

VOL-III (2001-02)



REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON THE ACCOUNTS OF THE FEDERATION

FOR THE YEAR

2001-02

NATIONAL ASSEMBLY SECRETARIAT
ISLAMABAD

اليوم نختم على افواههم و تكلمنا ايديهم
و تشهد ارجلهم بما كانوا يكسبون

“This day We seal up
their mouths,
and their hands
speak out to Us and their feet
bear witness
as to what they used to earn.”

(Sura Yasin, Al-Quran)

PREFACE

Under the Constitution of the Islamic Republic of Pakistan, the disbursement from the Federal Consolidated Fund requires approval by National Assembly of Pakistan. While authorizing huge sums of the tax payer's money, the Assembly has a right to reassure itself that the moneys so granted were steered to the intended purpose and were spent prudently and in accordance with Rules & Regulations. The National Assembly oversees expenditure through its committee on Public Accounts, on the basis of Appropriation Accounts, Finance Accounts and Audit Reports prepared by the Controller General of Accounts and Auditor-General of Pakistan. The said reports are laid in the National Assembly as required under Article 171 of the Constitution.

The PAC examines, with reference to the facts of each case, the circumstances leading to any excess expenditure and makes appropriate recommendations. The PAC also constitutes Sub Committees and Inter-departmental Committees for the scrutiny of some important issues. The current PAC was faced with the gigantic task of examining the backlog of Audit paras relating to previous 12 years and constituted three Sub-Committees for their examination. The PAC has completed 10 years of backlog till date.

The reports of the Sub-Committees are submitted separately, as volumes, to the main report of the Public Accounts Committee.

Major issues and Committee's general recommendations, on each Ministry/Division, have been highlighted, separately in the respective sections for having a quick glance on their performance.

The drafting and preparation of this Report and the Sub-Committees Reports has been made possible due to the concerted efforts of the Honourable Conveners/Members of the Sub-Committees and officers/staff of the Public Accounts Committee of the National Assembly Secretariat, headed by Mr. Moosa Raza Effendi, Additional Secretary and under the guidance of Ms. Najma Siddiqui, Joint Secretary PAC. This is indeed an extra ordinary achievement which deserves highest praise for all concerned.

The National Assembly Secretariat is graciously appreciative of the guidance and motivation received from Chairman, Public Accounts Committee, Ch. Nisar Ali Khan and other Members of the Committee, in doing justice to this difficult and taxing assignment.

It is hoped that suggestions and recommendations of the Committee would encourage and assist the Government in smartening up the system and procedure for constructive financial management.

Karamat Hussain Niazi
Secretary
National Assembly Secretariat

Islamabad, the September 30, 2011

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COMPOSITION OF SPECIAL COMMITTEE # II

- | | | |
|----|-------------------------------------|----------|
| 1. | Mr. Zahid Hamid, MNA | Convener |
| 2. | Mr. Aftab Shahban Mirani, MNA | Member |
| 3. | Mrs. Rukhsana Bangash, MNA | Member |
| 4. | Mr. Bahadur Ahmed Khan Siher, MNA | Member |
| 5. | Mr. Noor Alam Khan, MNA | Member |
| 6. | Sardar Ali Muhammad Khan Mahar, MNA | Member |

Executive Summary

It is a fundamental principle of any Parliamentary System that each Federal, Provincial and District Government must be held responsible to the legislature (by whose authority it governs) and through the legislature to the citizens at large. This includes accountability of the Government's use of taxpayer's money. In Pakistan, as in many other parliamentary democracies legislative oversight over public finance is exercised through a high powered Committee of the House i.e. the Public Accounts Committee. The accounts of the Federation are prepared and made by the Controller General of Accounts and audited by the Auditor General of Pakistan, as provided in Article 170 of the Constitution.

Under Article 171, the Auditor General of Pakistan submits Annual Audit Reports to the President who causes them to be laid before the National Assembly. These reports are then referred to the Public Accounts Committee in order to examine whether the moneys shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which they have been applied or charged and that the expenditure conforms to the authority which governs it and that every re-appropriation has been made in accordance with the provisions made in this behalf under rules framed by the Competent Authority/Ministry of Finance. (Rule 203 of the Rules of Procedure and Conduct of Business in the National Assembly, 2007).

In its role as the custodian/ameen of public funds , the PAC while considering the Audit Reports in the presence of the concerned Principal Accounting Officers/ Secretaries of the concerned Ministries/Head of Departments, inter-alia examines whether the funds have been utilized efficiently , effectively and economically . Such examination includes review of financial transactions from regulatory, propriety and procedural points of view, comprehensive analysis, review of performance of government and semi-government organizations, review of future plans of public entities , accounting documents and special studies of various activities, etc.

PAC REPORTS

1. The present Public Accounts Committee constituted on April 14th, 2008 is the 13th PAC of the National Assembly. One of its unique, special features is that it is chaired by the Leader of the Opposition in the National Assembly, Ch. Nisar Ali Khan.

2. The present PAC inherited a backlog of 12 years' Audit Reports containing more than 24,000 audit paras. By constituting a number of Special Committees which have been meeting regularly and often, the PAC has achieved remarkable success not only by completing consideration of 9 years' Audit Reports thus far but by effecting recovery of huge amount of public moneys which were the subject of the audit paras. Total verified recovery uptil end June, 2011 as a result of the reactivation of the PAC's (primarily at the federal level) is a colossal amount of Rs. 114 billion.

3. PAC constituted three Special Committees under the Convenership of MS Yasmeen Rahman, M.N.A , (Monitoring and Implementation Committee/Special Committee # 1) Mr. Zahid Hamid M.N.A. (Special Committee # II) & Mr. Riaz Hussain Prizada M.N.A. Special Committee # III).

4. Special Committee –II of the PAC headed by Mr. Zahid Hamid M.N.A. examined Audit Reports for the years 1990-91, 1992-93 & 2001-02. The first meeting of the Committee for the financial year 2001-02 was held on 1st June 2010 and since then it has held meetings for 45 days during the year. Due to heavy work load the Committee even met as early as at 9-30.a.m. and often twice a day.

5. In the course of examination of the Appropriation Accounts for the year 2001-02, the Special Committee reviewed 156 grants. The Committees found that Excesses and Savings were a regular feature. There was a liberal resort to supplementary grants, which in certain cases were obtained, towards the close of the financial year, while the original allocation was not yet fully utilized. Excesses occurred even after receipt of supplementary allocations. In many cases Supplementary Grants were not fully utilized, resulting in blockage of funds.

6. The Special Committee repeatedly expressed concern over the state of financial management systems. While examining Appropriation Accounts the Special Committee observed that in most cases the Principal Accounting Officers (PAOs) simply did not have the requisite procedures/systems in place to ensure proper management of budgetary allocations. The result was that requirement for budgetary allocations were not only inaccurately estimated but

internal controls and monitoring of expenditure was extremely weak. This was the major cause of the large number of savings and excesses in budgetary grants.

7. In a country where it is difficult to mobilize funds for the urgent development projects, proper budgeting is essential, indeed imperative. Scarce resources must be allocated judiciously and spent wisely and well, just as excess over allocation must be justified in detail, so too unsurrendered savings must be properly explained as depriving another development project of much need funds is a national loss. The Committee therefore impressed upon the PAO's the need to improve financial management systems in their respective Ministries to avoid unjustified excesses / savings in future.

8. Such financial management systems should include effective internal controls/ audit procedures. In some Ministries/Divisions/Departments and their Subordinate offices, the Committee noticed that the officers dealing with their accounts were neither trained nor had any experience of handling such assignments, resulting in weak internal budgetary controls. The Committee was informed by the Auditor General of Pakistan that on the directive of previous PAC, Chief Finance & Accounts Officers are appointed for internal budgetary control in Ministries/Divisions. The Committee emphasized the need to ensure proper training of these officers.

9. In some cases the Committee observed variations in the figures of various components of the grant, although total amount of expenditure shown by the Office of Accountant General of Pakistan Revenue (AGPR) and Administrative Departments concerned were in agreement. The Committee advised the Controller General of Accounts (CGA) and all concerned to look into the matter and take corrective measures.

10. In certain cases the Committee found the need for great scrutiny by PAOs of statement of accounts showing the income and expenditure of state corporations, trading and manufacturing schemes, concerns and projects together with the balance-sheets and statements of profit and loss accounts which are required to be prepared under the provisions of the statutory rules regulating the financing of a particular corporation, trading or manufacturing scheme.

11. Many significant issues surfaced during the Committee deliberations on the Audit Paras contained in the Report of the Auditor General. A brief report containing a summary of each

Audit Para, replies by the PAO and the directives issued by the PAC as a result of discussion on the para was issued for the necessary action by the PAOs at the culmination of each PAC meeting which is appended to the report. Some significant issues have been brought to the attention of the Honorable Members in the succeeding Paras relating to the year 2001-02. **A total of 994 Audit Paras were taken up by the Committee in its various meetings.**

12. Efforts rendered by the PAC Wing headed by Mr. Moosa Raza Effendi, Additional Secretary and comprised of Senior Officers, Najma Siddiqui, Joint Secretary & Mr. M. Tariq Bhatti, Secretary to the Special Committee are really commendable and therefore appreciated. Hard work put in by Mr. S. Shaukat Raza, S.O. (PAC), Mr. Muhammad Channar, Data Processing Supervisor and Mr. Nisar Ahmed, Office Assistant also deserves appreciation.

RECOMMENDATIONS

After detailed deliberations the Public Accounts Committee finally submits the Report to the National Assembly of Pakistan with the following recommendations:

- a) Excess Budget Statements for the year 2001-02 may be regularized as per provision of the Constitution.
- b) Recommendations, directives and suggestions given by the Committee on the Audit Paras mentioned in the report may be accepted by the concerned Ministries / Divisions/Departments of the Federal government in letter and spirit.
- c) Amounts recoverable pointed out by the Committee may be realized by the Ministries/Divisions/Departments under intimation to the National Assembly Secretariat and the Audit.

Ch. Nisar Ali Khan
(Chairman)

Zahid Hamid MNA
(Convener)

**REPORT OF THE
PUBLIC ACCOUNTS COMMITTEE
ON THE ACCOUNTS OF THE FEDERATION
PAKISTAN
FOR THE YEAR 2001-02**

EXCESS BUDGET STATEMENT

DETAILS OF EXCESS EXPENDITURE

FOR THE YEAR 2001-02

EXCESS BUDGET STATEMENT FOR THE YEAR 2001-02

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplement- ary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
01.	Cabinet Division 30-06-2010 04-11-2010 27-01-2011 09-03-2011	Grant # 01- Cabinet (OTC).	20,076,000	1,280,000	21,356,000	24,112,940	2,756,940	The Committee recommended the excess for regularization.
02.	M/O Commerce 01-06-2010 08-07-2010 04-11-2010 28-12-2010 27-01-2011 09-03-2011	Grant # 13- Commerce Division (OTC).	765,789,000	4,087,000	769,876,000	783,875,194	13,999,194	The Committee observed that notwithstanding the additional expenditure on pay etc. saving was available in the grant, which was converted into excess, which reflected poor financial management. The Committee recommended regularization of the grant with the direction that the PAO should introduce proper monitoring / accounting systems so that such lapses do not occur in future.
03.	Central Board of Revenue 21-07-2010 10-03-2011	Grant # 40 – Revenue Division.	34,575,000			-----	34,575,000	The Committee observed that supplementary grant should have been obtained to meet expenditure due to revision of pay scales. Moreover, surrender of funds when there was excess in the grant reflected poor financial management and

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplement- ary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
								required improvement in management systems. The Committee recommended regularization of the grant subject to reconciliation of figures / verification by Audit.
04.	M/O Defence 13-07-2010 02-02-2011 03-03-2011	i). Grant # 21-Defence Division (OTC)	911,520,000	29,458,000	940,978,000	976,472,659	35,494,659	The Committee recommended regularization of the grant.
		ii). Grant # 121- Development Expenditure of Defence Division (OTC)	309,765,000	-----	309,765,000	405,435,200	95,670,200	The Committee observed that the amount should have been fully surrendered. The Committee recommended the grant for regularization.
05.	M/o Education 29-06-2010 20-10-2010	i). Grant #. 28- Education. (OTC)	3,220,912,000	13,933,000	3,234,845,000	3,671,360,357	436,515,357	The Committee recommended regularization of the grant.
		ii). Grant #. 29- Federal Government Educational Institutions in the Capital and Federal Areas. (OTC)	707,978,000	-----	707,978,000	804,079,244	96,101,244	The Committee recommended regularization of the grant with the observation that more accurate assessment of required funds should have been made to avoid excess in the grant.

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplement- ary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
		iii). Grant #. 123- Development Expenditure of Education Division. (OTC)	2,550,204,000	2,000,001,000	4,550,205,000	4,572,731,066	22,526,066	The Committee recommended regularization of the grant.
		i). Grant # 135- Development Expenditure of Federally Administered Tribal Areas. (OTC).	1,030,000,000	1,360,000,000	2,390,000,000	3,306,551,969	916,551,969	On recommendation of the DAC the Committee recommended the grant for regularization.
		ii). Grant # 155- Capital Outlay on Development Tribal Areas. (OTC).	140,000,000	-----	140,000,000	153,007,000	13,007,000	The Committee recommended regularization of the grant.
		i). Grant # 36- National Savings. (OTC).	283,546,000,000	26,454,000,000	310,000,000	332,929,395	22,929,395	The Committee recommended regularization of the grant.
		ii). Grant # 37- Other Expenditure of Finance Division (OTC).	1,664,732,000	387,903,000	2,052,635,000	2,302,089,594	249,454,594	The Committee recommended regularization of the grant.
		iii). Grant #.115- Other Loans and Advances by the Federal Government. (Charged)		1,000	1,000	300,000,000	299,999,000	The Committee recommended regularization of the grant.
		iv). AUDIT (Charged).	945,000,000	62,776,000	1,007,776,000	1,013,122,147	5,346,147	The Committee recommended regularization of the grant.

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplement- ary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
06.	M/O Food, Agriculture & Livestock 09-06-2010 14-07-2010 07-10-2010 09-12-2010 28-12-2010 27-01-2011	Grant # 51- Other Expenditure of Food, Agriculture and Livestock Division. (OTC)	277,411,000	2,000	277,413,000	279,038,661	1,625,661	The Committee recommended regularization of the grant with direction that in future proper monitoring system should be exercised.
07.	M/O Foreign Affairs 12-07-2010 19-10-2010 28-12-2010 02-02-2010	Grant # 54 – Other Expenditure of Foreign Affairs Division (Charged).	11,500,000	-----	11,500,000	22,162,828	10,662,828	The Committee recommended regularization of the grant.
8.	M/O Housing & Works 28-06-2010 03-11-2010 28-12-2010	Grant # 60- Estate Offices (OTC).	1,069,737,000	-----	1,069,737,000	1,070,822,744	1,085,744	The Committee recommended regularization of the grant.
9.	M/o Industries & Production. 17-08-2010 21-12-2010 02-03-2011	i). Grant no. 63- Department of Investment Promotion and Supplies. (OTC).	23,224,000	2,286,000	25,510,000	25,530,843	20,843	The Committee recommended regularization of the grant with the observation that the amount should have been surrendered in time.
		ii). Grant # 64- Other Expenditure of Industries and Production Division. (OCT).	84,368,000	101,419,000	185,787,000	194,272,892	8,485,892	The Committee observed that financial mismanagement was quite apparent in the grant, with these observations the Committee recommended regularization of the grant.

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplement- ary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
		iii). Grant # 154- Capital Outlay on Industrial Development (OTC).	364,000,000	-----	364,000,000	368,987,143	4,987,143	The Committee recommended regularization of the grant with the observation to the PAO that in future, there should be no such loose financial control.
10	M/o Information and Media Development. 27-07-2010 01-02-2011	i). Grant # 67- Directorate of Publications, Newsreels and Documentaries (OTC).	38,206,000	2,825,000	41,031,000	44,585,180	3,554,180	The Committee recommended regularization of the grant with the observation that requirement of additional funds through supplementary grant to meet revision of pay scales should have been more accurately estimated.
		ii). Grant # 68- Press Information Department (OTC).	80,405,000	13,270,000	93,675,000	99,163,690	5,488,690	The Committee recommended regularization of the grant.
11.	M/O Interior 08-06-2010 12-07-2010 19-10-2010 21-12-2010 08-03-2011	i). Grant # 71- Interior Division (OTC).	75,333,000	53,483,000	128,816,000	370,351,086	241,535,086	The Committee recommended the regularization of the grant with the direction that surrender should have been made with more care to avoid excess.
		ii). Grant # 72- Islamabad (OTC).	1,006,185,000	350,495,000	1,356,680,000	1,393,897,820	37,217,820	The Committee recommended regularization of the grant.

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplement- ary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
		iii). Grant # 73- Passport Organization (OTC).	297,074,000	4,096,000	301,170,000	303,591,130	2,421,130	The Committee recommended regularization of the grant.
		iv). Grant # 74- Civil Armed Forces (OTC).	3,637,764,000	500,000	3,638,264,000	3,888,755,470	250,491,470	The Committee recommended regularization of the grant with the observation that the surrender had unnecessarily increased the excess and indicated poor financial management, which must be improved in future.
12.	M/o Kashmir Affairs and Northern Areas 08-07-2010 04-11-2010 28-12-2010	i). Grant # 79- Kashmir Affairs and Northern Areas and States and Frontier Regions. (OTC).	122,892,000	25,000,000	147,892,000	168,149,547	20,257,547	The Committee recommended regularization of the grant with the observation that the amount should not be surrendered and effort should be made to adhere to the actual grant.
		ii). Grant # 80- Frontier Regions. (OTC).	950,474,000	-----	950,474,000	987,285,053	36,811,053	The Committee recommended regularization of the grant and observed that amount should have been surrendered in time.
		iii). Grant # 84- Other Expenditure of Kashmir Affairs and Northern Areas. (OTC).	3,979,189,000	103,000,000	4,082,189,000	4,386,039,368	303,850,368	The Committee recommended regularization of the grant.

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplement- ary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
		iv). Grant # 86- Northern Areas. (OTC).	1,169,092,000	-----	1,169,092,000	1,329,620,795	160,528,795	The Committee recommended regularization of the grant.
		v). Grant # 134- Development Expenditure of Kashmir Affairs and Northern Areas. (OTC).	1,221,250,000	1,523,000,000	2,744,250,000	3,000,295,020	256,045,020	The Committee directed the PAO to provide the requisite explanation with relevant record to AGPR. The Committee recommended regularization of the grant subject to verification by AGPR.
13.	M/o Labour, Manpower and Overseas Pakistanis 28-07-2010 07-10-2010 23-02-2011	Grant # 87. – Labour, Manpower and Overseas Pakistanis Division (OTC).	193,670,000	8,000,000	201,670,000	204,140,872	2,470,872	The Committee recommended the grant for regularization.
14.	M/o Population Welfare 07-07-2010 03-11-2010	Grant # 98- Population Welfare Division. (OTC)	37,203,000	-----	37,203,000	37,552,461	349,961	The Committee again noted that funds had been surrendered without regard to the fact that the grant was already in excess. The Committee recommended regularization of the grant with the direction that financial management systems of the Ministry must be improved.

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplement- ary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
1	2	3	4	5	6	7	8	
15.	M/o Religious Affairs, Zakat and Ushr 22-07-2010 28-12-2010 01-02-2011	Grant # 102 – Other Expenditure of Religious Affairs, Zakat and Ushr Division.	121,627,000	-----	121,627,000	143,358,209	21,731,209	The Committee recommended the grant for regularization.
16.	M/o Water and Power 28-07-2010 23-02-2011 06-06-2011	Grant # 106 – Water and Power Division (OTC).	72,211,000	5,616,000	77,827,000	80,145,644	2,318,644	The Committee recommended the grant for regularization.

REPORTS

CABINET DIVISION

1. OVERVIEW

Appropriation Accounts / Audit Reports / Special Audit Reports for the year 2001-02 pertaining to the Cabinet Division were taken up for examination by Special Committee-II of the PAC in the meetings held on June 29th , 2010 , November 4th, 2010, January 27th, 2011 & March 9th, 2011 in Committee Room No.2, Parliament House Islamabad. Decisions taken are summarized below:

- 1.1** Nine (09) grants and eighty seven (87) Paras were reported by AGPR / Audit.
- 1.2** On presentation of the grants, the Committee pointed out that first a supplementary grant of Rs. 6,226,000 was obtained and approximately the same amount i.e. Rs. 6,493,048 was saved. This mismanagement was aggravated by non-surrender of the entire saving in time. The Committee expressed the hope that since according to the PAO the Division had now improved its financial systems this would not happen again in future.
- 1.3** While discussing grant No.04, the Committee noted that nearly 50% of the supplementary grant had been saved and only part of the saving had been surrendered in time. The Committee directed that financial management should be improved in future and supplementary grant should only be obtained if the Ministry has the capacity to use the amount within the financial year.
- 1.4** While discussing Para No.05 of Audit Report on Public Sector Enterprises, the Committee observed that the entire working of PCP would be discussed by the main PAC when detailed presentation is made to it, as per its directive already issued.

- 1.5** While discussing Para No 1.9 Audit Report of CDA the Committee directed the PAO to convey its severe displeasure to the DG / Chief Engineer PWD for not attending the meeting as directed earlier. A report has now to be submitted to the Monitoring and Implementation Committee of the PAC for further action.
- 1.6** While reiterating the directive given on Para No.3.2 Audit Report of CDA on the accounts of Cabinet Division in the last meeting, the Committee again observed on 9th March, 2011, that Islamabad Police should bring discipline in their ranks and asked the PAO to obtain a report on the action taken by IG Police Islamabad against illegal occupants of Aabpara flats and submit the same to the Committee and Audit.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO.1- CABINET

Excess Rs. 2,756,940/-

A.G.P.R. pointed out that after taking into account supplementary grant of Rs.1, 280,000 and Rs. 2,000,000.the grant closed with an excess of Rs. 756,940.

The PAO informed the Committee that the savings had occurred due to lower than anticipated expenditure of Federal Ministers / Ministers of State during the year 2001-02.

DIRECTIVE

The Committee recommended regularization of the grant in view of the commitment made by the PAO that necessary steps will be taken to ensure better financial management in future.

ii. GRANT NO.2- CABINET DIVISION

Saving Rs. 1,044,048/-

A.G.P.R. pointed out that after taking into account supplementary grant of Rs.6,226,000, the grant closed with a saving of Rs. 6,493,048 (1.14% of the total

grant). An amount of Rs. 5,449,000 was surrendered, leaving a net saving of Rs. 1,044,048.

The PAO informed the Committee that the un-surrendered savings were largely due to the fact that repair work could not take place during the month of May-June, 2002 and some bills of salaries and allowances were not finalized, otherwise this grant would have been fully utilized.

DIRECTIVE

The Committee pointed out that first a supplementary grant of Rs. 6,226,000 was obtained and approximately the same amount i.e. Rs. 6,493,048 was saved. The mismanagement was aggravated by non-surrender of the entire saving in time. The Committee expressed the hope that since according to the PAO the Division had now improved its financial systems this would not happen again in future. With these observations the Committee recommended regularization of the grant.

iii. **GRANT NO.3- EMERGENCY RELIEF AND REPATRIATION**
Excess Rs. 40,118/-

A.G.P.R. pointed out that the grant closed with a saving of Rs. 660,882 (0.82% of the total grant). An amount of Rs. 701,000 was surrendered resulting in a minor excess of Rs. 40,118 (0.05%).

DIRECTIVE

The Committee recommended regularization of the grant.

iv. **GRANT NO.4- LAND REFORMS.**
Saving Rs. 227,725/-

A.G.P.R. pointed out that the grant closed with a saving of Rs.618,668 (5.97% of the total grant). An amount of Rs. 390,943 was surrendered leaving a net saving of Rs. 227,725 (2.20%).

The PAO informed the Committee that the saving was largely due to vacant posts in the Federal Land Commission, Islamabad.

DIRECTIVE

The Committee noted that nearly 50% of the supplementary grant of Rs. 1,250,000 had been saved and only part of the saving had been surrendered in time. The Committee recommended regularization of the grant with the direction that financial management should be improved in future. Supplementary grant should only be obtained if the Ministry has the capacity to use the amount within the financial year.

v. **GRANT NO.5- OTHER EXPENDITURE OF CABINET DIVISION**
Saving Rs. 478,896/-

A.G.P.R. pointed out that the grant closed with a saving of Rs. 27,633,196, (14.12% of the total grant). An amount of Rs.27,154,3000 was surrendered resulting in a minor saving of Rs.478,896 (0.24%).

The PAO informed the Committee that the surrendered amount pertained to its two wings i.e. M. S. Wing and Pakistan Public Administrative Research Cell, which were transferred to the Establishment Division.

DIRECTIVE

The Committee recommended regularization of the grant.

vi. **GRANT NO.12- STATIONERY AND PRINTING**
Saving Rs. 4,676,856/-

A.G.P.R. pointed out that the grant closed with a saving of Rs. 12,529,963 (22.26% of the total grant). An amount of Rs. 7,853,107 was surrendered leaving a net saving of Rs. 4,676,856.

The PAO informed the Committee that the amount of Rs. 4.6 million was not fully surrendered in time because bulk of paper which was to be supplied

through the Department of Supplies was not provided within the stipulated delivery period by the supplier.

DIRECTIVE

The Committee recommended regularization of the grant.

- vii. **GRANT NO.113-CAPITAL OUTLAY ON LAND REFORMS.**
Excess / Saving Zero-
- viii. **GRANT NO.143- DEVELOPMENT EXPENDITURE OF CABINET DIVISION**
Saving zero
- iv. **GRANT NO.179- CAPITAL OUTLAY ON WORKS OF CABINET DIVISION.**
Saving zero

A.G.P.R. and PAO pointed out that in the above-mentioned Three (03) grants the budget had been fully utilized.

DIRECTIVE

The Committee recommended regularization of the above-mentioned three (03) grants as the budgetary provisions had been fully utilized.

3. AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE ACCOUNTS OF CABINET DIVISION FOR THE AUDIT YEAR 2001-02

PRINTING CORPORATION OF PAKISTAN (PVT) LIMITED

- 3.1 **PARA-05 (PAGE-5-6) ARPSE 2001-02.**
UNDER-UTILIZATION OF CAPACITY, RESULTING IN LOSS OF Rs.26.378 MILLION

Audit pointed out that Printing Corporation of Pakistan Press Karachi had two printing sections and one binding section for carrying out printing / binding works. As per monthly production reports, against 220,630 available hours during the year 2000-2001 the management could utilize only 71,603 hours for production activities. The remaining 149,027 hours were termed as idle hours. Thus only 32% of total available hours were utilized for production. Non-

achievement of available hours was attributed to non-availability of work, out-of order machines and obsolete machinery etc. Remedial measures needed to be taken by the management.

DIRECTIVE

The Committee observed that the entire working of PCP would be discussed by the main PAC when detailed presentation is made to it, as per its directive already issued.

4. AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE ACCOUNTS OF CABINET DIVISION FOR THE AUDIT YEAR 2001-02.

DEPUTY CONTROLLER, STATIONERY AND FORMS, KARACHI

- i. **PARA-03 (ii) (PAGE-xviii) ARPSE 2001-02**
NON-COMPILATION OF ACCOUNTS

FEDERAL PUBLICATION BRANCH

- ii. **PARA-03 (iii) (PAGE-xviii) ARPSE 2001-02**
NON-COMPILATION OF ACCOUNTS
STATIONERY, FORMS & PUBLICATIONS DEPOT, ISLAMABAD
- iii. **PARA-03(iii) (PAGE-xviii) ARPSE 2001-02**
NON-COMPILATION OF ACCOUNTS

DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the above-mentioned three (03) Audit Paras.

5. AUDIT REPORT TELECOMMUNICATION SECTOR ON THE ACCOUNTS OF CABINET DIVISION FOR THE AUDIT YEAR 2001-02.

5.1 PARA-2.3 (iii) (PAGE-24) AR 2001-02

Audit pointed out that the budget of the authority for the year in question had not been approved by the Finance Division.

The PAO informed the Committee that the budget had been approved by the Administrative Ministry. However, in compliance with DAC's decision the case had been sent to the Finance Division for approval in 2005-06. The Finance Division had also been reminded recently to expedite approval.

The representative from Finance Division informed the Committee that no such reference was available with him.

On 30th June, 2010, the Committee directed the PAO to provide a copy of the original reference and of the reminder sent to Finance Division. The Finance Division was directed to convey its decision within one month to the Ministry with a copy to the Committee.

When the Para came up for consideration again on 4th November, 2010, Audit pointed out that the budget had still not been approved by the Finance Division.

The PAO informed the Committee that the case was regrettably delayed in the Ministry.

The Committee directed the PAO to pursue the case vigorously and submit a report to the Committee within two weeks.

When the Para came up again on 27th January, 2011, the PAO informed the Committee that the Cabinet Division would look into the whole case and a report would be submitted to the Committee.

The Committee directed the Finance Division to provide its point of view also to the Cabinet Division.

When the matter was taken up again on 9th March, 2011, the representative of Finance Division stated that the Para could not be regularized because the original file containing approval of the Finance Division or the

Chairman should have been provided which was not done. Representative of Finance Division further stated that the budget should have been approved on the basis of a working paper by the Chairman PTA and subsequently the member Finance should have written to the Finance Division for approval. Had the original record with these papers been provided, the issue could have been resolved much earlier. Instead the department had approached the Cabinet Division for the approval of the budget for three years without providing the relevant record.

The PAO informed the Committee that the file on which the competent authority had given approval had since been retrieved and was available for inspection by the Finance Division.

DIRECTIVE

The Committee directed the PAO to convene a meeting with the representative of Finance Division and provide the required record to them. The Para would stand settled in case the Finance Division is able to resolve this issue on merit, otherwise action should be initiated against those employees who proceeded to incur expenditure without proper financial approval. A compliance report has to be submitted to the Committee and the Audit within two weeks.

5.2 PARA-2.4 (PAGE-25) AR 2001-02

Audit pointed out that the PTA had adopted National Pay Scales of the Federal Government since its establishment but certain allowances and financial benefits had been allowed to its employees by the Authority without approval of the Finance Division in violation of the standing orders of the Finance Division. In the DAC meeting held on 17th February, 2003 the Authority was directed to draft service regulations and submit the same to Cabinet / Finance Division for approval. This direction was reiterated in the DAC meeting on 17-01-2005. However, approved service regulations had not been provided thus far

Meanwhile, the Cabinet Division had provided advice of Law and Justice Division to the effect that approval of both Finance and Establishment Division are required for service regulations.

The Chairman PTA informed the Committee that PTA Employees Service Regulations 2004 had been finalized and notified on 20-09-2004 and the pay and package has been sent to Cabinet Division for approval. The pay package had been approved by the Finance Division in 2007.

The Joint Secretary PTA informed that the Authority had received approval of 15% ad-hoc relief for the year 2009-10 from the Finance Division only yesterday and the Authority will provide copy to the Audit and the Committee.

On 30th June, 2010, the Committee directed the PAO to hold a DAC meeting again in order to discuss the latest position. The Para should be brought back to the Committee in its next meeting.

When the Para came up for consideration again on 4th November, 2010, Audit stated that the Cabinet Division had provided advice of Law and Justice Division to the effect that approval of both Finance and Establishment Division are required for service regulations.

The PAO informed the Committee that opinion on formulation of Employees Service Regulation by the Department itself was sought from the Finance and Establishment Divisions who replied that these regulations are to be framed by Establishment Division. The Ministry then referred the matter to the Attorney General who supported the contention of PTA and the case is now pending in the Ministry of Law and Justice for final decision.

The Committee asked the PAO to request the Secretary Law personally to expedite the case.

When the matter was taken up again on 27th January, 2011, the Chairman PTA informed the Committee that this matter had been submitted to the Prime Minister's Secretariat and the P.M. Secretariat which had referred this matter to the Committee of Cabinet Division.

DIRECTIVE

The Committee directed the PAO to submit a progress report on this issue to the Monitoring and Implementation Committee of the PAC for further action within two months.

5.3 **PARA-2.5 (PAGE-27 AR 2001-02**
NON-RECOVERY OF OUTSTANDING DUES AMOUNTING TO
Rs. 35.312 MILLION ON ACCOUNT OF ROYALTY

Audit pointed out that as per terms and conditions of licenses of different services royalty @ 4% of the gross sales/revenue or 50% of license fee whichever is higher is required to be recovered annually. It was however, observed that an outstanding amount of Rs. 35.312 million on account of royalty against thirteen (13) cases relating to year 1999-2000 was not recovered. Resultantly Pakistan Telecommunication Authority sustained a loss of revenue to that extent.

The Chairman PTA informed the Committee that in order to encourage investment in the sector the Authority had decided to revise / reduce rates of royalty, most of which had already been recovered.

The Committee took a serious view of the Audit observation that according to the Rules and Regulations the Chairman alone was not competent to approve the reduction in royalty. This point should have been discussed in the DAC. The Committee referred the Para back to the DAC and asked for a report within two months.

When the Para came up for consideration again on 4th November, 2010, the PAO stated that the Para would be ratified and regularized as per provisions given in the Act and report submitted to the Committee within one month.

When the matter was taken up again on 27th January, 2011 the PAO informed the Committee that the Para had been ratified and regularized as per provisions given in the Act.

DIRECTIVE

The Committee recommended the Para for settlement.

5.4 **PARA-2.6 (PAGE-28 AR 2001-02.**
NON-RECOVERY OF LICENCE RENEWAL FEE AMOUNTING TO Rs.
2.370 MILLION

Audit pointed out that PTA Headquarter, Islamabad did not recover renewal fee amounting to Rs. 2.370 million from 23 licensees during 1999-2000 in violation of terms and conditions of the contracts.

The PAO informed the Committee that the renewal free had been reduced by the Authority and recovered.

The Committee observed that in this case also, the competency of the Authority to reduce the renewal fee had been called in question by Audit. The Committee directed the PAO to hold a DAC again on this Para and report back within two weeks.

When the Para came up for consideration again on 4th November, 2010, the PAO informed the Committee that the Para would be regularized by the Authority itself as provided in the PTA Act and report submitted to the Committee within one month.

When the Para came up again on 27th January, 2011, the Chairman, PTA informed the Committee on 27th January, 2011 that the recovery had been completed and the requisite record would be provided to Audit.

Audit reported on 9th March, 2011, that recovery had not yet been fully verified.

The PAO informed the Committee that the record has now been fully verified by Audit.

DIRECTIVE

The Committee recommended the Para for settlement subject to verification by Audit.

PAKISTAN TELECOMMUNICATION AUTHORITY

- i. **PARA-2.3 (i) (PAGE No.24) AR 2001-02**
- ii. **PARA-2.3 (ii) (PAGE No. 24) AR 2001-02**
- iii. **PARA-2.3(iv) (PAGE No. 25) AR 2001-02**

FREQUENCY ALLOCATION BOARD

- iv. **PARA-3.1 & 3.2 (PAGE No. 31-32) AR 2001-02**
- v. **PARA-3.3 (PAGE No. 31-32) AR 2001-02**
- vi. **PARA-3.4 (PAGE No. 34) AR 2001-02**
- vii. **PARA-3.5 (PAGE No. 35) AR 2001-02**
- viii. **PARA-3.6 (PAGE No. 35-36) AR 2001-02**

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned eight (08) Audit Paras.

6. AUDIT REPORT OF CAPITAL DEVELOPMENT AUTHORITY ON THE ACCOUNTS OF CABINET DIVISION FOR THE AUDIT YEAR 2001-02

The PAO requested that the Ministry be allowed some time to resolve the following nine (09) Audit Paras in DAC meeting.

- i. **PARA-1.6 (PAGE No.16) AR 2001-02**
Overpayment of Rs. 1.919 million due to non-observance of specification
- ii. **PARA-1.7 (PAGE No. 17) AR 2001-02**
Overpayment of Rs. 1.710 million due to deviation from approved design and agreement.
- iii. **PARA-1.13 (PAGE No. 23) AR 2001-02**
Overpayment of Rs. 0.572 million due to execution of item without provision in estimate

- iv. **PARA-2.1 (PAGE No. 29) AR 2001-02**
Non-recovery of Rs. 25.338 million on account of repair charges
- v. **PARA-2.2 (PAGE No.30) AR 2001-02**
Non-recovery of Rs. 5.250 million on account of license fee
- vi. **PARA-2.9 (PAGE No.37) AR 2001-02**
Non-recovery of Rs. 116.765 million on account of hire charges of machinery.
- vii. **PARA-3.1 (PAGE No. 38) AR 2001-02**
Non-accrual of revenue of Rs. 42.765 million due to non-functioning of machinery
- viii. **PARA-3.9 (PAGE No. 46) AR 2001-02**
Loss of Rs. 0.390 million due to award of work at higher rates
- ix. **PARA-4.6 (PAGE No. 51) AR 2001-02**
Unjustified payment of Rs. 0.218 million due to non-observance of specifications

DIRECTIVE

Accepting the request of the PAO, the Committee directed the PAO to discuss the above Paras in the DAC meeting. The Committee will take up these paras again in its next meeting.

- i. **PARA-1.3 (PAGE No.13) AR 2001-02**
Overpayment of Rs. 7.750 million due to execution of excessive quantities
- ii. **PARA-1.6 (PAGE No.16) AR 2001-02**
Overpayment of Rs. 1.919 million due to non-observance of specification
- iii. **PARA-1.7 (PAGE No. 17) AR 2001-02**
Overpayment of Rs. 1.710 million due to deviation from approved design and agreement.
- iv. **PARA-1.13 (PAGE No. 23) AR 2001-02**
Overpayment of Rs. 0.572 million due to execution of item without
- v. **PARA-3.1 (PAGE No. 38) AR 2001-02**
Non-accrual of revenue of Rs. 42.765 million due to non-functioning of machinery
- vi. **PARA-3.7 (PAGE No. 44) AR 2001-02**
Loss of Rs. 0.663 million due to acceptance of tender at higher rates
- vii. **PARA-3.8 (PAGE No. 45) AR 2001-02**
Loss of Rs. 0.494 million due to award of work at higher rates
- viii. **PARA-3.9 (PAGE No. 46) AR 2001-02**
Loss of Rs. 0.390 million due to award of work at higher rates
- ix. **PARA-4.6 (PAGE No. 51) AR 2001-02**
Unjustified payment of Rs. 0.218 million due to non-observance of specifications

DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the above-mentioned nine (09) Audit Paras.

6.1 **PARA-1.9 (PAGE No.19) AR 2001-02.**

Overpayment of Rs. 1.171 million due to payment of the item not executed at site

On 30th June, 2010, the Committee accepted the request of the PAO, to discuss the above Para in the DAC meeting.

When the para came up for consideration again on 4th November, 2010, Audit reported that CDA derived an item of work “Excavation or cutting” from Pak PWD Schedule of Rates, 1991 wherein item 9 page 565 contained cost of excavated earth for filling in embankment plus additional lead and lift.

According to Audit CDA allowed payment of this component whereas the contractor had prepared no such embankment. On the other hand Member, CDA categorically stated that the works were executed strictly as per BOQ items provided in the contract agreement.

To resolve this tactual dispute, the Committee directed the PAO to discuss this para in detail in a DAC meeting and report back after two weeks.

As the matter remained unresolved when the Special Committee met again on 27th January, 2011, it constituted a Sub-Committee, chaired by Additional Secretary Cabinet Division and comprising DG / CE PWD and a representative of Audit to resolve the dispute and submit its report within two weeks time.

DIRECTIVE

On being informed on 9th March, 2011, that meeting as directed by the PAC could not take place due to non-availability of DG / CE PWD the Committee directed the PAO to convey its severe displeasure to the DG / Chief Engineer PWD for not attending the meeting as directed earlier. Report should

now be submitted to the Committee within one week to the Monitoring and Implementation Committee of the PAC for further action.

6.2 **PARA-1.11 (PAGE No. 21) AR 2001-02**
Overpayment of Rs. 1.058 million due to non-observance of standard ratio of water charges

On 30th June, 2010, the Committee accepting the request of the PAO, to discuss the above Para in the DAC meeting.

When the Para came up for consideration again on 4th November, 2010, Audit stated that analysis of Pakistan Public Works Department Schedule of Rates, 1991 contained standard ratio of water charges @ 1% for construction purpose and 0.50% for drinking purposes. However, Deputy Director, Road Division No. III, CDA had provided water charges @ 5.77% in the analysis of rates instead of 1.5% of the cost of work.

The PAO informed the Committee that the recovery would be effected within fifteen (15) days.

DIRECTIVE

The Committee recommended the Para for settlement subject to verification of recovery by Audit.

6.3 **PARA-1.17 (PAGE No. 27) AR 2001-02.**
Overpayment of Rs. 1.658 million due to non-observance of specifications

On 30th June, 2010, the Committee accepting the request of the PAO to discuss the above Para in the DAC meeting.

When the Para came up for consideration again on 4th November, 2010, Audit stated that according to Section 2252 of specification of the work the embankment material shall be free of excessively clay, organic and other unsuitable material like wet soil and hard work.

However, Road Division No.III CDA derived an item from schedule of rates for excavation and filling in road embankment wherein proportion of unsuitable material (hard rock and wet silt) was not deducted from the total cost of filling component of item rate. Because the management could not observe provision of the specifications and due care was not exercised while framing item rate according to actual requirement, the result was overpayment of Rs. 1.658 million.

The PAO informed the Committee that a sum of Rs. 9 lacs has been recovered; the remaining amount could not be recovered thus far because the contractor is not traceable.

DIRECTIVE

The Committee asked the Audit to verify recovery of 9 lacs and directed the PAO to make concerted efforts to trace the whereabouts of the contractor in order to effect recovery. Report should be submitted to the Committee within one month.

(This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

6.4 **PARA-2.5 (PAGE No. 33) AR 2001-02**
Non-recovery of Rs. 0.995 million on account of risk & cost amount from contractor

On 30th June, 2010, the Committee accepted the request of the PAO, to discuss the above Para in the DAC meeting.

When the Para came up again for consideration on 4th November, 2010, Audit stated that according to Clause 3(c) of the contract, in case the contractor commits a breach of any terms of contract, the Deputy Director on behalf of CDA is required to measure the work done and such part of work as remained unexecuted should be entrusted to another contractor. In case any expenses are incurred in excess of the sum which would had been paid to the original

contractor if the whole work had been executed by him, these expenses shall be paid by the original contractor and may be deducted from any money due to him under the contract or otherwise. However, Water & Sewerage R / A Zone CDA could not recover the “risk & cost” amount from the original contractor resulting in loss of Rs. 0.995 million.

The PAO informed the Committee that in the light of the decision of the Wafaqi Mohtasib the Para needed to be re-visited. He requested the Committee to permit consideration of this Para in the DAC.

DIRECTIVE

Accepting the request of the PAO the Committee referred the Para to DAC for consideration and submission of report within two weeks.

(This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

6.5 **PARA-3.2 (PAGE No. 39) AR 2001-02**
Loss of Rs. 24.072 million due to non-letting out the Government buildings

Audit stated that Para No. 9.04 of Central Public Works Department Code provides that it is the duty of the Divisional Officer to make endeavors to get tenants for public buildings not immediately required for Government use.

Work Division No .II, CDA constructed 136 Nos. flats from CDA’s own resources but despite lapse of considerable time after their completion in July, 1997, the flats were still lying vacant / deserted condition. This poor management and non-compliance with Rules resulted in huge loss to the government.

The PAO informed the Committee that Police officials had illegally occupied the flats and had obtained stay orders from the Civil Courts. However, he was pursuing the case with the Secretary Interior for evacuation of the flats.

The Committee expressed its concern and displeasure that uniformed guardians of the Law should first illegally occupy CDA property and then seek court protection.

On 4th November, 2010 the Committee directed the PAO to vigorously pursue the court cases to have the stay orders vacated. If necessary, assistance of the Attorney General should be sought in this regard. The Committee also directed the PAC Secretariat to call the Ministry of Interior, IG Police Islamabad and Ministry of Housing & Works in the next meeting related to the Cabinet Division so that this Para can be discussed with them and the flats got vacated from Police Officials.

When the Para came up again for consideration on 27th January, 2011, the Chairman CDA informed the Committee that the CDA had spent Rs.148 million on these flats which were completed in 2000. Police Officials had occupied these flats during the Lal Masjid operation and despite efforts had refused to vacate them.

The Interior Ministry had decided to disconnect their gas and electricity connections but the Police officials had obtained stay orders. Out of 200 flats only 16 flats had been vacated by police.

The Additional Inspector General Police informed the Committee that in view of the acute shortage of housing facilities CDA had been requested to allot those flats to police officials. Meanwhile the department had issued show cause notices to illegal occupants.

The Committee again expressed its displeasure over the illegal occupation and directed the Ministry of Housing & Works as well as CDA to ensure that the full facts are brought to the notice of the court, so that the stay orders are vacated and immediate possession is taken.

The Committee further directed to Addl. IG Police to enforce discipline in their ranks.

The Committee observed that the Chairman, CDA may consider on merits the request of the Police Officials for allotment of whatever accommodation is available on sympathetic grounds.

When the matter was taken up again on 9th March, 2011, the PAO informed the Committee that the stay orders were expected to be vacated soon. The IG police Islamabad had been directed to take disciplinary action against illegal occupants but no report in this regard had been received thus far.

DIRECTIVE

While reiterating the directive given in the last meeting the Committee again observed that Islamabad Police should bring discipline in their ranks and asked the PAO to obtain a report on the action taken by IG Police Islamabad against illegal occupants and submit the same to the Committee and the Audit within one week. Compliance on this Para would be taken up by the Monitoring and Implementation Committee of the PAC.

6.6 **PARA-4.2 (PAGE No. 48) AR 2001-02**
Unjustified expenditure of Rs. 1.938 million on account of award of work without calling tender

Audit stated that Para 82 of Capital Development Authority Procedure Manual (Part-III) provides that as a general rule no work should be given out on contract without calling tenders in the most open and public manner.

Audit further stated that Machinery Pool Organization (Operation) Division, Capital Development Authority incurred expenditure on account of “precasting / manufacturing of plain cement concrete kerb stones” in piecemeal by issuing one hundred and ninety-four (194) work orders/quotations instead of inviting open tenders and drawing rate running contract. The management could not observe

rules and regulations, which indicated absence of systemic control and poor financial management. Thus, the Authority was deprived of the benefit of competitive and economical rates. Expenditure of Rs. 1.938 million incurred in violation of above-mentioned provisions of Capital Development Authority Procedure Manual was therefore, irregular.

The PAO informed the Committee that relevant record has been provided to Audit to their satisfaction.

DIRECTIVE

The Committee recommended the Para for settlement subject to verification by Audit.

6.7 **PARA-4.3 (PAGE No.49) AR 2001-02**
Loss of Rs. 0.808 million due to damage of relating wall

Audit stated that a private firm constructing economy flats in F-11/1 laid unauthorized sewerage line, which caused damage to existing retaining wall. The said construction firm was asked for rectification of damage during August, 1999, but the firm did not respond. Expenditure of Rs. 0.808 million had to be incurred on a work which was actually to be done by the contractor who caused damage.

On 4th November, 2010, the Committee accepted the request of the Audit and directed that the above-mentioned Para be discussed in the next DAC meeting.

When the Para came up for consideration again on 27th January, 2011, the Chairman, CDA informed the Committee that Hamza Apartments had been sold out by the owner and he was not traceable. The CDA had written to the DCO to help trace him so that recovery can be made.

When the Para came up again on 9th March, 2011, the PAO stated that the owner has been traced and the matter has been referred to the Collector / DC Islamabad who have legal action against him.

DIRECTIVE

The Committee directed the PAO to send details of proceedings initiated against the defaulter within one week to the Committee and Audit. The Para was recommended for settlement subject to verification by Audit and recovery of the amount involved.

Audit requested that the Committee may issue suitable directive for further pursuance of the following eight (08) Audit Paras at DAC level.

- i. **PARA-1.1 (PAGE No. 11) AR 2001-02**
Excess expenditure of Rs. 24.577 million due to execution of works in excess of estimated provision
- ii. **PARA-1.2 (PAGE No.12) AR 2001-02**
Overpayment of Rs. 8.746 million due to allowing higher rates
- iii. **PARA-2.1 (PAGE No. 29) AR 2001-02**
Non-recovery of Rs. 25.338 million on account of repair charges
- iv. **PARA-2.2 (PAGE No.30) AR 2001-02**
Non-recovery of Rs. 5.250 million on account of license fee
- v. **PARA-2.7 (PAGE No.35) AR 2001-02**
Short-recovery of Rs. 0.251 million due to application of incorrect rate on interest
- vi. **PARA-2.9 (PAGE No.37) AR 2001-02**
Non-recovery of Rs. 116.765 million on account of hire charges of machinery.
- vii. **PARA-3.4 (PAGE No. 41) AR 2001-02**
Un-justified payment of Rs. 2.108 million due to non-observance of job mix formula
- viii. **PARA-4.3 (PAGE No.49) AR 2001-02**
Loss of Rs. 0.808 million due to damage of relating wall

DIRECTIVE

Accepting the request of Audit, the Committee directed the Audit to discuss the above-mentioned Paras in the DAC meeting. The Committee will take up these Paras again in its next meeting.

(These Audit Paras will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

7. AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE ACCOUNTS OF CABINET DIVISION FOR THE AUDIT YEAR 2001-02.

DEPUTY CONTROLLER, STATIONERY AND FORMS, KARACHI

- i. **PARA-03 (ii) (PAGE-xviii) ARPSE 2001-02**
NON-COMPILATION OF ACCOUNTS

FEDERAL PUBLICATION BRANCH

- ii. **PARA-03 (iii) (PAGE-xviii) ARPSE 2001-02**
NON-COMPILATION OF ACCOUNTS

STATIONERY, FORMS & PUBLICATIONS DEPOT, ISLAMABAD

- iii. **PARA-03(iv) (PAGE-xviii) ARPSE 2001-02**
NON-COMPILATION OF ACCOUNTS

DIRECTIVE

The Committee endorsed recommendations of the DAC for settlement of the above-mentioned three (03) Audit Paras.

CAPITAL DEVELOPMENT AUTHORITY

- i. **PARA-1.4 (PAGE No.14) AR 2001-02**
Overpayment of Rs. 4.447 million due to allowing payment against Inadmissible items
- ii. **PARA-1.5 (PAGE No. 15) AR 2001-02**
Overpayment of Rs. 1.921 million due to application of incorrect conversion factor
- iii. **PARA-1.8 (PAGE No.18) AR 2001-02**
Overpayment of Rs. 1.592 million due to enhancement in escalation percentage
- iv. **PARA-1.10 (PAGE No. 20) AR 2001-02**
Overpayment of Rs. 0.917 million due to non-observance of estimate provision
- v. **PARA-1.12 (PAGE No. 22) AR 2001-02**
Overpayment of Rs. 0.639 million on account of item not actually executed at site.
- vi. **PARA-1.14 (PAGE No. 24) AR 2001-02**
Overpayment of Rs. 0.545 million due to separate payment of an item already included in original item.

- vii. **PARA-1.15 (PAGE No. 26) AR 2001-02**
Overpayment of Rs. 0.399 million due to excessive measurement
- viii. **PARA-1.16 (PAGE No.27) AR 2001-02**
Overpayment of Rs. 0.168 million on account of non-utilization of available material
- ix. **PARA-2.3 (PAGE No. 31) AR 2001-02**
Non-recovery of Rs. 2.873 million on account of conservancy charges
- x. **PARA-2.4 (PAGE No.32) AR 2001-02**
Non-recovery of Rs. 1.104 million on account of facilities not provided by the contractor as per agreement
- xi. **PARA-2.6 (PAGE No. 34) AR 2001-02**
Non-recovery of Rs. 0.269 million on account of ground rent.
- xii. **PARA-2.8 (PAGE No. 56) AR 2001-02**
Loss of Rs. 0.237 million due to dismantling of executed work.
- xiii. **PARA-3.3 (PAGE No. 40) AR 2001-02**
Non-disposal of stone stock valuing Rs. 22.333 million
- xiv. **PARA-3.5 (PAGE No. 42) AR 2001-02**
Loss of Rs. 0.654 million due to non-recovery of cost of material
- xv. **PARA-3.6 (PAGE No.43) AR 2001-02**
Non-imposition of fine worth Rs. 0.409 million due to non-observance of codal Rules
- xvi. **PARA-4.1 (PAGE No. 47) AR 2001-02**
Loss of Rs. 2.154 million on account of purchase of defective launch
- xvii. **PARA-4.4 (PAGE No.49) AR 2001-02**
Wasteful expenditure of Rs. 0.562 million due to non-observance of agreemental clauses
- xviii. **PARA-4.5 (PAGE No. 50) AR 2001-02**
Wasteful expenditure of Rs. 0.562 million due to lack of coordination in CDA's Divisions
- xix. **PARA-5.1 (PAGE No. 52) AR 2001-02**
Irregular utilization of receipts worth Rs. 4.957 million
- xx. **PARA-5.2 (PAGE No. 53) AR 2001-02**
Irregular utilization of funds Rs. 0.584 million due to misuse of powers
- xxi. **PARA-5.3 (PAGE No. 54) AR 2001-02**
Loss of Rs. 0.310 million due to lack of coordination between CDA's formations
- xxii. **PARA-6.1 (PAGE No.55) AR 2001-02**
Avoidable extra expenditure of Rs. 13.298 million incurred due to extra ordinary enhancement in costly item.

DIRECTIVE

The Committee endorsed recommendations of the DAC for settlement of the above-mentioned twenty-two (22) Audit Paras.

8. AUDIT REPORT TELECOMMUNICATION SECTOR ON THE ACCOUNTS OF CABINET DIVISION FOR THE AUDIT YEAR 2001-02.

PAKISTAN TELECOMMUNICATION AUTHORITY

- i. **PARA-2.1 & 2.2 AR 2001-02.**
- ii. **PARA-2.3 (i) (PAGE No.24)-AR 2001-02**
- iii. **PARA-2.3 (ii) (PAGE No. 24)-AR 2001-02**
- iii. **PARA-2.3(iv) (PAGE No. 25)-AR 2001-02**

DIRECTIVE

The Committee endorsed recommendations of the DAC for settlement of the above-mentioned four (04) Audit Paras.

CAPITAL DEVELOPMENT AUTHORITY

Audit requested that the Committee may issue suitable directive for further pursuance of the following nine (09) Audit Paras at DAC level.

- i. **PARA-1.1 (PAGE No. 11) AR 2001-02**
Excess expenditure of Rs. 24.577 million due to execution of works in excess of estimated provision
- ii. **PARA-1.2 (PAGE No.12) AR 2001-02**
Overpayment of Rs. 8.746 million due to allowing higher rates
- iii. **PARA-1.3 (PAGE No.13) AR 2001-02**
Overpayment of Rs. 7.750 million due to execution of excessive quantities
- iv. **PARA-2.7 (PAGE No.35) AR 2001-02**
Short-recovery of Rs. 0.251 million due to application of incorrect rate on interest
- v. **PARA-3.2 (PAGE No. 39) AR 2001-02**
Loss of Rs. 24.072 million due to non-letting out the Government buildings
- vi. **PARA-3.4 (PAGE No. 41) AR 2001-02**
Un-justified payment of Rs. 2.108 million due to non-observance of job mix formula
- vii. **PARA-3.9 (PAGE No. 46) AR 2001-02**
Loss of Rs. 0.390 million due to award of work at higher rates
- viii. **PARA-4.2 (PAGE No. 48) AR 2001-02.**
Unjustified expenditure of Rs. 1.938 million on account of award of work without calling tender

- ix. **PARA-4.3 (PAGE No.49) AR 2001-02.**
Loss of Rs. 0.808 million due to damage of relating wall

DIRECTIVE

Accepting the request of Audit, the Committee directed Audit to discuss the above-mentioned Paras in the next DAC meeting. Recommendations should be submitted to the Committee in its next meeting.

