,962,163	M.s Ultra Construction Chemical (Pvt.) Ltd	• Quotation basis
-do-	705/F&A/NLC/IJ P dated 30.05.22	Ultra super plast, water stopper, cure 675,SBR Latex etc.	4,525,942	-do-	
-do-	705/F&A/NLC/IJ P dated 31.05.22	Ultra super plast, water	4,231,372	-do-	

		stopper, cure 675,SBR Latex etc.			
-do-	705/F&A/NLC/IJ P dated 01.06.22	Ultra super plast, water stopper, cure 603,Accelator , expanding grout, SBR Latex etc.	2,175,425	-do-	
-do-	-	Ultra super plast 675, 603	1,279,145	-do-	
-do-	705/7 th Avenue/NLC/487 dated 19.05.22	Ultra Cure 603, SP 675	485,395	-do-	
-do-	705/F&A/NLC/IJ P dated 01.06.22	Ultra cure 603,675,LSR, SBR Latex etc.	2,037,250	-do-	
PD KP	814/Marble/Title/ PD KP/NLC/83. 03.06.2022	Marble Paradise Granite	2,992,500	M.s Marble City	
-do-	814/Marble/Title/ PD KP/NLC/82 /03.06.2022	Marble black granite Terrazzo title	1,035,000	-do-	
-do-	814/ Wire/ K/Br/ Proc/ PD KP/ NLC/ 78 / 30.05.2022	Pre-Stressed wire	2,042,650	M.s Inclusive Const.	
-do-	814/ Wire/ M/Br/ Proc/ PD KP/ NLC/ 77 / 29.05.2022	Pre-Stressed wire	2,050,750	-do-	
-do-	814/shuttering/Proc/PD KP/NLC/80 /24.05.2022	Scaffolding pipe 18,19,20 & 21ft	1,973,800	M.s Burraq Trading	
-do-	814/shuttering/Proc/PD KP/NLC/81/ 30.05.2022	Scaffolding pipe 18,19,20 & 21ft	1,668,000	-do-	• Quotation basis
-do-	814/SB/Wire/PD KPK/ NLC/ 16/ 15.02.2022	High Tensile steel wire	1,080,000	-do-	
-do-	814/SB/Wire/PD KPK/ NLC/ 07/ 15.02.2022	High Tensile steel wire	1,080,000	-do-	
-do-	814/ SB/ Wire/ PD KPK/ NLC/ 17/ 15.02.2022	High Tensile steel wire	1,440,000	-do-	
-do-	814/ HSC/ Const/ Proc/ PD KP/	12 mm clear tempered	2,970,500	M.s ZKS Pvt ltd	

	NLC/ 74/ 06.05.2022	glass 17.52 laminated glass			
-do-	814/ HSC/ Const/ Proc/ PD KP/ NLC/ 73 / 05.05.2022	12 mm clear tempered glass	2,150,000	-do-	
-do-		12 mm clear tempered glass	815,100	-do-	
-do-	814/ HSC/ Const/ Proc/ PDKP/ NLC/ 67/ 30.05.2022	Aluminum sheet 4x8 ft	2,975,000	-do-	
-do-	814/ HSC/ Const/ Proc/ PDKP/ NLC/ 66/ 30.05.2022	Aluminum sheet 4x8 ft	2,975,000	-do-	
-do-	814/ HSC/ Const/ Proc/ PDKPK/ NLC/ 64/ 30.05.2022	Tube 2 mm Aluminum color 18ft	2,250,000	-do-	
-do-	814/Cement/TBT /PD KPK/NLC/29 dt. 11.07.2021	34.53 M. Ton Cement	440,257	M.s Askari Cement Ltd	• Quotation basis • Approval of the CFA was also not obtained
-do-	814/Cement/TBT /PD KPK/NLC/24 dt. 11.07.2021	118.54 M. Ton Cement	1,511,385	-do-	
-do-	814/Cement/TBT /PD KPK/NLC/27 dt. 11.07.2021	85.29 M. Ton Cement	1,087,447	-do-	
-do-	814/Cement/TBT /PD KPK/NLC/25 dt. 11.07.2021	112.86 M. Ton Cement	1,438,965	-do-	
-do-	814/Cement/TBT /PD KPK/NLC/22 dt. 11.07.2021	122.00 M. Ton Cement	1,555,500	-do-	
-do-	814/Cement/TBT /PD KPK/NLC/23 dt. 11.07.2021	113.74 M. Ton Cement	1,450,185	-do-	
-do-	814/Cement/TBT /PD KPK/NLC/43 dt. 11.07.2021	107.63 M. Ton Cement	1,474,531	-do-	
-do-	814/Cement/TBT	108.71 M.	1,489,327	-do-	

	/PD KPK/NLC/46 dt. 19.11.2021	Ton Cement			
-do-	814/Cement/TBT /PD KPK/NLC/45 dt. 19.11.2021	89.24 M. Ton Cement	1,222,588	-do-	
-do-	814/Cement/TBT /PD KPK/NLC/44 dt. 19.11.2021	92.37 M. Ton Cement	1,265,469	-do-	
-do-	814/Cement/TBT /PD KPK/NLC/42 dt. 19.11.2021	55.66 M. Ton Cement	745,844	-do-	
-do-	814/Cement/TBT /PD KPK/NLC/48 dt. 19.11.2021	109.35 M. Ton Cement	1,498,095	-do-	
Total			88,143,438		

Annex-136

(Para No. 6.2.2.23)

S. No.	Name of supplier	Contract.date	Description	Qty.	Total Amount (Rs)	5% Performance Bank Guarantee
1.	M.s Nazir Chemical Industries	Proc/FOR/Chemical / NLC/NI-7953 dated 03.02.2022	Calcium carbonate grinded and precipitated	200 & 200	5,360,900	268,045
2.	M. Altekpyt ltd	Proc/FOR/Chemical/ NLC-7951 dated 03.02.2022	Steric acid N-Cyclohexyl-benzthiazole	452 kg 1,150 kg	29,837,000	1,491,850
3.	M.s Al-Hamra trading company	Proc/FOR/Chemical/ NLC/A/H-7950 dated 03.02.2022	Ribbed smoked sheet (RSS-3)	59,994 kg	31,196,880	1,559,844
					66,394,780	3,319,739

Annex-137

(Para No. 6.2.2.23)

S. No.	Name of supplier	Contract.Letter of Acceptance and date	Total Amount (Rs)	5% Performance bank Guarantee (Rs)
1.	M/s Makky Furniture	Proc/Misc Furniture/NLC-7967 dated 24.02.2022	27,977,662	1,398,883
2.	-do-	Proc/Misc Furniture/NLC-7881 dated 21.10.2021	15,496,000	774,800
3.	-do-	Proc/5528/Furniture/NLC/2021-43NOKI dated 13.09.2021	25,198,691	1,259,935
4.	M/s Innovative Consulting Group	Proc/Misc Furniture/NLC-7976 dated 16-03-2022	9,162,536	458,127
			77,834,889	3,891,745

Annex-138

(Para No. 6.2.2.23)

S. No.	Name of supplier	Contract.date	Description	Qty	Total Amount (Rs)	5% of the total amount (Rs)
1.	M/s Global Technologies	5532/FOR/Batching Plant/NLC-7940 dated 13.01.2022	Batching Plant 60 cum/Hr	02	24,500,000	2,450,000
2.	M/s Global Technologies	5532/FOR/Batching Plant/2022/NLC-8009 dated 10.06.2022	Batching Plant 90 cum/Hr	01	31,300,000	1,565,000
			Total		55,800,000	4,015,000