(These Audit Paras will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

MINISTRY OF COMMERCE

1. OVERVIEW

Appropriation Accounts / Audit Reports & Audit Reports Public Sector Enterprises for the year 2001-02 pertaining to the Ministry of Commerce were considered for examination by Special Committee-II of the PAC in the meetings held on June 1st 2010, July 8th 2010, November 4th 2010, December 28th 2010, January 27th ,2011 & March 9th 2011 in Committee Room No.2, Parliament House Islamabad. Decisions taken are summarized below:

- 1.1** Three (03) grants and twelve (12) Paras were reported by AGPR / Audit. Forty-three (43) Paras of Audit Report on Public Sector Enterprises and on the accounts of Ministry of Foreign Affairs and Pakistan Missions Abroad of Ministry of Commerce were reported by Audit.
- 1.2** On presentation of the grants, the Committee observed that not withstanding the additional expenditure on pay etc. saving was available in the grant, which was converted into excess, which reflected poor financial management. The Committee directed the PAO to introduce proper monitoring / accounting systems so that such lapses do not occur in future.
- 1.3** While discussing Para No.1.1 the Committee observed that this was a clear-cut case of embezzlement in which the culprit should have been dismissed from service forthwith so that his pension benefits could have been forfeited. It directed the PAO to take action against those who took the decision of compulsory retirement instead of dismissal. The Committee further observed that maximum punishment had been awarded to the Naib Qasid but the officer was allowed to retire with full benefits. The Committee directed the PAO to register an FIR against the accused Mr. Mumtaz Qureshi and put his name on ECL.

- 1.4 While discussing Para No.3.3, the Committee directed the PAO to contact the Chairman FBR personally in order to ensure recovery as soon as possible.
- 1.5 When Para No.21 came under discussion the Committee directed that the report should also be referred to the main PAC, along with a complete presentation on the functioning and investment policy of State Life Insurance Corporation of Pakistan.
- 1.6 While discussing Para No.3.1, the Committee observed that if Law Division has declared that there had been lapses on the part of TCP then action has to be taken on the basis of opinion of the Law Division.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1 2001-02

i. GRANT NO.13 – COMMERCE DIVISION

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Excess	(+) 17,826,194	(+) 1,209,194	16,617,000

A.G.P.R. pointed out that the grant closed with an excess of Rs. 13,999,194 (1.82% of the total). An amount of Rs. 3,827,000 was surrendered, increasing the excess to Rs.17,826,194 (2.32%).

A.G.P.R. stated that a supplementary grant of Rs. 16,617,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO informed the Committee that excess was due to revision of pay scales and shortfall in the budget to meet requirements of the Trade Mission.

The PAO further informed that the expenditure on utilities was incurred less.

DIRECTIVE

The Committee observed that not withstanding the additional expenditure on pay etc. saving was available in the grant, which was converted into excess, which reflected poor financial management. The Committee recommended regularization of the grant with the direction that the PAO should introduce proper monitoring / accounting systems so that such lapses do not occur in future.

ii. **GRANT NO. 14 – EXPORT PROMOTION**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) 69,002,267	(-) 15,758,968	53,250,348

A.G.P.R. pointed out that the grant closed with a saving of Rs. 78,247,267 (12.05% of the total). An amount of Rs. 9,245,000 (1.42%) was surrendered, leaving a net saving of Rs. 69,002,267 (10.63%).

A.G.P.R. stated that a supplementary grant of Rs. 53,250,348 was surrendered but not accounted for.

The PAO informed the Committee that excess was due to vacant posts.

DIRECTIVE

The Ministry was directed to take effective measures to avoid such excess or saving in future with these observations the Committee recommended regularization of the grant.

iii. **GRANT NO. 118 –DEVELOPMENT EXPENDITURE OF COMMERCE DIVISION**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) 8,807,598	(-) 8,807,598	

A.G.P.R. pointed out that the grant closed with a saving of Rs. 22,367,598 (19.51% of the total grant). An amount of Rs. 13,560,000 (11.83%) was surrendered, leaving a net saving of Rs.8,807,598 (7.68%).

The PAO informed the Committee that the payment of consultancy charges to the foreign as well as local consultants were being made by the Asian Development Bank out of Foreign Aid Allocation.

The PAO further informed that the confirmation of the payment of remuneration to the consultant was not received till 30-06-2002. Therefore, the said expenditure could not be booked / conveyed to the AGPR.

The Committee directed the PAO to provide the requisite record to Audit. The Committee recommended regularization of the grant subject to verification by Audit.

On 9th March, 2011 AGPR stated that PAC had settled this grant subject to provision of record which has not been done. The AGPR further stated that no DAC meeting had been convened on this grant.

The PAO informed the Committee that the relevant record had been provided to the AGPR on the 8th November 2010 and an other copy would be provided again.

DIRECTIVE

The Committee observed that it was the directive of the Chairman PAC to convene a monthly DAC meeting which was not done on this Para. The Committee directed the PAO to provide the relevant record to AGPR and recommended the grant for regularization subject to verification of record by AGPR.

3. AUDIT REPORT ON THE ACCOUNTS OF MINISTRY OF COMMERCE FOR THE AUDIT YEAR 2001-02

The DAC recommended the following Audit Paras for settlement by the Special Committee:-

- i. **PARA-4 (PAGE-7) AR-2001-02**
IRREGULAR EXPENDITURE OF RS 397,938 ON EPB VEHICLES USED BY OFFICERS OF MINISTRY OF COMMERCE
- ii. **PARA-5 (PAGE-8) AR-2001-02**
IRREGULAR/UNJUSTIFIED EXPENDITURE OF Rs 134,079 ON INSTALLATION OF TELEPHONE EXCHANGE IN MINISTER'S OFFICE
- iii. **PARA-11 (PAGE-15) AR-2001-02**
OVERPAYMENT OF Rs 189,000 ON ACCOUNT OF EXCESS PAYMENT OF RENT

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned three (03) Audit Paras.

- 3.1 **PARA-1-PAGE-03-AR-2001-02**
EXCESS EXPENDITURE OF Rs 4.782 MILLION ON MAINTAINING OF EXCESS TELEPHONE CONNECTIONS BY THE MINISTERS OF COMMERCE AND SECRETARIES OF COMMERCE (1993-94 TO 2001-02)

Audit stated that the Para related to payment of telephone bills of the Minister and Secretary Commerce in excess of entitlement.

On 8th July 2010, the PAO informed the Committee that according to latest instructions from the Cabinet Division regarding telephone bill entitlement of the Minister and the Secretary, there was no excess expenditure.

DIRECTIVE

The Committee recommended the Para for settlement subject to verification of record by Audit, as also recommended by the DAC.

The following 8 Paras were clubbed and considered together.

3.2 **PARA-02-PAGE-04-AR-2001-02**
IRREGULAR EXPENDITURE OF Rs 23,529/- ON ACCOUNT OF TA/DA

Audit stated that Para 4 of Export Market Development Fund (EMDF) amended the lists activities on which expenditure can be incurred from EMDF. This list does not include provision for payment of traveling and allowance to the employees / officers of Export Promotion Bureau as separate budget was allocated to EPB for this purpose by the Government of Pakistan.

3.3 **PARA-03-PAGE-05-AR-2001-02**
IRREGULAR EXPENDITURE OF Rs 1.370 MILLION ON VISIT ABROAD BY DELEGATION OF RAWALPINDI CHAMBER OF COMMERCE AND INDUSTRY

Audit stated that the expenditure incurred was not adjustable under EMDF.

3.4 **PARA-04-PAGE-07-AR-2001-02**
IRREGULAR EXPENDITURE OF RS 397,938 ON EPB VEHICLES USED BY OFFICERS OF MINISTRY OF COMMERCE

Audit stated that it was noticed that officers of the Ministry of Commerce unauthorizedly used the vehicles of EPB in violation of Rule-10 and 11 of Staff Car Rules, 1980. The cars were used by the officers of the Ministry of Commerce and the POL was drawn from EPB.

On 9th March 2011 Audit stated that only log book has been provided for verification and notification of additional charge of the officers is still awaited.

The PAO informed the Committee that in case notification of additional charge is not available then a copy of office order about the additional charge would be provided to the audit

3.5 **PARA-06-PAGE-9-AR-2001-02**
IRREGULAR EXPENDITURE OF Rs 2.44 MILLION ON ACCOUNT OF
PAYMENT OF RENT OF OFFICE ACCOMMODATION OVER AND ABOVE
THE PRESCRIBED RATES

Audit pointed out that National Tariff Commission had paid rent for 4th and 5th floors of State Life Building No.5, Islamabad over prescribed limits. The DAC directed that the Para may be referred to Finance Division for regularization but the Finance Division had regretted the case and had advised that the expenditure may be regularized by PAC.

On 8th July 2010 the Committee directed Finance Division to decide the case for regularization on its merits.

On 27th January 2011 the representative Finance Division informed the Committee that the case was received by Finance Division on 12th of January, 2011 but documentation papers was incomplete.

On 9th March 2011 the PAO informed the Committee that case had been referred to the Finance Division twice which was returned with certain observations. He stated that those observations had been addressed and the case is now under consideration in the Finance Division.

DIRECTIVE

The Committee directed the PAO to contact the Secretary Finance personally so as to obtain a decision within one week. The Committee recommended the Para for settlement subject to regularization by the Finance Division.

3.6 **PARA-07-PAGE-10-AR-2001-02**
IRREGULAR / UNJUSTIFIED EXPENDITURE OF Rs. 2.798 MILLION ON POL AND REPAIR AND MAINTENANCE OF GOVERNMENT VEHICLES

Audit stated that it was observed that during the period from 1998-99 to 2001-02 EPB incurred an expenditure of Rs. 2,798,655/- (Rs 1,998,024 on POL and Rs 800,631 on repair and maintenance of vehicles) from EMDF which was not covered under Para - 4 (i) to (vi) of EMDF.

Furthermore, the management did not prepare the log books showing consumption of POL and repair and maintenance etc. as required under Rule15 (u) of Staff Car Rules, 1980.

3.7 **PARA-08-PAGE-11-AR-2001-02**
IRREGULAR EXPENDITURE Rs 3.517 MILLION ON PAY & ALLOWANCES OF EMDF EMPLOYEES

Audit stated that it was observed that the management of EPB had made payment on account of Pay & Allowances out of EMDF during the last four years as detailed below although in terms of para-13 (h) (iii) of the Resolution, Secretariat of the EMDF was required to be provided by Export Promotion Bureau.

Furthermore, incurrence of this expenditure from EMDF was not covered under Para 4 (i) to (vi) of EMDF Resolution 1966.

3.8 **PARA-09-PAGE-12-AR-2001-02**
IRREGULAR EXPENDITURE OF Rs 8.91 MILLION OUT OF EMDF INCLUDING EXCESS PAYMENT OF Rs 8.076 MILLION ON ACCOUNT OF RENT FOR OFFICE ACCOMMODATION

Audit stated that Export Promotion Bureau hired office accommodation for certain offices at Kashmir Plaza, Blue Area, Islamabad and made payment rent out of EMDF in violation of the provisions of para 4 (i) to (vi) of EMDF Resolution 1966.

3.9 **PARA-10-PAGE-15-AR-2001-02**
IRREGULAR EXPENDITURE OF Rs 1.099 MILLION WITHOUT SANCTION OF COMPETENT AUTHORITY

Audit stated that during the course of audit, it was observed that Export Promotion Bureau, Lahore incurred an expenditure of Rs 1,098,883 on procurement of equipment and machinery out of EMDF although expenditure on these items, out of EMDF, was not covered under Para 4 (i) to (vi) of EMDF Resolution.

3.10 **PARA-12-PAGE-15-AR-2001-02**
UNAUTHORIZED ADVANCE PAYMENT OF Rs 767,000 WITHOUT SANCTION OF THE COMPETENT AUTHORITY

Audit stated that it was observed during the course of audit that Export Promotion Bureau, Lahore made an advance payment of Rs 767,000 to different suppliers for installation of AC and Generator without prior approval of Finance Division. Payment on this account was also made out of the EMDF although such payments were not covered out of EMDF as per EMDF Resolution.

The Chairman, Trade Development Authority of Pakistan accepted the validity of the Audit objection. He acknowledged that the money had been utilized over a period of time for activities which were not covered by the purposes of the Fund.

The Chairman requested that since it was a procedural mistake and there was no allegation of misappropriation or embezzlement it may be condoned.

DIRECTIVE

On 8th July 2010 the Committee expressed its concern that the Fund was being used by the Ministry as a source for financing extra budgetary expenditure for many years, which is not acceptable. If the Ministry requires funds over and above its budgetary allocation it should approach the Finance Division for supplementary grant and not draw upon the Fund.

The Committee directed the PAO to ensure that the Export Market Development Fund should not be used for any purpose other than that for which it was created. If necessary relevant rules should be amended to prohibit such misuse. The PAO should report on action taken in this regard within a month, which shall then be taken up in the main PAC.

On 27th January 2011 Chairman TDAP, Trade informed the Committee that a letter had been issued to all the Departments that Export Market Development Fund (EMDF) should not be used for any purpose other than that for which it was created.

The Committee directed the Chairman TDAP to send a copy of letter which had been issued to concerned Departments, to the Committee as well as to Audit.

The Committee recommended the eight (8) paras for settlement subject to verification by Audit.

4. AUDIT REPORT ON THE ACCOUNTS OF MINISTRY OF FOREIGN AFFAIRS AND PAKISTAN MISSIONS ABROAD OF MINISTRY OF COMMERCE FOR THE YEAR 2001-02

4.1 PARA 1.1-PAGE 22-AR-2001-02
EMBEZZLEMENT OF PROCEEDS OF PASSPORT FEE-RS. 0.268 MILLION

Audit explained the Para related to embezzlement of passport fees by the Accountant at the Pakistan Consulate at Montreal.

The PAO informed the Committee that inquiry carried out revealed that the Accountant Mr. Muhammad Mumtaz Qureshi had embezzled a sum of Rs. 268,446. The official was recalled but he deserted and was compulsorily retired from service. The matter was referred to District Coordination Officer, Sargodha who had reported that the official was not traceable at his given address. As decided by the DAC, efforts were being made to trace him through NADRA.

The Committee directed the PAO to also involve the Mission in Canada to help trace the official. If necessary the Mission may request the Canadian Government for assistance. Report should be submitted to the Committee within three months.

On 27th January 2011 the PAO informed the Committee that action is being taken against the Accountant Mr. Muhammad Mumtaz Qureshi to dismiss him from service. The Ministry was also investigating the systemic failure evident from the case with a view to ensuring that such incidents do not recur. Report would be submitted to the Committee in this regard shortly.

The Committee directed the PAO to expedite the case and submit a report to the Committee within one month.

On 9th March 2011 the PAO informed the Committee that efforts had been made for tracing out the official through NADRA, DCO ICT Islamabad and Pakistan Mission at Canada but without success thus far. The case for conversion of the penalty of compulsory retirement into dismissal was referred to the Establishment Division which observed that since final decision had been made conversion was not possible at this stage. He further stated that the department had proceeded for forfeiture of his pension benefits but this can not be done unless he is physically present to draw those benefits.

The DAG observed that since the official has now retired under the Rules he is entitled to all pension benefits.

DIRECTIVE

The Committee observed that this was a clear-cut case of embezzlement in which the culprit should have been dismissed from service forthwith so that his pension benefits could have been forfeited. It directed the PAO to take action against those who took the decision of compulsory retirement instead of

dismissal. The Committee further observed that maximum punishment had been awarded to the Naib Qasid but the officer was allowed to retire with full benefits.

The Committee directed the PAO to register an FIR against the accused Mr. Mumtaz Qureshi and write to the M/o Interior to put his name on ECL. The Committee further directed to make a reference to the Establishment Division as to what can be done now to recover the amount from his pension benefits.

The Committee also directed the PAC Sectt. to seek the approval from the Chairman PAC for putting his name on ECL.

4.2 **PARA 2.1-PAGE 22-AR-2001-02**
OVERPAYMENT OF FOREIGN ALLOWANCE-RS. 0.284 MILLION

Audit stated that overpayment of Rs. 283,719 on account of foreign allowance had been made to Mr. Muzaffar Ali, Naib Qasid who was posted in the Consulate General of Pakistan, Montreal as Security Guard in 1998. He had absconded from official duty w.e.f. 25.10.2000 and was dismissed from service on 22.01.2001. Consulate General of Pakistan, Montreal is unaware of the whereabouts of the individual.

The Committee directed the Ministry to continue efforts to trace the official and to recover the amount by taking all possible necessary steps. Report should be submitted to the Committee within two months.

(This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

4.3 **PARA 3.1-PAGE-23-AR-2001-02**
IRREGULAR PAYMENT OF DA AND TRANSPORTATION CHARGES-
RS.0.315 MILLION

This Para also related to Accountant Assistant Mr. Muhammad Mumtaz Qureshi,(see Para No. 1.1) at the Consulate General of Pakistan Montreal who had drawn TA advance of Rs. 315,460 but had not submitted any adjustment bills.

DIRECTIVE

The Committee directed the PAO to continue recovery efforts and submit report to the Committee within two months, under intimation to Audit.

(This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

4.4 **Para 3.2-Page 23-AR-2001-02**
IRREGULAR PAYMENT OF INCIDENTAL CHARGES ON TOUR WITHIN
THE COUNTRY OF ASSIGNMENT-RS. 0.098 MILLION

Audit stated that as per instructions issued by Finance Division, incidental charges @ 15% admissible on tour abroad was not admissible to the officers for traveling within the country of assignment. In violation of these instructions, a sum of US \$ 1628 (Rs.97,686) was paid to a counselor as incidental charges for tour within the country of assignment.

The PAO informed the Committee that the documentary evidence of recovery would be provided to Audit.

The Committee recommended the para for settlement subject to provision of documentary evidence of recovery to Audit.

On 9th March, 2011 Audit stated that the para had been settled subject to recovery of balance amount of US\$ 512.

The PAO informed the Committee that additional amount of 15% had been deposited in Pak Rupees at dollar conversion rate prevalent at that time by the officer. The Ministry has now written to the head of concerned Mission to make recovery of the amount at the current market rate.

DIRECTIVE

The Committee recommended the para for settlement subject to verification of recovery by Audit.

4.5 **PARA 3.3-PAGE 24-AR-2001-02**
IRREGULAR EXPENDITURE IN MAINTENANCE OF UN-AUTHORIZED
VEHICLES - RS. 0.90 MILLION

Audit explained that the Para related to irregular expenditure totaling Rs. 899,640 on 2 unauthorized cars being utilized by the staff of the Economic Wing of the Pakistan Mission at Geneva.

The PAO informed the Committee that the cars had since been auctioned. The Mission had been advised to recover the irregular expenditure from non-entitled officers of the Mission.

The PAO requested the Committee to allow the Ministry to have the Para regularized by obtaining approval from the Cabinet Division and then from the Finance Division.

On 8th July, 2011 the Committee upheld the Audit objection and observed that until such time as the Ministry removes the objection the Committee can not regularize the Para. The Ministry may approach the Cabinet / Finance Divisions for regularization but if this is not forthcoming recovery must be made and a report on the action taken has to be submitted to the Committee within two months.

On 27th January, 2011 the PAO informed the Committee that the Ministry had already written to FBR for recovery from their officer Syed Habib Ahmad, who is presently on deputation in Islamic Development Bank.

DIRECTIVE

The Committee directed the PAO to contact the Chairman FBR personally in order to ensure recovery as soon as possible. The Monitoring and Implementation Committee of the PAC will monitor progress.

4.6 **PARA 3.5-PAGE 25-AR-2001-02**
IRREGULAR EXPENDITURE ON REPAIR OF NEW CAR-RS.1.2 MILLION

The PAO informed the Committee that the issue had been referred to Finance Division for regularization who had informed that irregularities approved by the Auditor General can not be regularized by the Finance Division unless the same have been discussed and recommended for approval by the Public Accounts Committee. The PAO further informed that action would be taken in the light of directions of PAC.

On 8th July, 2010 the Committee directed the PAO to carry out an inquiry, fix responsibility and take disciplinary action as well as recover the amount. Report on the action taken should be submitted to the Committee in a month's time.

On 27th January, 2011 the PAO informed the Committee that inquiry report had been submitted to Audit.

DIRECTIVE

The Committee referred the para back to the DAC and directed the PAO to discuss the inquiry report in detail in the DAC and submit a report to the Committee within one month.

(This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

The DAC recommended the following Audit Paras for settlement by the Special Committee.

- i. **Para 3.4-Page AR-**
IRREGULAR PAYMENT ON THE SALARY OF DRIVER-CUM-MESSENGER-RS. 4.529 MILLION
- ii. **Para 4.1-Page AR**
NON-ADJUSTMENT OF TA/DA ADVANCE- 0.386 MILLION
- iii. **Para 4.2-Page AR**
NON-ADJUSTMENT OF TA/DA AND MEDICAL ADVANCE- 0.124 MILLION
- iv. **Para 4.3-Page AR**
NON-ADJUSTMENT/RECOVERY ON ACCOUNT OF ROOM RENT-RS. 0.045 MILLION

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned four (04) Audit Paras.

5. AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE ACCOUNTS OF MINISTRY OF COMMERCE FOR THE AUDIT YEAR 2001-02.

STATE LIFE INSURANCE CORPORATION OF PAKISTAN (SLIC)

5.1 PARA 21-PAGE 17-ARPSE-2001-02 **LOSS OF RS 8.504 MILLION DUE TO DELAY IN SHIFTING OF KARACHI CENTRAL ZONE TO HASHOO CENTRE KARACHI**

Audit pointed out that SLIC had purchased 121,120 Sq. Ft in Hashoo Centre in April, 1996 but had not shifted its Centre Zone Karachi office there till July, 2000, thereby incurring extra expenditure of Rs. 8.504 million on account of rent of private building.

The SLIC management stated that delay in shifting was due to provisions of the rental agreement of the private building.

The explanation was considered unsatisfactory and DAC in its meeting in 2006 and again on 2-7-2010 had directed SLIC to conduct an inquiry to determine cause / responsibility for delay.

The Committee directed the Chairman SLIC to submit the inquiry report to the Ministry, which after examination and due discussion in the next DAC should be put up to the Committee in its next meeting.

The Committee further directed that this report should also be referred to the main PAC, along with a complete presentation on the functioning and investment policy of State Life Insurance Corporation of Pakistan.

TRADING CORPORATION OF PAKISTAN

5.2 PARA 31-PAGE 22-ARPSE-2001-02 LOSS OF US\$ 3.022 MILLION EQUIVALENT TO PAK RS 187.357 MILLION ON EXPORT OF WHEAT TO IRAQ

Audit explained that the Para related to signing of defective agreement by the Trading Corporation of Pakistan (TCP) with M/s Grain Board of Iraq for export of wheat, which did not contain provisions for pre-shipment inspection and arbitration. This had resulted in total loss of \$ 3.022 million after a shipment was declared unfit by the Iraqi party and sold to another party in Dubai instead.

The PAO informed the Committee that the cargo was shipped after it had been declared/certified as fit for human consumption by PCSIR and Plant Protection Department. The Trading Corporation of Pakistan (TCP) then undertook pre-shipment inspection of the cargo at load-port through a pre-shipment inspection company, which was approved by the Iraqi Grain Board and was registered with the Pakistan Standards and Quality Control Authority. The PAO further stated that consignment was found strictly within the specifications

on the basis of Laboratory and Surveyors reports at Jable Ali (discharge Port) after it was sold as afloat cargo after rejection by Iraqi Grain Board.

The PAO further informed that the contract of the Iraqi Grain Board was a United Nations approved document and it is a fact that it did not contain pre-shipment inspection and arbitration clauses. However, the contract was not TCP-specific. All countries or parties exporting wheat to Iraq entered into wheat export deals with Iraq Grain Board without these clauses/conditions in the contracts.

The PAO suggested that all the three documents i.e. export contract, Pakistan certification for the wheat and the rejection certification may be sent to the Law Division for opinion.

The Committee directed the PAO to refer this para to Law Division to obtain its opinion on the contract and other documents regarding the quality of shipments to determine whether due care and prudence had been exercised by TCP. Report should be submitted to the Committee within one month.

On 27th January, 2011 Chairman, TDAP informed the Committee that the case was referred to the Law and Justice Division on 13th of January, 2011.

On 9th March, 2011 the PAO informed the Committee that the Law Division instead of making any comment on the contract declared that there had been a lapse on the part of the Ministry and concerned officials responsible for the lapse should be reprimanded.

DIRECTIVE

The Committee observed that if Law Division has declared that there had been lapses on the part of TCP then action has to be taken on the basis of opinion of the Law Division. A compliance report should be submitted to the Monitoring and Implementation Committee for further action.

The DAC recommended the following Audit Paras for settlement by the Special Committee.

NATIONAL INSURANCE COMPANY LIMITED

- i. **Para-06-(ARPSE-2001-02)-Page-09**
- ii. **Para-07-(ARPSE-2001-02)-Page-09**
- iii. **Para-08-(ARPSE-2001-02)-Page-09**
- iv. **Para-09-(ARPSE-2001-02)-Page-10**

PAKISTAN REINSURANCE COMPANY LIMITED

- v. **Para-10-(ARPSE-2001-02)-Page-11**
- vi. **Para-11-(ARPSE-2001-02)-Page-11**
- vii. **Para-12-(ARPSE-2001-02)-Page-12**
- viii. **Para-13-(ARPSE-2001-02)-Page-12**
- ix. **Para-14-(ARPSE-2001-02)-Page-13**

EXPORT CREDIT GUARANTEE SCHEME

- x. **Para-15-(ARPSE-2001-02)-Page-14**
- xi. **Para-16-(ARPSE-2001-02)-Page-14**

STATE LIFE INSURANCE CORPORATION OF PAKISTAN

- xii. **Para-17-(ARPSE-2001-02)-Page-15**
- xiii. **Para-18-(ARPSE-2001-02)-Page-16**
- xiv. **Para-19-(ARPSE-2001-02)-Page-16**
- xv. **Para-20-(ARPSE-2001-02)-Page-16**

TRADING CORPORATION OF PAKISTAN

- xvi. **Para-22-(ARPSE-2001-02)-Page-19**
- xvii. **Para-23-(ARPSE-2001-02)-Page-19**
- xviii. **Para-24-(ARPSE-2001-02)-Page-20**
- xix. **Para-25-(ARPSE-2001-02)-Page-20**
- xx. **Para-26-(ARPSE-2001-02)-Page-20**
- xxi. **Para-27-(ARPSE-2001-02)-Page-20**
- xxii. **Para-28-(ARPSE-2001-02)-Page-21**
- xxiii. **Para-29-(ARPSE-2001-02)-Page-21**
- xxiv. **Para-30-(ARPSE-2001-02)-Page-21**
- xxv. **Para-32-(ARPSE-2001-02)-Page-23**
- xxvi. **Para-33-(ARPSE-2001-02)-Page-24**

**COTTON TRADING CORPORATION OF PAKISTAN (PTV)
LIMITED**

xxvii. **Para-34-(ARPSE-2001-02)-Page-26**

DOABA RICE MILLS LIMITED

xxviii. **Para-35-(ARPSE-2001-02)-Page-27**

xxix. **Para-36-(ARPSE-2001-02)-Page-27**

PAKISTAN NATIONAL PRODUCE COMPANY LIMITED

xxx. **Para-37-(ARPSE-2001-02)-Page-28**

xxxi. **Para-38-(ARPSE-2001-02)-Page-28**

DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the above-mentioned thirty-one (31) Audit Paras.

**6. AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE
ACCOUNTS OF MINISTRY OF COMMERCE FOR THE
AUDIT YEAR 2001-02.**

The DAC recommended the following Audit Para for settlement by the Special Committee.

PAKISTAN TOBACCO BOARD

6.1 **PARA-39-PAGE-29-30-ARPSE 2001-02**

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned Audit Para.

MINISTRY OF COMMUNICATIONS

1. OVERVIEW

Appropriation Accounts / Audit Reports & Audit Reports Public Sector Enterprises for the year 2001-02 pertaining to the Ministry of Communications were considered for examination by Special Committee-II of the PAC in the meetings held on July 28th 2010, 25th February 2011, 17th May 2011 & 10th June 2011 in Committee Room No.2, Parliament House Islamabad. Decisions taken are summarized below:

- 1.2** Four (04) grants and seventy-seven (77) Paras were reported by AGPR/Audit on Ministry of Communications.
- 1.3** On presentation of grants the Committee observed that a supplementary grant was obtained but more than 50% was not spent and not surrendered in time. The Committee further observed that in case of saving, the entire saving should be surrendered in time.
- 1.4** While discussing Para No. 1.1 pertaining to wrong payment of Rs. 1,253.327 million for an item of work not executed The Committee directed the PAO to vigorously pursue the court proceedings and send a quarterly report to the Committee and to Audit on the progress of recovery.
- 1.5** While discussing Para No 1.5 pertaining to wrong payment of Rs. 28.264 million on account of asphaltic additives not used during the work the Committee directed the PAO to initiate comprehensive inquiry regarding the whole case including the delay in making deduction, the reference to arbitrator , appointment of the sole arbitrator and mishandling of arbitration proceedings. The case should be vigorously pursued in court, so as to effect recovery as soon as possible.

- 1.6 While discussing Para No 1.21 pertaining to Unjustified payment of US\$ 0.122 million equivalent to Rs. 3.184 million due to undue payment the Committee directed Member Finance to look into the entire case in detail and fix responsibility for the payment. Report should be submitted to the Committee within one month.

2. **APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02**

i. **GRANT NO.15-COMMUNICATIONS DIVISION.** Saving Rs. 32,144,172/-

AGPR stated that the grant closed with a saving of Rs.218,043,131 (21.81% of the total grant). An amount of Rs.185,898,959 (18.60%) was surrendered leaving net saving of Rs.32,144,172 (3.21%).

The PAO informed the Committee that saving was inter-alia due to vacant posts.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that the entire saving should have been surrendered in time.

ii. **GRANT NO.16-OTHER EXPENDITURE OF COMMUNICATIONS DIVISION.** Saving Rs. 12,291,992/-

AGPR stated that the grant closed with a saving of Rs.12,291,992 (1.28% of the total grant).

The PAO informed the Committee that this amount was relating to NHA for maintenance of roads and saving was due to non-release of funds to the NHA.

The Committee observed that a supplementary grant was obtained but more than 50% was not spent and not surrendered in time. The Committee

recommended regularization of the grant with the direction that financial monitoring /management must be improved.

In another meeting held on 25th February, 2011 AGPR pointed out that the department has utilized its entire supplementary grant and saving of Rs. 12.29 million needs to be justified by the PAO.

The PAO informed the Committee that the department had been provided Rs. 760 million and the rest of the amount belonged to the M/o Ports and Shipping.

The Committee observed that assuming that this amount had been spent which needs to be reconciled by AGPR, the person concerned who surrendered when it should not have been surrendered and then did not surrender when the amount should have been surrendered needs to be reprimanded. The Committee directed the PAO to put in place a system whereby when the Ministry reviews expenditures on the 15th May it should only surrender what ever had been saved and not in a case when the Ministry was already in excess. The Committee further observed that in case of saving, the entire saving should be surrendered in time. The Committee asked the PAO to submit a report to the Committee within two weeks.

As the matter remained unresolved when the Special Committee met again on 17th May, 2011, the Committee referred the grant back to the DAC for reconciliation of figures with Audit.

In another meeting held on June 10th 2011 AGPR stated that record has not yet been provided.

The PAO submit before the Committee that a system has been put in place whereby such financial irregularities would not be repeated. He further stated that funds were not released.

DIRECTIVE

The Committee recommended the regularization of grant subject to verification by AGPR.

iii. **GRANT NO. 119-DEVELOPMENT EXPENDITURE OF COMMUNICATIONS DIVISION**
Saving Rs. 588,273/-

AGPR stated that the grant closed with a saving of Rs.1,812,273 (24.16% of the total grant). An amount of Rs.1,224,000 (16.32%) was surrendered, leaving a net saving of Rs.588,273 (7.84%).

The PAO informed the Committee that an amount of Rs.588,181 was surrendered in FTO by the department.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that the amount should have been surrendered before the codal date.

iv). **GRANT NO.147-CAPITAL OUTLAY ON COMMUNICATIONS DIVISION.**
Saving Rs. 597,589,062/-

AGPR stated that the grant closed with a saving of Rs.597,589,062 (85% of the total grant).

The PAO informed the Committee that this grant was relating to the Ministry of Information Technology.

DIRECTIVE

The Committee directed AGPR to refer the grant to the Ministry of Information Technology for discussion in the next meeting with that Ministry.

3. **AUDIT REPORT ON THE ACCOUNTS OF MINISTRY OF COMMUNICATIONS (NATIONAL HIGHWAY AUTHORITY) FOR THE AUDIT YEAR 2001-02**

3.1 **PARA NO. 1.1-PAGE NO. 15-16-AR-2001-02**

Wrong payment of Rs. 1,253.327 million for an item of work not executed

Audit stated that the cost of usage of cellulose fiber as an asphalt additive was included in the item of work “Asphaltic Base Course Plant Mix”. However even though cellulose fiber was not used during the execution of the item “Asphaltic Base Course Plant Mix” in Lahore-Islamabad Motorway Project (M2), the cost component of the item, i.e. Cellulose Fiber was not deducted from the composite rate for the said item of work.

Audit pointed out that the record provided for verification indicates that an amount of Rs. 196.133 million had been recovered from M/s Daewoo only, while nothing had been recovered from the local Contractor M/s Husnain Cotex. The matter was now sub-judice.

DIRECTIVE

The Committee directed the PAO to vigorously pursue the court proceedings and to send a quarterly report to the Committee and to Audit on the progress.

The Committee further directed the PAO to chair an Inter-Ministerial / agency meeting including inter-alia Member Planning Commission to determine whether cellulose item is BOQ item or pay item and to submit report to the Committee within one month.

3.2 **PARA NO. 1.2-PAGE NO. 16-17-AR-2001-02**
Wrong payment of Rs. 63.518 million for an item of work not executed

Audit stated that according to Item 203.2.5 cellulose fiber should be used in Asphaltic Base Course as an asphalt additive with the aim of eliminating bleeding tendencies. The item rate was inclusive of cost of cellulose fiber. However, neither the above material was used in asphaltic base course in the Lahore-Okara (Additional Carriageway) Project nor was the cost recovered from the bid rate of the item despite directions by the Headquarters, NHA and recommendations of the General Manager concerned.

3.3 **PARA NO. 1.3-PAGE NO. 17-18-AR-2001-02**
Wrong payment of Rs. 97.453 million for an item of work not executed

Audit stated that contrary to NHA General Specifications, cellulose fiber material was not used in Asphaltic Base Course and Asphaltic Wearing Course in the Lahore Bye-Pass Project, but the cost of the material was not deducted from the composite rate at the time of making payment.

The PAO informed the Committee that a sum of Rs. 20.515 million had been recovered and verified by Audit.

DIRECTIVE

Being similar in nature the Committee clubbed the above-mentioned two paras with the Para No. 1.1 Page No. 15-16 pertaining to the year Audit Year 2001-02 with the same directive. Record relating to recovery should be got verified by Audit.

3.4 **PARA NO. 1.4-PAGE NO. 18-19-AR-2001-02**
Wrong payment of Rs. 28.588 million for an item of work not executed

Audit stated that contrary to specification the Project Director, Islamabad-Peshawar Motorway (M-I) could not ensure the usage of cellulose fiber and did

not recover its cost from the payment made to contractor, resulting in overpayment of Rs. 28.588 million.

Chairman, NHA informed the Committee that due recoveries had been effected for non-use of cellulose fiber up to the date of expulsion of M/s Bayindir Construction International (BCI) on May 07, 2001.

The matter was taken to the International Court of Settlement of Investment Disputes (ICSID), which had rejected all the claims of the M/s BCI. First installment of \$ 49 million had been received. The remaining amount was held up due to appellate etc. proceedings in Turkey.

The Committee directed the PAO to continue to pursue the case vigorously, till full recovery is made.

In another meeting held on 25th February, 2011 Audit pointed out that report of the local arbitrator was still awaited.

The PAO informed the Committee that report of the local arbitrator shall be provided after the next date of hearing.

DIRECTIVE

The Committee observed that all arbitration cases of cellular fiber should have been clubbed in order to get one award with the purpose to avoid conflicting decisions.

3.5 **PARA NO. 1.5-PAGE NO. 19-20-AR-2001-02**
Wrong payment of Rs. 28.264 million on account of asphaltic additives not used during the work

Audit stated that in violation of specification, the contractor did not use the cellulose fiber in Asphalt Base Course but the Project Director, Chablat-Nowshera Additional Carriage Way did not deduct the cost of the item not used while making the payment.

The PAO informed the Committee that the competent authority of NHA had passed instructions in June, 2001 to all concerned to make necessary deductions from IPCs. The Contractor had approached the Lahore High Court which had withdrawn the status-quo order through issuing judgment which had directed the National Highway Authority to strictly follow the terms of the contract, and ruled that the right of deduction will be subject to the decision by the Arbitrator, if the matter is referred to arbitrator. The contractor and NHA had opted for arbitration through a sole arbitrator, Brig (R) Safdar Hussain Awan whose award was in favour of the contractors. Presently the case was before the Civil Judge, Islamabad for converting the award to Rule of the Court.

The DAC was informed that the Arbitrator had decided that the amount was recoverable from the contractor but was time-barred as NHA could not be equated with 'Government'.

The Committee directed the PAO to initiate comprehensive inquiry regarding the whole case including the delay in making deduction, the reference to arbitrator, appointment of the sole arbitrator and mishandling of arbitration proceedings. The case should be vigorously pursued in court, so as to effect recovery as soon as possible.

The Committee directed the Chairman, NHA to provide the requisite record for purposes of the inquiry immediately. Report should be submitted to the Committee within one month, after which the matter will be placed before the main PAC.

In another meeting held on 25th February, 2011 Audit stated that the arbitrator agreed with the stance of the department but declared that since NHA is not a government department hence it was time-barred case and thus the case was decided against NHA. The department has approached court for a rule of the court on this issue on 28th June, 2007.

The PAO stated that the department has opposed the rule of the court and duly filed an objection petition.

DIRECTIVE

The Committee directed the PAO to submit a copy of the objection petition to the audit. The Committee recommended the para for settlement subject to verification by audit.

3.6 **PARA NO. 1.11-PAGE NO. 26-27-AR-2001-02**
Overpayment of Rs. 20.423 million due to application of incorrect rates

Audit stated that contrary to contractual provisions Project Director, Lahore By-Pass paid price adjustment on fuel due to increase in price of POL on non-BOQ rates at the same basic price provided in the agreement, despite the fact that non-BOQ items were prepared and approved on the then current market rates.

The PAO informed the Committee that the DAC had agreed with Audit that price escalation was not payable on the basis of original base rate of POL on non-BOQ items prepared on current market rates and recovery of the actual recoverable amount would be made within one month.

In another meeting held on 25th February, 2011 Audit stated that no compliance on the previous directive of the PAC has been reported.

The PAO stated that the entire amount has been recovered except for Rs. 35,000. The PAO further stated that audit had included BOQ & non BOQ items together. He further said that all items had been verified.

DIRECTIVE

The Committee directed the PAO to make recovery and report to the Committee within one month.

GENERAL DIRECTIVE

The Committee directed the PAO to always hold a DAC meeting before coming to PAC. The Committee further directed to make sure that relevant facts are available to the sufficiently higher level in the Audit department. The Committee further directed to resolve these factual discrepancies and submit a report to the Committee within two weeks.

3.7 **PARA NO. 1.12-PAGE NO. 27-28-AR-2001-02**
Overpayment of Rs. 15.610 million due to non-observance of contractual obligations

Audit stated that in contravention of contractual provisions, the Project Director, Lahore-Okara Additional Carriage Way Project paid price escalation on (General Items). These items were not an integral part of the permanent work, for which such escalation was payable.

Chairman, NHA informed the Committee that the DAC had agreed with the Audit viewpoint and NHA would issue a cheque for the recovered amount as soon as funds were available.

DIRECTIVE

The Committee directed Chairman, NHA to have the recovered the amount verified by Audit and send a report to the Committee within one month.

3.8 **PARA NO. 1.13-PAGE NO. 28-29-AR-2001-02**
Overpayment of Rs. 11.305 million due to non-observance of contract provision

Audit stated that contrary to the contractual provisions Project Director, Lahore-Okara (Additional Carriageway) Project did not adjust the cost of Zila Tax and Octroi charges despite withdrawal of these taxes, w.e.f. 1st July, 1999.

Chairman, NHA informed the Committee that NHA would issue a cheque for the recovered amount as soon as funds were available.

DIRECTIVE

The Committee directed Chairman, NHA to have the recovered amount verified by Audit and submit a report to the Committee within one month.

- 3.9 **PARA NO. 1.15-PAGE NO. 30-31-AR-2001-02**
Overpayment of US\$ 2.948 million equal to Rs. 99.717 million due to payment of additional work in foreign currency

Audit stated that contrary to contractual provision that 40% of the tender price was payable in foreign currency, Project Director Lahore Bye- Pass project made payment in foreign currency on additional work executed beyond the provision of Bill of Quantities through a Variation Order.

The PAO informed the Committee that payment was actually made in local currency against the foreign exchange components.

The Chairman, NHA informed the Committee that payment was made strictly as per provisions of COC.

The Committee referred the para back to DAC for consideration, keeping in view the variation orders and precedents. Report should be submitted to the Committee within one month.

In another meeting held on June 10th, 2011 Audit stated that in the DAC meeting held on 19th & 20th May 2011 it was decided that the Fact Finding Inquiry report would be presented before the Committee within 30 days.

The PAO informed the Committee that the inquiry has been ordered and a report would be submitted soon.

DIRECTIVE

The Committee directed the PAO to invite legal opinion on this issue and include it in the report of the Fact Finding Inquiry which would now be presented before the Monitoring and Implementation Committee of the PAC for further consideration.

3.10 **PARA NO. 1.16-PAGE NO. 31-32-AR-2001-02**
Overpayment of Rs. 83.808 million due to payment in foreign currency

Audit stated that the Project Director, Lahore-Okara (Additional Carriage Way) Project made payment in Foreign Currency against non-BOQ items, whereas the same were not to be paid in Foreign Currency as per contract agreement. Non-observance of the conditions of the contract agreement resulted in overpayment of Rs. 83.808 million due to exchange rate difference.

Chairman, NHA informed the Committee that the employer had decided that after 20.12.1999 no payment is to be made in foreign currency. The instant case was referred to the Engineer who had decided that the varied work approved after 20.12.1999 will be paid in local currency only. Accordingly recovery of Rs. 4.201 million in Section-I and Rs. 7.991 million in Section-II had been made as per Engineer's decision and verified.

In another meeting held on June 10th, 2011 Audit stated that in the DAC meeting held on 19th & 20th May 2011 the need for further detailed verification of record relating to all Variation Orders had been pointed out as well as explanation for non-adjustment of FEBC rate while making recovery was required.

DIRECTIVE

The Committee directed the PAO to submit a detailed report within one month, after conducting inquiry and fixing responsibility for the over-payment. Progress of recovery should also be indicated.

- i. **PARA NO. 1.18-PAGE NO. 33-34-AR-2001-02**
Overpayment of Rs. 12.029 million due to inadmissible interest in foreign exchange
- ii. **PARA NO. 3.9-PAGE NO. 79-80-AR-2001-02**
Loss of Rs. 5.503 (M) and US\$ 0.381 (M) equal to Rs. 9.941 (M) due to irregular amendment in the agreement

Audit stated that the above two Audit Paras are linked together hence they may be considered at the same time as basically the issue is the same. Audit further stated that although there was no contractual provision for payment of interest on delayed payments in foreign exchange and the contract had been signed on 16th of March 1993 and the project was completed in 1997. Addendum was signed on 6th of December 1999 according to which it had been approved that 8 % interest may be paid on delayed payment. Project Director, Lahore-Bye Pass Project paid interest on delayed payment in foreign currency and paid exchange rate difference @ Rs. 31.5942 per US\$. The DAC had agreed with the Audit viewpoint and had directed recovery.

The Committee directed Chairman, NHA to strictly follow the contractual provisions regarding Engineer's decision on the issue and take necessary steps to effect recovery.

Acting Chairman NHA submitted that this foreign firm has now left the country and the only remedy now left is to write it off through the Board of Directors as admissible under the rules.

DIRECTIVE

In another meeting held on June 10th, 2011 the Committee directed that if the DAC has taken a decision it has to be implemented and a schedule of recovery should be given to Audit to be decided within two weeks. In case recovery is not possible then action for regularization as admissible under the rules may be taken.

3.11 **PARA NO. 1.19-PAGE NO. 34-35-AR-2001-02**
Overpayment of US\$ 0.033 million due to non-observance of contractual provision

Audit stated that as per Para 3 of Appendix-B to the contract agreement “Estimate of foreign exchange expenditure,” foreign currency was not payable on provisional sum (Contingencies) provided in the Bill of Quantities.

Audit further stated that contrary to contractual provisions foreign currency equivalent to Rs. 2.840 million was paid on Provisional Sum @ 40% at a base rate of Rs. 34.536 per US\$, whereas foreign currency was not payable on provisional sum / Contingencies provided in the BOQ.

Chairman, NHA informed the Committee that recovery had been made from the contractor.

DIRECTIVE

The Committee directed Chairman, NHA to have the recovered amount verified by Audit and submit report to the Committee within one month.

3.12 **PARA NO. 1.20-PAGE NO. 35-36-AR-2001-02**
Overpayment of US \$ 0.209 million equal to Rs. 7.058 million due to payment in foreign exchange

Audit stated that contrary to the contractual provisions Project Director, Lahore Bye Pass Project made payment in foreign currency on non-BOQ items, which were outside the tender price.

Chairman, NHA informed the Committee that all payments made to contractor were in accordance with C.O.C. as all additional works over and above the BOQ were regularized through Variation Orders.

DIRECTIVE

In another meeting held on June 10th, the Committee referred the para back to DAC for detailed examination of circumstances under which Variation Orders were issued for the additional work. Report should be submitted to the Committee within one month.

- 3.13 **PARA NO. 1.21-PAGE NO. 36-37-AR-2001-02**
Unjustified payment of US\$ 0.122 million equivalent to Rs. 3.184 million due to undue payment

Audit stated that contrary to contractual provisions NHA made payment for the exchange rate difference for US\$ 122,363/- on 21.10.2000 and on 15.11.2000, much later than the completion of the Project, despite the fact that exchange rate difference for the payment due was made at the occasion of payment.

Chairman, NHA proposed that Member Finance should be given the task to enquire as to what were the reasons for making payment and fixing responsibility.

DIRECTIVE

The Committee accepted the proposal of the Chairman, NHA and directed Member Finance to look into the entire case in detail and fix responsibility for the payment. Report should be submitted to the Committee within one month.

3.14 **PARA NO. 1.22-PAGE NO. 37-38-AR-2001-02**
Overpayment of Rs. 73.031 million due to full payment of an incomplete item

Audit pointed out that as per general procedure concerning the execution of work, full payment for an item was to be made on the completion of all functions / activities required in execution of the item.

Contrary to the above procedure, the Project Director, Islamabad-Peshawar Motorway (M-I) made payment at full rate, instead of the proportionate rate for the item “Embankment”, despite the fact that it was left incomplete, as trimming on side slopes was not executed by the Contractor.

Chairman, NHA informed the Committee that an amount equivalent to 5% of the Embankment quantities executed till the expulsion of M/s Bayindir Construction International (BCI) along with interest @ 8% per annum as required by Audit had been duly deducted from the account of M/s BCI.

Chairman, NHA informed that the matter was before local arbitrator after the ICSID decision.

DIRECTIVE

The Committee directed Chairman, NHA to send a detail report explaining why weak arbitration had been invoked after the ICSID decision. The NHA should also provide the requisite record for verification to Audit, who will submit a verification report to the Committee within one month.

The DAC recommended the following Audit Paras for settlement by the Special Committee:-

- i. **PARA NO. 1.6-PAGE NO. 20-21-AR-2001-02**
Overpayment of Rs. 1.646 million due to non-deduction of excavated Material

- ii. **PARA NO. 1.10-PAGE NO. 25-26-AR-2001-02**
Overpayment of Rs. 156.955 million due to non-observance of contractual obligations
- iii. **PARA NO. 1.14-PAGE NO. 29-30-AR-2001-02**
Overpayment of Rs. 3.210 million due to allowing escalation on labour rates
- iv. **PARA NO. 1.17-PAGE NO. 32-33-AR-2001-02**
Overpayment of Rs 10.195 million due to non-observance of contractual conditions
- v. **PARA NO. 1.23-PAGE NO. 38-39-AR-2001-02**
Overpayment of Rs 5.835 million due to below specification work
- vi. **PARA NO. 1.24-PAGE NO. 39-40-AR-2001-02**
Overpayment of Rs. 2.224 million due to non-deduction of cost of defective work
- vii. **PARA NO. 1.25-PAGE NO. 40-41-AR-2001-02**
Overpayment of Rs.1.041 million on account of non-adherence to undertaking of contractor
- viii. **PARA NO. 1.27-PAGE NO. 43-44-AR-2001-02**
Overpayment of Rs 14.012 million due to application of higher rates
- ix. **PARA NO. 1.28-PAGE NO. 44-45-AR-2001-02**
Overpayment of Rs. 12.899 million due to application of higher rates
- x. **PARA NO. 1.32-PAGE NO. 50-51-AR-2001-02**
Overpayment of Rs. 0.718 million due to incorporation of incorrect contractor's profit to the rate
- xi. **PARA NO. 1.33-PAGE NO. 51-52-AR-2001-02**
Overpayment of Rs 0.666 million due to incorporation of incorrect contractor profit in the rate
- xii. **PARA NO. 1.36-PAGE NO. 54-55-AR-2001-02**
Overpayment of Rs 4.580 million due to non-observance of contract clause
- xiii. **PARA NO. 1.37-PAGE NO. 55-56-AR-2001-02**
Overpayment of Rs. 2.739 million due to retention of consultant beyond agreement
- xiv. **PARA NO. 1.38-PAGE NO. 56-57-AR-2001-02**
Overpayment of Rs. 2.023 million
- xv. **PARA NO. 1.39-PAGE NO. 56-57-AR-2001-02**
Overpayment of Rs 0.643 million due to non-observance of agreemental clauses
- xvi. **PARA NO. 2.7-PAGE NO. 64-65-AR-2001-02**
Non-recovery of liquidated damages of Rs. 4.199 million due to delay in completion of work
- xvii. **PARA NO. 2.11-PAGE NO. 68-AR-2001-02**
Recoverable on account of income tax Rs. 1.362 million not deducted at source

- xviii. **PARA NO. 2.12-PAGE NO. 69-AR-2001-02**
Less-recovery of income tax Rs. 1.155 million due to non-observance of contractual provision
- xix. **PARA NO. 3.5-PAGE NO. 74-75-AR-2001-02**
Loss of Rs. 5.796 million due to 1,046.57% increase in maintenance cost of vehicles
- xx. **PARA NO. 3.8-PAGE NO. 77-78-AR-2001-02**
Irregular transfer of funds Rs. 29.720 million resulted in loss of Rs. 1.470 million due to non-earning of interest on deposit.
- xxi. **PARA NO. 3.10-PAGE NO. 80-81-AR-2001-02**
Less recovery on account of traffic count resulted in loss of revenue receipt worth Rs. 0.907 million per day
- xxii. **PARA NO. 3.11-PAGE NO. 81-82-AR-2001-02**
Less recovery on account of traffic count resulted in loss of revenue receipt worth Rs. 0.758 million per day
- xxiii. **PARA NO. 3.12-PAGE NO. 82-83-AR-2001-02**
Less deduction of Rs. 0.563 million on account of compensation of trees
- xxiv. **PARA NO. 4.4-PAGE NO. 86-87-AR-2001-02**
Authorized payment of Rs. 210.000 million due to non-observance of codal rules
- xxv. **PARA NO. 4.5-PAGE NO. 87-88-AR-2001-02**
Irregular expenditure of Rs. 10.000 million due to non-observance of codal rules
- xxvi. **PARA NO. 5.1-PAGE NO. 89-AR-2001-02**
Loss of Rs 32.796 million to the Authority due to non-receipt of interest on revenue deposit

DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the above-mentioned twenty-six (26) Audit Paras.

Audit requested that the Committee may issue suitable directive for further pursuance of the following thirteen (13) Audit Paras at DAC level.

- i. **PARA NO. 1.7-PAGE NO. 21-22-AR-2001-02**
Overpayment of Rs. 1.273 million due to change in nomenclature of item in the measurement book
- ii. **PARA NO. 1.8-PAGE NO. 23-24-AR-2001-02**
Overpayment of Rs. 0.656 million on account of work done beyond the approved drawings

- iii. **PARA NO. 1.9-PAGE NO. 24-25-AR-2001-02**
Overpayment of Rs. 8.721 million due to measurement of excessive quantities
- iv. **PARA NO. 1.26-PAGE NO. 42-43-AR-2001-02**
Non-recovery of Rs. 1.558 million due to non-execution of item by the original contractor
- v. **PARA NO. 1.34-PAGE NO. 52-53-AR-2001-02**
Overpayment of Rs 23.600 million due to allowing the higher rate
- vi. **PARA NO. 2.1-PAGE NO. 58-59-AR-2001-02**
Non-recovery/adjustment of advances of Rs. 174.136 million
- vii. **PARA NO. 2.2-PAGE NO. 59-60-AR-2001-02**
Non-recovery of outstanding dues Rs 58.080 million on account of rent and share
- viii. **PARA NO. 2.3-PAGE NO. 60-AR-2001-02**
Non-recovery of Rs. 32.947 million due to non- plantation of plants / grass
- ix. **PARA NO. 2.5-PAGE NO. 62-63-AR-2001-02**
Non-recovery of installation cost of electricity Rs. 10 million due to non-observance of agreement clause
- x. **PARA NO. 2.9-PAGE NO. 66-AR-2001-02**
Non-recovery of Rs. 1.790 million due to non-observance of agreemental obligations
- xi. **PARA NO. 2.10-PAGE NO. 67-68-AR-2001-02**
Payment of income tax Rs 28.053 million by NHA on behalf of contractor against agreemental provisions
- xii. **PARA NO. 2.13-PAGE NO. 70-AR-2001-02**
Loss of Rs. 17.608 million due to non- recovery of income tax from the consultant.
- xiii. **PARA NO. 3.6-PAGE NO. 75-76-AR-2001-02**
Loss of Rs. 5.142 million on a/c of interest paid to contractors

DIRECTIVE

Accepting the request of the Audit, the Committee directed the Audit to discuss the above-mentioned Paras in the DAC meeting, where after those would be taken up by the Committee in its next meeting.

- i. **PARA NO. 1.29-PAGE NO. 45-46-AR-2001-02**
Overpayment of Rs 8.172 million due to higher rates
- ii. **PARA NO. 1.30-PAGE NO. 47-48-AR-2001-02**
Overpayment of Rs. 2.171 million due to allowing unjustified increase on market rates

- iii. **PARA NO. 1.31-PAGE NO. 48-49-AR-2001-02**
Overpayment of Rs. 1.062 million due to non-observance of Agreement provisions
- iv. **PARA NO. 1.35-PAGE NO. 53-54-AR-2001-02**
Overpayment of Rs. 10.748 million due to allowing the excessive Allowances
- v. **PARA NO. 2.4-PAGE NO. 61-62-AR-2001-02**
Non-recovery of Rs. 14.574 million due to non-chamfering of fencing posts
- vi. **PARA NO. 2.6-PAGE NO. 63-64-AR-2001-02**
Non-recovery of rental charges Rs. 2.074 million from the Contractor.
- vii. **PARA NO. 2.8-PAGE NO. 65-66-AR-2001-02**
Recoverable on account of liquidated damages worth Rs. 4.028 million
- viii. **ARA NO. 3.1-PAGE NO. 71-AR-2001-02**
Loss of Rs. 86.972 million (late deposit of revenue) due to non-earning of profit on collected amount
- ix. **PARA NO. 3.2-PAGE NO. 72-AR-2001-02**
Loss of Rs. 113.936 (M) due to non-earning of profit on collected amount (late deposit of revenue)
- x. **PARA NO. 3.3-PAGE NO. 73-AR-2001-02**
Loss of Rs. 38.446 million due to non-earning of profit / interest on collected revenue
- xi. **PARA NO. 3.4-PAGE NO. 74-AR-2001-02**
Loss of Rs. 60.000 million due to collection of toll tax by Cantonment Board, Okara
- xii. **PARA NO. 3.7-PAGE NO. 76-77-AR-2001-02**
Loss of Rs. 1.033 million and US \$ 0.051 million on account of interest paid to contractors
- xiii. **PARA NO. 3.9-PAGE NO. 79-80-AR-2001-02**
Loss of Rs. 5.503 (M) and US\$ 0.381 (M) equal to Rs. 9.941 (M) due to irregular amendment in the agreement
- xiv. **PARA NO. 4.1-PAGE NO. 83-84-AR-2001-02**
Restricted tendering Rs. 1,305.783 million causing undue favour to contractor
- xv. **PARA NO. 4.2-PAGE NO. 84-85-AR-2001-02**
Irregular award of works Rs. 179.857 million due to splitting up of work and without tender
- xvi. **PARA NO. 4.3-PAGE NO. 85-86-AR-2001-02**
Loss of Rs. 320.758 million due to award of toll collections contract on lump sum basis

DIRECTIVE

The Committee endorsed recommendations of then DAC for settlement of the above mentioned Paras.

3.15 **PARA NO. 1.35-PAGE NO. 53-54-AR-2001-02**
Overpayment of Rs. 10.748 million due to allowing the excessive Allowances

In a meeting held on June 10th, 2011 Audit pointed out that as per Para 4 of National Highway Authority's Service Rules the employees shall draw their pay and allowances in the pay scales as sanctioned and revised from time to time and contrary to this provision NHA paid enhanced entertainment allowance. Audit further stated that in another meeting of the PAC-III it had been decided that the payment should be got regularized from the Finance Division.

DIRECTIVE

The Committee directed the PAO to send the issue of entertainment allowance to the Finance Division for regularization. The Para was recommended for settlement subject to approval by the Finance Division.

- i. **PARA NO. 2.6-PAGE NO. 63-64-AR-2001-02**
Non-recovery of rental charges Rs. 2.074 million from the Contractor.
- ii. **PARA NO. 2.8-PAGE NO. 65-66-AR-2001-02**
Recoverable on account of liquidated damages worth Rs. 4.028 million

In another meeting held on June 10th, 2011 Audit pointed out that the above two Paras are of similar nature hence they may be considered together. A recovery has not been made even after passage of seven years.

DIRECTIVE

The Committee directed the PAO to make vigorous efforts for recovery and submit a report to the Committee and the Audit within two weeks after which

it would be taken up by the Monitoring and Implementation Committee of the PAC for further action.

3.16 **PARA NO. 3.4-PAGE NO. 74-AR-2001-02**

Loss of Rs. 60.000 million due to collection of toll tax by Cantonment Board, Okara

Audit pointed out that in pursuance of PAC directives representative of Okara Cantonment Board/Ministry of Defence attended the DAC meeting. He stated that Board was empowered to levy any tax within the limit of cantonments as per decision of Supreme Court. However, on President Orders, Toll Plaza in Okara Cant on N-5 was handed over to NHA in 2005 and nothing regarding repayment of collected toll to NHA was contained in the Orders. Chair directed the representative to submit a detailed reply along with copies of Court judgment, President's Orders, etc. which will be examined by Legal Wing of NHA to proceed further.

Director (Finance & Planning), Military Lands & Cantonments Department (M/o Defence) vide letter No.25/2/Budget/ML&C/2003 addressed to Secretary M/o Communications has taken the stance that keeping in view the legal position, question of payment of Rs.60,000 million to NHA by the Cantonment Board, Okara does not arise.

NHA has right to collect tax on federalized roads having been developed and maintained by it. Cantonment Boards can levy/collect tax on roads under their jurisdiction only. In case contention of the Cantonment Board, Okara that it can levy/collect tax from roads passing through its jurisdiction is accepted, then more than a dozen cantonments on N-5 starting from Peshawar will also start collecting tax. This will create a chaotic situation because similar right will then be claimed by the City District Governments, depriving NHA of its legitimate right and undoing the entire concept of federalizing various roads. It needs no

emphasis that NHA is also carrying out maintenance work on the federalized roads.

Representative of ML&C stated that the tax had been levy on all the roads of cantonments and a portion of N-5 also falls in the cantonment area. He further stated the case had been referred the Supreme Court of Pakistan by a Bus owner and his appeal had been rejected by the Court.

Audit stated that the M/o Communications had moved a summary to the Prime Minister for collection of toll tax by NHA and the Prime Minister had decided that on all National Highways only NHA may collect the toll tax.

DIRECTIVE

The Committee directed the PAO to chair a DAC meeting and call a senior level representative of Ministry of Defence as well as representative of ML&C, M/o Law & Justice and legal wing of NHA and put up a comprehensive report to the Committee within two weeks. In case the issue is not resolved in the DAC then it has to be put up before the Monitoring and Implementation Committee of the PAC for further action.

3.17 **PARA NO. 4.1-PAGE NO. 83-84-AR-2001-02**
Restricted tendering Rs. 1,305.783 million causing undue favour to contractor

Audit pointed out that the contrary to rules, Dera Imail Khan-Mughal Kot Road project was awarded to a contractor through negotiations at a cost of Rs.1,305,783 million. Non-observance of provisions of NHA Code resulted in irregular award of work worth Rs 1,305,783 million.

The PAO informed the Committee that in tribal areas contracts are awarded to Maliks/elders of that area on the basis of nomination therefore and the system of open tendering does not apply in this case.

DIRECTIVE

The Committee directed that the Main PAC has already directed that the idea of single tender has to be discouraged. The Committee directed the PAO that such instances should not be repeated. The Committee directed the PAO to ensure that there had been no cost over run. A report has to be submitted to the Committee and the Audit within two weeks. The para was recommended for settlement subject to verification by Audit.

3.18 **PARA NO. 4.2-PAGE NO. 84-85-AR-2001-02**

Irregular award of works Rs. 179.857 million due to splitting up of work and without tender

Audit pointed out that in contrast to the provisions, the DD (Maintenance) NHA Rawalpindi awarded eight (8) contracts of 'Rehabilitation Works of Rawalpindi Urban Area Development' to a contractor without calling for open tenders after splitting one work. The Management could not render any reason for non-observation of prescribed rules. Due to non-adoption of set procedure the government was deprived from achieving competitive and economical rates. This resulted in irregular award of works worth Rs. 179.857 million.

The PAO informed the Committee that the decision of award of contract to NLC was taken during the Cabinet meeting in year 2000, as NLC was already working on Kharian-Rawalpindi additional carriageway project.

DIRECTIVE

The Committee directed that the Main PAC has already directed that the idea of single tender has to be discouraged. The Committee directed the PAO that such instances should not be repeated. The Committee directed the PAO to ensure that there had been no cost over run. A report has to be submitted to the Committee and the Audit within two weeks. The para was recommended for settlement subject to verification by Audit.

COUNCIL OF ISLAMIC IDEOLOGY

1. OVERVIEW

Appropriation Accounts for the year 2001-02 pertaining to the Council of Islamic Ideology were taken up for examination by Special Committee-II of the PAC in the meeting held on July 7th, 2010 in Committee Room No.2, Parliament House Islamabad. Decisions taken are summarized below:

- 1.1 One (01) grant was reported by AGPR on Council of Islamic Ideology.
- 1.2 On presentation of the grant the Committee observed that notwithstanding the additional expenditure on pay etc. saving was available in the grant, which was converted into excess by the excessive surrender, which reflected poor financial management.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO.116- COUNCIL OF ISLAMIC IDEOLOGY **Excess AGPR Fig. Rs.692,333/-, Deptt. Fig. Rs. 692,333/-**

A.G.P.R. pointed out that the grant closed with a saving of Rs. 432,555 (3.07% of the total grant). An amount of Rs. 1,124,888 was surrendered resulting in an excess of Rs. 692,333 (4.92%).

The PAO informed the Committee that additional expenditure had to be incurred due to revision of pay scales. On query from the Committee, the PAO stated excess amount had been surrendered due to miscalculation.

DIRECTIVE

The Committee observed that notwithstanding the additional expenditure on pay etc. saving was available in the grant, which was converted into excess by the excessive surrender, which reflected poor financial management. The

Committee recommended regularization of the grant with the direction that the PAO should introduce proper monitoring / accounting systems so that such lapses do not occur in future.

**MINISTRY OF CULTURE, SPORTS, TOURISM,
YOUTH AFFAIRS AND MINORITIES AFFAIRS**

1. OVERVIEW

Appropriation Accounts / Audit Reports /Audit Reports Public Sector Enterprises for the year 2001-02 pertaining to the Ministry of Culture, Sports, Tourism, Youth Affairs & Minorities Affairs were considered for examination by Special Committee –II of the PAC on June 30th 2010, October 28th 2010 & March 8th 2011 in Committee Room No.2, Parliament House Islamabad. Decisions taken are summarized below:

- 1.1** Three (03) grants and twenty fives (25) Paras were reported by AGPR / Audit.
- 1.2** On presentation of the grants, the Committee observed that any statement which is made before the PAC has to be authenticated. The Committee further directed the PAO to provide relevant record to AGPR within one week.
- 1.3** While discussing Para No.02-AR, the Committee directed the PAO to follow the laid down procedure of non recoverable amount, and emphasized the need to make concerted efforts for recovery of Rs. 13.3 million and asked to invoke the provision of law reform for recovery as arrears of land.
- 1.4** While discussing Para No.12 the Committee directed the PAO to formulate rules and get those approved from the Finance Division or the competent authority so that if in future the department has any surplus fund it could be invested in a particular project.
- 1.5** On the issue of Gun –Club Islamabad the Committee directed the PAO to conduct a proper detailed factual inquiry indicating as to how the land was allocated and who was authorized to make all decisions. The Committee further directed Audit to bring this matter before the main PAC.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO.19- MINORITIES, CULTURE, SPORTS, TOURISM AND YOUTH AFFAIRS DIVISION

Saving Rs. 3,736,914/-

A.G.P.R. pointed out that the grant closed with a saving of Rs. 9,381,637 (4.56 % of the total grant). An amount of Rs. 5,644,723 was surrendered leaving a net saving of Rs. 3,736,914 (1.81%).

The PAO informed the Committee that apart from economy reasons, major saving had occurred in allocation for activities relating to celebration of the Year of Quaid-e-Azam.

DIRECTIVE

The Committee recommended regularization of the grant.

ii. GRANT NO.20- OTHER EXPENDITURE OF MINORITIES, CULTURE, SPORTS, TOURISM AND YOUTH AFFAIRS DIVISION

Saving Rs. 1,598,013/-

A.G.P.R. pointed out that after taking into account supplementary grant of Rs. 209,184,000 the grant closed with a saving of Rs. 6,022,321 (1.55 % of the total grant). An amount of Rs. 4,424,308 was surrendered leaving a net saving of Rs. 1,598,013 (0.41%).

The PAO Sports informed the Committee that supplementary grant of Rs. 200,000,000 was used for SAF games held in October/November 2001. However, the Ministry could not provide / details for the savings.

The Committee expressed its displeasure at non-availability of the requisite record and referred the grant back to the DAC with the direction to submit its recommendations to the Committee within one month.

On October 28th, 2010, the PAO Sports informed the Committee that supplementary grant of Rs. 200,000,000 was used for SAF games held in October/November 2001 and it was the part of the main amount i.e. Rs. 62.00 million.

The PAO Sports further informed that supplementary grant of Rs. 200,000,000 was not sufficient enough for the SAF games due to which another amount of Rs. 150,000,000 was granted and utilized in the SAF games.

The Committee expressed its displeasure that the requisite record was not provided to Audit in the DAC and directed the PAO to provide the details of expenditure to Audit. The Committee recommended the regularization of the grant subject to verification by Audit.

When the grant was taken up again on 8th March, 2011, AGPR reported that relevant record had not yet been provided for verification.

The PAO informed the Committee that the relevant record had been provided to audit but not to AGPR on 28th February, 2011. He further said that the Para had been settled subject to verification by audit.

DIRECTIVE

The Committee observed that record pertaining to some Paras might have been provided to Audit but relevant record regarding grants was required to be provided to AGPR. The Committee further observed that any statement which is made before the PAC has to be authenticated. The Committee directed the PAO to make sure that only those statements are made in the PAC which can be authenticated. The Committee further directed the PAO to provide relevant record to AGPR within one week and recommended the grant for regularization subject to verification by AGPR.

iii. **GRANT NO.120- DEVELOPMENT EXPENDITURE OF MINORITIES, CULTURE, SPORTS, TOURISM AND YOUTH AFFAIRS DIVISION**
Saving Rs. 263,573/-

A.G.P.R. pointed out that after taking into account supplementary grant of Rs. 10,001,000, the grant closed with a saving of Rs.64,380,573 (21.93% of the total grant). An amount of Rs. 64,117,000 was surrendered leaving a minor net saving of Rs. 263,573 (0.09%).

The PAO Sports informed the Committee that an amount of Rs. 32.942 million was spent on a Hockey Astro turf laid in Abbottabad and the PC-1 was sanctioned for Rs. 31.987 million. The Ministry could not spend more than the PC-1.

As requisite details / reasons for the saving were not available the Committee referred the grant back to the DAC with the direction that recommendations be submitted to the Committee with in one month.

When the grant was taken up on 28th October, 2010, the PAO Culture informed the Committee that in this component an amount of Rs. 132,573 related to Ministry of Culture, which was due to survey and documents on Monuments in Sindh. This amount could not be utilized because of harsh weather and was surrendered. The record was provided to Audit.

The PAO Culture informed the Committee that there were two components of the amount of Rs. 7.8 million. An amount of Rs. 5 million was for Pak-Australian (Institute Water for Management) which was not spent due to revision of PC-1. Another amount of Rs. 2.8 million pertained to five different projects, which was not spent documentation could not be provided by PTDC in time. The record was available and can be provided to Audit.

The Committee directed the PAO (Culture, Sports and Tourism) to provide the relevant record to Audit. The Committee recommended regularization of the grant subject to verification by Audit.

On 8th March, 2011, AGPR reported that relevant record had not yet been provided for verification.

The PAO stated that record would be provided to AGPR within one week.

DIRECTIVE

The Committee recommended the grant for regularization subject to verification by AGPR.

3. AUDIT REPORT ON THE ACCOUNTS OF MINISTRY OF SPORTS FOR THE AUDIT YEAR 2001-02

3.1 PARA-12 (PAGE-16) AR 2001-02 **IRREGULAR EXPENDITURE OF Rs. 414.122 MILLION OUT OF “SAVER FUND” WITHOUT FINALIZATION OF MODALITIES FOR THE OPERATION AND UTILIZATION OF THE FUND FOR DEVELOPMENT OF SPORTS AND CULTURAL FACILITIES.**

Audit pointed out that a fund titled “Fund for Development of Sports and Cultural Facilities” was established vide Ministry’s Resolution dated 12 February, 1990 for crediting therein the surplus SAVER funds. But instead of depositing the SAVER Funds into the aforesaid Fund, the funds were kept in a separate Bank Account and an expenditure of Rs. 414,122,159/- was continued to be made out of SAVER funds until June, 2002. It was also decided that modalities for expenditure out of SAVER funds would be decided with the approval of Prime Minister which has not been done so far. Rules and procedures for expenditure out of this amount were also not formulated. Therefore, the expenditure was held to be irregular.

The PAO briefed the Committee that this Para related to the excess money generated at the time of the 5th SAF games. Modalities for operating the

plans had not yet been finalized. Finance Division will be consulted regarding rules and procedures of the fund. Meanwhile, all expenditure had been incurred with prior approval of the Prime Minister.

The Committee endorsed the recommendation of the DAC to formulate their Rules in consultation with Finance Division. The matter should be discussed again in the DAC and recommendations submitted to the Committee within one month.

On 28th October, 2010, the Committee directed the PAO to Institutionalize the whole system for Rules and further directed the PAO to obtain advice from the Finance Division on the amount deposited by the Ministry of Sports in Industrial Development Bank (IDB) and check whether the amount deposited in Industrial Development Bank (IDB) was safe.

The Committee recommended the Para for settlement subject to verification by Finance Division and Audit.

When the Para came up again on 8th March, 2011, Audit reported that the PAO may like to brief the Committee on the latest position regarding implementation of Finance Division's instruction.

Representative of Finance Division informed the Committee that according to a decision of the Cabinet the department can spend any money only till such time that the modalities of the project are framed.

The PAO informed the Committee that several summaries had been sent by the department to the Finance Division which were turned down with the objections that they lacked utilization and modalities. He further stated that the department would convene a meeting with the Finance Division and discuss and sort out the modalities.

DIRECTIVE

The Committee directed the PAO to formulate rules and get those approved from the Finance Division or the competent authority so that if in future the department has any surplus fund it could be invested in a particular project. The Committee directed the PAO to provide a copy of the approved summary to the Finance Division, PAC Secretariat & Audit and submit a compliance report within two weeks.

- i. **PARA-1 (PAGE-8) AR 2001-02**
EXCESS PAYMENT OF Rs. 7.453 MILLION TO CONTRACTORS SUPPLYING AND LAYING HOCKEY FIELD TURFS / TRACKS
- ii. **PARA-13 (PAGE17) AR 2001-02**
IRREGULAR GRANT OF UNSECURED ADVANCE OF Rs. 4.288 MILLION TO A CONTRACTOR
- iii. **PARA-14 (PAGE-18) AR 2001-02**
IRREGULAR EXPENDITURE OF Rs. 12.534 MILLION ON PURCHASE OF DIET ITEMS WITHOUT INVITING OPEN TENDERS
- iv. **PARA-15 (PAGE-19) AR 2001-02**
IRREGULAR RETENTION OF SAVER FUNDS AMOUNTING TO Rs.15,500 MILLION FOR UNAPPROVED SCHEMES

DIRECTIVE

The Committee endorsed the recommendation of the DAC on the above mentioned four (04) Audit Paras for settlement, with the direction that systems should be put in place to ensure improved financial management in future.

DIRECTION ON GUN CLUB

The PAO informed the Committee that the Ministry had written to the CDA for regularization of the land under possession.

DIRECTIVE

The Committee directed the PAO that as per directive of the main PAC, the Ministry should produce a comprehensive report on this issue and send a report to the Committee within 2 weeks.

On 8th March, 2011, the Committee directed the PAO to conduct a proper detailed factual inquiry regarding the whole issue of Gun Club as to how the land was allocated and who was responsible for taking all decisions. The Committee further directed audit to bring this matter before the main PAC.

4. AUDIT REPORT ON THE ACCOUNTS OF MINISTRY OF CULTURE FOR THE AUDIT YEAR 2001-02

4.1 PARA NO-3 (PAGE-8) AR 2001-02 DELAY IN CONSTRUCTION OF NATIONAL ART GALLERY RESULTING IN THE BLOCKAGE OF Rs. 88.053 MILLION

Audit pointed out that land valuing Rs. 1.805 million was purchased for construction of National Art Gallery at Islamabad during 1978. PC-1 for construction of the Art Gallery was approved by ECNEC after 12 years in 1989 for a total cost of Rs.100.251 million. Due to increase in seating capacity of multipurpose auditorium the PC-1 was accordingly revised with the approval of ECNEC and total cost of project was increased to Rs. 249.008 million. CDA awarded contract for construction work to M/s. Asher Trading Company at a cost of Rs. 86.19 million on 29th February, 1996 with a completion period of 16 months, but the work could not be completed in the scheduled time period. The construction work was stopped in 1997 when the contractor demanded cost escalation. The amount of escalation was accepted by the Ministry but approval was awaited from Planning and Development Division till the time of audit. Construction had been inordinately delayed and government funds locked due to the cost escalation issue.

The PAO Culture briefed the Committee that execution of the project was very slow because of casual attitude of CDA, non-settlement of cost escalation claim and very slow pace of release of funds. After fresh tending and revision of costs to Rs. 534.65 million. The project was finally completed by the PNCA

Project Directorate in December, 2008. The DAC had recommended the para for settlement but asked that the facts of the case be submitted before the PAC.

The Committee observed that this project is an example of how careless implementation of a project can delay completion and result in enormous escalation of costs.

When the matter was taken up again on 28th October, 2010, the PAO Culture informed the Committee that position had already been explained in previous meeting to the Committee as well as in the DAC, which concluded that CDA was responsible for delay in construction of National Art Gallery. The Project had been completed now, therefore, the para was recommended for settlement by the DAC.

DIRECTIVE

The Committee recommended the Para for settlement.

4.2 **PARA NO-5 (PAGE-10) AR 2001-02**
NON-ACHIEVEMENT OF OBJECTIVES OF THE CULTURE, ARTS AND
SPORTS FOUNDATION

Audit pointed out that in 1991 Government of Pakistan notified the establishment of Pakistan Culture, Arts and Sports Foundation vide SRO No. 152(1)/91 dated 25th February, 1991. Finance Division allocated seed money of Rs. 20 million to the Ministry to undertake different projects / activities aimed at the welfare of artists, sportsmen and their dependents. However, in spite of allocation of considerable budget, the Foundation has not yet been formally established and the Ministry is using funds of the Foundation to meet its administrative expenses and for lump-sum financial assistance to beneficiaries for which no criteria has been established. It was also observed that most of the objectives of the Foundation had not been achieved.

The PAO Culture informed the Committee that the foundation fund was distributed equally between Ministry of Culture & Ministry of Sports in June, 2007. An amount of Rs. 38.127 million was transferred to Ministry of Culture as its share. The Ministry made rules for administration of the next Pakistan Culture Art Foundation Relief Fund. Financial assistance is being provided to those Artists who are sick or are not able to earn any livelihood or for their widows / dependents. A sum of Rs. one lac per month is being provided to the ailing legend Mehdi Hassan.

The PAO Sports informed the Committee that his Ministry also provides financial assistance to sportsmen who are sick, ill or disabled.

Accepting the recommendation of the DAC, the Committee recommended the Para for settlement, with the direction that complete list of beneficiary artists and sportsmen be provided to Audit for verification.

When the Para came up again on 28th October, 2010, the PAO (Culture & Sports) informed the Committee that the Ministry had provided a complete list of beneficiary artists and sportsmen which had also been verified by Audit.

DIRECTIVE

The Committee recommended the Para for settlement.

4.3 **PARA NO-16 (PAGE-16) AR 2001-02**
IRREGULAR / UNAUTHORIZED DRAWAL OF DOUBLE BENEFIT OF Rs. 277,305/- BY AN OFFICER

Audit pointed out that according to the instructions contained in FR-12 (b), a Government servant may not be appointed, except as a temporary measure, on two or more permanent posts, at the same time. In contravention of these instructions, Deputy Director, Iqbal Academy was holding 2 posts i.e. Deputy Director (BPS-19), Iqbal Academy, Lahore and Academic Director (BPS-20), Institute of Islamic Culture, Lahore. He drew pay from Iqbal Academy, Lahore

and fringe benefits from both institutions w.e.f. 10th October,1990 to June, 1992. In this way, he received benefits amounting to Rs. 277,305 from Institute of Islamic Culture (as rent of a hired house, use of official vehicle, residential telephone and services of an orderly) as well as house rent allowance and conveyance allowance from Iqbal Academy.

The PAO informed that on direction of the DAC, relevant record had been checked and recovery has also been made.

The Committee recommended the Para for settlement subject to verification of the record by the Audit.

When the matter was taken up again on 28th October, 2010, the PAO informed the Committee that an amount of Rs. 31,904 had been recovered.

DIRECTIVE

The Committee recommended the Para for settlement subject to verification of the record by the Audit.

- i. **PARA NO.4 (PAGE-9) AR 2001-02**
UNAUTHORIZED EXPENDITURE OF Rs.151,900 ON REPAIR OF VEHICLE
- ii. **PARA NO. 6 (PAGE-11) AR-2001-02**
UNAUTHORIZED INSTALLATION OF RESIDENTIAL TELEPHONES INVOLVING EXPENDITURE OF Rs. 160,139/-
- iii. **PARA NO.7 (PAGE-11) AR-2001-02**
UN-SUPPORTED EXPENDITURE OF US\$ 35,500 AND PAK Rs. 3.402 MILLION OUT OF MOENJODARO FUND
- iv. **PARA NO. 8 (PAGE-13) AR-2001-2**
IRREGULAR PAYMENT OF Rs. 4.00 MILLION TO AN INDIVIDUAL FOR DOCUMENTATION AND CONSERVATION OF SHAH CHAND WALL GATE AT ROHTAS FORT, JHELUM
- v. **PARA NO-11 (PAGE-16) AR 2001-02**
BUDGETING AND RELEASE OF FUNDS AMOUNTING TO Rs. 6.484 MILLION TO “QUAID-E-AZAM PAPER PROJECT”

DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the above-mentioned five (05) Audit Paras.

5. AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE ACCOUNTS OF CULTURE DIVISION FOR THE AUDIT YEAR 2001-02

5.1 PARA-57 (PAGE-47)-ARPSE-2001-02

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the Para.

6. AUDIT REPORT ON THE ACCOUNTS OF MINISTRY OF YOUTH AFFAIRS FOR THE AUDIT YEAR 2001-02

PAKISTAN YOUTH HOSTELS ASSOCIATION

6.1 PARA-17 (PAGE-18) AR 2001-02 IRREGULAR RELEASE OF FUNDS OF Rs. 16.712 MILLION TO PAKISTAN YOUTH HOSTELS ASSOCIATION INSTEAD OF PAK. PWD. FOR EXECUTION OF CIVIL WORKS- NON-COMPLETION OF PROJECTS BESIDES RELEASE OF FUNDS BEYOND THE APPROVED COST

Accepting the request of the Representative of the Auditor General, the Committee directed the Audit department to discuss the above Paras in the next DAC meeting and report back to the Committee within one month.

On 28th October, 2010, Audit reported that the Ministry had constructed a number of youth hostels at different places throughout the country out of its Annual Developed Programme during the period from October, 1994 to date. Scrutiny of case files of the following three projects revealed that as per PC-I schemes were to be executed by Pak. PWD and their maintenance / operation was to be the responsibility of Pakistan Youth Hostels Association.

Rs. in million

Name of Project	Sanctioned Cost (Rs.)	Amount released (Rs)	Status of the project as 30-6-2002	Date of start	Scheduled d/o complete
Construction of Youth Hostel, Gilgit.	5.804	6.675	Incomplete	20.10.94	19.10.95
Construction of Youth Hostel, Jamshoro.	4.174	4.594	-do-	-do-	-do-
Provisions of additional facilities in 13 existing Youth Hostels.	6.006	5.443	Only 62% work executed against 91% budget releases	20.04.94	19.04.95

Audit observed that the Ministry released funds meant for construction of Hostels to the Pakistan Youth Hostels Association, which was an NGO, instead of the Pak. PWD. It was further noticed that the schemes were still incomplete despite lapse of a considerable period of time and release of funds was in excess of approved cost.

The PAO informed the Committee that the Ministry had constructed these hostels through the government organization and the Ministry had provided the details regarding execution of works through government agencies.

DIRECTIVE

The Committee directed the PAO to provide the relevant record to Audit. The Committee recommended the Para for settlement subject to verification by Audit.

7. AUDIT REPORT ON THE ACCOUNTS OF MINISTRY OF TOURISM FOR THE AUDIT YEAR 2001-02

7.1 PARA-2 (PAGE-7) AR 2001-02
LOSS DUE TO DELAY IN RECOVERY OF GOVERNMENT DUES AMOUNTING TO Rs. 128.049 MILLION

Audit pointed out that according to Rule 22 of Pakistan Hotels and Restaurants Act, 1976 all hotels are required to be registered with the Department of Tourism. In case of their inability to do so a penalty of Rs. 5,000/- will be imposed and in case of default an additional penalty of Rs. 1,000/- per day will be imposed on them. The district administration is required to collect this amount as arrear of land revenue. During inspection of the hotels in NWFP and Sindh from 1990-91 to 1996-97 the Controller of Tourists Services found that many hotels were not registered with the department. Resultantly, fines amounting to Rs. 165.343 million were imposed. The amount of penalty was, however, not realized by the local offices or by the district administration despite repeated requests of the Controller of Tourist Services.

The PAO informed the Committee that recovery could only be made through the District, revenue authorities who had been repeatedly reminded to do the needful.

The Committee observed that mere writing of letters was not enough. Personal efforts were required to effect recovery. The Committee directed the PAO to personally supervise the recovery operations and submit a report on action taken within two months.

When the matter was taken up again on 28th October, 2010, the PAO informed the Committee that the amount of Rs.128 million was not the final recoverable amount because this was subject to appeal process as some of the penalties were very steep and the current penalty upto Rs.1000 per day was

imposed on hotels which were not registered under Rule 22 of Pakistan Hotels and Restaurants Act, 1976.

The PAO further informed that the amount of Rs. 71.934 million pertained to those cases which cannot be recovered. There was an amount of Rs. 30.586 million which had been settled through appeal process. So, the final recoverable amount was Rs.26.040 million and these recoverable amounts depend entirely on the revenue authorities which were under the Provincial Governments.

The Committee directed the PAO to proceed for the recovery of remaining amount.

On 8th March, 2011, Audit reported that the PAO may like to explain the latest recovery position to the PAC.

The PAO informed the Committee that efforts were vigorously being made for recovery but 8 establishments in the Karachi region and 4 establishment in the Peshawar region have been shut down hence there was no possibility of any recovery from these 12 establishments which have to be removed from the book through appeal process. He further said that an amount of Rs. 26.857 million was deemed to be recoverable but the latest position is that another 10 establishments which were in the recoverable list have been shut down and thus the recoverable amount now was Rs. 13.3 million. The PAO informed the Committee that the Ministry had written to all regional offices as well as to Provincial governments for recovery of this amount.

DIRECTIVE

The Committee directed the PAO to follow the laid down procedure of non recoverable amount, and emphasized the need to make concerted efforts for recovery of Rs. 13.3 million and asked to invoke the provision of law in the form of recovery as arrears of land. The Committee asked the PAO to submit a report

on the action taken to the PAC Secretariat/ Audit and recommended the Para for settlement subject to satisfaction of Audit.

7.2 **PARA-10 (PAGE-15) AR 2001-02**

UN-AUTHORIZED PAYMENT OF Rs. 420,000/- ON ACCOUNT OF TA / DA TO NATIONAL PROJECT COORDINATOR OF UNDP

Audit pointed out that the National Project Coordinator of the project “Tourism Development Master Plan for Pakistan” was appointed by the UNDP at a gross salary of Rs. 75,000/- per month in full consideration of his services. The daily allowance for official travel was also to be paid by the UNDP on the basis of rates to be established by them. Audit observed that the Ministry paid TA/DA amounting to Rs. 419,812 to the National Project Coordinator and that too at the UISIDP rates i.e. Rs. 3,990 to Rs. 7,280/- per day. Moreover, neither the purpose of journey was given in any TA bills nor the officer submitted any report on his return from any of the tours.

The PAO informed the Committee that the consultant was paid from UNDP. The Audit had rightly pointed out that when he was drawing pay from a certain budget he should claim other allowances from the same source

The Committee recommended that recovery should be made from the consultant within one month.

When the Para came up again on 28th October, 2010, the PAO informed the Committee that the consultant was hired and a contract was signed with him by UNDP. In the contract it was provided that he would be paid lump sum amount of Rs. 75,000, but on the other hand his daily substance allowance was to be paid as per UNDP a rate which was a part of his contract and this funding was from the project budget.

The PAO further informed that the project fund had three sources of funding:-

- i. The contribution from UNDP of \$. 219,600/-
- ii. The contribution from Government of Pakistan \$. 162100/-
- iii. The UNDP Economy \$.60,000/-

The Committee directed both the PAO and Audit that they should re-examine the Para in the DAC and submit a report to the Committee within one month.

When the matter was taken up again on 8th March, 2011, Audit reported that as per rules TA can only be claimed from authority which give salary and since the consultant was drawn salary from UNDP hence sanctioned of TA from funds of government of Pakistan was against the rules.

The PAO informed the Committee that as per agreement signed between the UNDP and the 8 consultants it had been agreed that TA/DA would be paid @ UNDP rates. He further stated that the projects documents state that the internal travel cost would be paid by Government of Pakistan out of the projects budget. The project had been started on cost sharing basis and relevant documents in this regards could be provided to audit.

DIRECTIVE

The Committee observed that the amount that has been paid to the consultant was paid at TA/DA rates of UNDP hence there was no question of recovery from the consultants. The Committee directed the PAO to provide the relevant letter indicating that TA cost would be borne by the government of Pakistan on cost sharing basis. The Committee recommended the Para for settlement subject to verification by Audit.

- 7.3 **PARA-9 (PAGE-14) AR 2001-02**
UNON-DEPOSIT OF Rs. 50,000/- ON ACCOUNT OF 1/3RN OF FEE INTO GOVERNMENT ACCOUNT BY A DEPARTMENTAL OFFICER FOR CONSUTLANCY SERVICES

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the Audit Para.

8. AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE ACCOUNTS OF MINISTRY OF TOURISM FOR THE AUDIT YEAR 2001-02

PAKISTAN TOURISM DEVELOPMENT CORPORATION

- 8.1 **PARA-58 (PAGE-48) ARPSE-2001-02**
EXCESS CONTRIBUTION OF Rs. 1.606 MILLION ON ACCOUNT FO CONTRIBUTORY PROVIDENT FUND

Audit stated that applicable rate of CPF contribution / deduction from the employees of PTDC should have been 6.25% as per Government of Pakistan (Ministry of Finance). However, in contravention the Corporation contributed into the CPF @ 10% of the basic pay resulting in excess contribution of Rs. 1.606 million during 1997-98 to 1999-2000, where the figure prior to 1997-98 was not readily available.

The PAO informed the Committee that PTDC is an autonomous body and its Board of Directors had approved 10% contribution in the CPF, which was also provided in its Service Rules.

The Committee referred Para back to DAC with the direction that the Finance Division should also be consulted regarding this issue and recommendation should be submitted to the Committee with one month.

When the matter was taken up on 28th October, 2010, the PAO informed the Committee that a copy of the approval from the Finance Division (Regulation Wing) had been given to Audit. on 21st October, 2010 in the DAC meeting.

DIRECTIVE

The Committee directed the PAO to provide the relevant record to Audit. The Committee recommended the Para for settlement subject to verification by Audit.

PTDC ASSOCIATED HOTELS OF PAKISTAN LIMITED

- i. **PARA-59 ARPSE 2001-02**
THE COMPANY WAS INCORPORATED UNDER THE REPEALED COMPANIES ACT 1913 (NOW COMPANIES ORDINANCE 1984) AS A PUBLIC LIMITED COMPANY WITH THE MAIN OBJECTIVE OF CARRYING OUT AND PROMOTING HOTELING BUSINESS IN PAKISTAN

PTDC MOTELS NORTH (PTV) LIMITED

- ii. **PARA-60 ARPSE 2001-02**
PTDC Motels North (Pvt) Limited is a wholly owned subsidiary of PTDC and the main purpose of the Company is to operate and manage motel business in Pakistan
- iii. **PARA-61 ARPSE 2001-02:**
Pakistan Tours (Pvt) Limited (PTL) a wholly owned subsidiary Company of Pakistan Tourism Development Corporation is engaged in the business of transport service and tour operations

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above mentioned three (03) Audit Paras, with the direction that the Ministry should ensure that improved financial systems are put in place so that such lapses do not recur.

9. AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE ACCOUNTS OF MINISTRY OF TOURISM FOR THE AUDIT YEAR 2001-02

PAKISTAN INSTITUTE OF TOURISM AND HOTEL MANAGEMENT

- i. PARA-54 (PAGE-45) ARPSE-2001-02
- ii. PARA-55 (PAGE-45) ARPSE-2001-02
- iii. PARA-56 (PAGE-45) ARPSE-2001-02

DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the above mentioned three (03) Audit Paras, with the direction that the department should be careful in future while incurring such expenditures.

ECONOMIC AFFAIRS DIVISION

1. OVERVIEW

Appropriation Accounts for the year 2001-02 pertaining to Economic Affairs Division were taken up for examination by Special Committee-II of the PAC in Committee Room No.2, Parliament House Islamabad, on 9th June 2010, 27th July 2010 & 4th November 2010. Decisions taken are summarized below:

- 1.1 Three (03) grants were reported by AGPR.
- 1.2 On presentation of the grants, the Committee observed that every effort should be made to accurately estimate foreign aid as this had an extremely important bearing on the economy of the country.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO.46-ECONOMIC AFFAIRS DIVISION

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) 9,824,776	(-) 10,522,776	698,000

AGPR stated that after taking into account supplementary grants totaling to Rs. 2,685,000 the grant closed with a saving of Rs.15,502,266, which works out to 4.77 percent of the total grant. An amount of Rs.5,027,490 was surrendered leaving net saving of Rs.10,522,776.

The PAO informed the Committee that the saving was mainly due to payment authorities of \$103,308.72 issued by AGPR on 29-02-2002, which were not received by the SBP and returned to the AGPR. Saving was also due to less expenditure on foreign trainees and on payment of their scholarships, and fluctuation of exchange rates.

DIRECTIVE

The Committee recommended regularization of the grant.

- ii. **GRANT NO.126-DEVELOPMENT EXPENDITURE OF ECONOMIC AFFAIRS DIVISION.**
Saving / Excess: Zero

A.G.P.R. and PAO pointed out that the budgetary provisions had been fully utilized.

DIRECTIVE

The Committee recommended the grant for regularization.

- iii. **GRANT NO.152-EXTERNAL DEVELOPMENT LOANS AND ADVANCES BY THE FEDERAL GOVERNMENT**
(CHARGED)
Saving Rs. 7,157,047,763/-

AGPR pointed out that in "Charged" section the grant closed with a saving of Rs.7,157,047,763 which works out to 59.51% of total grant.

(OTHER THAN CHARGED)
Saving Rs. 5,084,511,511/-

AGPR stated that in "Other than Charged" section the grant closed with a saving of Rs. 5,184,511,511 which works out to 16.63 percent of the total grant. An amount of Rs.100,000,000 was surrendered, leaving a net saving of Rs.5,084,511,511(16.31%).

The PAO informed the Committee that the saving under both sections was due to receipt of less than anticipated aid.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that every effort should be made to accurately estimate foreign aid as this had an extremely important bearing on the economy of the country.

SERVICING OF FOREIGN DEBT (FOREIGN LOANS REPAYMENT)

Saving Zero

A.G.P.R. and PAO pointed out that in the above-mentioned two (02) grants the budgetary provisions had been fully utilized.

DIRECTIVE

The Committee recommended regularization of the grant.

iv. **RE-PAYMENT OF SHORT TERM FOREIGN CREDITS**

Saving Rs 3,556,319,140/-

AGPR pointed out that after taking into account supplementary grant of Rs. 29,927,000,000, the grant closed with a saving of Rs. 3,556,319,140 which works out to 3.54 percent of the total grant.

The PAO informed the Committee that the saving was mainly due to misclassification of debit of Rs. 2,778,551,80, withholding of payment of US \$995,370 to Chase Manhathan International by SBP and exchange rate fluctuation.

DIRECTIVE

The Committee recommended regularization of the grant.

MINISTRY OF EDUCATION

1. OVERVIEW

Appropriation Accounts / Audit Reports for the year 2001-02 pertaining to the Ministry of Education were taken up for examination by Special Committee-II of the PAC in Committee Room No.2, Parliament House Islamabad on June 29th, 2010 & October 20th, 2010. Decisions taken are summarized below:

- 1.1 Four (04) grants and one (01) Para were reported by AGPR / Audit.
- 1.2 On presentation of the grants, the Committee observed that more accurate assessment of required funds should have been made to avoid excess in the grant.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO. 27- EDUCATION DIVISION

Saving Rs. 1,158,348/-

A.G.P.R. pointed out that after accounting for supplementary grants of Rs. 16,201,000 and Rs. 4,753,000 the grant closed with a minor saving of Rs. 93,415.

DIRECTIVE

The Committee recommended regularization of the grant.

i. GRANT NO. 28- EDUCATION

Saving Rs. 1,158,348/-

A.G.P.R. pointed out that after taking into account supplementary grants of Rs.13,933,000 and Rs. 453,832,000 the grant closed with a saving of Rs. 16,674,223 (0.45 % of the total grant).

The PAO informed the Committee that the second supplementary grant was taken to meet requirement of revision of pay scales. Saving had occurred largely because more than Rs. 13 million was not released by Finance Division.

DIRECTIVE

The Committee recommended regularization of the grant.

- iii. **GRANT NO. 29- FEDERAL GOVERNMENT EDUCATIONAL INSTITUTIONS IN THE CAPITAL AND FEDERAL AREAS**
Excess Rs. 96,101,244/-

A.G.P.R. pointed out that after supplementary grant of Rs. 62,379,000 the grant closed with an excess of Rs. 33,722,244 (4.37 % of the total grant).

The PAO informed the Committee that supplementary grant was obtained to meet requirement of revision of basic pay scales.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that more accurate assessment of required funds should have been made to avoid excess in the grant.

- iv. **GRANT NO. 123- DEVELOPMENT EXPENDITURE OF EDUCATION DIVISION**
Saving Rs. 86,123,000/-

A.G.P.R. pointed out that after taking into account supplementary grant of Rs. 2,000,001,000 the grant closed with a saving of Rs. 86,123,000 (1.91 % of the total grant).

The PAO informed the Committee that the supplementary grant was for rehabilitation of primary / elementary schools and existing training resources. Saving occurred due to non-receipt of foreign aid and non-implementation of various projects. It was acknowledged that the savings should have been surrendered in time.

The Committee referred the grant back to the DAC for examination of the reasons and fixing responsibility for non-surrender of the savings by the due date resulting in blockage of huge amount of scarce resources.

On 20th October, 2010 A.G.P.R. pointed out that the grant closed with an excess of Rs. 22,526,066,(0.49 % of the total grant).

AGPR stated that the department pointed out excess booking of expenditure of Rs. 128,023,066. The contention of the department was correct. The excess of Rs. 128,023,066 was due to double booking of expenditure. The said expenditure was booked at AGPR, Islamabad as well as at AGPR Sub-office, Peshawar. The mistake occurred due to wrong reconciliation of expenditure by the department.

The PAO informed the Committee that the savings should have been surrendered in time.

DIRECTIVE

The Committee recommended regularization of the grant.

3. AUDIT REPORT ON THE ACCOUNTS OF MINISTRY OF EDUCATION FOR THE AUDIT YEAR 2001-02

The DAC recommended the following Audit Para for settlement in the Special Committee.

PARA-1.1 (PAGE-34) AR-2001-02 **NON-RECOVERY OF TELEPHONE CHARGES Rs. 0.064 MILLION**

DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the above-mentioned one (01) Audit Para.

ELECTION COMMISSION

1. OVERVIEW

Appropriation Accounts for the year 2001-02 pertaining to the Election Commission of Pakistan were taken up for examination by Special Committee-II of the PAC in Committee Room No.2, Parliament House Islamabad on 7th July, 2010. Decisions taken are summarized below:

- 1.1 One (01) grant was reported by AGPR on Election Commission of Pakistan.
- 1.2 On presentation of the grant, the Special Committee recommended the grant for regularization.

2. AUDIT REPORT FOR THE YEARS 2001-02

i. ELECTION (CHARGED)

Saving Rs.116,893,801/-

A.G.P.R. pointed out that after obtaining supplementary appropriation of Rs. 1,288,090,000 the appropriation closed with a saving of Rs. 116,893,801 (8.14 % of the total). An amount of Rs.117,108,986 was surrendered resulting in an excess of Rs. 215,185 (0.01%).

The PAO informed the Committee that supplementary appropriation was obtained for holding Local Government Elections. An amount of Rs. 117,108,986 was surrendered as a result of economy measures. The PAO requested that the minor excess of Rs. 215,185 may be regularized.

The PAO also briefed the Committee on the various steps being taken by the Election Commission of Pakistan for electoral reforms, including preparation of new electoral rolls (with photographs) and computerized voting e.g. through Electronic Voting Machines (EVM). The Committee requested the PAO to send a comprehensive report on electoral reforms for information of the main PAC.

DIRECTIVE

The Committee recommended regularization of the grant.

MINISTRY OF ENVIRONMENT

1. OVERVIEW

Appropriation Accounts / Audit Reports Public Sectors Enterprises for the year 2001-02 pertaining to the Ministry of Environment were taken up for examination by Special Committee-II of the PAC in Committee Room No.2, Parliament House Islamabad, on July 27th , 2010 & January 27th ,2011. Decisions taken are summarized below:

- 1.1** Three (03) grants and one (01) Para were reported by AGPR / Audit.
- 1.2** On presentation of the grants, the Committee observed that care should be exercised in making surrender of savings, to avoid excess.
- 1.3** While discussing Para No.152 of Audit Report on Public Sector Enterprises, the Committee endorsed the recommendations for settlement as per decisions of the DAC.
- 1.4** The Committee appreciated the work done by ENERCON and recommended that all government buildings be converted to “green buildings” by using solar panels to make them energy self-sufficient.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

- i. GRANT NO.30 – ENVIRONMENT, LOCAL GOVT AND RURALDEVELOPMENT DIVISION**
Excess Rs. 322,796/-

Audit stated that after taking into account supplementary grant of Rs.5,214,000, the grant closed with a saving of Rs.1,521,524 (1.40% of the total grant). An amount of Rs. 1,844,320(1.70%) was surrendered, resulting in an excess of Rs.322,796 (0.30%).

The PAO stated that supplementary grant of Rs. 5,000,000 related to expenditure on emergency purchase of office equipment after the fire incident of Shaheed-e-Milat Secretariat. However, reasons for savings could not be explained as the record had been destroyed in the fire.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that care should be exercised in making surrender of savings, to avoid excess.

ii. **GRANT NO. 31 – FOREST**
Saving Rs. 20,160/-

Audit stated that the grant closed with a minor saving of Rs.20,160 (0.05% of the total grant).

The PAO informed the Committee that saving was mainly due to vacant posts.

DIRECTIVE

The Committee recommended regularization of the grant.

iii. **GRANT NO. 32 – ZOOLOGICAL SURVEY DEPARTMENT**
Excess Rs. 35,455/-

Audit stated that the grant closed with a saving of Rs.810,395 (13.83% of the total grant). An amount of Rs.845,850 (14.44%) was surrendered, resulting in an excess of Rs.35,455 (0.60%).

The PAO informed the Committee that excess was mainly due to revision of pay scales in December, 2001.

DIRECTIVE

The Committee recommended regularization of the grant, again with the observation that due care should be exercised in surrendering savings, to avoid excess.

iv). **GRANT NO. 124 – DEVELOPMENT EXPENDITURE OF MINISTRY OF ENVIRONMENT, LOCAL GOVERNMENT AND RURAL DEVELOPMENT**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) 148,264,632	(-) 240,264,632	92,000,000

Audit pointed out that after taking into account supplementary grant of Rs.92,000,000, the grant closed with a saving of Rs.663,106,286 (46.74% of the total grant). An amount of Rs.422,841,654 was surrendered, leaving net saving of Rs.240,264,232.

The PAO informed the Committee that savings could not be explained due to lack of record which was destroyed in the fire.

DIRECTIVE

The Committee observed that while large supplementary grant was obtained, huge amount was saved which was not surrendered in time. The Committee recommended regularization of the grant with the direction that such mismanagement must be avoided in future.

GENERAL BRIEFING ON NATIONAL ENERGY CONSERVATION CENTRE (ENERCON)

The PAO briefed the Committee that the strategy adopted by ENERCON for promoting Energy Conservation spans a whole spectrum of activities, starting from identification of energy conservation opportunities and including technology demonstration, undertaking pilot projects, information and outreach, training and

education, and development of plans and policies for promoting energy efficiency.

The PAO stated that the first ever National Energy Conservation Policy had been developed and approved by Government recently.

The PAO explained that the Ministry was taking the idea of a solar pumps to ECC.

DIRECTIVE

The Committee appreciated the work of ENERCON and recommended that all government buildings be converted to “green buildings” by using solar panels to make them energy self-sufficient.

3. AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE ACCOUNTS OF MINISTRY OF ENVIORNMENT FOR THE AUDIT YEAR 2001-02

3.1 Para-152-PAGE-137-ARPSE-2001-02

DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the above-mentioned Audit Para.

ESTABLISHMENT DIVISION

1. OVERVIEW

Appropriation Accounts for the year 2001-02 pertaining to the Establishment Division were taken up for examination by Special Committee-II of the PAC in the meetings held in Committee room No. 2 Parliament House Islamabad on July 7th, 2010, November 3rd, 2010 & February 1st, 2011. Decisions taken are summarized below:

- 1.1 Four (04) grants were reported by AGPR.
- 1.2 While discussing the grants, the Committee expressed its displeasure on the saving of grant No.06 and declared it as poor financial management of accounts. The Committee further directed that the budget estimates should be made accurately and due diligence should be displayed in implementing the budget.
- 1.3 While discussing grant No.07, the Committee directed the Ministry to analyze in the perspective of the capacity and capability that once the grant has been taken, it should be monitored and fully utilized by the end of the financial year.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO. 06- ESTABLISHMENT DIVISION Saving Rs. 3,860,073/-

A.G.P.R. pointed out that the grant closed with a saving of Rs. 5,794,509 (2.0% of the total grant). An amount of Rs. 1,934,436 was surrendered leaving a net saving of Rs. 3,860,073.

The PAO informed the Committee that the saving was due to the funds pertaining to CSA Lahore which was due to vacant posts and late start of 29th CTP which was expected to commence in September 2001 which actually started on 11-02-2002.

DIRECTIVE

The Committee expressed its displeasure on the saving of the grant. The Committee declared it as poor financial management of accounts and directed that the budget estimates should be made accurately and due diligence should be displayed in implementing the budget. The figure of saving depicts lack of coordination.

However, the Committee recommended regularization of the grant with the direction to the PAO that in future there should be no loose financial control.

ii. **GRANT NO. 7- FEDERAL PUBLIC SERVICE COMMISSION:**
Saving Rs. 132,186/-

A.G.P.R. pointed out that the grant closed with a saving of Rs. 132,186 (0.16 % of the total grant).

The PAO informed the Committee that out of Rs.1.32 million Rs.77,000 related to commodities and services and as strict economic measures were adopted hence the amount of bills was reduced. The PAO further informed that it was also due to additional requirement of FPSC in order to meet effect of pay revision.

DIRECTIVE

The Committee recommended regularization of the grant and directed the Ministry to analyze in the perspective of the capacity and capability that once the grant has been taken, it should be monitored and fully utilized by the end of the financial year.

iii. **GRANT NO. 8- OTHER EXPENDITURE OF ESTABLISHMENT DIVISION**
Saving Rs. 392,814/-

A.G.P.R. pointed out that the grant closed with a saving of Rs. 5,984,804 (2.28 % of the total grant). An amount of Rs. 5,591,990 was surrendered leaving a net saving of Rs. 392,814.

The PAO informed the Committee that the saving occurred mainly due to vacant posts. The PAO further informed that this grant consisted of budget provision for five departments i.e. Management Services Wing, Federal Employee, Benevolent Insurance Group Funds, Pakistan Academy for Rural Development, Pakistan Public Administration Research Centre and Staff Welfare Organization. Out of the saving of Rs. 5.9 million an amount of Rs. 55 lacs were surrendered in time resulting a net saving of Rs.392.814. The saving was mainly under the employees related heads i.e. some employees proceeded on deputation, the medical bill worth Rs. 1 lac were sent to the Health Division which could not be finalized till the end of the financial year.

DIRECTIVE

The Committee recommended regularization of the grant with the direction that all the relevant details should be provided to the Audit within one week.

- iv. **GRANT NO.117- DEVELOPMENT EXPENDITURE OF ESTABLISHMENT DIVISION**
Saving Rs. Zero/-

A.G.P.R. and PAO pointed out that in the above-mentioned grant the budget had been fully utilized.

DIRECTIVE

The Committee recommended regularization of the above-mentioned grant as the budgetary provision had been fully utilized.

FEDERAL BOARD OF REVENUE

1. OVERVIEW

Appropriation Accounts, Audit Reports Indirect Taxes / Direct Taxes and Special / Subject Study Report for the year 2001-02 pertaining to the Federal Board of Revenue were taken up for examination by Special Committee-II of the PAC in the meetings held on 21st July 2010, 4th February 2011 & 10th March 2011 in Committee Room No.2, Parliament House Islamabad. Decisions taken are summarized below:

- 1.1** Six (06) grants and twenty four (24) Paras on Indirect Taxes were reported by AGPR / Audit. Fifty one (51) Paras of Audit Report on Direct Taxes and four Special / Subject Study Reports were presented by Audit
- 1.2** On presentation of the grants, the Committee observed that surrender of funds when there was excess in the grant reflected poor financial management and required improvement in management systems.
- 1.3** While discussing Para No.1.5 on Indirect Taxes, the Committee observed that a particular legal issue has been raised whether the department could first initiate a case and then make a decision on the issue itself. The Committee said that the commissioner of Appeals is a part of the hierarchy of FBR and this was not an independent acceptable legal forum. The department should have examined this case as directed earlier by the PAC.
The Committee directed the PAO to reassess this issue with an open mind, get an independent legal opinion and then submit a report to the Committee.
- 1.4** While discussing Para No.2.6 of Indirect Taxes, the Committee observed that despite re-adjudication in April 2009, pace of recovery was very slow.

- 1.5 While discussing Special / Subject Study Report on Duty Free Shops, on Auction of Confiscated / Warehoused Goods & on Sales Tax & Central Excise Rewards the Committee directed the PAO to examine in detail these Study Reports at the DAC level and submit recommendations for consideration to the Committee.

2. **APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02**

i. **GRANT NO.40- REVENUE DIVISION**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Excess	(+) 15,471,793	(+) 2,596,120	12,875,973

AGPR pointed out that after adjustment of excess booking of Rs. 12,875,973, the grant closed with an excess of Rs. 1,457,269. An amount of Rs.1,138,551 was surrendered, increasing the net excess to Rs. 2,596,120.

The PAO informed the Committee that excess was due to revision of pay scales.

DIRECTIVE

The Committee observed that supplementary grant should have been obtained to meet expenditure due to revision of pay scales. Moreover, surrender of funds when there was excess in the grant reflected poor financial management and required improvement in management systems. The Committee recommended regularization of the grant subject to reconciliation of figures / verification by Audit.

ii. **GRANT NO.41- CENTRAL BOARD OF REVENUE** **Saving Rs. 4,809,076/-**

AGPR pointed out that the grant closed with a saving of Rs. 43,900,076 (16.89% of the total grant). An amount of Rs.39,091,000 (15.04%) was surrendered, leaving a net saving of Rs.4,809,076(1.85%).

DIRECTIVE

The Committee recommended regularization of the grant with the observation that the entire savings should have been surrendered in time.

iii. **GRANT NO.42-SEA CUSTOMS**
Saving Rs. 5,329,489/-

AGPR pointed out that after taking into account supplementary grant of Rs. 23,377,000 the grant closed with a saving of Rs.5,433,489 (1.71% of the total grant). An amount of Rs.104,000 (0.03%) was surrendered, leaving a net saving of Rs.5,329,489(1.68%).

The PAO informed the Committee that saving occurred due to vacant posts.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that the entire saving should have been surrendered in time.

iv. **GRANT NO.43-LAND CUSTOMS AND CENTRAL EXCISE**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) 6,130,540	(-) 6,131,540	29,384,000

AGPR pointed out that after accounting for supplementary grant totaling of Rs. 29,384,000, the grant closed with a saving of Rs.11,941,763 (1.90% of the total grant). An amount of Rs. 5,810,223 (0.93%) was surrendered, leaving a net saving of Rs.6,131,540 (0.97%).

DIRECTIVE

The Committee observed that supplementary grant had been obtained notwithstanding savings in the grant. Moreover, entire savings had not been

surrendered in time. It recommended regularization of the grant with the direction that financial management systems in FBR should be improved.

v. **GRANT NO.44- SALES TAXES**

Saving Rs. 3,527,221/-

AGPR pointed out that after taking into account supplementary grant of Rs. 44,701,000, the grant closed with a saving of Rs11,956,507 (3.39% of the total grant). An amount of Rs.18,429,286 (2.39%) was surrendered, leaving a net saving of Rs.3,527,221(1.00%).

The PAO informed the Committee that saving occurred due to vacant posts and non-finalization of some medical and reward claims.

DIRECTIVE

The Committee again observed that supplementary grant had been obtained but savings had occurred, which had not been surrendered in time too. The Committee recommended regularization of the grant with the direction to improve financial management systems.

vi. **GRANT NO.50-TAXES ON INCOME AND CORPORATION TAX**

Saving Rs. 14,976,400/-

AGPR stated that after supplementary grant of Rs. 80,134,000, the grant closed with a saving of Rs.15,093,200 (1.39% of the total grant). An amount of Rs.116,800 was surrendered, leaving a net saving of Rs.14,976,400 (1.38%).

The PAO informed the Committee that the saving was mainly due to vacant posts and non-finalization of reward cases.

DIRECTIVE

The Committee recommended regularization of the grant and reiterated its direction for improved financial management for future.

3. AUDIT REPORT FOR THE YEAR 2001-02

Audit pointed out that a short fall of Rs. 2,495,809.104 in revenue receipt occurred during audit year 2001-02 out of which Rs. 1,407,354,729 had been settled and out of the balance amount Rs. 783,698,457 was sub-judice and for Rs. 203,283,461 record had not been produced for audit. The PAO may like to explain to the Committee.

The PAO informed the Committee that out of Rs. 2,495 million and amount of Rs. 1.4 billion had been settled and the balance amount pertains to all categories including subjudice cases. The PAO regretted that the department could not produce record of 140 million.

DIRECTIVE

The Committee observed that the PAO should have reconciled all these figures in the DAC and directed to expedite recovery of court cases by giving fresh instructions to the adjudicating officers in order to expedite decision. The Committee directed the PAO to submit an up to date recovery report to the Monitoring and Implementation Committee of the PAC.

4. AUDIT REPORT REVENUE RECEIPTS (INDIRECT TAXES) ON ACCOUNTS OF FEDERAL BOARD OF REVENUE FOR THE AUIDT YEAR 2001-02.

4.1 PARA 1.1-PAGE 231-AR 2001-2002-MR-PAGE NON RECOVERY OF GOVERNMENT DUES IN ADJUDICATED CASES AND NON ADJUDICATION OF CONTRAVENTION CASES OF RS. 15071.256 MILLION

Audit stated that contravention cases framed by field formations of CBR for evasion or non/short payment of taxes, infringement of tax laws, etc, were required to be adjudicated by Departmental Officers within a period of 45 days of issuance of show cause notice and should not exceed 90 days. However, 219 cases involving possible revenue of Rs 8,326,537 million were awaiting

adjudication with four Adjudication Authorities for a period ranging up to five years or even more.

Audit further observed that an amount of Rs. 6,744,719 million (Annex-B) which had been finally adjudged as recoverable, after the tax payers had exhausted all remedies available under the law, was not recovered for a period ranging up to five years and more in 419 cases pertaining to only seven offices.

Audit expressed apprehension that huge amount of revenue may be booked in such cases, country-wide

The PAO informed the Committee that an amount of Rs.21.327 million had been recovered and verified by Audit, while other cases were in various stages of finalization.

On 21st July, 2010 the Committee directed the PAO that the amount recovered should be got verified by Audit and all pending cases should be finally adjudicated by the departmental authorities without delay. Correspondence with ADRC should also be finalized without delay. Report with recommendations of DAC should be submitted to the Committee within one month.

On 4th February, 2011 Audit pointed out that there had been no progress in the adjudicated cases. Audit further said that they had highlighted the case of Bata which was decided against them and sent to ADRC who decided that the party should deposit a sum of Rs.13.161 million and the decision has been accepted by the party.

The PAO stated that the department had prepared the entire break down of all the amounts as pointed out by Audit and a report would be submitted to the Committee. He further stated that ADRC should work as a functional unit. The PAO assured the Committee that he would examine the case of Bata and submit a comprehensive report to the Committee.

DIRECTIVE

The Committee directed the PAO to examine the issues of ADRC and Bata, get legal advice and proceed accordingly.

GENERAL DIRECTIVE

The Committee directed the PAO to submit a detailed report indicating up to date position of recovery of the paras # 1.1, 1.2, 1.5,1.6, 2.2, 2.3, 3.2, 5.3(a) (i) & 5.8(a) to the Monitoring and Implementation Committee of the PAC.

4.2 **PARA 1.2-PAGE 233-AR 2001-2002-MR-PAGE DELAYED/UNTIMELY ACTION FOR RECOVERY OF GOVERNMENT DUES UNTIL THE UNITS CONCERNED WENT INTO LIQUIDATION RS.57.069 MILLION**

Audit stated that in certain cases, the concerned Authorities did not take timely action for recovery of government dues when the concerned units were still functioning and recovery from them was possible. Due to inaction/insufficient action on the part of the Executive, the units went into liquidation with the passage of time, making the chances of recovery remote. Recovery of government dues of Rs.57.069 million was at stake in these cases.

Member, Customs informed the Committee that these cases were pending before the High Courts.

On 21st July, 2010 the Committee directed Member, Customs to pursue the cases vigorously and send a progress report to the Committee within one month.

On 4th February, 2011 Audit stated that the DAC had directed the department to expedite action which is awaited.

The PAO stated that the firm has gone into liquidation and the department after taking over its property has shown recovery of outstanding dues.

The Committee directed the PAO to submit a compliance report to the Committee within one week.

4.3 **PARA 1.5-PAGE 236-AR 2001-2002-MR-PAGE**
UN LAWFUL EXEMPTION FROM ADDITIONAL TAX AND PENALTIES
BY THE FBR

Audit stated that the FBR had issued instructions to all Collectorates of Sales Tax to recover principal amounts detected in audit plus 25 percent additional tax and to make out a case for negotiated waiver of additional tax and penalties. Audit was of the view that under section 34-A of the Sales Tax Act 1990 the FBR was empowered to exempt additional tax and penalties only through a special order required to be published in the official gazette indicating therein reasons for the exemption and not merely through a letter. Moreover, restriction of such exemption to the amount detected by Audit was discriminatory in nature and tantamount to undermining the performance of audit. Audit also of the view that the amount once detected can be written off but cannot be foregone through an administrative order.

On 21st July, 2010 the Committee directed both Audit and the PAO to hold a DAC meeting regarding the issue and report back with recommendations after one month.

On 4th February, 2011 Audit pointed out that all those amounts which have been raised in the audit observation have now become part of report discussed in the PAC so it is the prerogative of the PAC to issue instructions.

The PAO explained that this was an issue of legal interpretation between FBR and the Audit. He further said that according to Audit the powers which vest in FBR are limited to exemption from additional taxes and penalties too through special order which has to be notified in the official gazette and reasons for such exemption are required to be given. In this case the FBR had directed to recover the principal amount of tax. It was only to the extent of recovery and not

deduction. He further stated that this view has to be discussed with audit for finalization and the department has already written to audit for comments on 25-1-2011.

The Committee observed that it had asked the PAO in the last meeting to resolve this issue in the DAC which has not been done. The Committee directed the PAO to obtain legal opinion on this issue and submit a report to the Committee within one month.

On 10th March, 2011 Audit observed that the PAC had directed the PAO to obtain legal opinion on this issue and submit a report which is still awaited.

The PAO informed the Committee that there is now an independent system of appeals and under the new system the Commissioner of Appeals considers all such adjudication appeals and FBR can not issue any instructions to the Commissioner of appeals. The PAO further informed the Committee that in the appellate forum only those officers hear the cases who are nominated by the Ministry of Law and Justice. He further said that all changes in the system and regulations are made after approval from M/o Law and Justice and stated that these were quasi-judicial functions in which the concerned officers had the authority to impose fine to a certain extent and at the appeals stage the matter is referred to altogether an independent forum which does not accept any influence of FBR.

DIRECTIVE

The Committee observed that a particular legal issue has been raised whether the department could first initiate a case and then make a decision on the issue itself. The Committee said that the commissioner of Appeals is a part of the hierarchy of FBR and this was not an independent acceptable legal forum. The department should have examined this case as directed earlier by the PAC.

The Committee directed the PAO to reassess this issue with an open mind, get an independent legal opinion and then submit a report to the Committee within two weeks.

(This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

4.4 **PARA 1.6-PAGE 237-AR 2001-2002-MR-PAGE**
NEED TO AVOID CONFLICT OF INTEREST IN ADJUDICATION.

Audit stated that from July, 2000 the Adjudication Collectorates of the FBR were separated from the Executive, but both the Executive and Adjudication Collectorates were still functioning under the control of FBR and the officers/staff are inter-transferable.

Audit was of the view that in order to avoid conflict of interest, FBR should develop a mechanism to ensure that an adjudicating officer does not adjudicate his own cases/decisions passed while posted in Executive Collectorate. It suggested that Adjudication Collectorates and various appellate forums should not work under the administrative control Law and Justice Division.

The PAO requested that the Department may be allowed some time to examine the issue in detail in the DAC meeting.

On 21st July, 2010 accepting the request of the PAO, the Committee directed that the issue should be discussed in detail in the DAC and a report has to be submitted to the Committee within one month.

On 4th February, 2011 Audit was of the view that the set up of adjudication collectorate and various appellate forums should not work under the administrative control of FBR but should function under the control of Law and Justice Division. This would not only help much to decide the cases independently and impartially but shall also reduce the pressure and burden of

work presently being faced by the field Officers/Collectorates of FBR. Audit further stated that no one should sit in as a judge in his own case.

The PAO accepted that this was a core issue and needed to be examined in a judicious manner.

DIRECTIVE

The Committee observed that the point has been correctly raised by Audit and required review of all the laws of the FBR. The Committee directed the PAO to submit a report within one month.

((This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.))

4.5 **PARA 1.7-PAGE 238-AR 2001-2002-MR-PAGE NON-PRODUCTION OF RECORD**

Audit stated that in a number of cases auditable documents / records were not produced by departmental authorities for audit.

The DAC in July 2010 had directed the Department to produce the relevant record and after conducting an inquiry to fix responsibility for the delay, submit report to Audit and FBR by 31-07-2010.

On 21st July, 2010 the Committee directed Member, Customs to ensure compliance of the DAC's directive and send a report to the Committee within one month.

On 4th February, 2011 Audit pointed out that the previous directive of the PAC has not been observed.

The PAO requested to give him some time for production of record.

The Committee directed the PAO to submit a report to the Committee within two weeks.

On 10th March, 2011 Audit stated that neither the availability of record nor progress of the inquiry to fix responsibility for non production of record has been intimated. The PAO may like to explain to the Committee.

The PAO informed the Committee that the decision of the Peshawar Higher Court had been upheld by the Supreme Court and the FBR had issued instructions and later on the decision of Justice Javad Khawaja was changed which has been recalled.

DIRECTIVE

The Committee directed the PAO to provide decisions of various courts on this particular issue and send a report to the Committee within two weeks.

(This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

4.6 **PARA 2.1-PAGE 243-AR 2001-2002-MR-PAGE
DRAWL OF SALES TAX REFUND WITHOUT SUFFICIENT EVIDENCE –
RS. 2,500 MILLION**

Audit stated that according to a newspaper report of February 2003, a fraud of Rs. 2,500 million was detected in the Collectorate of Central Excise and Sales Tax, Lahore through bogus refund claims against exports to fictitious firm abroad.

The DAC had directed the PAO to vigorously pursue the recovery cases, and to constitute a fact-finding Committee to fix responsibility for the fake refunds and delayed recovery and to suggest ways and means to expedite recovery.

DIRECTIVE

The Committee directed that the DAC's directives should be implemented by the 15th August, 2010 and a compliance report should be submitted to the Committee after that date.

4.7 **PARA 2.2 & 2.3-PAGE 244-AR 2001-2002-MR-PAGE**
LOSS OF GOVERNMENT REVENUE DUE TO ILLEGAL REMOVAL OF
BONDED GOODS RS.45.129 MILLION

PARA 2.2:

Audit stated that the Collectorate of Customs, Lahore detected a case of illegal removal of steel scrap from private bonded warehouse of M/s Javaid Nazir Brothers (Pvt) Limited, Lahore without payment of customs dues of Rs. 32.2 million for which FIR was lodged against the unit. The accused Director of company was arrested and sent to jail upon which the company made payment of Rs. 8.928 million mount leaving balance a of Rs. 23.272 million. This case of tax evasion was not reported to Audit as required under Para 20 of GFR Vol-I.

The PAO informed the Committee that the appeal of M/s Javaid Nazir Brothers (Pvt) Limited was with the Appellate tribunal, while criminal proceedings were pending with Special Judge (Customs, Taxation and Anti-Smuggling).

Para. 2.3:

Audit stated that M/s Kashif Steel Industries, Lahore (private bonded warehouse) had also illegally removed huge quantity of scrap from the bonded ware-house thereby evading government revenue of Rs. 21.857 million.

Member, Customs informed the Committee that the case of M/s Kashif Steel Industries, Lahore had been decided by the Honorable Lahore High Court in favor of the department in June, 2009. An amount of Rs. 12.5 million had been recovered and the outstanding amount was of Rs. 9.5 million.

The DAC had directed that the cases of M/s Javaid Nazir Brothers (Pvt) Limited should be pursued vigorously in the Appellate Tribunal and the court of the Special Judge. The DAC had expressed displeasure on inaction and indifference shown by the Department regarding recovery of dues from M/s Kashif Steel Industries, Lahore notwithstanding decision of the Lahore High Court in its favour.

On 21st July, 2010 the Committee endorsed the decisions of the DAC and directed the PAO to ensure recovery of the balance amount by the specified date of 31st July, 2010. It also directed Member, Customs to write directly to M/o Interior to put the name of owners of M/s Kashif Steel Industries, Lahore on ECL immediately. Report on action taken should be sent to the Committee within one month.

On 4th February, 2011 Audit pointed out that compliance of the last directive of the PAC is still awaited.

The PAO stated that that the names of known directors have been placed on ECL and an amount of Rs. 12.5 million has been recovered. He further stated that the case of Javed Nazir Brothers (Pvt) Limited is subjudice and the department is following up the case in the High Court vigorously.

DIRECTIVE

The Committee recommended the Para for settlement subject to verification by Audit.

4.8 PARA 2.6-PAGE 246-AR 2001-2002-MR-PAGE EVASION OF SALES TAX OF MILLIONS OF RUPEES

Audit stated that according to the news item in daily “Nia Dour” Multan dated 6th November, 2001, owners of the Montgomery Biscuit Factory, Sahiwal evaded sales tax of millions of Rupees by maintaining duplicate record and issuing bogus gate passes, reportedly with the connivance of customs staff.

Member, Customs informed the Committee that out of total amount of Rs.26.388 million, an amount of Rs.0.645 million had been recovered and verified by Audit. Regarding balance amount of Rs.25.743 million the case had been re-adjudicated by Collector Appeal Multan on 1.4.2009 and efforts were under way to effect recovery as soon as possible.

DIRECTIVE

The Committee observed that despite re-adjudication in April 2009, pace of recovery was very slow. It directed Member, Customs to expedite the recovery proceedings and submit progress report on the action taken to the Monitoring and Implementation Committee of the PAC.

4.9 **PARA 3.1-PAGE 249-AR 2001-2002-MR-PAGE**
UNDER-ASSESSMENT OF CUSTOMS DUES OWING TO INADMISSIBLE
CONCESSION/EXEMPTION RS. 113.208 MILLION.

Audit stated that the Collector of customs (Appraisalment) Karachi made assessment of customs dues at concessionary rate of duty of ten per cent and free of sales tax although the imported goods (iron/steel structures/poles in CKD condition) were included in the list of locally manufactured goods as notified by the CBR and exemption from sales tax was not admissible as the goods were not covered by the definition of machinery. The inadmissible concession/exemption caused under assessment of government revenue of Rs. 113.208 million.

Audit further stated that the matter was discussed in detail in 2002 and the executive had agreed to recover the government dues but no progress was reported to Audit despite follow up.

DIRECTIVE

As the Para had not yet been discussed by the DAC the Committee directed the PAO to do the needful and submit recommendations to the Committee within one month.

4.10 **PARA 3.3-PAGE 254-AR 2001-2002-MR-PAGE**
NON RECOVERY OF CUSTOMS DUES ON IMPORTED MATERIAL NON-CONSUMED FOR MANUFACTURE IN-BOND RS.31.397 MILLION

Audit stated that certain units falling in the jurisdiction of the Collectorate of Customs (Export), Karachi had imported raw materials under bond for manufacture of goods for export, but had failed to re-export within the period of five years. This warranted recovery of customs dues and surcharge etc. of Rs. 31,396,564 but this had neither been demanded nor recovered by the customs functionaries due to lack of monitoring of activities of manufacturing bonds by the Customs Department.

The PAO informed the Committee that some recovery had been made while efforts were being made to recover the balance amount as soon as possible.

DIRECTIVE

The Committee endorsed the decision of DAC and directed that a report should be sent to the Monitoring and Implementation Committee of the PAC.

4.11 **PARA 5.3 (a) (i)-PAGE 292-AR 2001-2002-MR-PAGE**
SANCTION OF INADMISSIBLE REFUND – RS. 26.391 MILLION

Audit stated that the Collectorate of Sales Tax, Multan had allowed refund of Rs. 26.391 million on the basis of invoices issued by 14 registered persons falling in a list of 561 registered persons, which had been circulated by the Lahore Collectorate intimating that these persons were not traceable at their given addresses and therefore, may be involved in issuance of fake/flying invoices to the exporters/manufacturers etc. for charging refund/input tax.

Member, Customs informed the Committee that out of total amount of Rs.26.390 million, the case involving Rs.12.678 million pertaining to M/s.Mubashar & Co Multan had been set aside by the

Collector Appeals Multan dated 31.03.2007 and efforts were under way to recover the adjudged amount of Rs.13.838 million. Warrants of attachment were issued in respect of the three units involved (M/s. Abid Corporation, Multan, M/s.Aziz Textile Multan and M/s.Gentax International, Multan) in June 2007 and notices were also issued to the banks for attachment of their bank accounts in April, 2009. The Department had also constituted a team of officers on 30.06.2010 to trace out these units.

The DAC in July 2010 had expressed its displeasure on the failure of the RTO to recover government dues despite the lapse of five years and had directed him to effect recovery by 08-08-2010.

On 21st July, 2010 while endorsing the decision of the DAC the Committee directed Member, Customs to ensure recovery of the amount by 08.08.2010 under intimation to Audit and to the Committee. Moreover, inquiry should be conducted against persons responsible for the irregularity as well as inaction in recovery. A report has to be submitted to the Committee immediately after 08-08-2010.

On 4th February, 2011 the Audit pointed out that no progress had been made after the decision of DAC held in July and September, 2010.

The PAO regretfully submitted that some time would be required to put up a report on this para.

The Committee directed the PAO to put up a report within one month.

On 10th March, 2011 Audit stated that progress report of recovery proceedings may be provided to the Committee.

The PAO informed the Committee that a sum of Rs. 12 million had been set aside by the Collector of Appeals Multan on 31-3-2007 which has been

Para #	Subject	Amount (Rs)
	vacated now and efforts are also being made to recover an other amount of Rs. 13.83 million.	

DIRECTIVE

The Committee directed the PAO to provide the latest position of and recovery to the audit and Monitoring and Implementation Committee of the PAC.

5. AUDIT REPORT DIRECT TAXES ON THE ACCOUNTS OF REVENUE DIVISION (FEDERAL BOARD OF REVENUE) FOR THE AUDIT YEAR 2001-02

Audit stated that examination of assessment record of various taxpayers on test check basis revealed that the taxpayers had not discharged their tax liability properly. Audit observed non / short / under-assessment of revenue totaling as detailed below:

Para #	Subject	Amount (Rs)
1.2	Non-assessment of bonus-shares as deemed income	120,250,860
1.6	Non-taxation of amounts subsequently recovered in respect of deductions	110,342,570
1.7	Non-addition of trading liability	31,435,103
1.8	Short-assessment of income tax due to wrong computation of income	84,096,071
1.12	Under-assessment of tax due to non/short-levy of tax on interest/other income	339,206,282
1.13	Non-assessment of tax on gain of sale of fixed assets	10,780,332
1.14	Under assessment of tax due to incorrect set-off of other income against brought forward losses	4,458,590
1.15	Under-assessment of tax due to excessive grant of credit of advance tax	2,115,855
1.18	Under-assessment of income tax due to allocation of disproportionate expenses	198,079,088
10.2	Under-assessment of tax due to double credit of Workers' Welfare Fund	6,917,681

2.1	Under-assessment of tax due to grant of inadmissible expenses	112,332,154
3.2	Short-recovery of tax on contracts /supplies	156,360,265
3.4	Non taxation of contracts /supplies as separate block of income	39,904,884
4.1	Under-assessment of tax due to inadmissible/excessive grant of depreciation allowance	<u>468,427,306</u>
	Total:	<u>777,024,609</u>

Para #.	Subject	Amount (Rs)
5.2	Failure to pay advance tax	211,988,266
5.3	Failure to pay tax with return	31,979,753
5.4	Failure to pay assessed tax demanded or penalty imposed	<u>31,802,032</u>
	Total:	<u>275,770,051</u>

Para #	Subject	Amount (Rs)
6.1	Incorrect application of tax rates	61,205,317
10.1	Non-levy of Workers' Welfare Fund	22,802,475
12.1	Non-levy of corporate assets' tax	40,283,026
	Total:	124,290,818

Consolidated reply on the basis of information provided by the Department is as follows:

Rs.

1.	Amount admitted, charged but not recovered	19,960,485
2.	Time barred	68,927,722
3.	Action not yet finalized	128,040,019
4.	Record to be produced for verification	163,876,713
5.	No reply	36,945,456
6.	Subjudice	338,205,263
7.	Amount admitted, charged and recovered but proof of recovery awaited	3,638,658
	Sub-Total:	759,594,316
8.	Amount admitted, charged and recovered	35,210,554

9.	Amount charged and loss reduced	89,010,981
10.	Departmental stance accepted on the basis of additional evidence / demand deleted in appeal	23,866,581
	Sub-Total	148,088,116
	Grand-Total:	907,682,432

DAC RECOMMENDATIONS

- i. to effect recoveries in cases where amount has been charged,
- ii. to fix responsibility in the time barred cases,
- iii. to finalize the cases expeditiously where action is pending,
- iv. to provide record / reply for verification,
- v. to pursue subjudice cases at appropriate fora,
- vi. to get the recoveries verified where proof is awaited,
- vii. to settle the paras to the extent of amount where recoveries have been verified/ demand of tax written off / departmental stance accepted on the basis of additional evidence provided during verification process.

Para #	Subject	Amount (Rs)
1.2	Non-assessment of bonus-shares as deemed income	120,250,860
1.6	Non-taxation of amounts subsequently recovered in respect of deductions	110,342,570
1.7	Non-addition of trading liability	31,435,103
1.8	Short-assessment of income tax due to wrong computation of income	84,096,071
1.12	Under-assessment of tax due to non/short-levy of tax on interest/other income	339,206,282
1.13	Non-assessment of tax on gain of sale of fixed assets	10,780,332
1.14	Under assessment of tax due to incorrect set-off of other income against brought forward losses	4,458,590
1.15	Under-assessment of tax due to excessive grant of credit of advance tax	2,115,855
1.18	Under-assessment of income tax due to allocation of disproportionate expenses	198,079,088
10.2	Under-assessment of tax due to double credit of Workers' Welfare Fund	6,917,681

While endorsing the DAC recommendation the Committee also directed that the PAO should fix responsibility in all the cases for irregularities and delay in recoveries. Report should be submitted to the Committee within one-month.

1.2	Non-assessment of bonus-shares as deemed income	120,250,860
1.6	Non-taxation of amounts subsequently recovered in respect of deductions	110,342,570
1.7	Non-addition of trading liability	31,435,103
1.8	Short-assessment of income tax due to wrong computation of income	84,096,071
1.12	Under-assessment of tax due to non/short-levy of tax on interest/other income	339,206,282
1.13	Non-assessment of tax on gain of sale of fixed assets	10,780,332
1.14	Under assessment of tax due to incorrect set-off of other income against brought forward losses	4,458,590
1.15	Under-assessment of tax due to excessive grant of credit of advance tax	2,115,855
1.18	Under-assessment of income tax due to allocation of disproportionate expenses	198,079,088
6.1	Incorrect application of tax rates	61,205,317
10.1	Non-levy of Workers' Welfare Fund	22,802,475
12.1	Non-levy of corporate assets' tax	40,283,026

On 21st July, 2010 while endorsing the DAC recommendation the Committee also directed that the PAO should fix responsibility in all the cases for irregularities and delay in recoveries. Report should be submitted to the Committee within one-month.

On 4th February, 2011 the Committee directed that all the paras relating to the recovery should be clubbed, subjudice cases should be pursued vigorously and disciplinary action should be initiated wherever malafide intentions or negligence are established. A report has to be submitted to the Committee as soon maximum recovery is made.

Other Paras

Other 51 paras of Audit Report viz Para Nos. 1.1, 1.3, 1.4, 1.5, 1.9, 1.10, 1.11, 1.16, 1.17, 1.19, 1.20, 1.21, 1.22, 3.1, 3.3, 3.5, 5.1, 6.2, 7.1, 7.2, 8.1, 8.2, 8.4, 8.5, 8.6, 8.7, 9.1 to 9.22, 11.1 to 11.3 involving Rs.411,041,246.

Consolidated reply on the basis of information provided by the Department is as follows:

		Rs.
1.	Amount admitted, charged but not recovered	19,687,813
2.	Time barred	119,371,277
3.	Action not yet finalized	17,860,718
4.	Record to be produced for verification	76,497,155
5.	No response	7,506,265
6.	Subjudice	60,012,663
7.	Amount admitted, charged and recovered but proof of recovery awaited	39,099,683
	Sub-Total:	340,035,574

8.	Amount admitted, charged and recovered	23,872,679
9.	Demand of tax written off	945,852
10.	Departmental stance accepted on the basis of additional evidence / demand deleted in appeal	46,187,141
	Sub-Total	71,005,672
	Grand-Total:	411,041,246

DAC Recommendations:

- i. to effect recoveries in cases where amount has been charged,
- ii. to fix responsibility in the time barred cases,
- iii. to finalize the cases expeditiously where action is pending,
- iv. to provide record / reply for verification,
- v. to pursue subjudice cases at appropriate forum.
- vi. to get the recoveries verified where proof is awaited,

- vii. to settle the paras to the extent of amount where recoveries have been verified/ demand of tax written off/departmental stance accepted on the basis of additional evidence provided during verification process.

DIRECTIVE

The Committee directed the PAO to implement the DAC's recommendations and fix responsibility for irregularities and delay in recoveries. A report has to be submitted to the Committee within one month failing which the report would be taken up by the Monitoring and Implementation Committee of PAC.

6. AUDIT REPORT ON ACCOUNTS OF FEDERAL BOARD OF REVENUE (INDIRECT TAXES) AUDIT 2001-2002

Audit requested that the Committee may issue suitable directive for examination of the following Study Reports pertaining to the year 2001-02 at DAC level.

- i. **AUDIT BRIEF ON SUBJECT STUDY REPORT ON DUTY FREE SHOPS.**
PAGE NO. 07 to 24-AR 2001-2002 -MR-PAGE
- ii. **AUDIT BRIEF ON SUBJECT STUDY REPORT ON NATURAL GASES.**
PAGE 11 to 38-AR 2001-2002-MR-PAGE
- iii. **SPECIAL REPORT ON AUCTION OF CONFISCATED/WAREHOUSED. GOODS**
- iv. **SPECIAL REPORT ON SALES TAX & CENTRAL EXCISE REWARDS1999-2000 TO 2001-2002**

DIRECTIVE

The Committee directed the PAO to examine in detail these Study Reports at the DAC level and submit recommendations for consideration of the Monitoring and Implementation Committee of the PAC.

7. **SPECIAL REPORT ON SALES TAX & CENTRAL EXCISE REWARDS 1999-2000 TO 2001-2002**

DIRECTIVE

On 21st July, 2010 the Committee directed the PAO to examine in detail Special Report on Sales Tax & Central Excise Reward at the DAC level and submit recommendations for consideration of the Monitoring and Implementation Committee of the PAC.

8. **AUDIT REPORT ON ACCOUNTS OF FEDERAL BOARD OF REVENUE (INDIRECT TAXES) AUDIT 2001-2002**

9. **AUDIT BRIEF ON SUBJECT STUDY REPORT ON SALES TAX ON NATURAL GASES SPECIAL REPORT ON AUCTION OF CONFISCATED/ WAREHOUSED GOODS**

Audit pointed out that the purpose of preparation of such briefs is to help the departments improve the system and overcome procedural financial irregularities but regrettably the departments do not pay due importance to these studies.

The PAO stated that he had given guideline to all the members that Audit's help and assistance should be given utmost value. He assured the Committee that Audit objections and reports would be considered on priority basis as these are valuable and useful.

FINANCE DIVISION

1. OVERVIEW

Appropriation Accounts / Audit Report Public Sector Enterprises for the year 2001-02 pertaining to the Finance Division were taken up for examination by Special Committee-II of the PAC in the meetings held on 29th July 2010 & 2nd March, 2011 in Committee Room No.2, Parliament House Islamabad . Decisions taken are summarized below:

- 1.1** Twelve (12) grants were reported by AGPR. Sixty-one (61) Paras of Audit Report on Public Sector Enterprises were presented by Audit.
- 1.2** On presentation of the grants, the Committee expressed its displeasure over the financial irregularity displayed in grant No.115 and observed that if the Ministry of Finance commits such blunders what message would be conveyed to other departments. The Committee said that instead of adjustment a supplementary grant from the charged expenditure should have been asked for, which was not done. The Committee directed the PAO to take action against persons responsible for this mistake and pursue the case to its logical conclusion so that such mistakes are not repeated in future.
- 1.3** While discussing grant No.125 pertaining to Development Expenditure of Finance Division, the Committee observed that in future coordination with donor agencies should be improved so that savings, if any, can be surrendered in time.
- 1.4** While discussing Para No.106-ARPSE, the Committee directed the MD, IDBP to obtain legal advice and get the case expedited through the High Court.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO.33-FINANCE DIVISION

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(+) 2,016,088	(-) 5,476,912	36,386,000

AGPR pointed out that after accounting for supplementary grant totaling Rs. 28,893,000, the grant closed with a saving of Rs.15,253,912 (6.67% of the total grant). An amount of Rs.9,777,000 was surrendered resulting in net saving of Rs.5,476,912.

The PAO informed that the saving was due to various reasons including retention of funds for purchase of two vehicles, non-utilization of allocation made for delegations going abroad, economy measures etc.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that the entire saving should have been fully surrendered in time.

ii. GRANT NO.34-PAKISTAN MINT (OTHER THAN CHARGED) Saving Rs. 753,710 /-

AGPR pointed out that the saving worked out to 0.61% of the net grant. PAO may like to explain.

The PAO informed the Committee that this was a minor saving which occurred due to rounding effect.

DIRECTIVE

The Committee recommended the grant for regularization.

iii. **GRANT NO.35-SUPERANNUATION ALLOWANCES AND PENSION
(CHARGED)**

Saving Rs. 23,397.260/-

AGPR pointed out that in “Charged” section after accounting for supplementary grant of Rs. 1,918,321,000, the grant closed with a saving of Rs.23,397,260 (7.93% of the total grant).

(OTHER THAN CHARGED)

Saving Rs. 608,101,731/-

AGPR pointed out that in “Other than Charged” section the grant closed with a saving of Rs.608,101,731 (1.85% of the total grant).

The PAO informed the Committee that the saving was due to the fact that the exact number of pensioners retiring during year cannot be forecasted with 100% accuracy due to which the actual expenditure on pension often differs from the budgeted amount.

DIRECTIVE

The Committee recommended regularization of the grant on the assurance of the PAO that the Ministry would improve estimation procedures in future.

The Committee also observed that if savings accrue they must be surrendered in time in future.

iv. **GRANT NO.36-NATIONAL SAVINGS
(OTHER THAN CHARGED)**

Excess Rs. 22,929,395/-

AGPR pointed out that the grant closed with an excess of Rs.22,929,395. A technical supplementary grant of Rs. 25,183,000, under the head establishment charges was made available on 1-6-2002 due to revision of pay but same could not be included in the supplementary schedule of authorized expenditure. After

the accounting for this technical supplementary grant the saving works out to Rs. 2,253,605 instead of excess of Rs. 22,929,395.

The PAO explained to the Committee that the excess of Rs. 22,929,395 fall mostly under the head of pay of officers/officials due to revision of pay. He further stated that the supplementary grant of Rs. 25,183,000, could not be released earlier than 1-6-2002 thus this figure could not be incorporated in the final grant otherwise there would have been saving of Rs. 2,353,605.

DIRECTIVE

The Committee recommended the grant for regularization.

(The Committee observed that CGA should follow the standard format for presentation of grants in future.)

v. **GRANT NO.37-OTHER EXPENDITURE OF FINANCE DIVISION**
Excess Rs. 249,470,394/-

AGPR pointed out that after accounting for supplementary grant of Rs. 387,903,000 the grant closed with an excess of Rs.249,454,594 (12.15% of the total grant). An amount of Rs.15,800 was surrendered, increasing the excess to Rs.249,470,394.

The PAO stated that excess of Rs. 216,012,079 was due to direct booking of expenditure by State Bank of Pakistan on account of re-imburement of T.T. Charges to banks on home remittances, for which no budgetary provision existed at that time (from allocation is being made for this purpose). Also excess of Rs. 33,372,720 was due to loss on remittances to Pakistan Missions and offices of various Ministries/Divisions abroad due to devaluation of Pak Rupee.

DIRECTIVE

The Committee recommended regularization of the grant.

- vi. **GRANT NO.38-GRANTS-IN-AID AND MISCELLANEOUS ADJUSTMENTS BETWEEN THE FEDERAL AND PROVINCIAL GOVERNMENTS**
Saving / Excess: Zero.

A.G.P.R. and PAO pointed out that in the above-mentioned grant the budgetary provisions had been fully utilized.

DIRECTIVE

The Committee recommended regularization of the grant as the budgetary provisions had been fully utilized.

- vii. **GRANT NO.39-SUBSIDIES AND MISCELLANEOUS EXPENDITURE**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(+) 21,327,745,225	(-) 39,770,911	55,033,162,864

AGPR pointed out that after accounting for supplementary grants totaling Rs. 32,401,679,000, the grant closed with a saving of Rs.22,077,781,911 (0.89% of the total grant). A total amount of Rs.22,038,011,000 was surrendered resulting in net saving of Rs.39,770,911.

The PAO requested the Committee that as this grant contains a huge figure, the Ministry may be allowed some time for detailed discussion in the DAC meeting.

Accepting the request of the PAO, the Committee referred the above-mentioned grant to the DAC. The grant will be taken up again by the Committee in its next meeting.

When the matter was taken up again on 2nd March, 2011 AGPR stated that the figures have been reconciled and numerous accounting matters were involved in this case. A supplementary grant of 22 billion was sanctioned which was not accounted for.

The PAO stated that the first excess was of Rs. 139 million which had not been reconciled with AGPR. The other amount was concerning MAG in which an excess of Rs. 7 million has been shown by AGPR where as at the time of reconciliation of the record it came out as Rs.31 million and the MAG had booked an excess of Rs. 24 million from some other head of account these were two reasons for the excess.

DAG suggested that grant may be regularized subject to verification by AGPR

DIRECTIVE

The Committee observed that the figures of the departments were quite different from those of the AGPR. These figures should have been reconciled in the DAC meeting and the excess should be explained. On the basis of assumption that the figures of the department are correct the grant was recommend for regularization subject to verification by AGPR.

viii. GRANT NO.114-FEDERAL MISCELLANEOUS INVESTMENTS

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(+) 128,948,983	(-) 101,017	66,849,344,000

When the matter was taken up again on 2nd March, 2011 AGPR pointed out that after taking into account supplementary grants totaling to Rs. 66,720,294,000, the grant closed with a saving of Rs. 732,144,917 (0.84% of the total grant). An amount of Rs.732,043,900 (0.84%) was surrendered resulting in net saving of Rs.101,017.

The PAO informed the Committee that out of the supplementary grant, a total amount of Rs. 65,340,773,000 was utilized for conversion of GOP loans into Government equity in KESC.

The PAO further informed that the saving was due to fluctuation of exchange rate.

DIRECTIVE

The Committee recommended regularization of the grant.

ix. **GRANT NO.115-OTHER LOANS AND ADVANCES BY THE FEDERAL GOVERNMENT.**

(CHARGED)

Excess Rs. 299,999,000/-

AGPR pointed out that in “Charged” section expenditure of Rs. 300,00,000 was incurred against token supplementary appropriation of Rs. 1000, resulting in excess of Rs. 299,999,000.

(OTHER THAN CHARGED)

Saving Rs. 359,087,425/-

AGPR pointed out that in “Other than Charged” section after accounting for supplementary grant of Rs. 3,886,650,000, the grant closed with a saving of Rs.2,959,087,425 (23.59% of the total grant). An amount of Rs.2,600,000,000 (20.73%) was surrendered, resulting in net saving of Rs.359,087,425 (2.86%).

Audit informed the Committee that excess in the “Charged” section was due to re-appropriation of the same amount from the “Other than charged” section which is not permissible under the new financial control system as loan to Government of Sindh for reallocation and resettlement plan of Lyari Expressway.

The PAO requested that this grant may be referred to the DAC for detailed examination.

Accepting the request of the PAO, the Committee directed the PAO to discuss the above-mentioned grant in the DAC meeting. The grant will be taken up again by the Committee in its next meeting.

When the matter was taken up again on 2nd March, 2011 AGPR stated that PAO may like to explain the reasons for the excess in charged expenditure and saving in other than charged portion.

The PAO stated that AGPR has pointed out a saving of Rs. 359 million in the other than charged expenditure whereas the actual saving has been of Rs. 59 million only. He further explained that an amount of Rs. 300 million had been given to the government of Sindh as a loan for liyari express. The PAO admitted that the Ministry had committed a mistake by spending the funds of other than charged expenditures for the charged expenditures.

DIRECTIVE

The Committee expressed its displeasure over this financial irregularity and observed that if the M/o Finance commits such blunders what message would be conveyed to other departments and said that this has not to be taken lightly. The Committee said that instead a supplementary grant from the charged expenditure should have been asked for, which was not done. The Committee directed the PAO to take action against persons responsible for this mistake and pursue the case to its logical conclusion so that such mistakes are not repeated in future. The Committee recommended the grant for regularization.

x. **GRANT NO.125-DEVELOPMENT EXPENDITURE OF FINANCE DIVISION**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) 1,239,997,501	(-) 430,313,821	109,819,214,680

AGPR pointed out that after taking into accounts supplementary grants totaling Rs. 10,090,751,000, the grant closed with saving of Rs. 6,661,985,501 (26.48% of the total grant). An amount of Rs.5,421,988,000 was surrendered, resulting in net saving of Rs.1,239,997,501.

Audit further stated that there was less booking of expenditure of Rs.850,423,680, which had been booked in the Appropriation Accounts for 2005-06.

The PAO stated that the saving under various schemes was due to non-release of funds by the donor agency. The saving could not be surrendered in time because the donor agency did not convey the savings / expenditure figures to Finance Division till 11-9-2002.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that in future coordination with donor agencies should be improved so that savings if any can be surrendered in time.

xi. **GRANT NO.150-CAPITAL OUTLAY ON FEDERAL INVESTMENTS**
Excess / Saving: Zero.

A.G.P.R. and PAO pointed out that in the above-mentioned grant the budgetary provision had been fully utilized.

DIRECTIVE

The Committee recommended regularization of the grants as the budgetary provision had been fully utilized.

xii. **GRANT NO.151-DEVELOPMENT LOANS AND ADVANCES BY THE FEDERAL GOVERNMENT**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) 10,000,000	-----	600,000,000

AGPR pointed out that after supplementary grant of Rs. 600,000,000, the grant closed with a saving of Rs. 1,529,000,000 (5.29% of the total grant). The entire saving of Rs.1,529,000,000 was surrendered in time, resulting in nil balance.

DIRECTIVE

The Committee recommended regularization of the grant.

xiii. **SERVICING OF DOMESTIC DEBT (CHARGED)**
Saving Rs. 3,088,669,449/-

AGPR pointed out that the accounts closed with a saving of Rs.8,384,838,449 (4.23% of the total grant). An amount of Rs.5,296,169,000 (2.67%) was surrendered, leaving a net saving of Rs.3,088,669,449 (1.56%).

The PAO stated that the saving was mainly due to reduction of interest rates (applicable from 1st of July, 2001) on National Saving Schemes.

DIRECTIVE

The Committee recommended regularization of the grant.

xiv. **REPAYMENT OF DOMESTIC DEBT (CHARGED)**
Saving Rs. 5,441,302,026/-

AGPR pointed out that the appropriation closed with a saving of Rs.51,568,554,026 (2.63% of the total appropriation). An amount of Rs.46,127,252,000 (2.35%) was surrendered, leaving a net saving of Rs.5,441,302,026 (0.28%).

The PAO informed the Committee that the saving was on account of encashment of Special U.S. Dollar Bonds (Permanent Debt) which was lower than estimate on the basis of past trends.

DIRECTIVE

The Committee recommended regularization of the grant.

xv. **AUDIT**
Excess Rs. 5,346,147/-

AGPR stated that after accounting for supplementary appropriation of Rs. 62,776,000, the appropriation closed with an excess of Rs.5,346,147 (0.55% of the total appropriation).

The PAO informed that the excess was mainly due to new appointment of Senior Auditors, Junior Auditors & Naib Qasid during the year 2001-02.

DIRECTIVE

The Committee recommended regularization of the grant.

3. **AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE ACCOUNTS OF MINISTRY OF FINANCE DIVISION FOR THE AUDIT YEAR 2001-02.**

The DAC recommended the following Audit Para for settlement by the Special Committee.

ZARAI TARAQIATI BANK LIMITED

- i. **Para-130-Page-112-ARPSE-2001-02**
- ii. **Para-131-Page-113-ARPSE-2001-02**
- iii. **Para-132-Page-113-ARPSE-2001-02**
- iv. **Para-136-Page-116-ARPSE-2001-02**
Non-obtaining of physical possession of land acquired through auction, costing Rs 6.326 million
- v. **Para-137-Page-117-ARPSE-2001-02**
Non disposal of securities worth Rs 9.280 million

FEDERAL BANK FOR CO-OPERATIVES

vi. **Para-140-Page-120-ARPSE-2001-02**

AGRICULTURAL MARKETING AND STORAGE (PRIVATE) LIMITED

vii. **Para-141-Page-122-ARPSE-2001-02**

SMALL AND MEDIUM ENTERPRISE BANK

viii. **Para-142-Page-123-ARPSE-2001-02**

Loss of Rs 15.756 million due to non-recovery from the borrowers

ix. **Para-144-Page-124-ARPSE-2001-02**

Anticipated loss of Rs 1.464 million due to mis-utilization of project loan

x. **Para-145-Page-125-ARPSE-2001-02**

Fraudulent drawal of loan amounting to Rs 1.225 million

xi. **Para-146-Page-126-ARPSE-2001-02**

Non recovery of house building loan valued at Rs 1.224 million from ex-employees

xii. **Para-147-Page-127-ARPSE-2001-02**

Non recovery of misutilized money amounting to Rs 1.060 million

xiii. **Para-148-Page-128-ARPSE-2001-02**

Non-recovery of advances Rs 980,077 from Ex-Officer

CORPORATE AND INDUSTRIAL RESTRUCTURING CORPORATION

xiv. **Para-149-Page-129-ARPSE-2001-02**

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned fourteen (14) Audit Para.

Zarai Taraqiati Bank Limited

3.1 **Para-133-Page-114-ARPSE-2001-02**

Doubtful recovery of Rs 107.453 million from the loanees

Audit stated that the Zarai Taraqiati Bank Limited Model Branch, Lahore advanced loans amounting to Rs 59.489 million to six loanees during the period

25.11.1989 to 06.10.1994 for establishment of commercial units. These loanees did not repay the dues of the Bank despite lapse of 5 to 14 years. Although the local management referred most of the cases to respective District Collectors for recovery but even then the loanees did not repay the Bank dues. Recoverable amount including mark-up and penal mark-up stood at Rs 107.453 million as on 31.10.2002.

The CE, ZTBL, informed the Committee that the Bank had recovered Rs. 19.815 million as on 30.6.2004 as against the recovery of Rs.4.400 million reported earlier upto 2001.5 out of the 6 project loan cases had been settled under the SBP scheme. In the sixth case, installments had been fixed which were being paid regularly. Audit had verified recovery in 5 cases and the bank was vigorously pursuing the sixth case for recovery.

DIRECTIVE

The Committee directed the CE, ZTBL to keep the Audit informed regarding progress on receipt of installments.

3.2 **Para-134-Page-114-ARPSE-2001-02** **Loss of Rs 41.658 million due to non recovery of loan**

Audit pointed out that ZTBL (Head Office) sanctioned a project loan of Rs 35.602 million in October 1989 in favour of M/s. Hyderabad Beverage against security of Rs 31.684 million. The documentation/disbursement was made by the Mirpurkhas branch. An amount of Rs 14.602 million was disbursed in 1989. Balance loan of Rs 21.00 million was cancelled by the Board of Directors in 1992 due to the fact that the security documents of agriculture land and moveable / immovable property were found defective / forged. Later the loanee defaulted and deposited only Rs 1.086 million upto 13.05.1993, leaving total recoverable amount of Rs 41.658 million (principal Rs 14.602 and mark-up Rs 27.056 million), as on June 30, 2001.

CE, ZTBL stated that the bank had filed recovery suit for Rs. 41.658 million on 05.01.2002 which was decreed on 29.03.2003 for Rs. 33.916 million. Execution proceedings were initiated on 25.08.2005 and were continuing.

According to the CE, ZTBL the bank had enough security to cover the decreed amount 103 acres of agriculture land were mortgaged in its favour.

DIRECTIVE

The Committee directed the PAO to carry out an inquiry through a senior officer of the Ministry, to ascertain the circumstances in which this particular loan was sanctioned, inadequate security obtained, disbursement made and legal action delayed (filing of both recovery suit and application for execution of decree) and fixing responsibility. Report in this regard should be submitted to the Committee within one month.

The Committee further directed the CE, ZTBL that the bank should keep the Audit informed on the progress of the recovery.

When the matter was taken up again on 2nd March, 2011 the Committee directed the PAO to submit a compliance report to Audit and in case Audit feels that the para needs to be referred back to the Committee the para would be re-considered. The above para was recommended for settlement subject to verification by audit.

3.3 **Para-135-Page-115-ARPSE-2001-02** **Non recovery of Rs 23.746 million on account of mis-utilized tractors/tubewells loans**

Audit stated that six branches of ZTBL disbursed loans of Rs 17.542 million to 72 loanees for purchase of tractors and installation of tube wells during 1990 to 2001. These loans were declared misutilized on subsequent inspections. The management restricted its action only to serving of recall notices instead of proceeding in accordance with the provisions of Para 12.18 and 12.20 (i) (ii) (iii)

(iv) of ZTBL Credit Manual and section 25 (i) of ADBP's Ordinance 1961 which empowered the management to recover the entire loans as areas of Land Revenue. Resultantly a huge amount of Rs 23.746 million was outstanding against these loanees as on 30.04.2002.

The CE, ZTBL informed the Committee that mostly cases which were struck up related to the Balochistan branches i.e.

1. WADH BRANCH:
2. D.M.JAMALI BRANCH:
3. PHOOL NAGAR BRANCH:
4. MALAKWAL BRANCH:
5. JHAT PAT BRANCH:
6. DHADAR BRANCH:

The CE, ZTBL informed that most of the outstanding amount pertained to the Balochistan branches where recovery had been delayed as the area had been declared calamity. However, the bank is vigorously pursuing the recovery cases.

The Committee directed the CE, ZTBL to give up to-date progress report to the Committee, with copy to Audit within one-month.

DIRECTIVE

When the matter was taken up again on 2nd March, 2011 the Committee directed the PAO to submit a compliance report to audit and in case audit feels that the para needs to be referred back to the Committee the para would be re-considered. The above para was recommended for settlement subject to verification by Audit.

3.4 Para-138-Page-118-ARPS E-2001-02 **Non-recovery of seasonal loan amounting to Rs 7.480 million**

Audit stated that in ZTBL, Hala and Khanpur branches, loans amounting to Rs 5.683 million were disbursed to thirty three loanees on account of seasonal loan in 1991-2001. The loans were required to be recovered in lump sum after

harvesting and marketing the crops under para No. 7.3 (viii) of Credit Manual, but not a single paisa was recovered till 30.06.2002. Resultantly the outstanding amount stood at Rs 7.480 million on June 30, 2002. Chances of recovery are remote.

CE, ZTBL stated that 24 cases had been closed and 9 recovery cases were still pending. A sum of Rs. 5.4 million had been recovered in Hala branch and Rs. 8.3 million in Khanpur Branch of concerted efforts were being made for recovery the balance amount.

The Committee directed the CE, ZTBL to send a progress report regarding recovery to Audit within one month.

DIRECTIVE

When the matter was taken up again on 2nd March, 2011 the Committee directed the PAO to submit a compliance report to Audit and in case Audit feels that the para needs to be referred back to the Committee the para would be re-considered. The above para was recommended for settlement subject to verification by audit.

3.5 Para-139-Page-118-ARPSE-2001-02 Non-recovery of loan Rs 1.551 million due to disbursement against forged Documents

Audit pointed out that in ZTBL Daddar, a loan of Rs 907,000 was disbursed to Mr. M. Din Khan in 1996-97 for establishment of a poultry farm against housing properties of Mrs. Pakeeza Khatoon, Nazimabad, Karachi and poultry lease land of Mrs. Shakeel Fatima. The mortgage was executed through special power of attorney in favour of Mr. M. Din Khan but after about one year Mrs. Pakeeza Khatoon had lodged a complaint that she had not executed any power of attorney. A case was filed in the Banking Tribunal and a decree was passed in favour of Bank. However, the decree could not be executed because the

then Advocate/Manager had not mentioned the mortgaged residential house/poultry lease land in the recovery suit only Rs 20,000 had been recovered and a sum of Rs 1,550,911 was still outstanding as on 30.6.2000.

The CE, ZTBL informed the Committee that on the complaint of the lady borrower Ms. Pakeeza Khatoon an enquiry had been conducted and it had been established that Mr. M. Din Khan was her SPA duly identified by Mr. Zafar Mahmood, step-son of the complainant. FIA had referred the case to Banking Tribunal Karachi and the case was subjudice in the court of law.

The Committee directed the CE, ZTBL to pursue the case vigorously after obtaining necessary legal advice. Report on progress of action taken in this and other similar cases should be sent to the Committee through the DAC within one month.

DIRECTIVE

When the matter was taken up again on 2nd March, 2011 the Committee directed the PAO to submit a compliance report to Audit and in case Audit feels that the para needs to be referred back to the Committee the para would be re-considered. The above para was recommended for settlement subject to verification by audit.

SMALL AND MEDIUM ENTERPRIZE BANK

3.6 Para-143-Page-123-ARPSE-2001-02 **Non recovery of outstanding dues of Rs 14.564 million**

Audit pointed out that four branches of Small Business Finance Corporation (merged in SME Bank) disbursed loans of Rs 8.904 million to 49 loanees for setting up business during 1973 to 1996. The borrowers did not pay their liabilities even after the expiry of repayment period, and an amount of Rs 14.564 million stood recoverable as on 30.06.2001.

The CE, SME informed the Committee that the management had made concerted efforts to effect recoveries from the defaulting borrowers, including utilization of the provisions of the Land Revenue Act.

The Committee directed the management to vigorously pursue the cases and keep Audit informed about recovery progress on regular basis.

DIRECTIVE

When the matter was taken up again on 2nd March, 2011 the Committee directed the PAO to submit a compliance report to audit and in case audit feels that the para needs to be referred back to the Committee the para would be re-considered. The above para was recommended for settlement subject to verification by audit.

4. AUDIT REPORT PUBLIC SECTOR ENTERPRISES VOLUME-X-B ON THE ACCOUNTS OF FINANCE DIVISION FOR THE AUDIT YEAR 2001-02.

HOUSE BUILDING FINANCE CORPORATION (HBFC)

4.1 Para-95-(ARPSE-2001-02)-Page-80

Irregular investment of Rs. 10 million in private bank and non-recovery of profit of Rs. 4.278 million

Audit stated that HBFC made an investment of Rs. 10 million in Asset Investment Bank Limited @ 15% per annum for one year in September, 1996. The investment was made in violation of Finance Division's instructions, according to which surplus funds over and above the working capital would be invested in Federal Government Securities.

The Managing Director HBFC informed the Committee that the principal amount of Rs. 10 million had been recovered. As regards recovery of accrued profit of Rs. 4.2 million, the management had filed suit against Assets Investment

Bank Ltd. which had been decreed in favour of HBFC Ltd. Execution proceedings were initiated on 21-05-2010, and were continuing.

The Committee endorsed the recommendation of the DAC, and directed the management to vigorously pursue the recovery case and take disciplinary action against person(s) at fault. Report in this regard should be submitted to the Committee / Audit within one month.

DIRECTIVE

In an other meeting held on 2nd February, 2011 the Committee directed the PAO to submit a compliance report to the Monitoring and Compliance Committee of the PAC for further action.

INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN

4.2 **Para-103-(ARPSE-2001-02)-Page-85** **Loss of Rs 1,080.541 million due to loan cases written off**

Audit stated that IDBP wrote off a total sum of Rs 1,080.541 million during 2000-2001 in respect of 44 borrowers. Non-recovery of Bank's dues indicated inefficiency and slackness on the part of management who could not realize the bank's dues and eventually had to write off the same.

The MD, IDBP informed the Committee that out of the 44 cases, 9 cases involving an amount of Rs.930.099 million were taken over by CIRC on the lower of Forced Sales Value (FSV) or Net Book Value (NBV) in terms of relevant clauses of CIRC Ordinance. The remaining amount of write-off aggregating Rs 159.349 million pertaining to 35 cases were mostly settled under SBP Scheme (BPRD-29) or other settlement schemes launched by the Bank. The purpose of these settlements was to augment recovery, clean of non-performing loans of the bank and make IDBP a viable institution so that it can be financially restructured/privatized by the Government of Pakistan.

The Committee directed the PAO to fix responsibility on the person(s) responsible for bad appraisals of the loan leading to non-recovery or loss and send a report to the Committee on action taken within one month.

On 2nd March, 2011 Audit stated that report on the recovery or loss had to be submitted to the Committee which was still awaited.

The PAO stated that details had been provided and verified from audit only yesterday.

DIRECTIVE

The Committee recommended the para for settlement subject to verification of recovery by audit.

4.3 **Para-104-(ARPSE-2001-02)-Page-86** **Non-recovery of Rs 106.311 million from a borrower**

Audit stated that IDBP sanctioned a foreign currency loan of Rs 30.161 million for import of machinery and Rs 2.685 million as working capital on August 13, 1985 and June 30, 1988 respectively to M/s Bela Printing & Packages Corporation for establishing colour printing and packaging unit at Hub, Balochistan. The project was completed in December 1987 but the borrower could not operate the unit profitably at Hub and shifted the plant to F.B. Area, Karachi, in rented premises without permission of the Bank.

Audit further stated that since the repayment performance of the borrower was unsatisfactory, bank filed a suit in High Court of Sindh on March 31, 1991 for recovery of Rs 61.184 million. Later in August 1997 both parties arrived at an out-of-court settlement, according to which the borrower was required to pay Rs 47.00 million by disposing of project assets. But it once again failed to meet its contractual obligations. Resultantly the Bank approached the High Court on June 15, 1999 with a fresh suit for recovery of Rs 196.987 million, which was decreed

in its favour for an amount of Rs 121.612 million on February 16, 2001. Despite lapse of about one and half years, the bank could not realize the decreed amount.

The MD, IDBP informed the Committee that the project had been auctioned by the Honourable High Court Sindh and as per decision it's sale proceeds amounting to Rs.14.715 million (which is higher than the forced sale value) have been adjusted and settled under the SBP Scheme (BPRD-29).

The Committee passed the same directive as on Para No.103 (ARPSE-2001-02) and asked the PAO to fix responsibility on the person(s) responsible for bad appraisals leading to non-recovery or loss and to send a report to the Committee on action taken within one month.

In a meeting held on 2nd March, 2011 Audit stated that a report has been received by them only yesterday which is yet to be seen.

The PAO stated that as per directive the recovery has been made and got verified from audit.

DIRECTIVE

The Committee recommended the para for settlement subject to verification of recovery by audit.

4.4 **Para-105-(ARPSE-2001-02)-Page-87** **Loss of Rs 102.932 million due to non-recovery from a borrower**

Audit stated that IDBP sanctioned a sum of Rs 57.081 million to M/s Al Hayat Dairies during 1984-86 for purchase of machinery for establishing milk processing and packages plant at Sanghar, Sindh.

The project commenced operation in December 1987 but had been closed since July 1988. The borrowers could not pay the Bank's dues and resultantly IDBP filed a recovery suit on June 20, 1991 in the Sindh High Court, Karachi. The Court passed a decree of Rs 125.232 million in Bank's favour on April 02,

1993. The project was put to public auction several times but no suitable offer was received.

DIRECTIVE

The Committee clubbed this para also with previous Para Nos. 103 & 104 and directed that similar action be taken as on these Paras, with a report to the Committee within one month. The Committee recommended the para for settlement subject to verification of recovery by audit.

4.5 **Para-106-(ARPSE-2001-02)-Page-88**
Non-recovery of Rs 90.395 million from a borrower

Audit stated that IDBP sanctioned a loan of Rs 3.574 million on July 16, 1983 (which was subsequently enhanced to Rs 6.243 million on October 29, 1986) to M/s French Food Product for establishing a new bakery products manufacturing unit at Korangi, Karachi. Later in 1990 an additional loan of Rs 4.842 million was sanctioned in favour of the borrower.

The bank's engineer carried out an inspection of the project on December 05, 1991 during which certain items/machinery valuing Rs 1.204 million were found missing from the project site. In April 1995, the borrower informed that a theft had been committed at project site and certain machinery items had been removed, but no FIR was lodged by the client.

Audit pointed out that due to persistent default in repayment of its dues, the bank filed a suit in 1996 which was decreed in Bank's favour on December 07, 1998. However, the property documents obtained as collateral security were found fake.

The MD, IDBP further informed that Bank was making vigorous efforts for recovery of its dues through auction of project assets and the case had also been assigned to a tracer company for locating personal assets of guarantors.

The MD, IDBP explained that the investigation in respect of submission of fake documents had been completed and responsibility had been fixed. Criminal proceedings against the Director and the two employees found responsible had been initiated and were continuing. A sum of Rs.2.500 million had been retained out of the post retirement benefits of the two officers.

DIRECTIVE

The Committee directed the MD, IDBP to obtain legal advice and get the case expedited through the High Court. A progress report in this regard has to be submitted to the Committee and the Audit within one month. The Committee recommended the para for settlement subject to verification of recovery by audit.

4.6 **Para-108-(ARPSE-2001-02)-Page-90** **Non-recovery of Rs 42.375 million from a borrower**

Audit stated that IDBP sanctioned a loan of Rs 17.347 million during 1989-92 to M/s Tayyab Engineering for establishing auto part manufacturing unit in Balochistan.

The project commenced operation in May 1992 but has remained closed since October 1996. The borrower could not pay the Bank dues in time despite rescheduling/restructuring of its dues. In terms of revised arrangement the borrower had to make a lump-sum payment of Rs 21.816 million in full and final settlement of its outstanding liabilities of Rs 33.276 million as on June 30, 1997. Later the Rehabilitation and Settlement Committee allowed acceptance of lump-sum payment of Rs 20.911 million, in full and final settlement of entire outstanding liabilities by June 15, 2001. However, the borrower failed to liquidate above amount by the due date. Post-dated cheques deposited by it were dishonoured by the Allied Bank and Habib Bank. The total outstanding loan against the borrowers was Rs 42.375 million as on March 31, 2001.

MD, IDBP informed the Committee that the borrowers had approached the Bank for settlement of their loans under SBP Scheme (BPRD-29). The entire payment due under the said scheme had been received and the loan stands liquidated. The total amount recovered from the borrower was Rs.17.436 million against disbursement of Rs.14.374 million.

The PAO requested the Committee that the Ministry may be allowed some time to hold an inquiry, so that a report is submitted to the Committee regarding persons responsible for lapses / negligence in dealing with the case.

DIRECTIVE

Accepting the request of the PAO, the Committee directed the PAO to hold an inquiry and asked to submit a report to the Committee within one month.

In a meeting held on 2nd February, 2011 after hearing the PAO the Committee recommended the para for settlement subject to verification of recovery by Audit.

4.7 **Para-109-(ARPSE-2001-02)-Page-92**
Non recovery of Rs 32.106 million from M/S Hyderabad Beverages

Audit pointed out that IDBP (Hyderabad Branch) sanctioned a working capital loan of Rs 10.00 million to M/s. Hyderabad Beverages on September 8, 1992 for setting up a beverages unit at Mirpurkhas. However only a sum of Rs 9.00 million was disbursed in 1992. The project could not be operated and remained closed since 1993. As the borrowers failed to clear the bank's dues, the IDBP filed a recovery suit in 1994 in Sindh High Court Karachi. The case was compromised in terms of rescheduling package availed by Company in 1999 and their liability was fixed at Rs 23.864 million. However, the Company again committed default resulting in filing of petition against them in the Sindh High Court, Karachi for recovery of Rs 32.106 million as on May 15, 2000. The Court passed ad-interim attachment order in respect of the mortgaged properties on October 23, 2000. In pursuance of Court's order the official assignee prepared the

inventory and took over the possession of the project on March 15, 2001. However, but no progress regarding towards recovery had been reported thus far.

The MD, IDBP informed the Committee that upon introduction of the SBP scheme, the borrowers approached the bank in December 2002 for settlement under the scheme. Down payment of Rs.1.400 million was received by the Bank but due to subsequent default, the package was withdrawn and legal action was now continuing. The total outstanding amount was 17 million on 30th June, 2010.

The MD, IDBP further stated that ZTBL was the 1st charge holder over the project assets who and IDBP held 2nd charge. In addition to 2nd charge over project assets, against working capital loan, Bank holds a collateral security having FSV of Rs.14.930 million as on October 2002, assessed by PBA approved valuer.

In a meeting held on 2nd March, 2011 the Committee clubbed the Para with Para No.108 ARPSE- 2001-02 and directed that to submit a report to Audit . The Committee recommended the para for settlement subject to verification of recovery by Audit.

4.8 **Para-110-(ARPSE-2001-02)-Page-93**
Non-realization of decreed amount of Rs 31.158 million from a borrower

Audit stated that IDBP sanctioned a sum of Rs 15.453 million to M/s Auto Care Industries during 1986-89 for establishing an auto filter manufacturing unit at Karachi.

Audit further stated that due to borrower's default in repayment of bank dues, a suit was filed in the Sindh High Court, Karachi on August 31, 1991 for recovery of Rs 31.158 million. The court passed a decree in Bank's favour and interim attachment of property was made on April 08, 1992 for Rs 31.158 million. The attached property had not yet been auctioned. An extra sum of Rs 1.453

million had been incurred, on chowkidar's salaries, legal and other expenses since the award of decree, upto February, 2002.

MD, IDBP informed the Committee that the unit was set up at Nooriabad, District Dadu, Sindh during 1986-89 for production of various types of automobile filters. However, due to adverse law and order situation prevailing at that time the unit could not achieve the desired results and the borrowers had committed default.

In a meeting held on 2nd March, 2011 the Committee clubbed the decision on the Para with decisions on the Para No.108 of the Audit Report Public Sector Enterprises pertaining to the year 2001-02 and directed that a detailed report be submitted to the Committee, within one month. The Committee recommended the para for settlement subject to verification of recovery by Audit.

NATIONAL DEVELOPMENT FINANCE CORPORATION

4.9 **Para-123-(ARPSE-2001-02)-Page-106**
Non recovery of Rs 71.283 million against decreed amount

Audit pointed out that in NDFC the Court passed decree against five borrowers (two state-owned organizations and three private parties) for Rs 79.172 million during 1994-98. However, till December 31, 1999 only a sum of Rs 7.889 million could be recovered from them.

The PAO requested the Committee that the Ministry may be allowed some time to examine the entire case in DAC meeting.

DIRECTIVE

Accepting the request of the PAO, the Committee referred the para back to DAC and directed that a report in this regard should be submitted to the Monitoring and Implementation Committee of the PAC for further action.

The DAC recommended the following Audit Paras for settlement by the Special Committee.

EQUITY PARTICIPATION FUND

- i. **Para-91-(ARPSE-2001-02)-Page-77**

HOUSE BUILDING FINANCE CORPORATION

- ii. **Para-94-(ARPSE-2001-02)-Page-79**
iii. **Para-96-(ARPSE-2001-02)-Page-81**
Stuck up loans of Rs 4.005 million

INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN

- iv. **Para-101-(ARPSE-2001-02)-Page-84**
v. **Para-111-(ARPSE-2001-02)-Page-94**
Loss of Rs 25.334 million due to non-recovery of loan and theft of machinery
vi. **Para-112-(ARPSE-2001-02)-Page-95**
Non-recovery of Rs 15.971 million from a borrower
vii. **Para-114-(ARPSE-2001-02)-Page-97**
Non recovery of Rs 7.924 million from a borrower

PAKISTAN SECURITY PRINTING CORPORATION (PVT) LIMITED

- viii. **Para-125-(ARPSE-2001-02)-Page-109**

SUMMARY OF PARAS

Bankers Equity Limited (BEL)

- ix. **Para-89-(ARPSE-2001-02)**
Introductory para
x. **Para-90-(ARPSE-2001-02)**
Working results of the EPF for the year 2001-02 as compared to 2000-01

House Building Finance Corporation

- xi. **Para-92-(ARPSE-2001-02)**
Working results of the corporation for the year 2001 as compared to 2000
- xii. **Para-93-(ARPSE-2001-02)**
Bad debts increased to Rs.23,417 million during 2002 as compared to Rs.2,493 million during 2001

Industrial Development Bank of Pakistan

- xiii. **Para-97-(ARPSE-2001-02)**
Working results of the bank for the year 2001-02 as compared 2000-01
- xiv. **Para-98-(ARPSE-2001-02)**
The accumulated losses of bank rose by 11.29% from Rs.17,900.381 million to Rs.19,920.782 million during 2001-02 as compared to the previous year
- xv. **Para-99-(ARPSE-2001-02)**
Exchange loss of Rs.266.169 million during the year 2001-02 as compared to Rs.78,840 million of previous year
- xvi. **Para-100-(ARPSE-2001-02)**
Imprudent investment of Rs.156.523 million in shares (listed companies) and an amount of Rs.18.500 million in shares (unlisted companies)
- xvii. **Para-102-(ARPSE-2001-02)**
Provision of Rs.865.431 million made against non-performing loans and advances
- xviii. **Para-107-(ARPSE-2001-02)**
Expected loss of Rs.85.999 million due to non-recovery from a borrower
- xix. **Para-113-(ARPSE-2001-02)**
Non recovery of Rs.12.089 million from a borrower
- xx. **Para-115-(ARPSE-2001-02)**
Non recovery of R.3.104 million from a loanee
- xxi. **Para-116-(ARPSE-2001-02)**
Expected loss of Rs.2.328 million due to non recovery from a borrower
- xxii. **Para-117-(ARPSE-2001-02)**
Non realization of Rs.2.257 million from auction of the project

Investment Corporation of Pakistan

- xxiii. **Para-118-(ARPSE-2001-02)**
Introductory para
- xxiv. **Para-119-(ARPSE-2001-02)**
Working results of the corporation for the year 2001-02 as compared 2000-01

- xxv. **Para-120-(ARPSE-2001-02)**
Investment of the corporation in quoted shares reduced by 6.97% during the year 2001-02
- xxvi. **Para-121-(ARPSE-2001-02)**
Receivables stood at Rs.213.940 million as on 30-06-2002 against Rs.297.471 million on June 30, 2001

National Development Finance Corporation

- xxvii. **Para-122-(ARPSE-2001-02)**
Loss of Rs.179.828 million due to less recovery from M/s Chishtia Sugar Mills

Pakistan Security Printing Corporation (Pvt) Limited

- xxviii. **Para-124-(ARPSE-2001-02)**
Working results of the corporation for the year 2001-02 as compared to 2000-01
- xxix. **Para-126-(ARPSE-2001-02)**
Increase in provision for doubtful balances from Rs.26.940 million to Rs.28.593 million during 2001-02
- xxx. **Para-127-(ARPSE-2001-02)**
Additional expenditure of Rs.1.789 million incurred on accounts of auditor's remuneration

State Bank of Pakistan

- xxxi. **Para-128-(ARPSE-2001-02)**
Working results of SBP for the year 2001-02 as compared to 2000-01
- xxxii. **Para-129-(ARPSE-2001-02)**
Provision of Rs.5425.671 million on account of doubtful debts viz. loan and advances and diminution in the value of investment

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned thirty-two (32) Audit Para.

**MINISTRY OF FOOD, AGRICULTURE, LIVESTOCK
& DAIRY DEVELOPMENT**

1. OVERVIEW

Appropriation Accounts / Audit Reports / Audit Report Public Sector Enterprises & Special Audit Report for the year 2001-02 pertaining to the Ministry of Food, Agriculture, Livestock & Dairy Development were taken up for examination by Special Committee-II of the PAC in the meetings held on June 9th, 2010, July 14th, 2010, October 7th, 2010, December 28th, 2010 & January 27th, 2011 in Committee Room No.2, Parliament House Islamabad. Decisions taken are summarized below:

- 1.1** Six (06) grants and ten (10) Paras were reported by AGPR / Audit. Two (02) Paras of Audit Report on Public Sector Enterprises and Eleven (11) Paras on Special Audit Report were presented by Audit.
- 1.2** On presentation of grants the Committee observed that there should be a system in place which should monitor expenditures from budgetary grants which should ensure that whatever is allocated is utilized to the full and if there is shortage or excess and it should be seen whether re-appropriation is the solution or a supplementary grant would be required and if there is a saving then it should be surrendered in time.
- 1.3** While discussing grant No.129, the Committee observed that once the grant is printed in the pink book then even if it is not released the Ministry should have a formal surrendered order for future.
- 1.4** While discussing Para No.1.5 of Audit Report on the accounts of Fertilizer Procurement & Handling of the Ministry, the Committee directed the PAO to write a D.O. letter to the Chief Secretary, Agriculture Department Punjab and the

Secretary Ministry of Industries and Production, Islamabad for recoveries and also mention the serious concern of the PAC regarding these recoveries.

- 1.5 While discussing Para No.07 of Special Audit Report No.191 pertaining to the accounts of Pakistan Oilseed Development Board (PODB) the Committee directed the PAO to submit a report on the out come of the meeting with Audit and MD, PODB regarding agriculture research.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

- i. **GRANT NO.48-FOOD, AGRICULTURE AND LIVESTOCK DIVISIION**
Saving Rs. 1,038,086/-

The PAO informed the Committee that the saving was mainly due to notice for payment of contribution to NACA/IOTC which was not materialized through FAO well in time because Livestock Wing on 9th May, 2002 had demanded US \$40,293 equal to Pak. Rs.2,417,580 for payment to the said organization for the year 2000 and 2001 whereas the amount available was Rs.1,084,981. Therefore the payment could not be made for the cited period during financial year 2001-02.

DIRECTIVE

The Committee observed that there should be a system in place which should monitor expenditures from budgetary grants ensure that whatever is allocated is utilized to the full and if there is shortage or excess then it should be seen whether re-appropriation is the solution or a supplementary grant would be required and if there is a saving then it should be surrendered in time with these guidelines / observation the Committee recommended regularization of the grant.

ii. **GRANT NO.49- AGRICULTURE RESEARCH**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) 80,005,202	(-) 5,202	80,000,000

The PAO informed the Committee that supplementary grant of Rs.80,000,000 sanctioned by the Finance Division was subsequently withdrawn vide UO note No.918-FA(F&A)/2002 dated 08-06-2002.

DIRECTIVE

The Committee recommended regularization of the grant.

iii. **GRANT NO.51-OTHER EXPENDITURE OF FOOD, AGRICULTURE AND LIVESTOCK DIVISION**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) 80,005,202	(-) 5,202	9,882,375

The PAO informed the Committee that expenditure of Rs.2,317,545 related to the year 1999-2000 and Rs.7,565,830 related to the year 2000-01. After exclusion of said expenditure, the net excess decreased to Rs.4,272,317. This expenditure related to purchase of some of the aircraft parts and some pesticides during the year. The payment was not made within the same year and it had to be made the next year.

DIRECTIVE

The Committee recommended regularization of the grant with the direction that in future proper monitoring system should be exercised.

iv. **GRANT NO.110-CAPITAL OUTLAY ON PURCHASE OF FERTILIZER**
Saving Rs. 814,942,780/-

The PAO informed the Committee that the grant relates to the FID (Fertilizer Import Department) which was disband on 1st of July and the saving was mainly due to non- clearance of outstanding liabilities on account of Interest

charges, freight charges and storage charges and also due to non-import of fertilizer during the year 2001-02.

DIRECTIVE

The Committee recommended regularization of the grant.

v. **GRANT NO.128-DEVELOPMENT EXPENDITURE OF FOOD AGRICULTURE LIVESTOCK DIVISION**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) 22,249,030	(-) 162,250,030	140,001,000

The PAO informed the Committee that PSDP allocation of Rs.200 million was made during 2001-02 for Crop Maximization Project (CMP) (Sargodha Model). The project remains unapproved by the respective forum. Thus, the amount remains unutilized. Planning and Development Division in its mid year review, reduced the allocation of the project vide their letter No.4(1)/PS/PC/2002-03, dated 07-05-2002 to level of Rs.44 million. This revised allocation was again revised to the level of Rs.8 million vide Planning & Development Division O.M No.4(50-2)/Ps/PC/2001, dated 27-05-2002. This amount was re-appropriated towards CMP (Sargodha Model) was reduced to Nil. Hence no expenditure and no savings accrued.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that it should be timely surrendered.

vi. **GRANT NO.129-DEVELOPMENT EXPENDITURE OF AGRICULTURE RESEARCH**
Saving Rs. 12,002,000/-

The PAO informed the Committee that the saving of Rs. 12,000,000 was not released by MINFAL/ GOP vide their U.O No.F.1-17/2001-ARW, dated 03-07-2002 which was reconciled with the Audit.

DIRECTIVE

The Committee recommended regularization of the grant with the direction to the PAO that once the grant is printed in the pink book then even if it is not released the Ministry should have a formal surrendered order for future.

3. AUDIT REPORT ON THE ACCOUNTS OF HANDLING OF WHEAT & PORT OPERATIONAL EXPENDITURE OF MINISTRY OF FOOD AND AGRICULTURE FOR THE AUDIT YEAR 2001-02.

- i. **PARA 1.1 (PAGE-23) AR-2001-02**
LOSS OF Rs. 1.289 MILLION DUE TO ACCEPTANCE OF 350 UNSERVICEABLE TARPAULINS
- ii. **PARA 1.2 (PAGE-24) AR-2001-02**
NON-RETRIEVAL OF 780 SERVICEABLE TARPAULINS BY THE CARGO HANDLING CONTRACTOR (CHC) VALUING Rs 3.057 MILLION

The PAO informed the Committee that the amount had been recovered in the above-mentioned two (02) Paras and the Ministry would provide the relevant record to the Audit for verification.

DIRECTIVE

The Committee recommended the above-mentioned Paras for settlement subject to verification of recovery by Audit.

4. AUDIT REPORT ON THE ACCOUNTS OF FERTILIZER PORCUREMENT & HANDLING OF MINISTRY OF FOOD AND AGRICULTURE FOR THE AUDIT YEAR 2001-02.

4.1 PARA 1.1 (PAGE-11) AR-2001-02
LOSS DUE TO SLOW DISCHARGE OF FERTILIZER, DEMURRAGE CHARGES OF US \$ 2275 AND NON-EARNING OF DISPATCH MONEY OF US \$ 112,513.88 AND NON-IMPOSITION OF PENALTY OF RS 13389

The PAO informed the Committee that the Ministry would provide the relevant record to Audit for verification.

DIRECTIVE

The Committee recommended the Para for settlement subject to the verification by Audit.

4.2 PARA 1.2 (PAGE-12) AR-2001-02
LOSS DUE TO PURCHASE OF (TSP) FERTILIZER AT HIGHER RATES, NON RECOVERY OF LIQUIDATED DAMAGES AND INCURRANCE OF RENT CHARGES US \$ 0.733 MILLION (US\$ 260,250 + 472,869.50) AND PAK RS 13.792 MILLION

The PAO informed the Committee that for tender of import of 100,000 tons TSP during 1998, 12 parties took part and the offers. The offer of 1st & 2nd lowest suppliers namely M/s ANZ /Shandong for 25,000 tons @ \$182.16 (Bulk) per ton and MIs Trade Liner for 50,000 tons \$ 182.75 (bulk) per ton both on C&F (FO) basis, contained some discrepancies, which were rectified by them. Thus competent authority decided to purchase TSP from 1st & 2nd lowest bidders.

The PAO further informed that since the suppliers delayed the shipment and were liable to pay L/D therefore, a Show Cause Notice was served as required under Clause 23 of the relevant contract and Clause 58, 59 and 60 of the tender conditions. In response they furnished proof of Force Majeure issued by China Council for Promotion of International Trade, Yunnan Sub-council. According to that certificate, some inland roads/rails transport had got affected and situation

would improve hopefully within the two weeks. Therefore, they were informed that the certificate (proof) does not cover delayed beyond 22.10.98 and they were liable to pay L/D. It was decided by the Competent Authority to recover the claim of L/D etc. by encashment of their Performance Bond. The claim for encashment of P/Bond to the concerned Bank was lodged. The Suppliers filed a Suit and obtained stay order from Sindh High Court, Karachi. The case is still subjudice.

The government has not suffered any loss due to purchase of TSP from 1st & 2nd lowest bidders and shift the cargo to hired godowns. Moreover it is stated that recovery of L/D amount, the case is still subjudice.

DIRECTIVE

The Committee directed the PAO to see that relevant Rules are observed and interest of the government is vouchsafed.

4.3 **PARA 1.5 (PAGE-15) AR-2001-02**
NON-RECOVERY OF GOVERNMENT DUES OF Rs 125.93 MILLION -
LOSS ON ACCOUNT OF INTEREST CHARGES FOR ONE YEAR Rs 20.15
MILLION

The PAO informed the Committee that the latest status of the recoveries was outstanding. Therefore, the Ministry may be allowed two months for recovery.

The latest status of the outstanding recoveries is as under:

Recoveries on account of Fertilizer

Name of Agency	Outstanding amount	Recovered	Balance Outstanding
NFML	84,336,328	13,829,098	70,507,230
FFC	12,886,300	12,886,300	-
Engro	15,377,307	13,560,711	1,816,596
DCL	116,550	46,265	70,285

Recoveries on account of MACHINERY

JBL	429,507	438,570	9,063
Millat Trac	1,159,209	786,628	390,581
PAD & SC	6,804,921	-	6,804,921
PCCC	4,827,507	-	4,827,507
	125,937,629	41,529,572	84,408,057

On July, 2010, the Committee pended the Para and directed the PAO that it should be impressed upon all the Companies that there should be no reasons why the Government dues are struck up.

The Committee further directed the PAO to make every effort to effect recovery and send a final report to the Committee in two months.

When the matter was taken up again on 27th January, 2011, the PAO informed the Committee that there were 4 to 5 organizations which had to pay their dues. The Ministry had issued D.O. letters to the Secretary, Agriculture Department Punjab and the Secretary Ministry of Industries and Production, Islamabad for recoveries.

DIRECTIVE

The Committee directed the PAO to write a D.O. letter to the Chief Secretary, Agriculture Department Punjab and the Secretary Ministry of Industries and Production, Islamabad for recoveries and also mention the serious concern of the PAC that these recoveries should be made. A recovery report has to be submitted to the Monitoring and Implementation Committee of the PAC for further action.

4.4 **PARA 1.6 (PAGE-16) AR-2001-02**
LOSS DUE TO DELAY IN DISPOSAL OF UREA FERTILIZER – Rs 324.414
MILLION

The PAO informed the Committee that the Ministry was conducting an inquiry through J.S.(Food) on the issue and the report would be submitted in two months time.

When the matter was taken up on 8th July, 2010, the Committee directed the PAO to submit a report to the Committee within two months time.

When the matter was taken up again on 27th January, 2011, the PAO informed the Committee that there were 4 to 5 organizations which had to pay their dues. The Ministry had issued D.O. letters to the Secretary, Agriculture Department Punjab and the Secretary Ministry of Industries and Production, Islamabad for recoveries.

DIRECTIVE

The Committee directed the PAO to provide a separate list of findings of the report to the Committee and Audit.

- i. **PARA 1.3 (PAGE-14) AR-2001-02**
NON IMPOSITION OF PENALTY ON THE STEVEDORE FOR
BREACH OF HANDLING CONTRACT – Rs 0.05 MILLION
- ii. **PARA 1.4 (PAGE-14) AR-2001-02**
IRREGULAR RE-APPROPRIATION OF FUNDS FROM INCIDENTAL
CHARGES TO ADMINISTRATIVE BUDGET Rs 0.960 MILLION

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned two (02) Audit Paras.

5. SPECIAL AUDIT REPORT No.191 ON THE ACCOUNTS OF PAKISTAN OILSEED DEVELOPMENT BOARD (PODB) MINISTRY OF FOOD AND AGRICULTURE FOR THE YEAR 1999-2001.

5.1 PARA-2 (PAGE-4) FIXATION OF PAY AND ALLOWANCES OF EMPLOYEES OF PAKISTAN OILSEED DEVELOPMENT BOARD WITHOUT APPROVAL OF FINANCE DIVISION

Audit stated that upon the establishment of Pakistan Oilseed Development Board (PODB) the staff of Seed Division of Ghee Corporation of Pakistan (SDGCP) was absorbed in PODB. The employees of Seed Division of GCP were drawing pay and allowances according to scales of the Corporation, therefore, fixation of their pay was required to be carried out with concurrence of Finance Division because of difference between pay scales adopted by GCP and pay scales of Government employees. It was observed that pay of staff was fixed without obtaining approval of Finance Division.

On 27th January, 2011, the PAO informed the Committee that the case had been referred to Finance Division.

DIRECTIVE

The Committee directed the Finance Division to expedite the case and decide according to Rules.

5.2 PARA- 4 (PAGE No.6) NON-RECOVERY OF RS. 9.557 MILLION FROM PROVINCIAL DIRECTORS OF BALUCHISTAN AND NWFP ON ACCOUNT OF SUPPLY OF SEEDS

The Managing Director informed that as far as NWFP was concerned 100% recovery had been made.

The PAO further informed that the Ministry would provide a copy of ECC's decision to the Audit.

On 8th July, 2010, the Committee directed the PAO to provide the requisite record of recovery from Khyber Pukhtoon Khawa to the audit. Report on the decision of ECC has to provided to the Committee in one month.

When the Para came up again on 27th January, 2011, the PAO informed the Committee that the summary of the case had been referred to ECC

Representative Finance Division informed the Committee that summary had been referred back to the Ministry as the amount was too small for regularization.

The MD informed the Committee that the amount relating to the Khyber Pukhtoon Khawa had been recovered and deposited in Government Treasury and verified by Audit.

The MD further informed that for the amount relating to the Province of Balochistan, a summary had been sent to ECC.

DIRECTIVE

The Committee directed the PAO to follow the Rules for regularization and any amount which is recovered should be deposited into government treasury. A report has to be submitted to the Committee within one week.

5.3 **PARA-6 (PAGE-10)** **RECONCILIATION OF CDS FUND OF Rs. 402.962 MILLION**

Audit stated that PODB collects Cess Fund @ Rs. 0.05 per kg on imported edible oil through Pakistan Customs. Ministry of Finance also levied regulatory duty @ 10% of the duty collected on import of oil seeds for crushing. Up to the close of financial year 2000-01 receipt of Rs. 402.962 million had been credited into Cess fund.

Audit observed that reconciliation was carried out on the basis of figure reported by custom authorities without any regard to the total import bill / quantity due to which exact figure of Cess and Regulatory duty collection cannot be ascertained. This practice was a violation of Para 3 (c) of new system of financial control and budgeting which states that the Principal Accounting Officer was responsible to ensure that the accounts of receipt were being maintained properly and reconciled on monthly basis.

The PAO informed the Committee that the Ministry had provided the concerned statement to the DG's office and it had been reconciled.

The Committee recommended the Para for settlement subject to verification by Audit.

When the matter was taken up again on 27th January, 2011, the PAO informed the Committee that this was relating to the Cess Fund @ Rs. 0.05 per kg on imported edible oil through Pakistan Customs. As per decision of the DAC the Ministry would reconcile collection of Cess Fund with Custom Department and report would be submitted to the Committee after reconciliation with Pakistan Customs.

DIRECTIVE

The Committee directed the PAO to submit a report on reconciliation regarding collection of Cess Fund with Custom Department, Karachi and produce a copy to Audit for verification within one month

((This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

5.4 **PARA-7 (PAGE-12)**
FAILURE TO ACHIEVE TARGETS OF TISSUE CULTURE LABORATORY
DUE TO ILL-PLANNING

Audit stated that Pakistan Oilseed Development Board (PODB) envisaged a plan to develop disease free and high yielding local hybrid seed and Oil palm plants. According to the plan, a Tissue Culture Laboratory was to be set up at Islamabad at Tarlai on 10 acres of cultivatable land for a period of 5 years extendable to 10 years in which 700,000 seedlings of palm oil were to be produced and distributed to growers of private farms in Sindh and Baluchistan which will yield 18,667 tons of edible oil every year. A satellite sub-station was also to be established at Thatta at a cost of Rs. 18.370 million and seedlings were to be developed in nurseries on government land at Thatta in Sindh Province.

Audit further stated that in DAC meeting, it had been acknowledged that nothing worthwhile had been achieved on this account and it also came to notice that the Tissue Culture Laboratory was shifted to Karachi without the approval of CDWP who had approved the PC-1 for establishment of the laboratory at Islamabad. Therefore, no serious efforts were made to establish and make operational the laboratory at Islamabad which had been shifted to Karachi without revision of PC-1 by the CWDP.

The PAO informed the Committee that the PC-I of Palm Oil Project had proposed the establishment of tissue culture laboratory at Islamabad and the tissue culture laboratory was one of the components of palm oil Development Pilot Project.

The PAO further informed that the purpose of establishment of tissue culture laboratory at Islamabad was to get benefit of expertise from Pakistan Agriculture Research Council (PARC), which had well established tissue culture laboratory at NARC.

The PAO further explained that in 2000 the competent authority at PO DB decided to shift the laboratory to Karachi. Now the laboratory has been shifted to Karachi where it was operational. The major portion of the amount of Rs.3.3 million was spent on purchase of equipments/chemicals and development of infrastructure of Tissue Culture Laboratory.

The PAO further informed the Committee that the mill was now operational and a complete report on its performance would be provided within one month's time.

The Committee directed the PAO to send a comprehensive report on proceedings of the Board regarding shifting of tissue culture laboratory to Karachi. The Committee also directed Audit to examine the accounts of the laboratory and the Mill.

The Committee also desired that the above report should outline the future plans for expansion and policy outline of the mill. A report has to be submitted within one month.

When the para came up again on 27th January, 2011, the PAO informed the Committee that a copy of the report had been provided to Audit and the Ministry would also get guidelines from Audit relating to agriculture research.

DIRECTIVE

The Committee directed the PAO to submit a report on the out come of the meeting with Audit and MD, PO DB regarding agriculture research. The Committee recommended the para for settlement subject to verification of report on proceedings of the Board by Audit.

5.5 **PARA-8 (PAGE-13)**
NON-DRAWL OF INTEREST AMOUNTING TO Rs.0.268 MILLION

The PAO informed the Committee that the Prudential Commercial Bank Limited, Islamabad was requested for the balance payment of markup of Rs. 267,500/-. The bank had informed that the outstanding profit relates to the moratorium period of 180 days, which was imposed on the Prudential Commercial Bank Limited by the Government of Pakistan on the request of State Bank of Pakistan. They had regretted to accede to the request of PODB for disbursement of profit for the respective period in the light of the decision of the bank management.

The PAO further informed that the bank authorities were again approached by PODB at personal level stressing for recovery of balance markup. It was assured that this claim would be placed in the Board's meeting. However, no fruitful result came out.

The PAO further explained that the issue had already been investigated to fix responsibility for investing the money in the Prudential Commercial Bank Limited and disciplinary action against the then Managing Director, PODB had been initiated and it had been agreed by the Finance to keep money in the Prudential Commercial Bank Limited, which had been shown to the Audit.

DIRECTIVE

The Committee recommended the Para for settlement subject to verification of the record by the Audit and the Finance Division.

5.6 **PARA-9 (PAGE-14)**
UN-AUTHORIZED OPERATION OF BANK ACCOUNTS

The PAO informed the Committee that the Ministry would provide the relevant record to the Audit.

DIRECTIVE

The Committee directed the PAO to provide the requisite documents to the Audit. The Para was recommended for settlement subject to verification by Audit.

5.7 **PARA-10 (PAGE-16)**
UN-AUTHORIZED EXPENDITURE OF Rs. 82 MILLION INCURRED BY PROVINCIAL DIRECTORS AND REGIONAL MANAGERS WITHOUT DELEGATION OF FINANCIAL POWERS

Audit stated that during period 1999-2001 Provincial Directorates and Regional managers of PO DB incurred expenditure to the tune of Rs. 82.0 million without delegation of financial powers in violation of Rule 9 of GFR Volume-1 which states that no authority can incur any expenditure until the powers had been delegated in this behalf. Furthermore, financial powers of subordinate authorities were required to be regulated by separate schedule of powers framed with concurrence of Ministry of Finance as per Rule 40 of GFR Vol-1 which had not been done.

The PAO informed the Committee that the Organization would provide the relevant documents to Audit.

The Committee directed the PAO to provide the relevant documents to the Audit.

When the matter was taken up again on 27th January, 2011, the PAO informed the Committee that the Board of Governor of PO DB was yet to be convened.

DIRECTIVE

The Committee directed the PAO to submit a report on the decision taken in BOD meeting within one month failing which the matter would be taken up by the Monitoring and Implementation Committee of the PAC for further action.

5.8 **PARA-11 (PAGE-17)**

IRREGULAR SANCTION AND NON-UTILIZATION OF FUNDS AMOUNTING TO Rs. 9.809 MILLION MADE AVAILABLE TO SINDH COMPONENT OF OIL PALM DEVELOPMENT PROJECT FOR IMPORT OF SEEDLINGS

Audit stated that PODB Headquarter, Islamabad released funds amounting to Rs. 9.809 million on 19th June, 2000 to Provincial Directorate PODB, Karachi for Import of 200,000 palm oil seedlings, duties and taxes @ 35% , Polythene bags, Fertilizer & Pesticides, Sandl silt and daily paid labour (skilled & unskilled).

Audit observed that above transfer of funds was made for prearrangement for import of seedlings, for which an agreement was likely to be made in June, 2000. No information was made available to Audit which could establish whether agreement for import of oil palm seedlings from Malaysia was made and L / C was established by the Provincial Directorate, PODB, Karachi. Moreover, the expenditure in question was sanctioned by Senior Director, PODB who was not competent to sanction such expenditure as all financial powers rest with Managing Director, PODB.

The PAO informed the Committee that the Ministry had provided the relevant documentation to the DG Audit.

The Committee directed the MD to provide the relevant record to Audit and recommended settlement of the para.

On 27th January, 2011, MD, PODB informed the Committee that the adjustment vouchers had been provided to Provincial Directorate PODB, Karachi

DIRECTIVE

The Committee recommended the Para for settlement subject to the verification by audit. A report has to be submitted to the Committee within one week.

- i. **PARA-1 (PAGE-3)**
DECLARATION OF STATUS OF PAKISTAN OILSEED DEVELOPMENT BOARD
- ii. **PARA-3 (PAGE-5)**
NON-RECOVERY OF LOSS OF RS 0.456 MILLION DUE TO THEFT OF A VEHICLE
- iii. **PARA-5 (PAGE-9)**
NON DEPOSIT OF RECOVERY OF RS. 3.354 MILLION ON ACCOUNT OF MOTOR CYCLE INSTALLMENTS INTO THE CESS FUND

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned three (03) Audit Paras.

6. AUDIT REPORT PUBLIC SECTOR ENTERPRISES MINISTRY OF LIVESTOCK & DAIRY DEVELOPMENT FOR THE YEAR 2001-2002.

The DAC recommended the following Audit Paras for settlement by the Special Committee.

KORANGI FISHERIES HARBOUR AUTHORITY

- i. **Para-150-(ARPSE-2001-02)-Page-133**
- ii. **Para-151-(ARPSE-2001-02)-Page-133**

DIRECTIVE

On 14th July, 2010, the Committee endorsed the recommendations of the DAC for settlement of the above-mentioned two (02) Audit Paras.

MINISTRY OF FOREIGN AFFAIRS

1. OVERVIEW

Appropriation Accounts / Audit Reports / Audit Reports Public Sector Enterprises for the year 2001-02 pertaining to the Ministry of Foreign Affairs were discussed by Special Committee of the PAC in Committee room No. 2 Parliament House Islamabad on July 12th, 2010, October 19th 2010, December 28th, 2010, & February 2nd, 2011. Decisions taken are summarized below:

- 1.1 Three (03) grants and twenty-five (25) Paras were reported by AGPR / Audit.
- 1.2 On presentation of the grants, the Committee recommended regularization of the grants.
- 1.3 While discussing Para No.1.1 pertaining to Pakistani Missions Abroad the Committee directed the PAO to pursue the criminal proceedings in order to make recoveries.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT No.52-M/O FOREIGN AFFAIRS (HEADQUARTERS) **Saving Rs. 61,984,692/-**

Audit pointed out that the saving (19.61% of the final grant). An amount of Rs. 1,353,441 was surrendered resulting in net saving of Rs. 61,984,692 (19.19%).

The PAO informed the Committee that the Ministry would to look into the existing financial system in vogue in the Ministry.

The Committee observed that since it pertains to the years 2001-02 the relevant person(s) must be still available. The Committee directed to take

necessary disciplinary action against those employees who have exhibited criminal negligence and send a report to the Committee in one month.

DIRECTIVE

On 19th October, 2010, the Committee recommended regularization of the grant.

ii. **GRANT No. 53-FOREIGN AFFAIRS (MISSIONS)**
Saving Rs. 25,192,136/-

Audit pointed out that the grant closed with the saving (0.8% of the final grant). A supplementary grant of Rs. 1,000 was sanctioned but could not included in the Supplementary Schedule of Authorized Expenditure. After taking this into the account the saving shall be increased by Rs. 1,000 to Rs. 25,193,136 (0.80%).

The Committee clubbed the grant with grant No.52 of the Appropriation Accounts pertaining to the year 2001-02.

DIRECTIVE

On 19th October, 2010, the Committee recommended regularization of the grant.

iii. **GRANT No.54-OTHER EXPENDITURE OF FOREIGN AFFAIRS DIVISION**

CHARGED
Excess Rs. 10,662,828/-

Audit pointed that in charged portion there was an excess of Rs. 10,662,828 which was 92.72% of the final grant.

The PAO informed the Committee that the excess expenditure of Rs. 10,662,828 was incurred on the President / Chief Executive's visits abroad which was more than the expected budget estimate.

The Committee clubbed the decision on grant with the decisions of the grant No.52 & Grant No.53 of the Appropriation Accounts pertaining to the year 2001-02 and asked for a detailed report to be submitted to Audit which would be taken up again.

When the grant was taken up for consideration again on 19th October, 2010, the PAO informed the Committee that the excess expenditure of Rs. 10,662,828 was incurred on the President / Chief Executive's visits abroad which was more than the expected budget estimate.

DIRECTIVE

The Committee recommended regularization of the grant.

OTHER THAN CHARGED

Saving Rs. 53,829,782/-

Audit pointed out that in the other than charged, the grant closed with the saving of Rs. 220,545,782 (17.39% of the final grant). An amount of Rs. 166,716,000 was surrendered, resulting in net saving of Rs.53,829,782 which works out to 4.24% of the final grant.

The PAO informed the Committee that the saving of Rs. 20,040,904 was due to non-payment of Pakistan's share to United Nations and other international / regional organization because of non-receipt of demands and also a saving of Rs. 19,283,561 was due to less expenditure than expected.

The Committee directed the PAO to explain in writing to Audit as to why Rs. 53,829,782 was not surrendered in time and regularized the grant subject to satisfaction of Audit. The Audit will be then report back after one month's time.

DIRECTIVE

On 19th October, 2010, the Committee recommended regularization of the grant.

3. AUDIT REPORT ON THE ACCOUNTS OF MINISTRY OF FOREIGN AFFAIRS AND PAKISTAN MISSIONS ABROAD MINISTRY OF FOREIGN AFFAIRS FOR THE AUDIT YEAR 2001-02.

- i. **PARA-1.5 (Page 7) AR- 2001-02**
OVERPAYMENT OF PAY & ALLOWANCES AND NON-RECOVERY THEREOF RS. 0.032 MILLION
- ii. **PARA-1.6 (PAGE-7) AR-2001-02.**
NON-RECOVERY OF TA/DA ADVANCE-RS 1.067 MILLION
- iii. **PARA- 2.1.1 (PAGE-8) AR- 2001-02**
IRREGULAR PAYMENT OF TRANSPORTATION CHARGES-RS.0.775 MILLION
- iv. **PARA- 2.1.2 (PAGE-9) AR- 2001-02**
IRREGULAR PAYMENT OF TRANSPORTATION CHARGES-RS. 2.454 MILLION
- v. **PARA- 2.1.4 (PAGE-10) AR- 2001-02**
IRREGULAR PAYMENT OF DA FOR OVERLAPPING PERIOD-RS 0.072 MILLION
- vi. **PARA- 2.1.5 (PAGE-8) AR- 2001-02**
IRREGULAR/EXCESS PAYMENT ON ACCOUNT OF DA AND INCIDENTAL CHARGES RS 1.463 MILLION
- vii. **PARA- 2.2.1 (PAGE-11) AR- 2001-02**
IRREGULAR EXPENDITURE ON ACCOUNT OF PURCHASE OF VEHICLES-RS 2.033 MILLION
- viii. **PARA- 2.2.2 (PAGE-12) AR- 2001-02**
IRREGULAR EXPENDITURE WITHOUT APPROVAL OF COMPETENT AUTHORITY RS 19.416 MILLION
- ix. **PARA- 2.2.3 (PAGE-12) AR- 2001-02**
IRREGULAR EXPENDITURE ON PURCHASE OF AIR CONDITIONERS-RS. 0.487 MILLION
- x. **PARA- 2.2.4 (PAGE-13) AR- 2001-02**
IRREGULAR PAYMENT ON ACCOUNT OF LODGING OF AN ATTENDANT-RS. 0.034 MILLION
- xi. **PARA- 2.2.5 (PAGE-13) AR- 2001-02**
INADMISSIBLE PAYMENT ON ACCOUNT OF MEDICAL CHARGES-RS. 6.972 MILLION

- xii. PARA- 2.2.6 (PAGE-14) AR- 2001-02
LEVY OF LATE PAYMENT SURCHARGE DUE TO NEGLIGENCE-
RS. 0.218 MILLION
- xiii. PARA- 2.2.7 (PAGE-14) AR- 2001-02
EXPENDITURE IN EXCESS OF BUDGET GRANT-RS. 1.012
MILLION
- xiv. PARA- 2.2.9 (PAGE-16) AR- 2001-02
IRREGULAR EXPENDITURE ON HIRING TRANSPORT-RS. 0.937
MILLION
- xv. PARA- 3.1 (PAGE-17) AR- 2001-02
NON-ADJUSTMENT OF ADVANCES-RS 3.312 MILLION
- xvi. PARA- 3.4 (PAGE-20) AR- 2001-02
MISSING VISA STICKER VALUING RS. 33.560 MILLION
- xvii. PARA- 3.5 (PAGE-35) AR- 2001-02
IRREGULAR PAYMENT OF MEDICAL ADVANCE AND NON-
RECOVERY THEREOF RS. 0.330 MILLION

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned seventeen (17) Audit Paras.

3.1 PARA-1.1 (PAGE-3) AR 2001-02 **OUTSTANDING GOVERNMENT DUES - RS. 9.181 MILLION.**

Audit explained that the Para related to recovery of advances from officers / officials who were leaving service. An amount of Rs. 0.203 million had been settled / regularized and remaining amount of Rs. 8.978 million was still outstanding.

The Committee directed the PAO to expedite recovery / regularization and to submit a report to the Committee within two months.

When the Para was taken up for consideration again on 19th October, 2010, the PAO informed the Committee that in this Para out of total 09 sub-paras, 07 Paras had been settled and 2 sub-paras remain to be settled.

The PAO further informed that in two cases concerned persons were removed from service under Government Efficiency Discipline Rules.

The Committee directed the PAO that an effort should be made to recover the amount and only in rare cases where the Ministry feels that no action can be taken, it should initiate a case for a write off to the competent authority.

When the Para came up again for consideration on 28th December, 2010, the PAO informed the Committee that FIR had been lodged against Mr. Ali Mardan Rahoojo (amount outstanding against him was Rs. 4.04 million) as well as removed him from service and Mr. Shahid Hussain was also removed from service and an amount of Rs. 5.472 million had to be recovered for which the Ministry was making vigorous efforts for recovery of the remaining outstanding amount.

The Committee directed the PAO to contact the concerned Inspector General Police personally in this case and submit a report to the Committee within one month.

When the matter was taken up for consideration again on 2nd February, 2011, the PAO informed the Committee that the case had been taken up with Inspector General Police and FIR had been registered against the people and the Ministry was pursuing the case vigorously.

DIRECTIVE

The Committee directed the PAO to pursue the criminal proceedings. A report on recovery position has to be submitted to the Committee within one month.

3.2 **PARA-1.2 (PAGE-4) AR 2001-02**
NON-RECOVERY OF HBA, MCA AND MOTORCYCLE ADVANCE-RS.
2.07 MILLION

Audit informed the Committee that an amount of Rs. 0.507 million had been settled and the remaining amount of Rs. 1.563 million was still outstanding.

The Committee directed the PAO to expedite recovery / regularization and furnish a report to the Committee within two months.

On 19th October, 2010, accepted the request of the Audit, the Committee directed the Audit to discuss the above-mention Audit Para in the DAC meeting in which efforts should be made for full recoveries and the Committee will take up those again in its next meeting.

DIRECTIVE

When the Para was taken up for consideration again on 28th December, 2010, the Committee endorsed the recommendations of the DAC for settlement of the above-mention Audit Para.

3.3 **PARA-1.3 (PAGE-5) AR 2001-02** **NON-RECOVERY OF UTILITY CHARGES-RS. 0.764 MILLION**

Audit pointed out that the Para related to recovery of utility charges from officers / staff in Beijing and Headquarters.

The PAO informed the Committee that in 1966 facility of free electricity was given to the Ambassador, officers and staff in Beijing due to extreme weather in that city. The PAO further stated that the said facility is under review.

The Committee directed the PAO to expedite recovery of the charges from the concerned officers / officials. The Ministry should also take policy decision regarding the special facility for Beijing Mission. Report should be sent to the Committee within one month.

When the matter was taken up again on 19th October, 2010, the PAO informed the Committee that in 1966 facility of free electricity was given to the Ambassador, officers and staff in Beijing due to extreme weather in that city. The PAO further stated that as per directive by the PAC the matter was reviewed. There were two aspects one was heating and Beijing MPC complex had a central

heating unit and there was no way to apportion the money to the officers in terms of heating charges. As for as electricity is concerned in first circular it had been mentioned that meters for lighting and heating had been installed and the users were paying full electricity charges.

The Committee directed the PAO to move the case for concurrence of the Finance Division.

On 28th December, 2010, the PAO informed the Committee that the Ministry had given several reminders on this issue.

The DFA Foreign Affairs informed the Committee that they had received a letter from the Finance Division with the direction that the matter should be discussed in the DAC.

The Committee referred the Para back to DAC and directed the Finance Division to make sure that concerned officer of regulation wing attends that meeting. The Committee directed to submit a report within one month.

When the Para came up for consideration again on 2nd February, 2011, the PAO informed the Committee that Inter Departmental Committee meeting of Finance Division, Audit & Chief Account Officer would be held on 11th of February, 2011. The out come of the meeting would be submitted to the Committee.

DIRECTIVE

The Committee directed the PAO to submit a report on the IDC meeting within two weeks to the Committee.

3.4 **PARA-1.4 (PAGE-6) AR 2001-02**
NON-RECOVERY OF TELEPHONE CHARGES-RS. 0.887 MILLION

Audit stated that a sum of Rs. 887,273 was recoverable from various officers on accounts of payment of telephone charges in excess of entitlement. An amount of Rs. 848,360/- was still outstanding.

The Committee directed the PAO to expedite recovery / regularization and report to the Committee in two months.

On 19th October, 2010, accepted the request of the Audit, the Committee directed the Audit to discuss the above-mention Audit Para in the DAC meeting in which efforts should be made for full recoveries and the Committee will take up those again in its next meeting.

On 28th December, 2010, When the para was taken up again by the Committee, the PAO informed the Committee that the Ministry had recovery had been made from 3 officers and the Ministry had written to the other concerned Departments for recovery or regularization. An amount of Rs. 365,455/- was still outstanding.

The Committee directed the PAO to make recovery of the balance amount and submit a report to the Committee within one month.

DIRECTIVE

When the matter was taken up for consideration again on 2nd February, 2011, the Committee endorsed the recommendations of the DAC for settlement of the above-mentioned Audit Para.

3.5 **PARA-2.1.3 (PAGE-9) AR 2001-02**
IRREGULAR PAYMENT OF HOTEL AND DIET CHARGES ON TOUR
ABROAD-RS 0.901 MILLION

Audit explained that the amount related to payment off hotel charges to an officer who was a state guest on the Pakistan Mission, London.

The PAO informed the Committee that the Ministry would move the Finance Division for regularization and submit a report to the Committee within one month.

The Committee directed the PAO to either effect recovery or have the amount regularized by the Finance Division and submit a report to the Committee within one month.

DIRECTIVE

When the Para came up for consideration again on 19th October, 2010, the Committee endorsed the recommendations of the DAC for settlement of the above-mentioned Audit Para.

3.6 **PARA-2.2.8 (PAGE-15) AR 2001-02**
IRREGULAR PAYMENT OF HOUSE RENT ALLOWANCE TO THOSE IN
POSSESSION OF GOVERNMENT ACCOMMODATION -RS. 0.445
MILLION

Audit explained that House Rent Allowance had been paid to officers / officials regarding in government accommodation, which was irregular. Some amount had been recovered / settled. Remaining amount of Rs. 307,942 should be recovered.

The PAO informed the Committee that the Ministry would review each individual case and disciplinary action would be taken where required against those involved in the irregularity.

The Committee directed the PAO to effect recovery immediately and take disciplinary action against the person(s) responsible. A report in this regard is to be sent to the Committee within one month.

On 19th October, 2010, while accepting the request of the Audit, the Committee directed the PAO to discuss the above-mentioned Para in the DAC meeting in which efforts should be made to effect full recoveries and the Committee will take up those again in its next meeting.

DIRECTIVE

As the matter remained unresolved when the Special Committee met again on 28th December, 2010, the Committee endorsed the recommendations of the DAC for settlement of the above-mentioned Audit Para subject to remaining recovery of Rs. 15,066/-.

3.7 PARA-3.2 (PAGE- 17) AR 2001-02)

NON-ADJUSTMENT OF ADVANCES MADE TO OTHER DEPARTMENTS RS. 92.547 MILLION.

Audit informed the Committee that an amount of Rs. 0.125 million had been settled and the remaining amount of Rs. 92.422 million was still outstanding.

The PAO stated that most of the expenditure had since been adjusted / settled and the Ministry would reconcile figures with Foreign Audit.

The Committee referred the Para back to DAC and directed the PAO to provide the relevant record to Audit for verification. Report should be submitted within one-month.

When the Para was taken up for consideration again on 19th October, 2010, accepted the request of the Audit, the Committee directed the Audit to discuss the above-mention Audit Para in the DAC meeting in which efforts should

be made for full recoveries and the Committee will take up those again in its next meeting.

On 28th December, 2010, the PAO stated that the most of the expenditure had since been adjusted / settled but the details of the other Institute in terms of actual expenditure which was alleged point made by the Audit. But the Ministry difficulty was that despite their request / efforts that sort of detail was not available to them.

The Committee observed that this was a systemic issue and vouched account have to be provided to audit. The Committee further observed that this was responsibility of the PAO to make a reference in this regard with a copy to audit and the PAC Secretariat. The PAO should ensure that record is made available.

When the matter was taken up for consideration again on 2nd February, 2011, the PAO informed the Committee that out of total amount of Rs. 92.547 million, an amount of Rs. 74.935 million had been verified and only an amount of Rs. 17.612 was outstanding for which the Ministry was pursuing vigorously.

DIRECTIVE

The Committee directed the PAO to submit a regular progress report on recovery to Audit, with these observations the Committee recommended the Para for settlement.

3.8 **PARA- 3.3 (PAGE- 18) AR 2001-02**
NON-ADJUSTMENT OF ADVANCES MADE TO INDIVIDUALS-RS. 17.443
MILLION

Audit stated that the Para related to adjustment of TA / DA advancing to individuals. An amount of Rs. 6.271 million had been recovered and remaining amount of Rs. 11.172 million was still outstanding.

The Committee directed the PAO to send notices to all the concerned and recover the outstanding amount forthwith. Compliance report in this regard should be submitted to the Committee within one month.

On 19th October, 2010, while accepting the request of the Audit, the Committee directed the Audit to discuss the above-mentioned Audit Para in the DAC meeting in which efforts should be made for full recoveries and the Committee will take up those again in its next meeting.

When the matter was taken up for consideration again on 28th December, 2010, the PAO informed the Committee that only an amount had been recovered / in process of recovery from the Ministry of Foreign Affairs and outstanding balance of Rs. 2.00 million had to be recovered which was related to other Departments for which the Ministry was making vigorous efforts for recovery of the remaining outstanding amount.

The Committee observed that this was a systemic issue and vouched account have to be provided to audit. The Committee further observed that this was responsibility of the PAO to make a reference in this regard with a copy to Audit and the PAC Secretariat. The PAO should make sure that record is made available.

As the matter remained unresolved when the Special Committee met again on 2nd February, 2011, the PAO informed the Committee that an amount of Rs. 14.478 million had been verified and only an amount of Rs. 2.965 million was outstanding for which the Ministry was pursuing vigorously.

DIRECTIVE

The Committee directed the PAO to submit a regular progress report on recovery to Audit, with these observations the Committee recommended the para for settlement.

MINISTRY OF HEALTH

1. OVERVIEW

Appropriation Accounts for the year 2001-02 pertaining to Ministry of Health were taken up for examination by Special Committee-II of the PAC in the meetings held on June 29th, 2010, October 5th, 2010 & December 9th, 2010 in Committee Room No.2, Parliament House Islamabad. Decisions taken are summarized below:

- 1.1 Four (04) grants and were reported by AGPR.
- 1.2 On presentation of grants the Committee observed that huge supplementary grants had been obtained but substantial savings had occurred, all of which had not been surrendered in time. Indeed funds were being surrendered within days of the supplementary grants, which reflected poor financial management.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO. 55- HEALTH DIVISION

Saving Rs. 730,981/-

A.G.P.R. pointed out that after accounting for supplementary grant of Rs. 706,000 the grant closed with a saving of Rs. 4,794,381 (5.18% of the total grant). An amount of Rs.4,063,400 was surrendered leaving a net saving of Rs.730,981(0.79%).

The PAO explained that the savings were due to lower than anticipated expenditure under various heads / projects, including utility bills repair and maintenance expenses etc.

DIRECTIVE

The Committee observed that:-

1. Keeping in view apparent savings, supplementary grant should have been avoided.
2. Entire saving should have been surrendered in time.

The Committee recommended regularization of the grant with the direction that the PAO should ensure improved financial management in the Ministry in future.

ii. **GRANT NO. 56- MEDICAL SERVICES:**
Saving Rs. 657,005/-

A.G.P.R. pointed out that the grant closed with a saving of Rs. 746,005 (0.05% of the total grant). An amount of Rs.98,000 was surrendered leaving a net saving to Rs.657,005 (0.044%).

DIRECTIVE

The Committee recommended regularization of the grant with the observation that the entire saving should have been surrendered.

iii. **GRANT NO. 57- PUBLIC HEALTH**
Saving Rs. 983,310/-

A.G.P.R. pointed out that the grant closed with a saving of Rs. 1,008,910 (0.87% of the total grant). An amount of Rs.25,600 was surrendered leaving a net saving of Rs.983,310(0.85%).

DIRECTIVE

The Committee recommended regularization of the grant with the direction that in future the Ministry should ensure that the entire savings (if any) should be surrendered in time.

iv. **GRANT NO. 130- DEVELOPMENT EXPENDITURE OF HEALTH DIVISION**

Saving Rs. 336,818,540/-

A.G.P.R. pointed out that after taking into account two supplementary grants totaling Rs. 1,545,602,000, the grant closed with a saving of Rs.1,459,540 (36.85% of the total grant). An amount of Rs.1,267,342,600 was surrendered leaving a net saving to Rs.192,066,940.

The PAO requested that the grant may be referred back to the DAC for detailed scrutiny.

The Committee observed that huge supplementary grants had been obtained but substantial savings had occurred, all of which had not been surrendered in time. Indeed funds were being surrendered within days of the supplementary grants, which reflected poor financial management.

The Committee referred the grant to the DAC for detailed scrutiny of the reasons for the savings and recommendation for improvement of the financial management systems. Report should be submitted to the Committee within one month.

DIRECTIVE

In another meeting held on 5th October, 2010 the Committee asked the PAO to submit a compliance report on the directive of Special Committee given in the last meeting. A report has to be submitted to Monitoring & Implementation Committee of the PAC for further action.

MINISTRY OF HOUSING & WORKS

1. OVERVIEW

Appropriation Accounts / Audit Reports of Federal Government & Performance Audit Report for the year 2001-02 pertaining to the Ministry of Housing & Works were taken up for examination by Special Committee-II of the PAC in the meetings held on June 28th 2010, July 27th 2010, November 3rd 2010, December 28th, 2010 & February 1st 2011. Decisions taken are summarized below:

- 1.1** Five (05) grants and thirty six (36) Paras were reported by AGPR / Audit.
- 1.2** On presentation of grant No.59 the Committee observed that financial Rules and Regulations should be strictly followed and development grant should be utilized in a timely manner. The Committee directed the Ministry to strengthen its internal accounting and financial systems so as to ensure that there is no excess / saving in future.
- 1.3** While discussing grant No.153, the Committee directed the Finance Division to examine the record and report to the Committee as to the reasons for non-approval of the Ministry's request for adjustment, to enable it to pay the WAPDA dues.
- 1.4** While discussing Para No1.2 on sag-allowance the Committee directed that sag-allowance shall not be sanctioned in future and prescribed Rules have to be observed.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO.58- HOUSING AND WORKS DIVISION.

Saving Rs. 125,559/-

A.G.P.R. pointed out that the grant closed with a saving of Rs. 3,816,559 (13.48 % of the total grant). An amount of Rs. 3,691,000 was surrendered leaving a net saving of Rs. 125,559.

The PAO informed the Committee that the saving was due to abolition of sub heads i.e. Personal Allowance, Adhoc Relief and cost of Living Allowances as a result of introduction of new pay scales and because the grant of honoraria remained under process.

DIRECTIVE

After hearing the explanation of the PAO and examining the record, the Committee recommended regularization of the saving in the grant.

ii. GRANT NO.60- ESTATE OFFICES.

Saving Rs.1,085,744/-

A.G.P.R. pointed out that the grant closed with a saving of Rs. 1,085,744 (0.10 % of the total grant).

The PAO informed the Committee that this saving was due to revision of pay scales.

DIRECTIVE

The Committee recommended regularization of the grant.

iii. GRANT NO.59- CIVIL WORKS.

Saving Rs. 691,374/-(Charged), Rs.12,741,990/-(Other than Charged)

A.G.P.R. pointed out that the grant includes establishment budget for the regular employees of the department and maintenance budget for office/

residential buildings of the Federal Government. In addition, the expenditures on annual/special repair, utilities charges of these building are met from this grant. The Department also maintains V.I.P. buildings such as Prime Minister's House, Prime Minister's Secretariat and State Guest House etc. This grant contains two parts i.e. Charged and Other Than Charged.

The PAO informed the Committee that the "Charged" part pertains to President's Secretariat, Islamabad. As regards the "Other than Charged" part, the concerned Executive Engineers Pak. PWD responsible for the saving / lapse of funds had been issued written warning to be careful in future.

DIRECTIVE

The Committee recommended regularization of the savings in the grant with the direction that financial Rules and Regulations should be strictly followed and the development grant should be utilized in a timely manner. The Ministry should strengthen its internal accounting and financial systems so as to ensure that there is no excess /saving in future.

iv. **GRANT NO.61- FEDERAL LODGES.**
Excess / Saving Rs. 2,606,892/-

A.G.P.R. pointed out that the department is also responsible for the maintenance and running of Federal Lodges all over the country. During the financial year 2001-2002 sixteen Federal Lodges located at Islamabad / Rawalpindi, Lahore, Quetta, Karachi and Peshawar were maintained by the Department.

The PAO informed the Committee that saving in grant was proposed for surrender and obtaining of equal amount against technical supplementary grant on 11-05-2002 for clearance of WAPDA dues but the proposal was not agreed till the close of financial year.

DIRECTIVE

The Committee recommended regularization of the grant.

vii. **GRANT NO.153- CAPITAL OUTLAY ON CIVIL WORKS**
Excess/Saving Rs. 62,106,334/-(Other than Charged).

A.G.P.R. pointed out that this grant was specially meant for original works financed through ADP of the Works Division. In addition to Housing & Physical Planning Section, Development Schemes of other Ministries / Division are also included in this grant.

The PAO informed the Committee that out of total saving of Rs. 62.106 (M), a major amount of Rs. 49.851 (M) was proposed for surrender on 18th June, 2002 for obtaining equal amount through technical supplementary grant for clearance of Karachi Water & Sewerage Board and WAPDA dues but the proposal in question was not approved by the competent authority till the close of the financial year. However, the concerned Executive Engineers Pak. PWD responsible for saving / lapse of funds had been issued warning to be careful in future.

DIRECTIVE

The Committee directed the Finance Division to examine the record and report to the Committee as to the reasons for non-approval of the Ministry's request for adjustment, to enable it to pay WAPDA dues. Finance Division should submit a report in this regard to the Committee and the Audit within one week. The Committee recommended regularization of the grant.

3. AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE ACCOUNTS OF MINISTRY OF HOUSING AND WORKS FOR THE AUDIT YEAR 2001-02.

3.1 PARA-152 (PAGE-137) ARPSE-2001-02 NATIONAL CONSTRUCTION LIMITED

DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the above-mentioned Audit Para.

4. AUDIT REPORT ON THE ACCOUNTS OF MINISTRY OF HOUSING AND WORKS (PAKISTAN PUBLIC WORKS DEPARTMENT) FOR THE AUDIT YEAR 2001-02.

4.1 Para No. 1.2 Page-10-AR-2001-02 Overpayment of Rs. 0.312 million due to wrong Calculation

Audit stated that according to Para 220 of Central Public Works Accounts Code, before the bill of a contractor was prepared the entries in the measurement book should be scrutinized by the Sub-Divisional Officer and the calculations of “contents of area” should be checked arithmetically. Stores and Workshop Division, Karachi made/allowed payments on the basis of incorrect calculations and allowed sag allowance @ 5% for overhead lines. Non-compliance with the codal rules resulted in overpayment of Rs. 0.312 million.

The PAO informed the Committee in accordance with recommendations of the DAC; necessary correction had been made in the measurement book. Measurements entries had been accepted and verified by Audit and the dismantling material had been verified.

As regards sag-allowance, this was inbuilt in the item rate but its measurement was recorded separately. The Ministry would provide relevant record to Audit for verification.

On 3rd November, 2010, the Committee directed the PAO to discuss this para in DAC at technical level and get the record verified by Audit.

DIRECTIVE

On 1st February, 2011 on the assurance of the PAO that sag-allowance shall not be sanctioned in future and codal rules will be observed, the Committee recommended the Para for settlement subject to verification of the record by Audit.

4.2 **Para No. 2.4 Page 17-A.R. 2001-2002**
Non-Recovery of Rs. 0.173 Million Due to Defective Work of Original Contractor

Audit pointed that according to Clause 21 of the agreement, the contractor shall be responsible for rectifying defects noticed within one year of completion of road work. Clause 3-C of the contract provides execution of the work at the risk and cost of the original contractor.

Contrary to the above-mentioned provision, Central Civil Division III, Islamabad got defective work of one contractor rectified through another contract under Clause 3- C, but recovery of the amount involved was not made from the original contractor, resulting in non-recovery of Rs. 0.173 million.

The PAO informed the Committee that according to inquiry report submitted by Mr. P.A Jumani, Superintending Engineer, on 04.03.2003 the following officers were found responsible for causing loss to government:-

Muhammad Mushtaq	Executive Engineer
Soni Khan	Asstt .Executive Engineer
Muhammad Nawaz Mohal	Sub. Engineer

Disciplinary action had been taken against them.

The PAO also stated that an amount of Rs. 14,500/- on account of difference in premium had been recovered from the original contractor whose

work was not according to Pak PWD specifications and the relevant record had been verified by Audit.

DIRECTIVE

The Committee recommended the Para for settlement.

4.3 **PARA-3.3 (PAGE-20) AR 2001-02**
WASTEFUL EXPENDITURE OF Rs. 3.646 MILLION DUE TO NEGLIGENCE
AND NON-FUNCTIONAL FIRE ALARM SYSTEM

Audit pointed out that according to the General Financial Rules (Vol-I) any serious loss of immovable property, such as building etc. caused by fire, flood or any other natural cause, should be reported at once by the Departmental Officer to the Head of the department and by the latter to the government, after full inquiry as to the causes and extent of the loss.

Audit stated that contrary to above, Project Electrical / Mechanical Division, Islamabad, could not submit a detailed report of fire eruption and huge loss of the public property to the head of Department (and latter to government) due to negligence and non-functional Fire Alarm system and automatic smoke detection system. This had resulted in loss of Rs.3.646 million to Government.

The PAO informed the Committee that the scheme for providing and installing Fire Alarm System in a number of government owned buildings including Shaheed-e-Millat Secretariat (SMS) was undertaken in 1996-1997 but remained incomplete due to non-allocation of funds. As a result, the system was not fully functional at the time of the un-fortunate fire incident on 15.01.2002. Inquiry into the causes of fire incident was carried out by the Chief Executive's Inspection Commission. Report was submitted to Prime Minister's Secretariat but the findings / recommendations were not made public.

The PAO further informed the Committee that when the fire incident occurred after working hours in the top floors which were being used by the Ministry of Interior (FIA, Special Cell's).

The Committee directed the PAO to ascertain facts from the Chairman Prime Minister's Inspection team, in respect of this Para, particularly as to whether any responsibility had been fixed for the loss and report back to the Committee in the next meeting relating to the Ministry.

The PAO requested that the Ministry be allowed some time to resolve the Audit Para in DAC meeting.

Accepting the request of the PAO, the Committee directed the PAO to discuss the above Para in the next DAC meeting and report back to the Committee within one month.

DIRECTIVE

The Committee observed that since no record was available with the Prime Minister's Inspection Team and the report prepared by them can not be made available to Audit, hence the Para is recommended for settlement.

4.4 **Para No. 3.5 Page 22-A.R. 2001-2002**
Less Recovery of Rs. 0.100 Million Due to Auction of costly Material at lesser Rate

Audit stated that according to Para 228 (a) of Central Public Works Accounts Code, Secured Advance on the security of material brought would be allowed at 75% of the assessed value of material.

Contrary to the above, Central Civil Division-II, Islamabad allowed Secured Advance to a contractor against the steel brought at the site at higher rates than the prevailing market rates, with the result that material taken over by the department due to failure of contractor was auctioned at much lesser rates. It

reflected absence of systematic control and financial indiscipline and non-observation of rules and procedures, resulting loss of Rs.0.100 million.

The PAO informed the Committee that Mr. Qaiser Abbas, Executive Engineer had conducted fact-finding inquiry and submitted his report on 25.02.2003. The report concluded that due due to the negligence of the following officers e government had to sustain loss :

- | | | |
|------|-----------------------|------------------------------|
| i) | Muhammad Mushtaq Sh. | Executive Engineer |
| ii) | Zahid Ullah Khan | Assistant Executive Engineer |
| iii) | Soni Khan Gondal | Assistant Executive Engineer |
| iv) | Khalid Mehmood Nasir. | Sub.Engg. |
| v) | Saeed Akhtar | Divisional Accounts Officer |

The PAO stated that the officer responsible for granting secured advance on higher rates had been terminated and a sum of Rs 1.6 (million) had also been recovered by NAB through plea bargain.

The Committee directed the PAO to provide the requisite record along with the termination of officials proved guilty and proceed in accordance with the Rules.

On 3rd November, 2010 the PAO informed the Committee that the Ministry is trying hard to get record from NAB.

The Committee directed the PAO to write to NAB asking for details for recovery of 16 lacs. A report has to be submitted to the Committee within one month.

On the 28th December, 2010 the PAO told the Committee that record shall be soon made available after getting it from NAB.

The Committee directed the PAO to depute some officer in order to follow up the case with NAB and asked to send a compliance report to the Committee within two weeks.

On 1st February, 2011 the PAO informed the Committee that the requisite record had been obtained from NAB.

DIRECTIVE

The Committee recommended the Para for settlement subject to verification and provision of requisite record to Audit, including report on the disciplinary action taken against persons found responsible.

- i. **PARA NO. 4.1 (PAGE 23) AR-2001-02**
UN-AUTHORIZED RELEASE OF SECURITY DEPOSITS OF RS. 2.660 MILLION FOR INCOMPLETE WORKS
- ii. **PARA NO. 4.3 (PAGE 25) AR-2001-02**
UN-AUTHENTIC PAYMENT OF RS. 0.573 MILLION ON ACCOUNT OF NON-EXECUTION / DETAILED MEASUREMENT OF WORKS

DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the above-mentioned TWO (2) Audit Paras.

The PAO requested that the Ministry be allowed some time to resolve the following nineteen (19) Audit Paras in DAC meeting.

- i. **PARA-1.1 (PAGE-9) AR 2001-02**
OVER PAYMENT OF Rs. 2.90 MILLION DUE TO EXCESSIVE RATES AND MEASUREMENT
- ii. **PARA-1.2 (PAGE-10) AR 2001-02**
OVER PAYMENT OF Rs. 0.312 MILLION DUE TO WRONG CALCULATION
- iii. **PARA-1.3 (PAGE-11) AR 2001-02**
OVER PAYMENT OF Rs. 0.110 MILLION DUE TO EXECUTION OF INADMISSIBLE ITEM
- iv. **PARA-1.4 (PAGE-12) AR 2001-02**
OVER PAYMENT OF Rs. 0.090 MILLION DUE TO NON-OBSERVANCE OF SPECIFICATION OF ESTIMATE / AGREEMENT
- v. **PARA-1.5 (PAGE-13) AR 2001-02**
OVER PAYMENT OF Rs. 0.143 MILLION DUE TO EXECUTIVE OF INADMISSIBLE ITEM

- vi. PARA-2.1 (PAGE-14) AR 2001-02
LESS RECOVERY OF INCOME Rs. 0.084 MILLION DUE TO APPLICATION OF INCORRECT RATE
- vii. PARA-2.2 (PAGE-15) AR 2001-02
NON-RECOVERY OF UTILITY CHARGES Rs. 219.788 MILLION.
- viii. PARA-2.3 (PAGE-16) AR 2001-02
NON-RECOVERY OF RENT Rs. 0.519 MILLION FROM TENANTS
- ix. PARA-2.4 (PAGE-17) AR 2001-02
NON-RECOVERY OF Rs. 0.173 MILLION DUE TO DEFECTIVE WORK OF ORIGINAL CONTRACTOR
- x. PARA-3.1 (PAGE-17) AR 2001-02
PAYMENT OF Rs. 4.505 MILLION FOR SUBSTANDARD WORK
- xi. PARA-3.2 (PAGE-19) AR 2001-02
NON-RECOVERY OF RISK AND COST Rs. 3.884 MILLION
- xii. PARA-3.3 (PAGE-20) AR 2001-02
WASTEFUL EXPENDITURE OF Rs. 3.646 MILLION DUE TO NEGLIGENCE AND NON-FUNCTIONAL FIRE ALARM SYSTEM
- xiii. PARA-3.4 (PAGE-21) AR 2001-02
LOSS OF Rs. 1.654 MILLION DUE TO NON-RECOVERY OF SECURED ADVANCE
- xv. PARA-4.2 (PAGE-24) AR 2001-02
OVER PAYMENT OF Rs. 2.280 MILLION DUE TO EXECUTION OF EXTRA / SUBSTITUTE ITEMS
- xvi. PARA-4.4 (PAGE-26) AR 2001-02
IRREGULAR PAYMENT OF Rs. 0.418 MILLION MADE BEYOND THE SCOPE OF ESTIMATE
- xvii. PARA-4.5 (PAGE-27) AR 2001-02
IRREGULAR PAYMENT OF Rs. 0.218 MILLION DUE TO EXECUTION OF WORK WITHOUT CALLING OPEN TENDER
- xviii. PARA-5.1 (PAGE-28) AR 2001-02
OVER PAYMENT OF Rs. 0.672 MILLION DUE TO SUBSTITUTION OF CHEAPER ITEM INTO COSTLY ONE
- xix. PARA-5.2 (PAGE-29) AR 2001-02
UN-AUTHORIZED PAYMENT OF Rs. 0.114 MILLION DUE TO CHANGE OF SCOPE OF WORK / DESIGN

DIRECTIVE

Accepting the request of the PAO, the Committee directed the PAO to discuss the above Paras in the next DAC meeting and submit a report to the Committee within one month.

((This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.))

5. AUDIT REPORT ON THE ACCOUNTS OF MINISTRY OF HOUSING AND WORKS (ESTATE WING OF ESTATE OFFICE) FOR THE AUDIT YEAR 2001-02.

The representative of the Auditor General requested that the Audit department be allowed some time to resolve the following ELEVEN (11) Audit Paras in DAC meeting.

- i. **PARA-1 (PAGE-5) AR 2001-02**
NON-RECONCILIATION OF EXPENDITURE OF Rs. 1,224,004 MILLION WITH STATE BANK OF PAKISTAN / FEDERAL TREASURY OFFICE
- ii. **PARA-2 (PAGE-6) AR 2001-02**
NON-TRANSPARENT ALLOTMENT OF DIFFERENT CATEGORIES OF HOUSES MADE BY MINISTRY OF HOUSING AND WORKS.
- iii. **PARA-3 (PAGE-7) AR 2001-02**
UN-AUTHORIZED OCCUPATION OF GOVERNMENT HOUSES BY I.C.T. POLICE STAFF / NON-DEDUCTION OF HOUSE RENT AMOUNTING TO Rs. 9,379/- MILLION.
- iv. **PARA-4 (PAGE-8) AR 2001-02**
ALLOTMENT OF GOVERNMENT / REQUISITIONED HOUSES TO WORK CHARGE STAFF OF PAK PWD
- v. **PARA-5 (PAGE-9) AR 2001-02**
LOSS OF Rs. 0.913 MILLION ON ACCOUNT OF RENT OF HOUSES ALLOTTED IN VIOLATION OF RULES
- vi. **PARA-6 (PAGE-10) AR 2001-02**
LOSS OF Rs. 3.162 MILLION ON ACCOUNT OF ALLOTMENT OF EXCESS SPACE ON HIRING OF 3RD FLOOR, RAFI PLAZA, G-7/1 FOR CUSTOM, CENTRAL EXCISE AND SALES TAX APPELLATE TRIBUNAL, ISLAMABAD
- vii. **PARA-7 (PAGE-11) AR 2001-02**
LOSS OF Rs. 0.454 MILLION AND ACCOUNT OF PAYMENT OF RENT AND UTILITY BILLS OF HOUSE NO. 167, F-11/4, ISLAMABAD
- viii. **PARA-8 (PAGE-12) AR 2001-02**
UN-AUTHORIZED PAYMENT OF Rs. 20,387/- TO A CHARGE NURSE OF PIMS, ISLAMABAD

- ix. **PARA-9 (PAGE-13) AR 2001-02**
IRREGULAR MAINTENANCE OF PLA AND PAYMENT OF Rs. 10.058 MILLION ON ACCOUNT OF RENT OF RESIDENTIAL / COMMERCIAL BUILDINGS
- x. **PARA-10 (PAGE-14) AR 2001-02**
UN-AUTHORIZED MAINTENANCE OF “REVOLVING FUND” BY THE ESTATE OFFICE, ISLAMABAD-LOSS OF Rs. 0.851 MILLION
- xi. **PARA-11 (PAGE-15) AR 2001-02**
UN-AUTHORIZED MAINTENANCE OF GENERAL WAITING LIST (GWL) FROM THE DATE OF APPOINTMENT OF FEDERAL GOVERNMENT SERVANTS

DIRECTIVE

Accepting the request of the Auditor General, the Committee directed the Audit department to discuss the above Paras in the next DAC meeting within one month.

((This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

MINISTRY OF INDUSTRIES & PRODUCTION

1. OVERVIEW

Appropriation Accounts / Audit Reports / Audit Report Public Sector Enterprises for the year 2001-02 pertaining to the Ministry of Industries and Production were discussed by the Special Committee-II of the PAC on August 17th 2010, December 21st, 2010 & March 2nd, 2011 in Committee Room No.2, Parliament House Islamabad. Decisions taken are summarized below:

- 1.1** Six (06) grants and five (05) Paras were reported by AGPR / Audit. Ninety-nine (99) Paras of Audit Report on Public Sector Enterprises and one Performance Evaluation Report on Heavy Electrical Complex (HEC) Haripur containing 28 paras were presented by Audit.
- 1.2** On presentation of grant No.154 the Committee observed that the amount of the saving was nearly the same as the supplementary grant and the saving had not been surrendered, all of which reflected poor financial management.
- 1.3** While discussing Para No.296 regarding State Engineering Corporation (Pvt) Ltd, the Committee directed the PAO to send a summary of ten years operational results of the Corporation and also indicate details of accumulated loss and evaluate the future policy of State Engineering Corporation.
- 1.4** While discussing Performance Evaluation Report on Heavy Electrical Complex (HEC) the Committee endorsed the recommendations of the DAC for settlement of the twenty-eight (28) Performance Audit Paras.

I. APPROPRIATION ACCOUNTS (CIVIL) VOL-1 2001-2002

i. GRANT NO.62-INDUSTRIES AND PRODUCTION DIVISION

Saving Rs. 109,209/-

AGPR pointed out that the grant closed with a saving of Rs.1,782,209 (3.35% of the total grant). An amount of Rs.1,673,000(3.14%) was surrendered leaving net saving of Rs.109,209(0.21%).

The PAO explained that the saving was based on actual calculations pertaining to various sub heads.

DIRECTIVE

The Committee recommended regularization of the grant.

ii. GRANT NO.63-DEPARTMENT OF INVESTMENT PROMOTION AND SUPPLIES

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Excess	(+)20,843	(-)162,157	183,000

AGPR pointed out that after taking into account supplementary grant of Rest. 2,469,000 the grant closed with a saving of Rs. 162,157 (0.63% of the total grant).

The PAO informed the Committee that the saving was due to vacant post of Director Supplies and non utilization of funds Honoraria and Medical Charges.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that the saving should have been surrendered in time.

iii. **GRANT NO.64-OTHER EXPENDITURE OF INDUSTRIES AND PRODUCTION DIVISION.**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Excess	(+) 8,769,892	(-) 9,424,108	18,194,000

AGPR pointed out that after accounting for supplementary grant of Rs 119,613,000 the grant closed with a saving of Rs. 9,708,108 (4.75% of the total grant). An amount of Rs.284,000 was surrendered increasing net saving of Rs. 9,424,108.

The PAO informed the Committee that the saving was mainly due to reduction in the expenditure of SMEDA, Lahore as the amount was not utilized and lapsed on 30-06-2002.

DIRECTIVE

The Committee recommended regularization of the grant, with the observation that the entire saving should have been surrendered in time.

iv. **GRANT NO.111-CAPITAL OUTLAY ON MISCELLANEOUS STORES**
Saving Rs. 105,469/-

AGPR pointed out that the grant closed with a saving of Rs.105,469 (5.06% of the total grant).

The PAO informed the Committee that the saving was kept for payment of electricity charges but the bill was not received from the owner.

DIRECTIVE

The Committee recommended regularization of the grant.

v. **GRANT NO.154-CAPITAL OUTLAY ON INDUSTRIAL DEVELOPMENT.**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(+) 56,087,143	(-) 75,912,857	132,000,000

AGPR pointed out that after taking into account supplementary grant of Rs 1132,000 the grant closed with a saving of Rs. 127,012,857 (25.60% of the total grant). An amount of Rs.51,100,000 was surrendered, leaving net saving Rs. 75,912.

The PAO explained to the Committee that the saving was mainly due to delay in import of machinery from Japan for ITAC, Lahore.

DIRECTIVE

The Committee observed that the amount of the saving was nearly the same as the supplementary grant. Moreover the saving had not been surrendered, all of which reflected poor financial management. The Committee recommended regularization of the grant with the direction that in future financial management systems must be improved.

vi. **GRANT NO.65-BOARD OF INVESTMENT**
Saving Rs. 260,689/-

AGPR pointed out that the grant closed with a saving of Rs.28,052,689 (31.16% of the total grant). An amount of Rs.27,792,000 (30.87%) was surrendered leaving net saving of Rs.260,689 (0.28%).

The PAO informed the Committee that the saving was mainly due to non-utilization of funds for printing of Investment Guides, publicity and advertisement on occasion of SAARC publication.

DIRECTIVE

The Committee recommended regularization of the grant.

3. **AUDIT REPORT ON THE ACCOUNTS OF MINISTRY OF INDUSTRIES & PRODUCTION FOR THE AUDIT YEAR 2001-02**

The DAC recommended the following Audit Paras for settlement by the Special Committee.

- i. **Para-1.1 (Page-3)**
Irregular Award of Contract Amounting to Rs 7.291 million on 100% Advance Payment Basis
- ii. **Para-1.4 (Page-5)**
Loss due to non-imposition of liquidated damages due to late replacement of woolen jersey valuing Rs 0.047 million
- iii. **Para-1.5 (Page-6)**
Irregular release of inspection note without complete inspection of stores valuing Rs 7.154 million

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned three (03) Audit Paras.

The PAO informed the Committee that the requisite record of the following mentioned Audit Para would be provided to audit.

- 3.1 **Para-1.2-Page-3-2001-02**
Loss of Rs 0.222 million due to Purchase of Sub-standard blankets at Exorbitant Rates

DIRECTIVE

The Committee endorsed the recommendations of the DAC and recommended settlement of the para subject to verification of the record by Audit.

3.2 **Para-1.3-Page-4-2001-02**
Irregular Purchase of Paper Valuing Rs 5.737 Million

Audit stated that in violation of rules a purchase order of Rs 5.75 m had been split into 4 different cases to avoid referral to the Tender Committee of the Ministry.

The PAO informed the Committee that the Indenting Department viz. Controller Stationery and Forms had submitted as many as four indents with different specifications in respect of GSM, Brightness & Burst Factor.

According to the department the split up of Indents did not adversely affect the price factor, rather it generated competition, fetching more competitive rates as this mode of advertisement had given an opportunity to different firms to compete in tender enquiries relating to the paper of their specialized field.

The Committee expressed its dissatisfaction with the department explanation which appeared to be an attempt to justify violation of the rules. It should be submitted to the Committee within one month.

On 21st December, 2010 the Committee directed the PAO to take action against persons who had submitted wrong replies twice. The PAO may also enquire as to who has the authority to split one indent into four. A report has to be submitted to the Committee within two weeks.

Audit stated on 24th February, 2011 that it had received the inquiry report and action may be taken as per decisions taken and recommended by the inquiry Committee.

The PAO submitted that the inquiry report was completed and it had been forwarded to audit.

DIRECTIVE

The Committee directed the Audit to proceed with the implementation of the Inquiry Report.

4 AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE ACCOUNTS OF MINISTRY OF INDUSTRIES & PRODUCTION FOR THE YEAR 2001-02

DIR FOREST INDUSTRIES COMPLEX (PVT) LTD

4.1 Para-238 (ARPSE- 2001-02)-Page-221

The PAO informed the Committee that the operations of DFIC were basically non-viable due to many factors, such as high cost of raw material, remote location of the factory, high employment cost and high overhead charges. The company continued to incur losses even after revival in 1996. The position reviewed in detail by PIDC and with the approval of the Federal Government it was finally decided to close down the operations of the company and to liquidate it. Operations of the company were closed down in June, 2000 and all its employees were paid off under VSS/GHS, which was financed by the Privatization Commission.

The land, buildings & infra- structure of the company were handed over to NWFP Government for setting up Malakand University, under an agreement signed on February 20, 2002 with the approval of the Federal Government. . Thereafter, all the plant & machinery of the company were disposed off in May, 2002 through Privatization Commission.

DIRECTIVE

The Committee recommended the Para for settlement.

4.2 **Para-242 (ARPSE- 2001-02)-Page-222**

Regarding adjustment of government loan against value of assets, The DAC had recommended that relevant record pertaining to approval of Ministry of Finance should be provided to Audit, Ex post Facto should be obtained, of necessary.

DIRECTIVE

The Committee endorsed the recommendations of the DAC and directed the PAO to provide the relevant record to Audit and recommended the Para for settlement subject to verification the Audit.

STATE CEMENT CORPORATION OF PAKISTAN

4.3 **Para-262 (ARPSE- 2001-02)-Page-232**

Audit informed the Committee that the DAC in 2005 had recommended that necessary legal action be taken to recover Rs. 125 m from Iqbal Avenue Cooperative Housing Society by filing civil suit/FIR as required and responsibility by fixed on delinquent officials of the seep. A reference against Iqbal Avenue Co-operative Housing Society under the National Accountability Ordinance was forwarded to NAB. The question of filing a criminal suit vis a vis settlement of case with the Society after receiving the outstanding of Rs.12.5 million was under consideration of the Board of PIDC. A committee of three senior officers was constituted by SCCP. According to the findings of the committee six of officers of SCCP who had negotiated the deal were also officers bearers of IACHS. However all the six officers of SCCP had left the service of the Corporation prior to 2000-01.

The PAO further informed that an officer of PIDC was assigned to enquire into non-completion of mutation/ ownership deed in respect of 6.75 acres land for which payment was made to State Engineering Corporation. According to the

report no person was held responsible. Possession and right, title and interest of 6.75 acres land had since been transferred to PIDC.

The Committee endorsed the recommendation of the DAC for proper Inquiry and directed the PAO to submit a comprehensive report regarding (1) Action taken against IACHS and officials responsible for failure to safeguard SCCP interest (2) whether any malafide was involved in the SEC transaction and if so action taken against persons responsible.

On 21st December, 2010 the Committee directed the PAO to submit a report after the meeting of Board of Directors within two weeks.

Audit stated on 24th February, 2011 that the report after the meeting of BOD has yet to be submitted to them.

DIRECTIVE

The Committee observed that since the law firm dealing with this case was his former law firm, even though he was no longer a partner of that law firm now, yet he would excuse him self from hearing this case. The Committee deferred the Para and decided that it would be taken up by the Implementation Committee of the PAC.

The DAC recommended the following Audit Paras for settlement by the Special Committee:-

EXPORT PROCESSING ZONES AUTHORITY

- i. **Para-3(xxix) (ARPSE-2001-02)-Page-xx**
NON-SUBMISSION OF ACCOUNTS

PAKISTAN INSTITUTE OF MANAGEMENT

- ii. **Para-214-(ARPSE-2001-02)-Page-207**
- iii. **Para-215-(ARPSE-2001-02)**
- iv. **Para-216-(ARPSE-2001-02)-Page-207**

PAKISTAN AUTOMOBILE CORPORATION LIMITED

- v. **Para-217-(ARPSE-2001-02)-Page-209**
- vi. **Para-218-(ARPSE-2001-02)-Page-209**
- vii. **Para-219-(ARPSE-2001-02)-Page-209**

PAKISTAN MOTOR CAR COMPANY (PVT) LIMITED

- viii. **Para-220-(ARPSE-2001-02)-Page-210**
- ix. **Para-221-(ARPSE-2001-02)-Page-210**

REPUBLIC MOTORS (PVT) LIMITED

- x. **Para-222-(ARPSE-2001-02)-Page-211**

REPUBLIC MOTORS (PVT) LIMITED

- xi. **Para-223-(ARPSE-2001-02)-Page-211**
- xii. **Para-224-(ARPSE-2001-02)-Page-212**
- xiii. **Para-225-(ARPSE-2001-02)-Page-212**

SIND ENGINEERING LIMITED

- xiv. **Para-226-(ARPSE-2001-02)-Page-213**
- xv. **Para-227-(ARPSE-2001-02)-Page-214**
- xvi. **Para-228-(ARPSE-2001-02)-Page-214**
- xvii. **Para-229-(ARPSE-2001-02)-Page-214**

T.D.C. VEHICLES ENGINEERING (PVT) LIMITED

- xviii. **Para-230-(ARPSE-2001-02)-Page-215**
- xix. **Para-231-(ARPSE-2001-02)-Page-216**

PAKISTAN INDUSTRIAL DEVELOPMENT CORPORATION

- xx. **Para-232-(ARPSE-2001-02)-Page-217**

P.I.D.C MEDICAL CENTRE KARACHI

- xxi. **Para-233-(ARPSE-2001-02)-Page-218**

P.I.D.C MEDICAL CENTRE KARACHI

- xxii. **Para-234-(ARPSE-2001-02)-Page-218**

P.I.D.C TALPUR TEXTILE MILLS LIMITED

xxiii. **Para-235-(ARPSE-2001-02)-Page-219**

PIDC SPECIALIZED REFRACTORY PROJECT

xxiv. **Para-236-(ARPSE-2001-02)-Page-220**

DIR FOREST INDUSTRIES COMPLEX (PVT) LTD

xxv. **Para-237-(ARPSE-2001-02)-Page-221**

xxvi. **Para-239-(ARPSE-2001-02)-Page-222**

xxvii. **Para-240-(ARPSE-2001-02)-Page-222**

xxviii. **Para-241-(ARPSE-2001-02)-Page-222**

xxix. **Para-243-(ARPSE-2001-02)-Page-222**

xxx. **Para-244-(ARPSE-2001-02)-Page-222**

SHAHDADKOT TEXTILE MILLS (PVT) LTD

xxxi. **Para-245-(ARPSE-2001-02)-Page-223**

PAKISTAN STEEL MILLS CORPORATION LTD

xxxii. **Para-246-(ARPSE-2001-02)-Page-224**

xxxiii. **Para-247-(ARPSE-2001-02)-Page-225**

xxxiv. **Para-248-(ARPSE-2001-02)-Page-226**

xxxv. **Para-249-(ARPSE-2001-02)-Page-226**

xxxvi. **Para-250-(ARPSE-2001-02)-Page-226**

xxxvii. **Para-251-(ARPSE-2001-02)-Page-227**

Excess expenditure of Rs 27.908 million on construction of 100-bed hospital

PAKISTAN STEEL FABRICATING COMPANY (PVT) LTD

xxxviii. **Para-3(xxx)-(ARPSE-2001-02)-Page-xx**

NON-SUBMISSION OF ACCOUNTS

xxxix. **Para-252-(ARPSE-2001-02)-Page-228**

xl. **Para-253-(ARPSE-2001-02)-Page-228**

xli. **Para-254-(ARPSE-2001-02)-Page-229**

xlii. **Para-255-(ARPSE-2001-02)-Page-229**

xliii. **Para-256-(ARPSE-2001-02)-Page-229**

PAKISTAN STEEL FABRICATING COMPANY (PVT) LTD

- xliv. **Para-257-(ARPSE-2001-02)-Page-230**
Loss of Rs 35.844 million due to non-recovery from the contractors
- xliv. **Para-258-(ARPSE-2001-02)-Page-230**
Loss of Rs 1.593 million due to un-necessary purchase of cholorex

NOKKUNDI IRON ORE PROJECT

- xlvi. **Para-3(xxxi)-(ARPSE-2001-02)-Page-xx**
NON-SUBMISSION OF ACCOUNTS

STATE CEMENT CORPORATION OF PAKISTAN

- xlvii. **Para-259-(ARPSE-2001-02)-Page-232**
xlviii. **Para-260-(ARPSE-2001-02)-Page-232**
xlix. **Para-261-(ARPSE-2001-02)-Page-232**
1. **Para-263-(ARPSE-2001-02)-Page-233**

ASSOCIATED CEMENT ROHRI LIMITED

- li. **Para-264-(ARPSE-2001-02)-Page-234**
lii. **Para-265-(ARPSE-2001-02)-Page-234**

INDUSTRIAL & CEMENT ENGINEERING (PVT) LIMITED

- liii. **Para-3(xxxii)-(ARPSE-2001-02)-Page-xx**
NON-SUBMISSION OF ACCOUNTS
- liv. **Para-266-(ARPSE-2001-02)-Page-234**

JAVEDAN CEMENT LIMITED

- lv. **Para-267-(ARPSE-2001-02)-Page-235**
lvi. **Para-268-(ARPSE-2001-02)-Page-235**
lvii. **Para-269-(ARPSE-2001-02)-Page-235**
lviii. **Para-270-(ARPSE-2001-02)-Page-236**
lix. **Para-271-(ARPSE-2001-02)-Page-236**
lx. **Para-272-(ARPSE-2001-02)-Page-236**

MUSTEHKAM CEMENT LIMITED

- lxi. **Para-273-(ARPSE-2001-02)-Page-237**

lxii. Para-274-(ARPSE-2001-02)-Page-237

THATTA CEMENT COMPANY LIMITED

lxiii. Para-275-(ARPSE-2001-02)-Page-238

lxiv. Para-276-(ARPSE-2001-02)-Page-238

FEDERAL CHEMICAL & CERAMICS CORPORATION (PVT) LIMITED

lxv. Para-3(xxxxv)-(ARPSE-2001-02)-Page-xx
NON-SUBMISSION OF ACCOUNTS

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned sixty-five (65) Audit Paras.

5. AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE ACCOUNTS OF MINISTRY OF INDUSTRIES & PRODUCTION FOR THE YEAR 2001-02.

NATIONAL FERTILIZER MARKETING LIMITED

5.1 Para-286-(ARPSE-2001-02)-Page-254
Irregular payment of allowances of Rs 21.686 million

Audit explained that the para related to irregular increase in conveyance allowance and utilities allowance to employees working in NFC and its subsidiaries with effect from 1.1.1996 without approval of Finance Division.

The PAO informed the Committee that pursuant to decision of DAC, the case had been referred to Finance Division for regularization of the amount. A number of reminders had been sent to Finance Division but no reply had yet been received.

The representative from Finance Division requested the Committee that the Division may be allowed some time to check the relevant record.

The Committee directed the Finance Division to trace out the requisite record and report to the Committee as to what action had been taken by the Finance Division. The Committee recommended the Para subject to regularization by Finance Division and subsequent verification by Audit.

On 21st December, 2010 the Committee directed the representative of Finance Division to expedite regularization of the payment and recommended the para for settlement subject to verification by the Audit.

5.2 **Para-287-(ARPSE-2001-02)-Page-254-2556**
Excess payment of incentive bonus of Rs 8.147 million

The Committee deferred the Para for consideration along with Para No. 286, page 254, ARPSE- 2001-02.

DIRECTIVE

On 21st December, 2010 the Committee directed the representative of Finance Division to expedite regularization of the payment and recommended the Para for settlement subject to verification by the Audit.

STATE ENGINEERING CORPORATION (PVT) LTD

5.3 **Para-296-(ARPSE-2001-02)-Page-264-265**

The para related to poor operational performance of SCE and its subsidiary units resulting in accumulated losses of Rs 1654.296 m as on 30-6-2001.

Audit informed the Committee that accumulated loss of SEC during the year 2008-09 stood at Rs 1576.020 m.

The Chairman SEC explained that with regard to units' losses, the performance of the Engineering Sector in Pakistan as a whole had declined during the last decade mainly because of slow pace of industrial development, poor

investment climate, lack of orders as well as unfavourable government policies in the past which had in encouraged imports rather than promoting local manufacture. These circumstances had led to low level of capacity utilization and lack of orders in SEC companies.

The Chairman further stated that units like HMC, PMTF, HEC were huge industrial set ups which only carry heavy burden of loans but also have high manpower. Before privatization these units had to be made attractive and viable. The Government must assume their liabilities and lay off employees through VSS/GHS. The goal should be that these heavy engineering units should operate better under private management and should not close down, as in the case of other units of SEC privatized earlier.

The Committee directed the PAO to provide a detailed report of accounts of SEC for the last ten years showing profit and loss statement in one table and future plans of SEC and its units should also indicated details of accumulated losses of Rs.1,576.020 million.

DIRECTIVE

On 21st December, 2010 the Committee directed the PAO to send a summary of ten years operational results of the Corporation and also indicate details of accumulated loss, look into the future policy of State Engineering Corporation and send a copy of the same to the PAC Sectt./Audit.

HEAVY MECHANICAL COMPLEX (PRIVATE) LIMITED

5.4 Para-298-(ARPSE-2001-02)-Page-268-269

Audit explained that the para related to heavy losses of HMC, which had accumulated to Rs 2739,560 m as on 30-6-2002, exceeding its equity the reason was extremely low capacity utilization.

The Managing Director explained that sales volume was dependant upon the overall economic condition prevalent in the county. The Company could not operate at full capacity as the market of conventional products of HMC had already reached a saturation point. Moreover, with the emergence of low and medium size private engineering firms, the company had to face tough competition. Even orders from government organizations had to be won through tender/competition with private firms who quote rates, with which HMC can not compete.

The PAO further informed that the un-audited accounts of 2009-10, showed Rs. 1.98 billion turn over which was about three times the sales income in 2001-02. With the exception of 2008-09 HMC had made modest profit in five out of the last six years.

The Committee expressed its concern over the accumulated losses and future prospects. The Committee directed the MD, HMC to send the latest financial position along with a report on future plans of the Company. After which the matter will be discussed by the main PAC.

DIRECTIVE

On 21st December, 2010 the Committee recommended the Para for settlement.

PAKISTAN ENGINEERING COMPANY LIMITED

5.5 Para-301-(ARPSE-2001-02)-Page-271-272

Audit stated that the para related to poor operational performance of PECO.

The MD informed the Committee that PECO faces international competition particularly in the case of its major product, electricity towers.

In order to reduce costs Govt. decided to lay off majority of permanent employees on payment of VSS in March, 2002. The company restarted its production in July, 2002 after getting the Electric & Gas connections reinstalled and repairing of the machines required to complete existing WAPDA orders.

The MD further informed that the Company earned gross profit of Rs. 37.336million during the succeeding year 2002-2003 as compared to gross loss of Rs. 87.767 million during 2001-2002 by reactivating the Structure Division only hiring labour on contract basis instead of on regular employment. With contract labour and reduced number of contract executives, the Company was able to earn gross profit of Rs. 60.944 million during the year 2003-2004.

Continuing the same policy the company was able to earn gross profit of Rs 108.598 million for the half year 2005-2006.

The MD further stated that as recommended by DAC the management was national concerned efforts to have title of land in its possessing transferred in the name of PECO and had also approached the Privatization Commission for early privatization of the company, regarding the issue regarding sale of shares by NIT without informing PECO, PAC Special Committee had already submitted detailed report in the regard.

The Committee directed the MD PECO to submit detailed report regarding transfer of title of land to PECO and future plans, action taken on report of the PAC Special Committee on sale of shares by NIT.

On 21st December, 2010 the Committee directed the PAO to discuss the issue of dividend with Secretary Finance, and obtain legal advice as well. The Committee directed to submit a report within one month.

Audit stated on 24th February, 2011 that legal opinion had to be sought by the department which has not been done so far.

The PAO informed the Committee that the department had sought legal opinion as directed by the Committee. He further said that it has been informed by the legal expert that under companies' ordinance in case of profit earned by the company the dividend can be declared as distributed. He further said that the BOD had decided by majority vote that dividend should be declared and it was done so.

DIRECTIVE

The Committee observed that since this issue was already being considered by Monitoring Committee of the PAC and the Secretary has to submit a report to that Committee on this issue hence the Committee on Monitoring and Implementation may take a decision on this Para.

The DAC recommended the following Performance Audit Report for settlement by the Special Committee.

HEAVY ELECTRICAL COMPLEX (PVT) LIMITED

i. Para-297-Page-266-267-ARPSE-2001-02

HEAVY MECHANICAL COMPLEX (PRIVATE) LIMITED

ii. Para-300-Page-270-ARPSE-2001-02

Loss of Rs 3.550 million due to late delivery of turbine components head covers to WAPDA Warsak.

PAKISTAN MACHINE TOOL FACTORY (PVT) LTD

iii. Para-303-Page-274-ARPSE-2001-02

SPINNING MACHINERY COMPANY OF PAKISTAN (PVT) LIMITED

iv. Para-304-305-Page-275-276-ARPSE-2001-02

SUMMARY OF PARAS

STATE ENTERPRISES DISPLAY CENTRE (PVT) LIMITED

PARA No. 277:State Enterprises Display Centre (Pvt.) Limited was incorporated on September 03, 1989. The initial purpose of the Company was to construct a building for display and exhibition of all kinds of manufactured and semi manufactured goods produced by public and private sector enterprises in Pakistan. It was, however used as Awami Markaz under the directive of the Federal Government. The building has now been converted into Software Technology Park and is being used for renting out space mainly to Computer Software and IT Companies. The working results of the Company for the year 2001-02 indicated that company sustained pre tax loss of Rs.5.980 million and accumulated loss of Rs.106.879 million.

EXPERTS ADVISORY CELL

PARA No. 278:The Experts Advisory Cell was established by a resolution of the Ministry of Production to assist the Ministry in the performance of its functions in connection with the public sector enterprises. The Cell is mainly financed by contributions from the Public Sector Corporations. Its deficit in 2001-02 was Rs.4.645 million as compared to surplus of Rs.0.562 million in 2000-01. A sum of Rs.6.561 million was receivable from Steel Mills and State Cement Corporation was written off.

NATIONAL FERTILIZER CORPORATION OF PAKISTAN (PVT) LIMITED.

PARA No. 279:National Fertilizer Corporation of Pakistan was established in August 1973 to carry out the business of manufacturing, buying, selling, exporting and importing all types of chemical fertilizers.

The working results of the Corporation for the year 2001-2002 showed pretax profit of Rs.2,250.326 million in 2001-02. All its producing units have been privatized and its pretax profit in 2008-09 was Rs.474.908 million.

NFC INSTITUTE OF ENGINEERING AND TECHNOLOGICAL TRAINING (PVT) LIMITED

PARA No. 280:The Company is engaged in educational and training programmes leading to higher degree in the field of engineering. The Company has affiliation with the Bahaudin Zakriya University, Multan. The operating results of the Institute for the year 2001-2002 showed profit of Rs.37.005 million as compared to Rs.26.580 million in 2000-01.

HAZARA PHOSPHATE FERTILIZERS (PVT) LIMITED.

PARA No. 181:Hazara Phosphate Fertilizers (Pvt) Ltd, a wholly owned subsidiary of National Fertilizer Corporation of Pakistan Limited, was incorporated in 1985. The Company is engaged in the manufacture and sale of Granulated Single Super Phosphate Fertilizer. The Company earned net profit of Rs 1.917 million in 2000-2001 and Rs 0.898 million in 2001-2002.

LYALLPUR CHEMICALS AND FERTILIZERS LIMITED.

PARA No. 282:The Company was incorporated in 1958 as a Public Limited Company. It is a subsidiary of National Fertilizer Corporation of Pakistan (Private) Limited and is engaged in the manufacturing of Single Super Phosphate and Zinc Sulphate. The pretax profit of the company in 2001-02 was Rs.2.538 million and trade debts stood at Rs.57.263 million on 30-06-2002.

PARA No. 283:According to Finance Division O.Ms. dated 7th September 1987, 27th August 1992 and 30th November 2001, the bonus was not payable to the officers in autonomous/semi autonomous bodies, under the administrative control of the Federal Government, or in without approval of Finance Division. But in contravention to the procedure the management of Lyallpur Chemical & Fertilizers Limited, Jaranwala made an aggregate payment of Rs 494,572 on account of incentive bonus for the years 1999-2000 and 2000-2001 to the executives and managers without getting the approval of the Ministry of Finance.

**NFC INSTITUTE OF ENGINEERING AND FERTILIZER
RESEARCH (PVT) LIMITED.**

PARA NO. 284:The Company was established on June 26, 1984. It is engaged in educational programmes leading to higher degrees in the field of engineering. It is affiliated with the University of Engineering and Technology, Lahore and has started classes of B.Sc Chemical Engineering from 1997-98. The Company is also engaged in Research and Development activities in connection with the fertilizer industry. The Institute earned profit of Rs.0.005 million in 2001-02 as compared to Rs.12.241 million in 2000-01.

NATIONAL FERTILIZER MARKETING LIMITED.

PARA No. 285:National Fertilizer Marketing Limited is a subsidiary of National Fertilizer Corporation of Pakistan (Pvt) Limited and operates on “No Profit No Loss” basis as the total expenses incurred by the Company are reimbursed as incidentals by the associated/subsidiaries of NFC. The company could sell 1,698.680 M.ton fertilizer against target of 1,906.059 M. ton in 2001-02.

PARA No. 288:The National Fertilizer Corporation enhanced the selling price of Urea and Calcium Ammonium Nitrate (CAN) by Rs 10 per bag on 20.03.2001. The revised rates were applicable w.e.f. 21.03.2001. The field offices of NFML sold 1900 M. ton of Urea and 890 M. ton of CAN at the old rates on 21.03.2001 which resulted in loss of Rs 558,000 to the Company.

PAK AMERICAN FERTILIZERS LIMITED.

PARA No. 289:Pak American Fertilizers Limited was incorporated on 15.12.1959. It was the first Nitrogenous Plant built in Pakistan and with the passage of time the operating cost of the plant became un economical, so it was replaced with a new 1050 M. Ton per day Urea Plant. The new plant started its commercial production in November 1999. The company sustained loss of Rs.506.638 million in 2001-02 as compared to loss of Rs.694.796 million in 2000-01.

PARA No. 290:Total Stores, spares and loose tools stood at Rs 534.760 million. Out of these non-moving parts accounted for Rs 25.116 million. Disposal of non-moving stores at an early date may be considered by the management.

PAK ARAB FERTILIZERS (PVT) LIMITED.

PARA No. 291:Pak Arab Fertilizers (Pvt) Ltd was incorporated to manufacture and sell chemical fertilizers. The company earned profit of Rs.478.009 million in 2001-02 as compared to Rs.352.826 million in 2000-01.

PARA No. 292:Capital work in progress increased from Rs 5.515 million in the year 2000-2001 to Rs 13.771 million in the year 2001-2002 which include Rs 12.862 million spent on Plant and Machinery. As the

Company is on the active list of Privatization Commission therefore, investment in Plant and Machinery need to be justified by the management, especially when the Company has borrowed funds from the holding company for working capital requirements.

PARA No. 293: Pakarab Fertilizers Limited, Multan used to import Phosphate Rock from Jordan. But from the year 1996-97 started to purchase Phosphate Rock from Office Cheriffen Des Phosphate (OCP) Moracco. It imported 795,000 Ton Phosphate Rock from the said supplier during 15.10.1996 to 19.03.2001 valued at US \$ 24.684 million. According to Para 7.1.2 of Procurement Policy and Procedure of the Company the Commercial Department was required to call bids through International Press Advertisement, but contrary to the Procurement Procedure, the Company management never invited bids and order was being given to OCP, Moracco without any competitive bidding since 1996.

PARA No. 294: Pakarab Fertilizers (Pvt) Limited Multan, placed two Purchase Orders dated 22.07.1999 for US \$ 8120 and dated 30.11.1999 for Euro 22,422 on M/s SICA Belgium for supply of valves for NP Plant. The material was received on 28.02.2000 and 26.05.2000 respectively for total cost of Rs 2,748,037 and were subsequently issued to the Plant The Senior Manager on 14.09.2001 submitted a note to the Managing Director stating that valves imported from SICA Belgium gave very poor performance and started leaking very soon. The valves were not suitable for N.P. plant. Thus due to purchase of poor quality valves, Company had sustained loss to that extent.

PARA No. 295: Pakarab Fertilizers, Multan placed a purchase order dated 26.01.2000 on M/s ABB Turbinen, Germany for supply of spares

valuing 35,000 DM equivalent to Pak Rs 1,273,592 under specification drawing No. 38113-1. The material was received on 22.08.2000 and Manager (Material), vide memo dated 14.10.2000 pointed out that purchase order was for drawing No. 38113-1 whereas supplied matter was according to drawing No. 38112-1. The matter was taken up with the vendor on 16.10.2000 and 13.12.2000 for replacement on free of cost basis but the replacement was not made till June 2002. Thus due to receipt of material of wrong specification the Company is likely to sustain a loss of Rs 1.274 million.

PARA No. 299:Heavy Mechanical Complex imported material of Rs. 20.050 million which was lying un-cleared at Karachi port since 1995. Demurrage of Rs. 91.000 million had been accrued.

PAKISTAN MACHINE TOOL FACTORY (PVT) LIMITED

PARA No. 302:Pakistan Machine Tool Factory (Pvt) Ltd was incorporated under Companies Ordinance, 1984 as a Private Limited Company. The major products of the Company are machine tools, transmission components for trucks and tractors, die casting and other classified products. The company earned profit of Rs.18.985 million in 2001-02 as compared to Rs.34.548 million in 2000-01.

ENAR PETROTECH SERVICES (PVT) LIMITED

PARA No. 306:The Company was incorporated in July 1974. It provides complete range of services for executing projects in the process industry sector. The Company also offers project developments services and undertakes feasibility /market studies, technology evaluation and environmental studies. The company earned profit of Rs.3.893 million in 2001-02 as against Rs.4.365 million in 2000-01.

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned twenty-five (25) Audit Paras.

6. PERFORMANCE EVALUATION REPORT NO.158 ON HEAVY ELECTRICAL COMPLEX (HEC) HARIPUR ON THE ACCOUNTS OF MINISTRY OF INDUSTRIES & PRODUCTION, ISLAMABAD FOR THE YEAR 2001-02.

The DAC recommended the following Performance Audit Report for settlement by the Special Committee.

- i. **Para 2.1.2**
LONG TERM LOANS
- ii. **Para 2.1.3**
DEFERRED LIABILITIES
- iii. **Para 2.1.4**
CURRENT LIABILITIES
- iv. **Para 2.1.5**
FIXED ASSETS
- v. **Para 2.1.6**
LONG TERM INVESTMENT
- vi. **Para 2.1.7**
LONG TERM LOANS AND ADVANCES
- vii. **Para 2.1.8**
DEFERRED COSTS
- viii. **Para 2.1.9**
CURRENT ASSETS
- ix. **Para 3.1**
PRODUCTION AND PROGRAMME
- x. **Para 3.2&3.3**
PROJECTED DEMAND AND ACTUAL PRODUCTION
- xi. **Para 3.5**
MARKETING
- xii. **Para 4.4**
REVISIONS/INCREASES IN ALLOWANCES/ BENEFITS
- xiii. **Para 5.1&5.2**
FUTURE PLAN AND PROSPECTS
- xiv. **PARA NO. 2.1**
Balance Sheet

- xv. **PARA NO. 2.1.1**
Equity
- xvi. **PARA NO. 2.2**
Profit and Loss Account
- xvii. **PARA NO. 2.3**
Financial Ratios
- xviii. **PARA NO. 2.3.1**
Current Ratio
- xix. **PARA NO. 2.3.2**
Debt Ratio
- xx. **PARA NO. 2.3.3**
Leverage Ratio
- xxi. **PARA NO. 2.3.4**
Profitability
- xxii. **PARA NO. 2.3.5**
Book Value Per Share
- xxiii. **PARA NO. 3.4**
Service/Repair work
- xxiv. **PARA NO. 4.1**
Organization
- xxv. **PARA NO. 4.2**
Management
- xxvi. **PARA NO. 4.3**
Personnel Strength and its Cost
- xxvii. **PARA NO. 4.5**
Planning and Monitoring
- xxviii. **PARA NO. 4.6**
Management Information System

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned twenty-eight (28) Performance Audit Report.

MINISTRY OF INFORMATION TECHNOLOGY & TELECOMMUNICATIONS

1. OVERVIEW

Appropriation Accounts /Audit Reports of Telecommunication Sector for the year 2001-02 pertaining to the Ministry of Information Technology & Telecommunication were taken up for examination by Special Committee-II of the PAC in the meetings held on July 27th , 2010, February 2nd ,2011 & March 8th , 2011 in Committee Room No.2, Parliament House Islamabad . Decisions taken are summarized as under:

- 1.1 One (01) grant and twenty-nine (29) Paras were reported by AGPR / Audit.
- 1.2 The Committee endorsed recommendations of the DAC for settlement of 36 Paras.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO.103- INFORMATION TECHNOLOGY AND TELECOMMUNICATION DIVISION Saving Rs. 1,561,102

AGPR stated that after accounting for supplementary grant of Rs.166,352,000, the grant closed with a saving of Rs.2,479,602, (0.32 percent of the total grant). An amount of Rs.918,500 (0.12%) was surrendered, leaving net saving of Rs.1,561,102 (0.20%).

The PAO informed the Committee that major savings were under the head of Establishment Charges.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that the entire saving should have been surrendered in time.

ii. **GRANT NO.141- DEVELOPMENT EXPENDITURE OF INFORMATION TECHNOLOGY AND TELECOMMUNICATION DIVISION.**
Saving Rs. 1,073,542,573/-

AGPR stated that after taking into account token supplementary grant of Rs. 1,000, the grant closed with a saving of Rs. 1,173,597,701, (27.02 percent of the total grant). An amount of Rs.100,055,128 was surrendered, leaving net saving of Rs.1,073,542,573 (24.71%).

The PAO informed the Committee that the Ministry would hold a special DAC meeting to determine the reasons for not surrendering the saving of more than one billion rupees.

The Committee referred the grant back to DAC for recording reasons for the non-surrender in time, within one month.

When the grant came up again on 8th March, the PAO stated that this grant could not be discussed in the last meeting of DAC, however, compliance has been reported to AGPR.

DIRECTIVE

The Committee observed that a very huge amount had been saved and should have surrendered in time. Despite opportunity both the PAO and the AGPR are still unable to explain reason for this huge saving and non-surrender in time. Requisite facts should have been ascertained in the last DAC meeting.

The Committee directed the PAO to hold a DAC meeting again regarding the grant, if satisfactory answers are provided to AGPR regarding the saving and

non-surrender the grant would be recommended for regularization otherwise the AGPR may refer it to PAC for decision.

3. AUDIT REPORT ON THE ACCOUNTS OF TELECOMMUNICATION SECTOR MINISTRY OF INFORMATION TECHNOLOGY & TELECOMMUNICATIONS FOR THE AUDIT YEAR 2001-02

NATIONAL TELECOMMUNICATION CORPORATION

3.1 PARA- No.1.2 (Page 9) AR- 2001-02

Audit pointed out that under the provisions of the Pakistan Telecommunication Reorganization Act 1996, the budget of NTC is required to be approved by the Federal Government. However, the NTC budget has not been approved by the Finance Division ever since its establishment. The PAC in its meeting held on 4th & 5th July 2002 directed the management to resolve this issue with the Finance Division.

Chairman, NTC informed the Committee that the Corporation had initiated the case through the Ministry of IT for ex-post facto approval of Finance Division.

The Committee directed the Chairman, NTC to submit a report to the Committee after decision of the Finance Division within one month.

(This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

On 2nd February, 2011 Audit stated that PAC may like to settle the Para subject to ex-post facto approval from the Finance Division.

DIRECTIVE

The Committee recommended the para for settlement subject to ex-post facto approval of the Finance Division .A report has to be submitted to Audit and the Monitoring and Implementation Committee of the PAC.

3.2 **PARA- No.1.5 (C) (i) (Page 15) AR- 2001-02**

Audit stated that as per Finance Division's, instruction approval of the Auditor-General is required before submitting the name of the Auditor(s) for approval of the Board of Directors. Moreover Auditor-General of Pakistan may ensure that Auditors are changed every year. It was observed that approval of the Auditor-General was not obtained for the appointment of *M/s* Khalid Majid Rehman Chartered Accountants, who had continued to audit accounts of the Corporation since January, 1996.

The Chairman, NTC informed the Committee that Auditors for 2003-04 were Ms Anjum Asim Shahid Rehman & Co. who had been selected through tendering process. The DAC had asked NTC to obtain ex-post facto approval of the AGP.

On 2nd February, 2011 Audit stated that PAC may like to settle the para subject to ex-post facto approval from the Finance Division.

(This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

DIRECTIVE

The Committee recommended the Para for settlement subject to ex-post facto approval from the Finance Division.

(This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

3.3 **PARA- No.1.5 (C) (ii) (Page 15-16) AR- 2001-02**

Audit stated that an amount of Rs. 1,264.120 million on account of operating cost was provided in the budget estimates for the year 2001-2002 but as per Profit & Loss Account, an expenditure of Rs. 1,657.204 million was incurred. This resulted in an excess expenditure of Rs. 393.084 million against the amount sanctioned by the Principal Accounting officer. The excess expenditure had not been regularized through revised estimates, as the same were not provided to Audit.

DAC had asked the NTC to obtain ex-post facto approval of the Finance Division.

DIRECTIVE

The Committee endorsed the decision of the DAC that it may move the Finance Division for ex-post facto approval. Report should be submitted to the Committee within one month.

The Committee recommended the Para for settlement subject to ex-post facto approval from the Finance Division.

((This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.))

3.4 **PARA- No.1.8 (Page 20-21) AR- 2001-02**

Payment on Account of Cash Reward! bonus Rs. 12.031 million without the Approval of Finance Division.

Audit stated that contrary to instructions Finance Division, payment of Rs. 12.301 million on account of cash reward / bonus was given to the employees in 16 formations of the National Telecomm Corporation during 1998 to 2001 without prior approval / sanction of Finance Division.

DIRECTIVE

The Committee endorsed the decision of the DAC that it may move the Finance Division for ex-post facto approval. Report should be submitted to the Committee within one month.

The Committee recommended the Para for settlement subject to ex-post facto approval from the Finance Division.

(This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

SPECIAL COMMUNICATIONS ORGANIZATION

3.5 **PARA- No.4.4 (Page 40-41) AR- 2001-02** **Non-recovery of outstanding dues Rs 5.567 million**

Audit stated that an amount of Rs 5.567 million on account of telephone dues could not be recovered by the AOTR Muzaffarabad.

Deputy Director General SCO informed the Committee that most of the outstanding had been recovered and efforts were being made to recover the balance amount.

As the matter remained unresolved when the Special Committee met again on 17th May, 2011, the PAO informed the Committee that SCO had provided condonation sanction of Finance Division for Rs. 45,870/- to Audit whereas, an amount of Rs.1.638 million is still to be recovered from M/S Ericsson. As the Company was present in Pakistan but the group of Companies therefore SCO was resolving the matter according to the Rules for writing off of Rs.1.638 million.

DIRECTIVE

The Committee directed the PAO to submit detailed report within one month regarding the balance outstanding amount.

The Committee referred the Para to the Monitoring and Implementation Committee of the PAC to monitor the progress of recovery.

On 17th May, 2011 the Committee recommended the Para for settlement subject to the provision of documents on enabling powers to Audit and the Committee.

The DAC recommended the following 16 paras for settlement .by the PAC.

NATIONAL TELECOMMUNICATION CORPORATION

- i. **PARA- No.1.1 (Page 9) AR- 2001-02**
- ii. **PARA- No.1.3 (Page 9) AR- 2001-02**
- iii. **PARA- No.1.4 (Page 9) AR- 2001-02**
- iv. **PARA- No.1.5 (A) (Page 13) AR- 2001-02**
- v. **PARA- No.1.5 (A) (i) (Page 13-14) AR- 2001-02**
- vi. **PARA- No.1.5 (B) (i) (Page 14) AR- 2001-02**
- vii. **PARA- No.1.5 (B) (ii) (Page 14) AR- 2001-02**
- viii. **PARA- No.1.5 (B) (iii) (Page 15) AR- 2001-02**
- ix. **PARA- No.1.5 (C) (iii) (Page 16) AR- 2001-02**
- x. **PARA- No.1.5 (D) (Page 17) AR- 2001-02**
- xi. **PARA- No.1.6 (Page 19) AR- 2001-02**
- xii. **PARA- No.1.7 (Page 19-20) AR- 2001-02**

SPECIAL COMMUNICATIONS ORGANIZATION

- xiii. **PARA- No.4.1 (Page 38) AR- 2001-02**
- xiv. **PARA- No.4.2 (Page 38) AR- 2001-02**
- xv. **PARA- No.4.3 (Page 38) AR- 2001-02**
- xvi. **PARA- No.4.5 (Page 41-42) AR- 2001-02**
Expenditure on Purchase of Equipments Amounting to Rs 2.500 million without Calling for Open Tenders

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned sixteen (16) Audit Paras.

4. AUDIT REPORT ON THE ACCOUNTS OF MINISTRY OF FOREIGN AFFAIRS AND PAKISTAN MISSIONS ABROAD, MINISTRY OF INFORMATION TECHNOLOGY & TELECOMMUNICATION FOR THE AUDIT YEAR 2001-02

4.1 Para 1-Page 30-AR- 2001-02
IRREGULAR EXPENDITURE WITHOUT APPROVAL OF PC-I US \$ 475,036/-

Audit stated that the Ministry of Information Technology and Telecommunication had set up its IT Mission at San Francisco, to be funded out of the block allocation for IT development in the years 2001-2002. A sum of US \$ 475,036/- was remitted for meeting expenses of the Mission without having the PC-I approved by the competent forum.

The PAO acknowledge that the plan was implemented in a very haphazard manner. On the direction of the DAC, PC-1 was prepared but could not be processed because the irregularities had first to be discussed in the PAC

The Committee directed the PAO to constitute an inquiry committee to examine in depth the entire case, fix responsibility for the glaring irregularities and take disciplinary action accordingly against the persons found responsible. PC-1 may be submitted to the Planning and Development Division for consideration for ex-post facto approval on merits. A report has to be submitted to the Committee within one month.

On February 2nd, 2011 the PAO informed the Committee that as per its directions an Inquiry Committee had been constituted which would submit its report within one week.

The Committee directed the PAO to submit Inquiry Committee's report to the Committee within two weeks.

On 8th March, 2011 Audit stated that the inquiry report which had been provided by the department did not satisfactorily answer the Audit objections.

The PAO informed the Committee that he had seen the inquiry report. According to him the first part was satisfactory in which reasons for delay of PC-I and subsequent status and approval had been enumerated in a chronological order and the role of various departments had been explained. However, the second part of inquiry report which pertains to the expenditure of Rs. 4,00,000 dollars was unsatisfactory and lacks proper documentation and support. The PAO informed the Committee that he had written a letter to the Secretary M/o Foreign Affairs for provision of relevant record to ascertain how and why the money was spent without approval of PC-I. Responsibility would be fixed after availability of record. He informed the Committee that Mr. Tauhid Ahmed of the Foreign Service who was involved in this case was presently re-employed in Punjab Public Service Commission after superannuation.

DIRECTIVE

The Committee observed that the since the PAO himself was not satisfied with the Inquiry Report hence the inquiry has to be conducted again in a responsible manner. The Committee directed the PAO to seek help of the Chief Secretary Punjab, if required, for obtaining requisite record from the concerned officer and submit a report to the Committee within three weeks, after which the matter would be referred to the Monitoring and Implementation Committee of the PAC for further action.

The following four (04) Paras 1.1, 1.3, 1.5 & 1.7 were clubbed and decided together:

4.2 **Para 1.1-Page 30 AR**
UNAUTHORIZED PURCHASES-RS. 2.445 MILLION

Audit stated that a sum of \$8,882 (Rs. 569,121) was spent on purchase of durable goods, \$28,518 (Rs. 1,763,587) on purchase of furniture, and \$1,742 (Rs. 112,475) on purchase of crockery without approval/sanction of the Ministry, in disregard of the rules of propriety, without obtaining competitive rates and without obtaining receipt of payments made.

The PAO informed the Committee that the case had been referred to Finance Division for regularization, but reply had been received that directive of PAC is required.

4.3 **Para 1.3-Page 31-AR-2001-02**
IRREGULAR PAYMENT F RENT OF RESIDENCE AND HOTEL CHARGES
SIMULTANEOUSLY RS. 3.932 MILLION

Audit stated that a sum of \$70,013 (Rs. 3,932,406) was paid as rent of CG's residence from April 2001 to February 2002 without approval of the Ministry as required under the rules. The residence was hired in the most expensive area and payment was made without any agreement as none was produced to audit and also without any invoice, voucher, payee receipt and budget provision during the same period.

The PAO informed the Committee that the DAC had asked the Ministry to obtain ex-post facto approval of the Ministry of Foreign Affairs.

4.4 **Para 1.5-Page 31-AR-2001-02**
IRREGULAR EXPENDITURE ON HIRING OF CONSULTANT-RS. 0.182
MILLION

Audit stated that a sum of \$ 3,000 (Rs. 181,500) was paid to a local lawyer hired as Consultant for development of incubator without sanction of the Ministry, without any TOR and also without entering into formal agreement with him. His report was also not found on record.

The PAO informed the Committee that the DAC had directed the Ministry to obtain ex-post facto approval from the competent authority.

4.5 **Para 1.7-Page 32-AR-2001-02**
NON-RECOVERY OF TA ADVANCE-RS. 1. 004 MILLION

Audit stated that TA advance of Rs. 1,004,450 given to CG was not recovered through subsequent adjustment bill even after a lapse of one year in violation of instructions of the Finance Division.

The PAO informed the Committee that the DAC had directed the Ministry to provide to Audit copy of orders of Finance Division for relaxation of time unit for submission of TA adjustment bill and copy of the said bill, or effect recovery within one month.

When the matter was taken up again for consideration on 17th May, 2011, the PAO accepted that it was an example of bad governance and irregularity, and Ministry at that time followed the directions of the then Chief Executive. The PAO stated that the Ministry would re-visit this issue and submit a fresh inquiry report to Audit and the Committee covering all aspects regarding information / documentation on expenditure without approval of PC-1.

The Deputy Auditor General stated that a wholesome inquiry covering all paras of the Audit Report is required to be conducted on the issue.

DIRECTIVE

The Committee clubbed Audit Paras 1.1, 1.3, 1.5, and 1.7 and directed that requisite reference may be made to the relevant / competent authorities, as directed by the DAC, for consideration of the requests for ex-post facto approval on merits.

On 17th May, 2011 the Committee expressed displeasure on the denovo inquiry report which identifies people initiating expenditure without approval of

PC-1 but does not cover details of expenditure as pointed out by Audit in the above 5 (five) Audit Paras. The Committee directed to conduct a fresh inquiry in a responsible manner and submit a report to the Committee within one month after which in case of completion of PAC report for this financial year , the matter would be taken up by the Monitoring and Implementation Committee for further action.

GENERAL DIRECTION

On 2nd February, 2011 the Committee directed Member IT & T to submit a report on proto-type Electronic Voting Machine / System which is included in the Election Commission Reforms.

Ministry of Information Technology & Telecommunication

- i. **Para 2-Page 30 AR- 2001-02**
EXPENDITURE WITHOUT DUE REGARD TO RULES & REGULATIONS US \$ 375,036/-
- ii. **Para 1.2-Page 30 AR-2001-02**
IRREGULAR PURCHASE OF CAR ON LEASE AND SIMULTANEOUS HIRING OF ANOTHER CAR- RS. 0.587 MILLION
- iii. **Para 1.4-Page 31 AR-2001-02**
IRREGULAR EXPENDITURE ON MAINTENANCE OF GARDEN-RS. 0. 254 MILLION
- iv. **Para 1.6-Page 32 AR-2001-02**
IRREGULAR EXPENDITURE ON RENT OF FURNITURE-RS. 0. 056 MILLION

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned four (04) Audit Paras.

MINISTRY OF INFORMATION AND BROADCASTING

1. OVERVIEW

Appropriation Accounts (Civil-Vol-1) and Audit Report of Federal Government for the year 2001-02 pertaining to Ministry of Information & Broadcasting were taken up for examination by Special Committee –II of the PAC on June 3rd 2010, July 22nd 2010, February 1st , 2011 & March 10th , 2011 in Committee Room No.2, Parliament House Islamabad. Decisions taken are summarized below:

- 1.1** Six (06) grants and six (06) Paras were reported by AGPR / Audit.
- 1.2.** On presentation of the grants, the Committee observed that requirement of additional funds through supplementary grant to meet revision of pay scales should have been more accurately estimated.
- 1.3** While discussing losses of Associated Press of Pakistan the Committee observed that this organization has to move with the time and public organization can not be allowed to continuously lose public money in a time when each and every rupee is required for other developmental projects and to eradicate poverty etc. The Committee further observed that the PAO should carryout a comprehensive review of all such organizations in the Ministry with a view of making them profitable.
- 1.4** The Committee, while discussing Para No.158-ARPSE-2001-02 of Pakistan Television Corporation Limited, directed the PAO to submit a compliance report on the receivables to the Committee.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1 2001-02

i. GRANT NO.66- INFORMATION AND MEDIA DEVELOPMENT DIVISION

<u>Budget</u>	<u>AGPR Figures</u>	<u>Department Figures</u>	<u>Difference</u>
Saving	(-) 12,506,235	(-) 2,506,235	10,000,000

Audit pointed out that after accounting for supplementary grant of Rs. 10,700,000, the grant closed with saving of Rs. 25,090,235 (22.40%). An amount of Rs. 22,584,000 was surrendered, leaving net saving of Rs. 2,506,235/-

The PAO informed the Committee that the saving was due to discontinuation of certain allowances, non-purchase of vehicles, and delayed submission of bills by consultants.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that financial management needs to be improved in future

ii. GRANT NO.67 -DIRECTORATE OF PUBLICATIONS NEWSREELS AND DOCUMENTARIES.

<u>Budget</u>	<u>AGPR Figures</u>	<u>Department Figures</u>	<u>Difference</u>
Excess	(+) 3,554,180	(+) 1,346,180	2,208,000

Audit stated that after taking into account two supplementary grants of Rs. 5,033,000 the grant closed into excess of Rs. 1,346,000 (3.1%)

The PAO informed the Committee that excess was due to revision of pay scales.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that requirement of additional funds through supplementary grant to meet revision of pay scales should have been more accurately estimated.

iii. **GRANT NO.68-PRESS INFORMATION DEPARTMENT**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Department Fig.</u>	<u>Difference</u>
Excess/Saving	(+) 5,488,690	(-) 441,310	5,930,000

Audit stated that after taking into account two supplementary grants of Rs. 19,200,000, the grant closed with minor saving of Rs. 441,310 (0.44%).

DIRECTIVE

The Committee recommended regularization of the grant.

iv. **GRANT NO.69 -INFORMATION SERVICES ABROAD**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Department Figures</u>	<u>Difference</u>
Saving	(-) 20,494,961	(-) 11,994,961	<u>8,500,000</u>

Audit pointed out that the grant closed with saving of Rs. 20,491,961. An amount of Rs. 8,500,000 was surrendered, leaving net saving of Rs. 11,994,961.

The PAO informed that the saving occurred due to retrenchment of various posts of staff in the Information Section abroad

DIRECTIVE

The Committee recommended regularization of the grant with the observation that the entire saving should have been surrendered in time.

v. **GRANT NO.70- OTHER EXPENDITURE OF INFORMATION AND MEDIA DEVELOPMENT DIVISION.**

Excess/Saving ----- -----

vi. **GRANT NO.131- DEVELOPMENT EXPENDITURE OF INFORMATION AND MEDIA DEVELOPMENT DIVISION.**

Excess/Saving ----- -----

A.G.P.R. and PAO pointed out that in the above-mentioned two (02) grants the budgetary provisions had been fully utilized.

DIRECTIVE

The Committee recommended regularization of the above-mentioned two (02) grants as the budgetary provisions had been fully utilized.

3. AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE ACCOUNTS OF MINISTRY OF INFORMATION & BROADCASTING FOR THE YEAR 2001-2002

ASSOCIATED PRESS OF PAKISTAN

3.1 Para # 153-PAGE-141-142-ARPSE-2001-02

Audit pointed out that the financial position of APP was very poor and iterated on government grants. Subscription receivables had increased appreciably. Aging analysis of receivables was not available and there was no policy for realization of these dues.

The PAO informed the Committee that the policy had been framed for realization of subscription money and aging analysis of subscription receivables had been provided to audit.

The Committee directed the MD, APP to prepare a report analyzing the work done by Associated Press of Pakistan (APP) during the last ten years indicating the grants that have been provided by government

The PAO should forward the report with his comments to the PAC Secretariat within one month, after which it will be taken up in the main PAC.

When the Para came up on 1st February, 2011, the PAO informed the Committee that the Board of Directors met on 20th of July, 2010 and decided to write off an amount of Rs. 9.3 million out of Rs. 11.00 million. The present outstanding amount of the Corporation was Rs. 8.5 million.

The Committee directed the PAO to review the matter in the BoD meeting and vigorous efforts should be made for recovery. A report has to be submitted to the Committee within one month.

The Committee further directed the PAO to conduct an analytical study of accounts of the department with view of commercial viability.

DIRECTIVE

On 10th March, 2011, the Committee observed that this organization has to move with the time. No public organization can be allowed to continuously lose public money in a time when each and every rupee is required for other developmental projects and to eradicate poverty etc. such organizations can not be allowed to continuously go in loss. The Committee further observed that the PAO should carryout a comprehensive review of all such organizations in the Ministry with a view of making them profitable. The Committee observed that this was a service providing organization and it should recover the money. The Para was recommended for settlement subject to verification of recovery by Audit.

ASSOCIATED PRESS OF PAKISTAN

3.2 Para # 154-PAGE-142-ARPSE-2001-02

The Para related to non-verification of assets of APP. General Manager, APP informed the Committee that physical verification of the assets had been carried out up to 30-06-2009. As directed by DAC a Committee had been constituted for verification of assets for the year ended 30-06-2010.

The Committee directed the PAO to ensure compliance with the DAC directive and report back within one month.

When the matter was taken up on 1st February, 2011, the PAO informed the Committee that physical verification of the accounts of year 2009 had been carried out which had also been verified by the Audit on 15th of December, 2010.

DIRECTIVE

The Committee directed the PAO to provide the requisite physical verification report to Audit. The Committee recommended the Para for settlement subject to verification by Audit.

PAKISTAN TELEVISION CORPORATION LIMITED

3.3 Para # 158-PAGE-146-ARPSE-2001-02

The para related to increase in receivables of PTV. MD, PTV informed the Committee that out of the receivables of Rs 1369.854 million, mentioned in the para, a sum of Rs. 1116.024 million had been recovered and only an amount of Rs. 253.830 million was pending. Some dues were being contested in court, and the Corporation was diligently pursuing the cases.

The MD further informed that the Corporation would provide the relevant record for verification to the Audit.

The Committee observed that proper financial management systems should be put in place to ensure that recoverable do not mount up again in future. M.D. PTV should vigorously pursue the court cases.

On 1st February, 2011, the PAO informed the Committee that the total receivable of the Corporation were Rs.1369.854 million (30-06-2001) and the amount received upto 2011 is Rs. 1124.549 million. A mount of Rs. 203.763 million pertains to legal arbitration cases which are under process in the court and the Corporation was making efforts for recovery of Rs. 28.199 million.

The PAO further informed the Committee that the total receivable of the Corporation are Rs.245.310 million

The Committee directed the PAO to write to Finance Division for recovery of Rs. 8.1 million in order to deduct receivable amount from various Ministries at source from their budget. The Committee further directed the PAO to review the figures in detail in the Board meeting and devise a system to reduce these figures. The Committee also directed the MD, PTV to prepare plans in order to compete with the private channels.

When the Para came up on 10th March, 2011, Audit reported that PAO may like to explain about the balance recovery.

The PAO informed the Committee that information on aging of receivables as on 28-2-2011 would be provided to audit. PAO further stated that efforts were being made for recovery of outstanding dues and the current receivables of PBA would be recovered very soon.

DIRECTIVE

The Committee directed the PAO to submit a compliance report on the receivables to the Monitoring and Implementation Committee of the PAC for further action.

PAKISTAN BROADCASTING CORPORATION

- i. **Para # 155-PAGE-143-144-ARPSE-2001-02**
- ii. **Para # 156-PAGE-144-ARPSE-2001-02**

PAKISTAN TELEVISION CORPORATION LIMITED

- iii. **Para # 157-PAGE-145-146-ARPSE-2001-02**

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned three (03) Audit Paras.

MINISTRY OF INTERIOR

1. OVERVIEW

Appropriation Accounts / Audit Reports for the year 2001-02 pertaining to the Ministry of Interior were taken up for examination by Special Committee-II of the PAC in the meetings held on June 8th, 2010, July 12th, 2010, October 19th, 2010, December 21st, 2010 & March 8th, 2011 in Committee Room No.2, Parliament House, Islamabad. Decisions taken are summarized below:

- 1.1** Nine (09) grants and three (03) Paras on Audit Report Revenue Receipts (Indirect Taxes) were reported by AGPR / Audit. Twenty (20) Paras on Special Audit Report were presented by Audit.
- 1.2** On presentation of the grants by the AGPR, the Committee observed that the surrender had unnecessarily increased the excess and indicated poor financial management, which must be improved in future.
- 1.3** While discussing Special Audit Report No. 192 on the accounts of funds released by Election Commission of Pakistan to NADRA for preparation of electoral rolls for local bodies election and issuance of national identity cards to voters, the Committee observed that it had directed in the last meeting that the issue may be resolved in the inter-Ministerial Committee which has not been done. The Committee further observed that if it can be established that the cost was reasonable and the work done was satisfactorily and Audit objections have been met then the Committee has no objection. The Committee directed the Audit to verify that the price was reasonable.
- 1.4** While giving General direction on Regimental-Fund, the Committee directed the Ministry of Interior to ensure that the so called Regimental-Funds, which are being utilized and spent at discretion should be stopped and record of all those funds, should be provided to Audit.

- 1.5 While discussing Para No. 7.2 of Audit Report Revenue Receipts (Indirect Taxes) the Committee directed the PAO to make sure that all such cases of short realization are identified and sorted out accordingly.

I. **APPROPRIATION ACCOUNTS (CIVIL) VOL-1 2001-02**

i. **GRANT NO.71 – INTERIOR DIVISION**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Excess	(+)241,535,086	(+)359,086	1,162,000

AGPR pointed out that after taking into account two supplementary grants totaling Rs. 294,821,000 the grant closed with a saving of Rs. 802,914. A sum of Rs. 1,162,000 was surrendered, converting the saving into excess of Rs. 359,086.

The PAO informed the Committee that the excess was due to revision of pay scales.

DIRECTIVE

The Committee recommended regularization of the grant with the direction that surrender should have been made with more care to avoid excess.

ii. **GRANT NO.72 – ISLAMABAD**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Excess	(+)37,217,820	(+)34,742,820	2,475,000

AGPR pointed out that after taking into account two supplementary grants totaling Rs. 352,970,000. The grant closed with excess of Rs. 34,742,820 (2.74%).

The PAO informed the Committee that the excess was mainly due to introduction of new pay scales.

DIRECTIVE

The Committee recommended regularization of the grant.

iii. GRANT NO.73 – PASSPORT ORGANIZATION

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Excess	(+)2,421,130	(+)2,421,130	

The PAO informed the Committee that the minor excess of Rs. 2.4 million (0.80%) was due to revision of pay and allowances.

DIRECTIVE

The Committee recommended regularization of the grant.

iv. GRANT NO.74 – CIVIL ARMED FORCES

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Excess	<u>(+)256,996,470</u>	<u>(+)57,958,470</u>	10,929,000

AGPR pointed out that after taking into account two supplementary grants totaling Rs. 209,967,000 the grant closed with excess of Rs. 40,524,470/-. An amount of Rs. 17,434,000 was surrendered, increasing the excess to Rs. 57,958,470/-

The PAO informed that excess was due to revision of pay and allowances.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that the surrender had unnecessarily increased the excess and indicated poor financial management, which must be improved in future.

v. **GRANT NO. 75 –PAKISTAN COAST GUARDS**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) 3,586,898	(-)586,898	3,000,000

AGPR pointed out that after supplementary grant of Rs. 16,240,000, the grant closed with saving of Rs. 7,674,898. A sum of Rs. 7,088,000 had been surrendered, leaving net saving of Rs. 586,898 only.

DIRECTIVE

The Committee recommended regularization of the grant.

vi. **GRANT NO. 76 –PAKISTAN RANGERS**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Excess	(+)102,095,804	(-) 4,172,196	2,566,000

AGPR pointed out that after taking into account two supplementary grants totaling to Rs. 365016,000, the grant closed with saving of Rs. 186,725,196. A sum of Rs. 182,553,000 was surrendered, leaving net saving of Rs. 4,172,196.

The PAO informed the Committee that the saving was mainly due to vacant posts.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that to avoid the necessary blockage of resources, requirement of funds through supplementary grant should be more accurately estimated.

vii. **GRANT NO. 77 –OTHER EXPENDITURE OF INTERIOR DIVISION**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) 46,158,627	(-) 34,390,627	30,312,000

AGPR pointed out that after taking into account two supplementary grants totaling Rs. 2,441,555,000, the grant closed with saving of Rs. 84,629,627. A sum of Rs. 50,239,000 had been surrendered, leaving net saving of Rs. 34,390,627.

The PAO informed the Committee that the saving was due to delay in release of foreign exchange of Rs. 9,050,946/- on account of payment of contingent of special Police Unit at Kasovo and non-expenditure of Rs. 15,000,000 reserved for security arrangements for VVIP's and Rs.4,288,836 reserved for meeting unforeseen expenditure on law and order.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that efforts should be made to surrender all savings by the prescribed date.

viii. **GRANT NO. 81 – FRONTIER CONSTABULARY**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) 688,416	(-) 688,416	0

AGPR pointed out that the grant closed with saving of Rs. 7,916,416 (0.72%) out of which Rs. 7,228,000 had been surrendered, leaving net saving of Rs. 688,416 only.

DIRECTIVE

The Committee recommended regularization of the grant.

ix. **GRANT NO. 132 –DEVELOPMENT EXPENDITURE OF INTERIOR DIVISION**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) 166,993,131	(-) 129,300,131	240,000,000

AGPR pointed out that after accounting for two supplementary grants totaling to Rs. 203,308,000, the grant closed with saving of Rs. 369,300,131 (12.34%). A sum of Rs. 240,000,000 was surrendered, leaving net saving of Rs. 129,300,131.

The PAO informed the Committee that the saving of Rs. 129,300,131 was mainly due to non-release of funds by the Finance Division.

DIRECTIVE

The Committee recommended regularization of the grant subject to the verification of the record, relating to non-release of funds, by Audit.

On 8th March, 2011 AGPR pointed out that the supplementary schedule and variation in expenditure have been verified. He further said the surrender documents have been provided by the Ministry and verified by the AGPR. He said that the PAO may like to explain the net saving of Rs. 129,300,131.

The PAO explained to the Committee that the saving took place partly due to non release of funds by the Finance Division.

DIRECTIVE

The Committee directed the PAO to make sure that surrenders are made before the codal date. The Committee recommended regularization of the grant.

3. **SPECIAL AUDIT REPORT No. 192 ON THE ACCOUNTS OF FUNDS RELEASED BY ELECTION COMMISSION OF PAKISTAN TO NADRA FOR PREPARATION OF ELECTORAL ROLLS FOR LOCAL BODIES ELECTION AND ISSUANCE OF NATIONAL IDENTITY CARDS TO VOTERS, MINISTRY OF INTERIOR FOR THE AUDIT YEAR 2001-02.**

- i. **PARA NO. 1-PAGE 5-SAR-192**
IRREGULAR EXPENDITURE OF Rs 444.737 MILLION ON ACCOUNT OF UPDATION AND PRINTING OF ELECTORAL ROLLS WITHOUT INVITING OPEN TENDERS THROUGH PRESS
- ii. **PARA NO. 2-PAGE 7-SAR-192**
IRREGULAR EXPENDITURE OF Rs 88.947 MILLION ON ACCOUNT OF MANAGEMENT FEE PAID TO M/s JBL
- iii. **PARA NO. 3-PAGE 8-SAR-192**
OVERPAYMENT OF Rs 2.168 MILLION ON ACCOUNT OF MANAGEMENT FEE TO M/s JAFFER BROTHERS LTD.-PRINTING CONTRACT
- iv. **PARA NO. 4-PAGE 8-SAR-192**
NON-MAINTENANCE OF PROPER MECHANISM REGARDING QUALITY ASSURANCE OF THE CONTRACTOR'S OUTPUT – NON-RECOVERY OF DAMAGES
- v. **PARA NO.5-PAGE 10-SAR-192**
OVERPAYMENT OF Rs 10.640 MILLION TO M/s JBL ON ACCOUNT OF UPDATION OF ELECTORAL ROLLS
- vi. **PARA NO.6-PAGE 11-SAR-192**
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- vii. **PARA NO.7-PAGE 12-SAR-192**
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- viii. **PARA NO.8-PAGE 13-SAR-192**
OVER CHARGING OF Rs 44.244 MILLION ON ACCOUNT OF PAY OF DATA ENTRY OPERATORS
- ix. **PARA NO.9-PAGE 13-SAR-192**
OVERPAYMENT OF Rs 2.976 MILLION TO M/s JAFFER BROTHERS LTD. (JBL) ON ACCOUNT OF FLUCTUATION OF US \$ GREATER THAN 5% (PRINTING CONTRACT) AND ENHANCED COST OF COLOUR PAPER
- x. **PARA NO.10-PAGE 15-SAR-192**
UN-NECESSARY PAYMENT OF Rs 2.922 MILLION ON ACCOUNT OF LATE PAYMENT CHARGES ON DELAYED PAYMENTS AGAINST THE PRINTING CONTRACT.

- xi. **PARA NO.11-PAGE 16-SAR-192**
NON-RECOVERY OF Rs 28.0 MILLION ON ACCOUNT OF CHARGES AGAINST LATE START OF PRINTING OPERATION BY M/s JBL
- xii. **PARA NO.12-PAGE 17-SAR-192**
OVERPAYMENT OF Rs 1.560 MILLION TO M/s JAFFER BROTHERS LTD. ON ACCOUNT OF PURCHASE OF 3 XEROX DP 180 PRINTERS.
- xiii. **PARA NO.13-PAGE 18-SAR-192**
OVERPAYMENT OF Rs 1.476 MILLION ON ACCOUNT OF SITE PREPARATION TO M/s JBL
- xiv. **PARA NO.14-PAGE 18-SAR-192**
OVERPAYMENT OF Rs 12.854 MILLION TO M/s JBL ON ACCOUNT OF UNUTILIZED PAPER AND FULL SERVICE MAINTENANCE AGREEMENT (FSMA)
- xv. **PARA NO.15-PAGE 21-SAR-192**
OVERPAYMENT OF Rs 106.695 MILLION ON ACCOUNT OF PRINTING OF IMPRESSIONS
- xvi. **PARA NO.16-PAGE 21-SAR-192**
UNAUTHORIZED TEMPORARY TRANSFER / LOAN OF Rs 22.0 MILLION TO M/s JBL – RECOVERY OF INTEREST OF Rs 0.962 MILLION
- xvii. **PARA NO.17-PAGE 23-SAR-192**
OVER CHARGING OF Rs 7.647 MILLION ON ACCOUNT OF RENT OF BUILDING
- xviii. **PARA NO.18-PAGE 23-SAR-192**
IRREGULAR EXPENDITURE OF RS. 13.125 MILLION ON CIVIL WORKS
- xix. **PARA NO.19-PAGE 24-SAR-192**
UN-AUTHORIZED EXPENDITURE OF Rs 1.049 MILLION ON HIRING OF SERVICES OF M/s MGK CONSULTANT FOR ELECTORAL ROLLS PRINTING
- xx. **PARA NO.20-PAGE 26-SAR-192**
NON-DEPOSIT OF Rs 0.204 MILLION ON ACCOUNT OF GST BY M/s CRAFT ENGINEERS, RAWALPINDI

Audit pointed out that the Special Audit Report No. 192 had not been considered by the DAC.

The PAO Interior informed the Committee that the amount in question of the AR never came to the Ministry of Interior and was released by the Finance Division directly to the Election Commission of Pakistan. The DAC should therefore be held with the Election Commission of Pakistan.

The PAO Election Commission of Pakistan stated that this amount was approved by the Finance Division for expenditures by NADRA. Special Audit was conducted on the request of the ECP. The ECP had written to NADRA that the amounts pointed out as irregularities in the Audit Report should be recovered from the contractor. However, this Para did not relate to ECP, as NADRA was under the administrative control of Ministry of Interior.

Audit requested the Committee that it may be allowed some time to hold DAC with the Election Commission of Pakistan and NADRA along with a representative of the Interior Division. Chairman NADRA requested the Committee that the NADRA may be allowed some time to resolve the issue in the DAC meeting.

The Committee observed that once money had been released to the Election Commission the PAO ECP was responsible for it, even if ECP had given the money to NADRA. The Committee directed Audit to hold a DAC meeting with Election Commission of Pakistan, NADRA and a representative of Interior Division. The Committee further directed the PAO Interior to provide necessary assistance and designate a senior officer to participate in the meeting of the DAC. The PAO ECP should submit a report to the Committee within one month.

On 21st December, 2010 when the report came up for consideration again it was stated that the audit objection had not yet been fully addressed.

The PAO Election Commission of Pakistan suggested that if any person(s) or department is involved a Committee might be constituted to probe into the matter under the PPRA Rules.

Audit suggested that there should be proper inquiry by FIA or by some other organization in order to ascertain the facts.

The Committee directed the Audit to sit together with Secretary Finance, Secretary Interior, Chairman NADRA and Secretary Election Commission of Pakistan in order to resolve this issue and put up a report to the Committee which would then be taken up by the main PAC.

The Committee further directed Audit to hold a meeting in one month's time and then take it to the main Committee for endorsement.

The Committee remarked that it was a bad contract and directed to constitute an Inter Departmental Inquiry Committee on Special Audit Report No. 192 on the accounts of funds released by election commission of Pakistan to NADRA for preparation of electoral rolls for local bodies. The Committee recommended the Para for settlement subject to ex-post facto approval from the Finance Division.

((This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.))

On 21st December, 2010 the Committee directed the PAO to resolve this issue in consultation with Secretary Finance, Secretary Election Commission, NADRA and Auditor General and satisfy the Audit on points raised by them in the DAC. The Committee directed the PAO to submit a report within one month.

GENERAL DIRECTION

Audit stated that the PAC had directed the Ministry of Interior to provide the relevant record on Regimental Fund to Audit, but the record had not yet been provided.

The PAO informed the Committee that the relevant record would be provided to Audit soon.

The Committee observed that the Ministry of Interior should understand that there is no questioning of Authority of the PAC or the directive of the PAC which have to be complied with.

The Committee directed the Ministry of Interior to ensure the compliance of the direction that the so called Regimental Funds, which are being utilized and spent at discretion should be stopped and record of all those funds, should be provided to Audit.

Audit stated that it has not yet been established as to who is going to take responsibility of addressing the NADRA issue in the PAC. Audit further stated that in case of emergent circumstances and that too when proprietary items are involved GFR allow relaxation of codal formalities. Audit said that such relaxation of rules should be recorded on file.

The PAO Ministry of Interior submitted that although it had been decided in the PAC meeting held in July 2010 that ECP being the PAO would attend to this Para, nevertheless Ministry of Interior is prepared for this responsibility on the basis of the directive of the PAC given in the last meeting.

The PAO observed that after having gone through NADRA's report one can observe that had NADRA performed this task under normal circumstances it would have taken about a year and a half to do so. In order to comply with the instructions of the government and due to time restraints NDARA decided to award the work to the same firm i.e. M/s Jaffer Brothers which had already been working with NADRA and the job was well done except a procedural lapse of tendering and codal formalities. He further stated that the most important factor for consideration of the PAC at this time should be the reasonability of price at which the job was done.

The PAO suggested that cost accounting-department of audit may be asked to examine whether the price at which the work was awarded on single

tender basis was reasonable and competitive at that time. He requested that codal formalities may be ignored if reasonability of price is established. The PAO further said that Chairman NADRA had the authority to relax the requirement of tender under GFR in special circumstances and at that time the requirement was emergent. The PAO further said that relaxation of tendering procedure was recorded on file by the then Chairman.

DIRECTIVE

The Committee observed that it had directed in the last meeting that the issue may be resolved after consultation with Secretary ECP, Secretary Finance and Chairman NADRA which has not been done. The Committee further observed that if it can be established that the cost was reasonable and the work done was satisfactory and Audit objections have been met then the Committee has no objection. The Committee directed the Audit to verify that the price was reasonable. The Committee directed the PAO to convene a meeting of inter-Ministerial-committee comprising of representatives of Finance Division, ECP, NADRA, M/o IT & Telecommunication and PIFRA and submit a report to the Committee within two weeks. This Inter Ministerial Committee should meet and settle this issue and in case Audit is not satisfied then the Para would be referred back to the PAC.

4. AUDIT REPORT REVENUE RECEIPTS (INDIRECT TAXES) ON THE ACCOUNTS OF MINISTRY OF INTERIOR FOR THE AUDIT YEAR 2001-02.

- i. **Para 7.1-AR 2001-2002 Page 317-MR**
Non-realization of still head duty on imported liquor –Rs.2,068,685/-
- ii. **Para 7.3-AR 2001-2002 Page 318-319 MR.**
Non-realization of hotel tax – Rs.198,925/-

DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the above-mentioned two (02) Audit Paras.

4.1 **Para 7.2-AR 2001-2002 Page 318-MR.**

Short-realization of registration fee in respect of lease hold rights – Rs.402,638/-

Audit stated that under the law, where lease was granted for rent reserved or where lease was granted for money advanced but no rent was reserved, the stamp duty was to be charged @ 4% for a consideration equal to the amount of the advance as set forth in the lease.

Audit further stated that registration fee was chargeable @ 5/8th of the stamp duty. In case of 31 lease hold rights (lease deeds), the stamp duty was correctly charged but the registration fee was short-realized by the Joint Sub-Registrar, Islamabad Capital Territory, and Islamabad. This led to short-realization of government revenue of Rs.402,638 during the year 2000-2001, which was attributed to sheer negligence on the part of the department.

The PAO informed the Committee that the dispute was whether the registration fee was to be charged on lease deeds or on transfer of lease hold rights which according to CDA was chargeable with stamp duty under Article 63 of Schedule-I to the Stamp Act.

The PAO further informed that the issue had been referred to Law Division for clarification. Therefore, the para may be kept pending till decision of Law Division.

The Committee directed the PAO to pursue the case with Law Division, obtain the requisite clarification and submit a report to the Committee within one month.

On 19th October, 2010 the PAO informed the Committee that the dispute was whether the registration fee was to be charged on lease deeds or on transfer of lease hold rights also which according to CDA was chargeable with stamp duty under Article 63 of Schedule-I to the Stamp Act.

The PAO further informed that the last reminder had been issued on 24th September, 2010 to Law Division for clarification but the Law Division did not reply yet.

The Chief Commissioner Islamabad informed the Committee that the case had been referred to Law Division for interpretation. He further said that he had personally spoken to the Secretary and the Ministry would give its opinion on the said subject within next week.

The Committee directed the PAO to provide the relevant record on the Para settled in 2007 to Audit in order to see the basis on which the Para was settled.

The Committee directed the PAO to get the case expedited from the Law Division and personally obtain the requisite clarification. The Committee observed that if the Law Division upholds opinion of the Ministry of Interior then the Committee would simply record that opinion and the Para would stand settled and if they support the point of view of Audit then the Committee would call the Ministry again for next meeting. The Committee directed to submit a report to the Committee within one month.

On 8th March, 2011 Audit stated that PAC may like to know the present status of case.

The PAO informed the Committee that recovery has been suggested by the Law Division which would be made within one month.

DIRECTIVE

The Committee directed the PAO to make sure that all such cases of short realization are identified and sorted out accordingly. The Committee

recommended the Para for settlement subject to verification of Audit within two weeks.

MINISTRY OF KASHMIR AFFAIRS AND NORTHERN AREAS

1. OVERVIEW

Appropriation Accounts and Audit Reports of Federal Government for the year 2001-02 pertaining to Ministry of Kashmir Affairs & Northern Areas were taken up for examination by Special Committee-II of the PAC in Committee room No.2 ,Parliament House Islamabad on July, 7th 2010 , November 4th , 2010 & December 28th, 2010. Decisions taken are summarized below:

- 1.1 Eight (08) grants and eleven (11) Paras were reported by AGPR / Audit. One Para of Audit Report on Public Sector Enterprises and Performance Evaluation Report were presented by Audit
- 1.2 While discussing Audit Report the Committee asked to submit a progress report on the recovery made so far.
- 1.3 While discussing Performance Evaluation Report (No.157) on Northern Areas Transport, the Committee directed the PAO to approach the concerned government Departments for payment of the amounts on priority basis.

2. APPROPRIATION ACCOUNTS CIVIL VOL-I 2001-02

i. GRANT NO.79- KASHMIR AFFAIRS, NORTHERN AREAS, STATES AND FRONTIER REGIONS .

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Excess	(+) 20,889,347	(-) 889.347	20,000,000

The PAO informed the Committee that the excess was due to revision of pay scales as well as obligatory expenditure in connection with establishment of Religious Management.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that the amount should not be surrendered and effort should be made to adhere to the actual grant.

ii. **GRANT NO.80- FRONTIER REGIONS**
et Excess Rs. 43,077,641/-

The PAO informed the Committee that the excess was due to revision of pay scales w.e.f. 01-12-2001 as well as the compensatory allowance and ad-hoc relief was discontinued from 01-12-2001 along with the change of scale.

DIRECTIVE

The Committee recommended regularization of the grant and observed that amount should have been surrendered in time.

iii. **GRANT NO.83- MAINTENANCE ALLOWANCE TO EX-RULERS**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) 971,900	(+) 1,000	970,900

The PAO pointed out that less booking of expenditure amounting to Rs. 970,900 was made.

DIRECTIVE

The Committee recommended regularization of the grant.

iv. **GRANT NO.85- AFGHAN REFUGEES**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) 14,944,428	(-) 21,247,428	6,303,000

The PAO informed the Committee that Rs. 8.391 million was under the head of Afghan Refugees Maintenance Allowance and that was expected External Displaced Persons (EDP) were expect to come to Pakistan after American action

in Afghanistan. But most of those people were then handled inside Afghanistan and they did not come. The amount was retained till the end of the financial year.

The PAO further informed that the saving was due to vacant posts, non-clearance of bills of leave salary as well as less receipt of land compensation cases.

DIRECTIVE

The Committee referred the grant back to the DAC for reconsideration and recommended regularization subject to verification by AGPR.

v. **GRANT NO.84- OTHER EXPENDITURE OF KA&NA.**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(+) 320,587,812	(-) 17,487,188	338,075,000

The PAO informed the Committee that saving of Rs.17,487,188 was due to less procurement of wheat and accordingly less adjustment of subsidy had been made as well as for purchase of drugs and medicines.

DIRECTIVE

The Committee recommended regularization of the grant.

vi. **GRANT NO.86- NORTHERN AREAS**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Excess	(+) <u>162,462,795</u>	(+) <u>149,962,795</u>	12,500,000

The PAO informed the Committee that the excess was due to revision of Basic Pay Scales w.e.f. 01-12-2001, Medical allowance to employees of BPS 1-16 was increased from Rs.90 to Rs.160 p.m. as well as the rate of conveyance allowance was also increased.

The PAO further informed that supplementary grant of Rs.154.143 million under the head pay of officer and other staff was demanded but Finance Division regretted the case.

DIRECTIVE

The Committee recommended regularization of the grant.

- vii. **GRANT NO.112- CAPITAL OUTLAY ON PURCHASES BY KASHMIR AFFAIRS & NORTHERN AREAS**
Saving Rs. 14,553,197/-

The PAO informed the Committee that the saving was due to less procurement of wheat 53,819 M.T against the wheat quota of 70,000 M.T.

DIRECTIVE

The Committee recommended regularization of the grant.

- viii. **GRANT NO.134- DEVELOPMENT EXPENDITURE OF KASHMIR AFFAIRS & NORTHERN AREAS**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(+) <u>256,045,020</u>	(-) <u>94,954,980</u>	351,000,000

AGPR stated that after supplementary grants totaling Rest. 1,874,000,000 the grant closed with a saving of Rs. 94, 954, 980 (13.80 % of the total grant).

The PAO informed the Committee that the foreign aid component of Rs.160.000 million was directly released to the executing agencies, but not booked in the actual expenditure with AGPR Sub-office Gilgit. If this amount is excluded, there was excess of Rs. 65, 045, 020 in the grant. The Chief Secretary, Gilgit Baltistan had ordered the department to fix responsibility for the delay in furnishing explanation for the same.

DIRECTIVE

The Committee directed the PAO to provide the requisite explanation with relevant record to AGPR. The Committee recommended regularization of the grant subject to verification by AGPR.

3. AUDIT REPORT ON THE ACCOUNTS OF MINISTRY OF KASHMIR AFFAIRS AND NORTHERN AREAS FOR THE YEAR 2001-02.

**3.1 Para-1.1-Page-9-AR-2001-02
OVERPAYMENT OF RS 3.140 MILLION**

The PAO informed the Committee that the contractor had filed a case against the Department in the court of law. The case was subjudice, next hearing is on 12 August, 2010 and unless clear orders are passed by the Court, no action can be taken.

However, the PAO further stated that he would submit a self-explanatory report to the Committee.

The Committee referred the para back to the DAC and the responsibility should be fixed for release of payments.

In another meeting held on 4th November, 2010 Audit stated that the Executive Engineer Water and Power Division, Gilgit had made payment for excessive quantities to the contractor without recording actual measurements at site, resulting in overpayment of Rs. 3.140 million. Security deposit of Rs. 6 million had also been released prematurely before completion of work.

The PAO informed the Committee that the contractor had filed a suit against the Department which was still subjudice. Meanwhile inquiry was conducted by the Ministry as directed by the PAC and the XEN concerned was exonerated as payment had been made as per agreement

The Committee directed the PAO to look at this para again in the DAC and examine in detail as to whether the inquiry had been properly conducted. Progress report regarding the recovery suit against the contractor, should also be submitted within one month indicating whether any stay order had been passed.

DIRECTIVE

In another meeting held on 28th December, 2010 the Committee directed the PAO to send a report about the decision of the Court after next date of hearing and submit a progress report on the recovery made so far. The Committee recommended the Para for settlement subject verification of recovery by Audit.

3.2 **Para-2.1-Page-10-AR-2001-02** **NON-RECOVERY OF HIRE CHARGES OF RS.8.871 MILLION AND NON-RETURN OF MACHINERY**

The PAO informed the Committee that the Ministry had directed NAPWD to send a detailed report to the Ministry and then KA&NA Division may take up the case with the Ministry of Defence and Commander FCNA to direct the concerned unit to deposit government revenue without further delay and its report would be submitted to the Committee.

The Committee directed the PAO to fix the responsibility for the delay in these five years i.e. from 2005 to 2010 and report to the Committee within one month's time.

In another meeting held on 4th November ,2010 Audit explained that the Para pertained to recovery of Rs. 8.871 million Ministry of Defence in respect of hire charges bull-dozer and road-roller of machinery lent to 101 Engineers Battalion, Gilgit. The machinery had also not been returned.

The PAO informed the Committee that the case had been taken up with the Ministry of Defence which had forwarded it to Commander FCNA to direct the concerned unit to deposit government revenue without further delay. However, the Commander FCNA had not yet responded despite several reminders to FCNA.

Audit stated that the Ministry should provide Audit with receipts of the handing / taking over of the machinery and copy of all raising the dues.

In another meeting held on 28th December, 2010 the Committee the Committee directed the PAO to provide the relevant record to Audit. The Committee should also be sent copies of correspondence with FCNA, so that the matter can be taken up with it. Report should be submitted to the Committee within one month.

DIRECTIVE

The Committee directed the PAO to follow the procedure of taking junk on charge and dispose off as per Rules and Procedure. The Committee further directed to ensure preparation of handing/taking over report and submit it to Audit. The Committee recommended the para for settlement.

3.3 **Para-2.2-Page-11-12-AR-2001-02** **NON-RECOVERY RS.4.060 MILLION ON ACCOUNT OF ELECTRICITY CHARGES**

The PAO informed the Committee that the matter of recovery from Government Departments for deduction at source would be taken up with the Finance Department. The PAO further stated that notices had been issued to the commercial consumers and notices had been issued immediately for disconnection. The matter for the military authorities may be taken up with the Ministry of Defence through the Ministry of Kashmir Affairs & Gilgit-Baltistan and the amount recovered would be verified from Audit and report would be submitted to the Committee.

The Committee directed the PAO to submit a report in this regard within a month.

In another meeting held on 4th November, 2010, Audit stated that Executive Engineer, WAPDA, Gilgit could not effect recovery of consumed electricity charges. Violation of standing Rules and Regulations resulted in non-recovery of Rs. 4.060 million.

The PAO informed the Committee that as per decision of the DAC the matter of recovery from Government Departments through deduction at source had been taken up with the Finance Division. The Finance Division had asked the Ministry to reconcile figures with the concerned Ministries and give details of the outstanding dues relating to each Department.

The PAO further informed that notices of disconnection had been issued to the commercial consumers.

The Committee directed the PAO to submit a comprehensive report on recovery efforts within one month.

DIRECTIVE

In another meeting held on 28th December, 2010 the Committee directed the PAO to expedite recovery of the balance amount and get the already recovered amount verified by Audit. The Committee recommended Para for settlement subject to verification by Audit.

3.4 **Para-4.1-Page-15-16-AR-2001-02** **IRREGULAR PAYMENT OF RS.4.501 MILLION**

The PAO informed the Committee that as per DAC directives dated 08.08.2005 regarding probe into the rates/lead, the Chief Secretary GB had been requested through Secretary Finance to constitute a Board of Officers to submit its report to Ministry of KA & GB vide Secretary Works GB PWD letter No.CE-7/PWD/2001-2002/104 dated 25th June, 2010.

However, the PAO further stated that as per Gilgit-Baltistan System of Financial Control and Budgeting Rules, 2009 the case would be initiated with PAO (Secretary Works) for regularization of expenditure and further progress would be intimated to audit and a report would be submitted to the Committee as well.

The Committee directed the PAO to submit a report within a month's time as to what action had been taken against the responsible person(s).

In another meeting held on 4th November, 2010 Audit stated that Para 19 (iv) of GF Rules stipulates that no payments to contractors by way of compensation or in excess of the contract rates may be authorized without the prior approval of Ministry of Finance.

However, the Executive Engineer, Building and Road Division, Gilgit paid extra item "cartage of earth, building rubbish etc. without any provision in the estimate and for which no separate payment was admissible. Payment of inadmissible item reflected undue favour to the contractor and loose financial controls. Non-observance of contractual provisions resulted in irregular payment of Rs. 4.501 million.

DIRECTIVE

The Committee directed Audit to check the record and recommended the Para for settlement subject to the endorsement by the Chief Secretary and satisfaction of Audit.

3.5 Para-4.2-Page-16-17-AR-2001-02 **LOSS OF RS.1.480 MILLION**

The Committee clubbed the Para with Para No. 4.1 and directed the PAO to fix responsibility and submit a report to the Committee within one month.

In another meeting held on 4th November, 2010 Audit stated that according to Delegation of Powers, permissible limit for acceptance of tenders is 4.5% above the technical sanction of the estimate.

However, the Executive Engineer, Building and Road Division, Gilgit accepted tenders above the permissible limit (ranging from 7.56% to 10.03%).

Acceptance of tenders above the permissible limits resulted in loss of Rs. 1.480 million.

The PAO informed the Committee that in both the above cases the inquiry reports revealed that all requisite formalities had been completed and there was no violation of rules.

DIRECTIVE

The Committee recommended the Para for settlement subject to the endorsement of the inquiry reports by the Chief Secretary and verification by Audit.

- i. **Para No. 2.3, Page 12-13-AR-2001-02**
Non-recovery of Rs.0.227 million on account of material issued by the Department
- ii. **Para No.2.4, Page13-14-AR-2001-02**
Non-recovery of Rs.0.127 million on account of Rent Charges of Rest House
- iii. **Para No. 3.1, Page 14-15-AR-2001-02**
Blockade of Rs.2.896 million due to non-auction of unserviceable material
- iv. **Para No. 4.3, Page 17-18-AR-2001-02**
Irregular Payment of Rs.0.679 million Due to Utilization of Contingency of one work to another work
- v. **Para No. 4.4, Page 18-19-AR-2001-02**
Loss of Rs.0.655 million
- vi. **Para No. 4.5, Page 19-20-AR-2001-02**
Unauthentic Payment of Rs.0.218 million

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned six (06) Audit Paras.

4. PERFORMANCE EVALUATION REPORT (NO.157) ON NORTHERN AREAS TRANSPORT CORPORATION MINISTRY OF KASHMIR AFFAIRS AND NORTHERN AREAS, ISLAMABAD FOR THE YEAR 2001-02.

4.1 Para-3.2-AR-2001-02
AREAS OF OPERATION

The PAO informed the Committee that NATCO operates in the entire Northern Areas and links these areas with the rest of country. It also operates passenger and cargo vehicles between Pakistan and China in accordance with the protocol Agreement 1986.

The PAO further informed that it had also decided to operate between Pakistan and Central Asian States i.e. Kazakhstan and Kyrgyzstan from May, 1999 and approached for one hundred permits which were pending with the ministry of communication.

The PAO further stated that the Corporation had recovered Rs. 4.6 million from Ministry of Food, Ministry of Defence and FCNA and 7.6 million is still recoverable from these Ministries.

DIRECTIVE

The Committee directed the PAO to help the Corporation with regard to the remaining recoverable amounts and approach the concerned Government Departments for payment of the amounts on priority basis.

4.2 Para-3.4.1-AR-2001-02
ROUTE-WISE PERFORMANCE

The PAO informed the Committee that it was discussed in the last DAC meeting and the accounts had been verified by the Director Audit that Rs. 117 million recoverable had been released by the Finance Division to the

Corporation and at the moment the Corporation had nothing recoverable from the Finance Division.

DIRECTIVE

The Committee recommended the settlement of the para.

- i. **Para 1.3** FINANCIAL POSITION
- ii. **Para 2.1.** BALANCE SHEET
- iii. **Para 2.1.1** EQUITY
- iv. **Para 2.1.2** SURPLUS ON REVALUATION OF ASSETS
- v. **Para 2.1.4** CURRENT LIABILITIES
- vi. **Para 2.1.5** FIXED ASSETS
- vii. **Para 2.1.6** CURRENT ASSETS
- viii. **Para 2.2** PROFIT AND LOSS ACCOUNTS
- ix. **Para 2.2.1** REGULAR INCOME
- x. **Para 2.2.2** OTHER INCOME
- xi. **Para 2.2.3** EXPENSES
- xii. **Para 2.3** FINANCIAL RATIOS
- xiii. **Para 2.3.1** LIQUIDITY OR CURRENT RATIO
- xiv. **Para 2.3.2** DEBT RATIO
- xv. **Para 2.3.3** PROFITABILITY
- xvi. **Para 2.3.4** BOOK VALUE PER SHARE
- xvii. **Para 3.1** NATCO FLEET
- xviii. **Para 3.3** TYPES OF OPERATION
- xix. **Para 3.4** OPERATIONAL PERFORMANCE
- xx. **Para 3.4.2** VEHICLE WISE PERFORMANCE
- xxi. **Para 3.5** REPAIR AND MAINTENANCE
- xxii. **Para 3.5.2** REPAIR AND MAINTENANCE
- xxiii. **Para 3.5.3** REPAIR AND MAINTENANCE
- xxiv. **Para 4.1** ORGANIZATION
- xxv. **Para 4.2** MANAGEMENT
- xxvi. **Para 4.3** MANPOWER STRENGTH
- xxvii. **Para 4.4** ANNUAL BUDGETING
- xxviii. **Including Sub Paras 4.4.1&4.4.2**
- xxix. **Para 4.5** ARMY MONITORING TEAMS STUDY

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned twenty-nine (29) Performance Audit Report.

4.3 **PARA NO. 4.2-PAR**
ROUTE-WISE PERFORMANCE

Audit pointed out that NATCO operates on thirty three (33) routes out of which only seven routes are economical. Earnings on the remaining routes were very low and could not cover even the operational expenditure. During 2000-21 NATCO sustained loss of Rs. 9.15 million on these un-economical routes.

The PAO informed that in compliance with earlier PAC directives efforts were being made to recover outstanding dues from various government departments, which had increased to over Rs. 226 million on 31-10-2010. A summary had been put up to the Prime Minister with the consultation of Finance Division, for deduction of dues at source.

DIRECTIVE

The Committee directed the PAO that progress report regarding recovery should be submitted to the Committee within one month.

(This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

5. **AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE**
ACCOUNTS OF MINISTRY OF KASHMIR AFFAIRS AND
NORTHERN AREAS FOR THE AUDIT YEAR 2001-02.

NORTHERN AREAS TRANSPORT CORPORATION (PVT) LIMITED

5.1 **Para-159-Page-149-ARPSE-2001-02**

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned Audit Para.

**MINISTRY OF LABOUR, MANPOWER
AND OVERSEAS PAKISTANIS**

1. OVERVIEW

Appropriation Accounts and Audit Reports of Public Sector Enterprises for the year 2001-02 pertaining to Ministry of Labour, Manpower & Overseas Pakistanis were taken up for examination by Special Committee-II of the PAC in Committee Room No.2, Parliament House Islamabad on July 7th, 2010, October 7th, 2010 & February 23rd, 2011. Decisions taken are summarized below:

- 1.1** Three (03) grants and one Para was reported by AGPR / Audit. Two (02) Paras of the Audit Report of Public Sector Enterprises and two Performance Audit Reports on Ministry of Labour & Manpower and Overseas Pakistanis were presented by Audit.
- 1.2** On presentation of the grants the Committee observed that excessive amount had been surrendered, converting the saving into excess albeit of a minor amount. The Committee directed that budgetary requirement of funds should be calculated more realistically and surrender of saving, if any, should be made with more care.
- 1.3** While discussing Para, Travel Agency Business of Performance Audit Report on the accounts of Overseas Employment Corporation the Committee observed that the department should make every effort to recover the entire amount.
- 1.4** On presentation of the Performance Audit Report on Overseas Pakistanis Foundation the Committee directed the PAO to have a denovo look at the irregularities found in the housing schemes and submit a schemes-wise comprehensive report to the Committee.

2. **APPROPRIATION ACCOUNTS (CIVIL) VOL-1 2001-2002**

i **GRANT NO.87-LABOUR, MANPOWER AND OVERSEAS PAKISTANIS DIVISION**

Excess Rs. 2,470,872/-

Audit pointed out that after taking into account supplementary grant of Rs. 8,000,000, the grant closed with excess of Rs. 2,470,872 (1.22%).

The PAO informed that the minor excess was mainly due to revision of pay scales.

The Committee referred the grant again to DAC for examination of the reasons for obtaining supplementary grant and for the excess expenditure.

DIRECTIVE

On 7th October, 2010, the Committee recommended the grant for regularization.

ii. **GRANT NO.88- OTHER EXPENDITURE OF LABOUR, MANPOWER AND OVERSEAS PAKISTANIS DIVISION**

Saving Rs. 22,151/-

A.G.P.R. pointed out that the grant closed with a minor saving of Rs.22,151.

DIRECTIVE

The Committee recommended regularization of the grant.

iii. **GRANT NO.136- DEVELOPMENT EXPENDITURE OF LABOUR, MANPOWER AND OVERSEAS PAKISTANIS DIVISION**

Excess Rs. 553,451/-

Audit explained that the grant closed with a saving of Rs. 54,014,549 (55.11%). A sum of Rs. 54,568,000 had been surrendered, converting the saving into excess of Rs. 553,451 (0.56%).

The PAO informed that excess was mainly due to revision of pay scales.

DIRECTIVE

The Committee observed that excessive amount had been surrendered, converting the saving into excess albeit of a minor amount. It recommended regularization of the grant with the direction that budgetary requirement of funds should be calculated more realistically and surrender of saving, if any, should be made with more care.

3. AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE ACCOUNTS OF MINISTRY OF LABOUR & MANPOWER FOR THE YEAR 2001-2002

EMPLOYEES OLD-AGE BENEFITS INSTITUTION

3.1 Para-03(xxvi) (ARPSE-2001-02)-Page-xix NON-COMPILATION OF ACCOUNTS

DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the above-mentioned Audit Para.

4. AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE ACCOUNTS OF MINISTRY OF LABOUR & MANPOWER FOR THE YEAR 2001-2002

OVERSEAS EMPLOYMENT CORPORATION (PVT) LIMITED

4.1 PARA-164-PAGE- 157-158-(ARPSE-2001-02)

DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the above-mentioned Audit Para.

5. PERFORMANCE AUDIT REPORT ON THE ACCOUNTS OF OVERSEAS EMPLOYMENT CORPORATION, ISLAMABAD FOR THE PERIOD COVERED 1997-98 TO 2002.

- 1. FINDINGS**
- 1.1 ACHIEVEMENT OF TARGETS.**
- 1.2 NON-PROFESSIONAL APPROACH**
- 1.3 LACK OF INTERFACE WITH PUBLIC**
- 2. FINANCIAL DATA AND ANALYSIS.**

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned Paras of the Performance Audit Report.

3. FINANCIAL MISMANAGEMENT

Audit explained that the OEC was paying huge amount as ground rent to CDA for 4000 square yards plot in G-9/4 Islamabad as well as rent for the building housing its Head office, but had not yet started construction of the plot.

The PAO informed the Committee that the Head Office had since been shifted from rented premises into the Ministry's own premises.

The Managing Director, Corporation stated that negotiations were under way with EOBI for construction of building and MOU would be signed within a couple of days.

DIRECTIVE

The Committee observed that the un-necessary rent paid could have been saved if action had been taken earlier.

4. INTERNAL CONTROL FAILURES

Audit pointed out that non-availability of internal controls had resulted in non-recovery of TA / DA advance from former MDs totaling Rs. 108,112.

The PAO assured the Committee that the Ministry would pursue recovery and try for speedy adjustment.

The Committee directed the PAO to take necessary action to effect recovery at the earliest and to submit a report to the Committee within one month. The report should also indicate action taken on the inquiry conducted by the Ministry.

DIRECTIVE

When the matter was taken up on 7th October, 2010, the Committee directed to serve legal notice to Mr. Imran Qadir and approach the Civil Court for recovery. A report has to be submitted to Committee within one month.

5. TRAVEL AGENCY BUSINESS

Audit pointed out that OEC's travel agency business had made losses during the years 1997-98 to 1999-2000.

The PAO and MD, OEC explained that overall the travel agency had earned revenue for the corporation. However, it was a very competitive business and concerted efforts were required to enhance profitability.

The Committee directed the PAO to submit a detailed report on the travel agency business and overall performance of the OEC within three (03) months which will be taken to the main PAC.

On 7th October, 2010, the Committee directed the PAO to prepare a detailed report on the issue of OEC which would be presented to the Main PAC for consideration.

When the matter was taken up on 23rd February, 2011, Audit reported that now progress of recovery has been stated by the department.

PAO informed the Committee that the process of recovery was being pursued vigorously and sum of Rs. 5.5 million from different defaulters had been recovered. The PAO further tolled the Committee that he had given instruction to OEC to recover every single penny from the recent defaulter. He said that a report on the travel agency business has been submitted to the Audit.

DIRECTIVE

The Committee observed that the department should make every efforts to recover the entire amount. A report of the recovery has to be submitted to the Committee within one month. The para was settled subject to verification by Audit.

6. PERFORMANCE AUDIT REPORT ON OVERSEAS PAKISTANIS FOUNDATION FOR THE YEAR 2001-02

Audit pointed out that all housing societies formed by Overseas Pakistani in Pakistan or not successful as no scheme out of 21 schemes had been completed. Audit further stated that huge losses have been declared in these schemes and responsibility of loss has not been fixed.

The PAO agreed with the general remarks of audit about the housing schemes and said that a lot has to be done in order to resolve this issue. He further requested to give the Ministry to some time in order to address various problems and submit a detailed report about the irregularity.

DIRECTIVE

The Committee directed the PAO to have a denovo look at the irregularities found in the housing schemes and submit a schemes-wise comprehensive report to the Committee within one month.

REPORT ON HOUSING SCHEMES OF OVERSEAS FOUNDATION

To cater for the Housing needs of Overseas Pakistanis and to provide them residential facilities, OPF has planned and established a number of housing schemes in different cities of the country.

Thousand plots created in these schemes were allotted to Overseas Pakistanis. These schemes are located at the prime locations in the cities of Islamabad, Lahore, Gujrat, Peshawar, Dadu, Larkana and Mirpur (AJK).

a. OPF Housing Schemes – Completed: -

(i). OPF Housing Scheme Chittarpari Mirpur (AJK)

OPF Housing Scheme Chittarpari Mirpur (AJK) was approved by BOG, OPF on 15th April 1981 and located near Mirpur City towards Dina. It is spread over an area of 5643 Kanals.

Phase – I, II & III of the scheme is completely developed. Total 2894 residential and 187 commercial plots were created out of which 2433 residential and 106 commercial plots have already been allotted exclusively to overseas Pakistanis belonging to Azad Jammu & Kashmir and sale of remaining plots will be offered to overseas Pakistanis shortly. Details about the plots is at Annex-I.

(ii). OPF Housing Scheme Raiwind Road (Phase-I) Lahore

OPF Housing Scheme Raiwind Road (Phase-1) Lahore was approved by the BOG, OPF in its 19th meeting held on 12th September 1986 and located about 5 Kilometres from Thokar Niaz Baig. It is spread over an area of 2316 Kanals. Total 1742 residential and 85 commercial plots have been created out of which 1725 residential plots were allotted to overseas Pakistanis whereas, 18 commercial plots were also allotted through open auction. The remaining commercial plots will be allotted to overseas Pakistanis and general public through open auction.

(iii). OPF Housing Scheme Noudaro Road Larkana

OPF Housing Scheme Larkana was approved by BOG, OPF in its 21st meeting held 28th June, 1987 and located on Naudero Road. It is spread over an area of 228 Kanals.

The scheme is completely developed and 430 residential & 24 commercial plots in the scheme have already been allotted.

(iv). OPF Housing Scheme Bhimber Road, Gujrat

OPF Housing Scheme Gujrat was approved by the BOG, OPF in its 21st meeting held on 28th June, 1987. The scheme is spread over an area of 296 Kanals. The scheme is completely developed. Total 277 residential and commercial plots have been created, 268 residential / commercial plots have already been allotted overseas Pakistanis. Remaining 9 commercial plots will be sold through open auction in due course.

(v). OPF Housing Scheme Moro Road, Dadu

OPF Housing Scheme Dadu was approved by BOG, OPF in its 21st meeting held on 28th June, 1987 and is located on Dadu - Moro Road. Total area of the scheme is 168 Kanals. Total 404 residential and 13 commercial plots of different sizes were created, out of which 386 residential plots have already been allotted and while 31 residential / commercial plots are available for allotment to overseas Pakistanis and general public as well.

(vi). OPF Housing Scheme Budhani Road, Peshawar.

OPF Housing Scheme Peshawar was approved by BOG, OPF in its 28th meeting held on 14th February 1990 and located about 2.5 kilometres from the Main G.T. Road, near the Ring Road and closure to M-I. The scheme is planned over an area of 991 Kanals. Total 741 residential and 74 commercial plots of different sizes were created, out of which 681 residential plots have already been

allotted. 74 Commercial plots will be allotted to overseas Pakistanis and general public through open auction in the near future. The scheme is completely developed. Construction of 10 houses has been completed while 10 houses are under construction.

b. OPF Housing Schemes in Development Phases: -

(i). OPF Valley Zone-V, Islamabad

OPF Valley Zone-V Islamabad was approved by BOG, OPF in its 47th meeting held on 27th February 1994 and located on Japan Road alongside the Sawn River, about 24 kilometres from Zero Point. Approximately 5000 Kanals of land have been purchased/acquired for the scheme. The planning / designing has been completed by M/S NESPAK.

The Master plan of the scheme has been approved by CDA. The scheme is planned to accommodate 2046 residential plots and 120 kanals land was reserved for commercial purposes. Besides the residential and commercial plots there is plan to provide 200 pre-constructed houses and apartments. Adequate educational and recreational facilities including lake, parks, club etc, would also be provided in the scheme. Out of 2046 residential plots, 2000 plots of various sizes have already been allotted to overseas Pakistanis.

Development work of OPF Valley Zone-V Islamabad was started on 14th August 2008 and ground breaking ceremony was inaugurated by the then Federal Minister for Labour, Manpower & Overseas Pakistanis.

- Development works of the Scheme (package-I) which include Roads, Water Supply, Sewerage, Storm Water Drainage, Earth retaining structures, culverts, bridge and foot paths are in progress by M/s FWO.
- Package-II i.e. electrification, water source development including sewage treatment plant are in process of tendering and will be awarded after completion of requisite procedural formalities.

c. Future Schemes : -

(i). OPF Housing Scheme Raiwind Road (Extension) Lahore – 728 Kanals and 139 Kanals

OPF Housing Scheme Raiwind Road Phase-I (Extension), Lahore was approved by BOG, OPF in its 31st meeting held on 30th June, 1990 and located about 5 KM from Thokar Niaz Baig adjacent to the already completed OPF Housing Scheme Phase-1. Land measuring 139 kanals has already been developed and 143 plots of different sizes were allotted to overseas Pakistanis. Planning and designing for 728 Kanals, has been completed. Master plan has been submitted to L.D.A for approval. Residential plots will be announced for allotment to overseas Pakistanis in the near future. Soonest the master plan approved by the LDA, contract for development of infrastructure of the scheme will be awarded after completion of required procedural formalities.

(ii). OPF Farm Houses Scheme (Phase-II) Raiwind Road, Lahore.

OPF Housing Scheme Phase-II Lahore was approved by BOG, OPF in its 28th meeting held on 14th February 1990 and planned to be developed over an area of approximately 625 kanals. Earlier it was decided that the scheme will be developed on Public Private Partnership basis. But, no response was received. Further progress in this regard will be provided in due course.

(iii). OPF Housing Scheme Rewat, District Rawalpindi

OPF Housing Scheme, Rewat, Rawalpindi was approved by BOG, OPF in its 21st meeting held on 28th June, 1987 and planned over an area of about 754 kanals. Earlier it was decided that the scheme will be developed on Public Private Partnership basis. But, no response was received. Further progress in this regard will be provided in due course.

**MINISTRY OF LAW, JUSTICE AND
PARLIAMENTARY AFFAIRS**

1. OVERVIEW

Appropriation Accounts and Audit Reports of Federal Government for the year 1990-91 pertaining to the Law, Justice & Parliamentary Affairs Division were taken up for examination by Special Committee-II of the PAC in the meetings held on July 7th, 2010, October 6th, 2010 & December 9th, 2010 in Committee Room No.2, Parliament House Islamabad. Decisions taken are summarized below:

- 1.1 Four (04) grants were reported by AGPR.
- 1.2 On presentation of grant No.101, the Committee observed that excessive supplementary grant should not have been obtained if savings were available for re-appropriation, and the entire savings should have been surrendered in time.
- 1.3 While discussing grant No.102, the Committee expressed its displeasure that supplementary grant had been obtained in the face of huge savings, all of which had not been surrendered in time.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO.89- LAW, JUSTICE AND HUMAN RIGHTS DIVISION
Saving Rs. 33,252,829/-

A.G.P.R. stated that supplementary grant of Rs. 2,010,000 was obtained, after which the grant closed with a saving of Rs. 33,940,608 (33.62% of the total grant). An amount of Rs. 687,779 was surrendered leaving a net saving of Rs. 33,252,829 (32.93%).

The PAO informed the Committee that the saving was mainly due to the non-release of funds of Rs. 30 million to Provinces under the Programme of “Strengthening of Judiciary”.

The Committee referred the grant for detailed consideration by the DAC as to the reasons for obtaining supplementary grant when huge savings were available, and for non-surrender of entire savings in time resulting in blockage of funds.

When the grant was taken up again on 6th October, 2010, the PAO informed the Committee that the saving was due to the non-release of funds of Rs. 30 million to Provinces under the Programme of “Strengthening of Judiciary” which was regretted on 4th July.

DIRECTIVE

The Committee directed the PAO to ensure that in future anticipated savings are surrendered by the 15th May.

- ii. **GRANT NO.90- OTHER EXPENDITURE OF LAW ,JUSTICE HIUMAN RIGHTS DIVISION**
Saving Rs. 15,643,564/-

A.G.P.R. pointed out that after taking into account supplementary grant of Rs. 66,312,000, the grant closed with a saving of Rs. 56,483,017(14.35% of the total grant. An amount of Rs. 40,839,453 was surrendered leaving a net saving of Rs. 15,643,564 (3.97%).

The PAO informed the Committee that the supplementary grant was obtained for expenditure on establishment of Anti-Terrorism Courts. Saving had occurred due to non-approval of the Ministry’s request for re-appropriation.

DIRECTIVE

The Committee recommended regularization of the grant, with the direction that the Rules and Regulations relating to re-appropriation and surrender should be strictly followed in future.

iii. **GRANT NO. 91- PARLIAMENTARY AFFAIRS DIVISION**
Saving Rs. 60,276/-

A.G.P.R. pointed out that the grant closed with a saving of Rs. 1,790,276 (21.28 % of the total grant). An amount of Rs. 1,730,000 was surrendered leaving a minor net saving of Rs. 60,276 (0.71%).

The PAO informed the Committee that the saving had occurred due to discontinuation of various allowances etc.

DIRECTIVE

The Committee recommended regularization of the grant.

iv. **GRANT NO.137- DEVELOPMENT EXPENDITURE OF LAW, JUSTICE AND HUMAN RIGHTS DIVISION**
Saving Rs. 48,250,001/-

A.G.P.R. pointed out that the grant closed with a saving of Rs. 61,568,363 (84.86 % of the total grant). An amount of Rs. 13,318,362 was surrendered leaving a net saving of Rs. 48,250,001(66.50%).

The PAO informed the Committee that saving of Rs. 48 million pertains to the “Study on Strengthening Institutional Capacity for Judicial & Legal Reform” which the donor agency, Asian Development Bank, awarded to the Asia Foundation Expenditure was incurred but not reported to the Ministry despite of repeated requests.

The Committee referred the grant to DAC for examination and report in the next meeting.

DIRECTIVE

When the grant was taken up again on 6th October, 2010, the Committee recommended regularization of the grant.

**MINISTRY OF LOCAL GOVERNMENT
AND RURAL DEVELOPMENT**

1. OVERVIEW

Appropriation Accounts for the year 2001-02 pertaining to Ministry of Local Government & Rural Development were taken up for examination by Special Committee-II of the PAC in the meetings held on June 10th, 2010, 3rd November, 2010 & May 17th 2011, in Committee Room No.2, Parliament House Islamabad . Decisions taken are summarized below:

- 1.1 One (01) grant and one Performance Audit Report were reported by AGPR / Audit.
- 1.2 On presentation of the grant the Committee observed that it was an example of bad accounting and directed to make improvements in financial management.
- 1.3 While discussing Performance Audit Report on Data Center for Rural Development, Islamabad, the Committee endorsed recommendations of the DAC and directed to adhere to the recommendations in letter and spirit.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO. 124 – DEVELOPMENT EXPENDITURE OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT

Saving Rs. 577,304,452

Audit pointed out that after taking into account supplementary grant of Rs.92,000,000, the grant closed with a saving of Rs577,304,452 (51.22% of the total grant). An amount of Rs.290,251,681 was surrendered, leaving net saving of Rs.287,052,744.

The PAO informed the Committee that savings could not be explained due to lack of record which was destroyed in the fire.

The Committee observed that while large supplementary grant was obtained, huge amount was saved which was not surrendered in time. The Committee recommended regularization of the grant with the direction that such mismanagement must be avoided in future.

When the grant was taken up again for re-consideration on 17th May, 2011, the PAO informed the Committee that this amount pertained to the “Japanese Assisted Rural Roads Construction Project Phase-I” and the provincial Highway Departments were the executing agency, whereas the Local Government Wing was the sponsoring agency. The funds provided under PSDP were released late and could not be utilized in time.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that it was an example of bad accounting and improvement in financial management should be made.

3. PERFORMANCE AUDIT REPORT ON DATA CENTER FOR RURAL DEVELOPMENT, ISLAMABAD

DIRECTIVE

The Committee endorsed recommendations of the DAC on Data Centre and directed to adhere to the recommendations in letter and spirit and the PAO take necessary action immediately.

MINISTRY OF NARCOTICS CONTROL

1. OVERVIEW

Appropriation Accounts and Audit Reports of Federal Government for the year 2001-02 pertaining to Narcotics Control Division were taken up for examination by Special Committee-II of the PAC in the meetings held on June 8th, 2010, July 12th, 2010 & October 19th, 2010 in Committee Room No.2, Parliament House Islamabad. Decisions taken are summarized below:

- 1.1 Two (02) grants were reported by AGPR.
- 1.2 On presentation of the grants, the Committee recommended regularization of the grants with the observation that the Ministry should improve its financial management systems.
- 1.3 The Committee welcomed the new policy of Anti Narcotics and directed to submit a copy of the same to the Committee.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1 2001-02

i. GRANT NO.78- NARCOTICS CONTROL DIVISION

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-)1,155,786	(-) 2,778,786	1,623,000

A.G.P.R. pointed out that after taking into account two supplementary grants totaling to Rs.10,424,000 the grant closed with a saving of Rs. 2,778,786 (1.17%).

The PAO informed the Committee that the saving was due to vacant posts and strict economy measures adopted by the Ministry.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that every effort should be made to surrender savings in time.

ii. **GRANT NO.133- DEVELOPMENT EXPENDITURE OF NARCOTICS CONTROL DIVISION**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-)2,954,544	(-)596,456	3,551,000

A G.P.R. pointed out that after taking into account two supplementary grants totaling to Rs. 62,294,000, the grant closed with a saving of Rs. 73,519,462 (37.83%). An amount of Rs. 72,923,006 was surrendered, leaving net saving of Rs. 596,456/-.

DIRECTIVE

The Committee observed that the savings in the grant exceeded the supplementary grants, which reflected poor financial management. The Committee recommended regularization of the grant with the direction that the Ministry should improve its financial management systems.

GENERAL OBSERVATION

The PAO informed the Committee that the government had introduced a new Anti Narcotics Policy, which is being approved by the Cabinet. This policy would replace the old policy of 1993 in order to meet the current challenges.

NATIONAL ANTI NARCOTICS POLICY 2010

1. **OVERVIEW**

The Anti-Narcotics Policy 2010 has been developed to address both Pakistan's prevailing drug situation and changes in the global narcotics

environment that have emerged since the 1993 Narcotics Policy. Trafficking of Afghan drugs into and through Pakistan and the smuggling of precursor chemicals to Afghanistan continue to pose serious challenges to Pakistan's Law Enforcement Agencies (LEAs) and healthcare system. Proliferation of drugs and psychotropic substances within Pakistani society and the subsequent increase in numbers of drug addicts are also emerging challenges.

Although the 1993 Narcotics Policy created various institutions and drug enforcement structures, an effective mechanism to coordinate and integrate these efforts was lacking. The absence of a cohesive approach has led to continued drug trafficking and proliferation in Pakistani society compounded by a limited availability of treatment centers and data on drug addiction.

The Ministry of Narcotics Control is responsible for formulating and coordinating the implementation of Pakistan's Anti-Narcotics Policy. However this is a shared responsibility of the government and society. To alleviate the root causes of the drug problem both the government and society need to promote the socio-economic environment and values that restrict the space for drug abuse.

In order to reduce the health, social and economic costs associated with drug trafficking and substance abuse in Pakistan, this new Policy outlines a number of objectives targeting supply reduction, demand reduction and international cooperation, developed in accordance with international best practice.

The Government of Pakistan (GOP) is active in cooperating internationally on counter-narcotics and is a signatory to all United Nations (UN) drug control conventions as well as the SAARC Convention on Drug Control. The GOP will work closely with the UN and other international partners to strive towards a drug-free Pakistan.

2. POLICY PERSPECTIVE

The Anti-Narcotics Policy of Pakistan aims to re-energize existing national Drug Law Enforcement institutions, build the Anti Narcotics Force capacity, develop an effective coordination and control mechanism, and mobilize the people of Pakistan especially youth and institutions (national/international, private/public) to ensure their active participation in eradicating drugs. This policy also seeks to promote international cooperation for mutual support and partnership against narcotic drugs.

3. POLICY OBJECTIVES

Drug Supply Reduction

Eliminate poppy cultivation to maintain Pakistan's poppy-free status
Prevent the trafficking and production of narcotic drugs, psychotropic substances and precursor chemicals
Strengthen law enforcement agencies and streamline their activities.

Drug Demand Reduction

Enhance demand prevention efforts through education and community mobilization campaigns and projects .Develop effective and accessible drug treatment and rehabilitation systems. Conduct a drug abuse survey to determine the prevalence of drug addiction.

International Cooperation

Promote and actively participate in bilateral, regional and international efforts to combat drugs. Emphasize on control of problem at source in poppy growing countries. Demand reduction in destination countries need to be an important part of international efforts.

CONCLUSION

The Anti-Narcotics Policy 2010 continues to focus on the eradication of narcotics and maintenance of Pakistan's poppy-free status, but also places greater emphasis on coordination and cooperation among federal and provincial agencies and departments involved in anti-narcotics activities.

The Policy seeks to enhance public participation in combating drug abuse, strengthen drug enforcement structures and boost treatment and rehabilitation services. A drug-free Pakistan remains the ultimate goal, and while this may not be achieved in the short term, it is a goal we strive for in partnership with the people of Pakistan, the region and the international community.

DIRECTIVE

The Committee welcomed the new policy of Anti Narcotics and directed to submit a copy of the same to the Committee.

NATIONAL ASSEMBLY SECRETARIAT

1. OVERVIEW

Appropriation Accounts for the year 2001-02 pertaining to the National Assembly Secretariat were taken up for examination by Special Committee-II of the PAC in the meeting held in Committee room No. 2 Parliament House Islamabad on July 14th, 2010. Decisions taken are summarized below:

- 1.1 One (01) grant was reported by AGPR on National Assembly Secretariat.
- 1.2 On presentation of the grant, the Committee recommended regularization of the grant.

2. APPROPRIATION ACCOUNTS CIVIL VOL-I 2001-02

i. GRANT NO.92- NATIONAL ASSEMBLY

(CHARGED)

Saving Rs.29,195/-

The PAO informed the Committee that saving of Rs. 10,189,195 was due to vacant posts, lower than budgeted expenditure on purchase of vehicles, holding of conferences, foreign visits of delegations, repair of transport, etc.

A sum of Rs. 10,160,000 had been surrendered in time, leaving minor net saving of Rs. 29,195 (0.04%).

(OTHER THAN CHARGED)

Saving Rs. 771,986/-

The PAO informed the Committee that saving of Rs. 10,736,657 was due to vacant posts and lower than anticipated expenditure on TA/DA of Members National Kashmir Committee, gift & entertainments, foreign visits etc.

It was pointed out that supplementary grant of Rs. 10,012,000 for the National Kashmir Committee had been obtained but almost equivalent amount (Rs. 10,160,000) had been surrendered in time.

DIRECTIVE

The Committee recommended regularization of the grant.

PAKISTAN ATOMIC ENERGY COMMISSION

1. OVERVIEW

Appropriation Accounts, Audit Reports of Federal Government & Performance Audit Report for the year 2001-02 pertaining to Pakistan Atomic Energy Commission were taken up for examination by Special Committee-II of the PAC in the meeting held on July 7th, 2010 in Committee Room No.2, Parliament House Islamabad. Decisions taken are summarized below:

- 1.1 Two (02) grants were reported by AGPR.
- 1.2 On presentation of the grants, the Committee recommended regularization of grants as the budgetary provisions had been fully utilized.
- 1.3 While discussing Audit Report, the Committee endorsed the recommendation of the DAC for settlement of six (06) Audit Paras.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO.11- ATOMIC ENERGY. **Saving Rs.9,000**

A.G.P.R. pointed out that after obtaining supplementary grant of Rs. 134,500,000 the grant closed with a minor saving of Rs. 9,000.

The PAO informed the Committee that the supplementary grant was for the Pakistan Nuclear Regulatory Authority (PNRA), and to meet enhanced requirement due to revision of pay scales.

DIRECTIVE

The Committee recommended regularization of the grant.

ii. **GRANT NO.145 – CAPITAL OUTLAY ON DEVELOPMENT OF ATOMIC ENERGY**
Saving / Excess: Zero.

A.G.P.R. and PAO pointed out that in the above-mentioned grant the budget had been fully utilized.

DIRECTIVE

The Committee recommended regularization of the grant as the budgetary provision had been fully utilized.

MINISTRY OF PETROLEUM AND NATURAL RESOURCES

1. OVERVIEW

Appropriation Accounts (Civil-Vol-1) and Audit Report of Federal Government for the year 2001-02 pertaining to Ministry of Petroleum & Natural Resources were taken up for examination by Special Committee-II in Committee room No. 2 Parliament House Islamabad on July 14th 2010, October 6th 2010 & December 9th 2010. Decisions taken are summarized below:

- 1.1** Six (06) grants and one Para were reported by AGPR. / Audit. Forty-three (43) Paras of Public Sector Enterprises on Ministry of Petroleum & Natural Resources were presented by Audit
- 1.2** On presentation of the grants, the Committee recommended regularization of the grants.
- 1.3** While discussing Audit Report on non-tax receipts, the Committee directed the PAO to pursue the recovery after expiry of one-time waiver.
- 1.4** While discussing Para No.206-ARPSE on Sui Northern Gas Pipelines Limited, the Committee directed to PAO to increase the amount of installments for recovery and asked to get the record verified from Audit.

2. APPROPRIATION ACCOUNTS CIVIL VOL-I 2001-02

i. GRANT NO.94-PETROLEUM AND NATURAL RESOURCES DIVISION Saving Rs. 1,162,715/-

The AGPR pointed out that the grant closed with a saving of Rs.1,162,715/- which needs to be explained by the PAO.

The PAO informed the Committee that the saving was due to additional requirements of funds by the department of Petroleum and Natural Resources.

DIRECTIVE

The Committee recommended regularization of the grant.

ii. GRANT NO.96-OTHER EXPENDITURE OF PETROLEUM AND NATURAL RESOURCES DIVISION Saving Rs.30,725,485/-

The AGPR pointed out that the grant closed with a saving of Rs. 30,725,485/- which needs to be explained by the PAO.

The PAO informed the Committee that the saving was due to the essential expenditure of HDIP.

DIRECTIVE

The Committee recommended regularization of the grant.

iii. GRANT NO.138-DEVELOPMENT EXPENDITURE OF PETROLEUM AND NATURAL RESOURCES

<u>Budget</u>	<u>AGPR Figures</u>
Saving	35,310,000

A.G.P.R. and PAO pointed out that in the above-mentioned grant the budget had been fully utilized.

DIRECTIVE

The Committee recommended regularization of the grant as the budgetary provision had been fully utilized.

- iv. **GRANT NO.156-CAPITAL OUTLAY ON PETROLEUM AND NATURAL RESOURCES**
Saving Rs.2,502,510,875 /-

The PAO informed the Committee that the saving was a minor one and it may be regularized.

DIRECTIVE

The Committee recommended regularization of the grant.

APPROPRIATION ACCOUNTS OF GEOLOGICAL SURVEY OF PAKISTAN FOR THE YEAR- 2001-02

- v. **Grant No. 95- CURRENT EXPENDITURE (OTHER THAN CHARGED)**
Saving Rs. 1,296,905/-

The PAO informed the Committee that the saving was due to vacant posts and share by 07 spending units as well increase in pay and allowances.

DIRECTIVE

The Committee recommended regularization of the grant.

- vi. **GRANT NO.156- CAPITAL OUTLAY OF MINIERAL DEVELOPMENT (OTHER THAN CHARGED)**
Saving Rs. 31,756/-

The AGPR pointed out that the grant closed with a saving of Rs. 31,756/- which needs to be explained by the PAO.

The PAO informed the Committee that there were certain development projects like the feasibility study of Thar Coal Mining, Karachi and Block allocation of the Mineral Project, Islamabad and this amount was surrendered at

that time because of certain logistical problems. The Department had to import certain machinery which it could not import in time and for this reason the Department had no option, but to surrender the amount. The PAO further informed that in the next year the Department got the money back and purchased the machinery, which resulted in the discovery of the Thar Coal field.

DIRECTIVE

The Committee recommended regularization of the grant.

3. AUDIT REPORT NON-TAX RECEIPTS ON THE ACCOUNTS OF MINISTRY OF PETROLEUM & NATURAL RESOURCES FOR THE AUDIT YEAR 2000-01

3.1 Para Chapter-6-AR 2001-2002 Page 315-Development Surcharge

Non realization of interest of Rs.130.305 million for late payment of gas development surcharge

Audit stated that according to rule-3 of the Natural Gas (Development Surcharge) Rules, 1967, every gas company was required to pay development surcharge in respect of gas sold by it in a month within two months of the close of that month. In case of default, an interest at the rate of twenty per cent per annum is required to be paid. Contrary to these provisions, M/s. Sui Southern Gas Co. Limited, Karachi and M/s. Pakistan Petroleum Limited, Karachi did not deposit gas development surcharge in time during the period April 1999 to June 2001. The Director General (Gas), Ministry of Petroleum and Natural Resources having jurisdiction also did not demand and recover levy-able interest of Rs 130.305 million.

The Director General of the Pakistan Petroleum Limited, informed the Committee that a sum of Rs.23.090 million pertaining to GDS had not been paid in time. So, this late payment surcharge had occurred. Originally the figure was about the Rs. 44.4 million but Rs. 21 million was waived off through the ECC

decision and the Finance Act. The Company had recommended that the remaining of Rs.23.090 million may also be waived off through the same process.

The PAO informed that this request had come to the Ministry and the Ministry had referred it to the Finance Division for advice and a report would be submitted to the Committee within one month.

The Committee directed the PAO to submit a report explaining the factual position to the Committee within one month.

On 6th October, 2010 the PAO informed the Committee that gas was supplied to WAPDA and WAPDA did not pay and thus GDS and its interest was not paid by the PPL.

Managing Director, PPL explained to the Committee that 50% of bills constitute of gas development surcharge, which the Company recovers as a separate item in bill and WAPDA had been defaulting in payments of its bills. As a consequence, GDS was not recovered from WAPDA. Therefore, the PPL did not deposit the GDS in time to the Government.

The PAO informed that the remedy did not lie with the Ministry but it was with the Government i.e. WAPDA. He further stated that the Provinces had to pay to WAPDA and it was due to this cycle of circular debt.

The Committee directed the PAO that the Ministry should waive off amounts through the ECC decision and that too only in extreme emergency. The Committee further directed the PAO to give a report to the Committee on the latest figures within one month.

On 9th December, 2010 the PAO informed the Committee that some more time may be given to the Ministry for resolution of this issue.

DIRECTIVE

The Committee directed the PAO to pursue the recovery after expiry of one-time waiver and submit a report to the Committee within one month.

(This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

4. AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE ACCOUNTS OF MINISTRY OF PETROLEUM & NATURAL RESOURCES FOR THE AUDIT YEAR 2001-02.

The DAC recommended the following Audit Paras for settlement by the Special Committee.

PIRKOH GAS COMPANY (PRIVATE) LIMITED

- i). **Para-195-Page-183-ARPSE-2001-02**
- ii). **Para-196-Page-184-ARPSE-2001-02**

OIL AND GAS DEVELOPMENT COMPANY LIMITED

- iii). **Para-197-Page-185-ARPSE-2001-02**
- iv). **Para-198-Page-186-ARPSE-2001-02**
- v). **Para-200-Page-187-ARPSE-2001-02**
Non-retendering of contract on change of design/ specification valued at US \$113.848 million.
- vi). **Para-202-Page-190-ARPSE-2001-02**
- vii). **Para-205-Page-192-ARPSE-2001-02**
Purchase of Commercial Gas Meters valued at Rs 13.042 million in excess of requirement
- viii). **Para-207-Page-194-ARPSE-2001-02**
Loss of Rs 1.020 million due to non repair of new Renault Prime Mover which met with an accident in 1998.
- ix). **Para-209-Page-196-ARPSE-2001-02**
Loss of Rs 0.326 million due to under billing to Commercial Consumer

P.M.D.C. AND ITS PROJECTS

x). Para-210-Page-198-ARPSE-2001-02

DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the above-mentioned ten (10) Audit Paras.

PIRKOH GAS COMPANY (PRIVATE) LIMITED

4.1 Para-199-Page-186-ARPSE-2001-02

The CFO informed the Committee that the decision was pending and total receivables of Rs.80 billion and of Rs.40 billion were from five refineries and Rs.35 billion from Sui Southern and Sui Northern. This was primarily due to circular debt situation. The CFO further stated that he was not aware of current court cases.

The MD, OGDC informed that the last hearing of the case was held on 6th February, 2010 and the decision may come in two weeks time.

The PAO informed the Committee that Mr. Muhammad Mureed Rahimo is a government servant and is on deputation.

The Committee deferred the Para and directed the PAO to submit a detail report regarding the court cases i.e. when those were filed, what is the progress of other court cases which the OGDC had filed for recovery. The Committee also asked to submit a comprehensive report regarding the appointment of the Muhammad Mureed Rahimo within two weeks.

DIRECTIVE

On 9th December, 2010 the Committee directed the PAO to provide the latest position of Court Cases which would be analyzed by Audit and then submitted to the Committee. The Committee also directed to submit another copy of the inquiry report regarding appointment of Mr. M. Murred Rahimo for consideration and decision in the next meeting.

(This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

SUI NORTHERN GAS PIPELINES LIMITED

4.2 Para-201-Page-189-ARPSE-2000-01

The Managing Director, Sui Northern Gas Pipelines Limited (SNGPL) informed the Committee that the Company was making a profit of Rs. 930 million in fiscal year 2009.

The MD, SNGPL further informed that the following measures had been adopted to accelerate pace of recovery and check accumulation of arrears in future.

- i). Industrial consumers were now being disconnected on first default.
- ii). Recovery cell had been set up at Head Office, which was headed by In-charge Billing.
- iii). Securities from consumers were being updated on regular basis to enable the management to adjust the same against any default.
- iv). Civil and criminal cases were being pursued vigorously for early finalization and ultimate recovery of SNGPL dues.

The MD, SNGPL further informed that the Company would submit all the documents related to written off amount of Rs.742.7 million in the presentation.

The Committee asked the MD, Sui Northern Gas Pipelines Limited (SNGPL) to give a detailed presentation as already directed by the Chairman, main PAC in the second week of September, 2010. The presentation should focus on why profits were eroded and how we can overcome the situation. The Committee further directed the PAO to submit a detailed analysis of the negative trends over the last ten years, what had gone wrong and what were the Company's plans and what were the proposals to arrest this trend and bring the Company back to a profitable concern.

The Committee further directed the MD, SNGPL to explain before the main PAC the amounts spent from the allocations of MNA's & MPA's i.e. how much money was allocated, how much was spent and how much was left and what were the plans and sector wise position.

DIRECTIVE

On 9th December, 2010 the Committee directed the PAO to update the presentation to be given to the Main PAC.

4.3 Para-203-Page-190-ARPSE-2000-01

The MD, SNGPL informed the Committee that the observation of Audit and required amount of securities worked out therein was hypothetical and was not based on facts. The MD further stated that factual position was that as per agreement no securities were received from major consumers like WAPDA, Fertilizer cos and Pak Army while security from domestic consumers was fixed by Government of Pakistan and does not vary with consumption level and price increased from time to time. The Commercial and Industrial Consumers securities were updated on regular basis, equivalent to their three months consumption level and in cases of shortfall notices were issued to the consumers for additional securities. 100 teams have already been deputed to initially disconnect these consumers who had outstanding amount of Rs. 3500/- and Rs. 10,000/- for

domestic and commercial categories respectively, while Industrial consumers were now being disconnected on first default.

The MD, SNGPL further explained that as a result of measures adopted and concerted efforts made the security deposits had increased from Rs. 3,382.246 million in 2000-2001 to Rs. 4,040.730 million on 30.06.2002 and had increased further to Rs. 15,851 million during the year 2008-2009.

The MD, SNGPL further informed that the present position of the securities was 15.8 billion of the consumers.

The Committee directed the PAO that sector-wise information of security deposits should also be part of the presentation.

DIRECTIVE

On 9th December, 2010 the Committed recommended Para for settlement.

4.4 **Para-204-Page-191-ARPSE-2000-01**
UNJUSTIFIED PAYMENT OF SALES TAX AMOUNTING TO
RS 38.300 MILLION

The MD, Sui Northern Gas Pipelines Ltd (SNGPL) informed the Committee that actual amount paid as Sales Tax to M/s. Huffaz Pipe Industries in purchase order was Rs. 20.207 million and not Rs. 38.300 million as reported by Audit.

The MD, SNGPL further informed that the Lahore High Court in its decision of May, 1998 had observed that SNGPL should recover the amount from the supplier. M/s. Huffaz Pipe Industries had filed an appeal in the Supreme Court of Pakistan against the decision of Lahore High Court. The Honorable Supreme Court of Pakistan had dismissed the civil petition of M/s. Huffaz Pipelines Limited on 27.05.2004 and upheld the decision of the Lahore High Court regarding refund of Sales Tax to SNGPL. Since M/s. Huffaz had failed to refund

the amount as such recovery suit had been filed in Civil Court Lahore on 14.03.2005. The case is still pending in the court and is being pursued vigorously. However, the next date of hearing has been fixed as 13th September, 2010.

The MD further informed that there was no inquiry held for fixing responsibility for issuance of letter of intent without lawful authority which caused litigation and the Company had to bear huge cost on account of litigation.

The Committee directed the MD, SNGPL to fix responsibility in this regard and submit a report regarding action taken and the position of upto date recovery in one month's time.

DIRECTIVE

On 9th December, 2010 the Committee expressed its displeasure for not submitting the report in time and directed that it should be submitted by 20th of December 2010 positively.

(This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

4.5 **Para-206-Page-193-ARPSE-2000-01**
Loss of Rs 1.511 million due to non filing of recovery suit within validity period

The MD, SNGPL informed the Committee that gas supply of the consumer was disconnected on 13.09.1997 after receipt of confirmation report from Chief Engineer (GMS) that the meter at the premises of the subject consumer was tampered. Tempering charges were assessed at Rs. 623,938/- and gas bill of Rs. 189,045/- for September 1997 was also due on the consumer. The consumer represented to General Manager (C&I) SNGPL Head Office against disconnection in his case. The General Manager (C&I) advised the General Manager (Gujranwala) to restore connection of the consumer on payment of 25% pilferage charges and the bill for September 1997. The consumer accordingly

made payment of Rs. 345,030/- and his gas supply was reconnected on 05.11.1997. The gas bills for the months of November 1997 to February 1998 were again not paid by the consumer as such gas supply was disconnected on 05.03.1998.

The MD, SNGPL further informed that an inquiry into the issue had been held and the then General Manager (C&I) and Deputy Chief Sales Officer (Gujranwala) were found responsible for allowing reconnection in this case without receipt of full amount due and subsequently not filing recovery suit within in due date. Both the officers have retired from company service and disciplinary action against them could not be taken. However, remedial measures for future have been adopted. The Board of Directors of the company in its 315th meeting held on November 25, 2004 had however approved to write off the amount outstanding against the consumer. In view of the fact the amount in question had been written off with the approval of the competent authority.

The Committee directed the PAO to submit a report in this regard within one month.

(This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

DIRECTIVE

The Committee directed to PAO to increase the amount of installments for recovery and asked to get the record verified for Audit. The Para was recommended for settlement subject to verification of record by Audit.

4.6 **Para-208-Page-196-ARPSE-2000-01**
Loss of Rs.1.013 million due to supply of gas to consumer without valid guarantee

The MD, SNGPL informed the Committee that M/s. Hafeez Ullah Pottery, Gujranwala was an old Industrial consumer of the company and his track record

for payment of Gas bill had been good. However due to slump in business he paid last three bills in installments and got extension in due dates.

The MD, SNGPL submitted that prior to and after the default in payment by consumers various notices for enhancement of security and payment of bills were issued. The consumer foiled attempts by SNGPL for disconnection through different means.

The MD, SNGPL further explained that a suit for recovery of company's dues was filed which had since been decreed on 07.05.2003 by the court in favour of SNGPL. The application for execution of decreed amount could not be filed as particulars of attachable property of the judgment debtors could not be found. The Board of Directors of the company in its 315th meeting held on November 25, 2004 had however approved to write off the amount outstanding against the ex-consumer.

The Committee remarked that vigorous efforts are required for recovery and asked to explain write off's policy and amounts written off in their presentation.

DIRECTIVE

On 9th December, 2010 the Committee recommended the Para for settlement subject to verification of recovery report by Audit.

5. AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE ACCOUNTS OF MINISTRY OF PETROLEUM & NATURAL RESOURCES FOR THE AUDIT YEAR 2001-02

PAKISTAN STATE OIL COMPANY LIMITED

5.1 PARA NO. 179-PAGE NO. 173-ARPSE- 2001-02
IRREGULAR PAYMENT OF RS 122.703 MILLION ON ACCOUNT OF DEMURRAGE CLAIMS

The MD, PSO informed the Committee that the demurrage whenever incurred was due to a valid substantial operational constraint, which includes delay in discharge due to lack of ullage (storage capacity) at the shore tanks and low product movement due to low sales and the consequent ullage problem.

The MD, PSO further informed that sampling at outer anchorage began around July 2000. This exercise was made mandatory by PSO as in the event of product failure and consequent rejection the vessel could not leave the Jetty as per Port Qasim Authorities. Loaded vessel once berthed would have to be discharged the channel restricted the movement of loaded vessel.

The MD, PSO further submitted that to ensure sound supplies of Furnace Oil in Pakistan PSO exercises sampling at outer anchorage. Sampling at outer takes around 12 hours including the product quality check at the laboratories, this time including the time to berth and then discharge the ship accedes the contractual allowable lay time, resulting in demurrages. However, following steps had been taken to curtail demurrage. Increase Contractual Lay time allowed from 36 hours to 48 & 54 at Keamari and FOTCO respectively.

The MD, PSO further explained that testing being conducted at PSOCL laboratories instead of HDIP saving approximately 4 hours per cargo.

The Committee directed the M.D. PSO to meet the Audit objection and give the details of these consignments and submit a report to the Committee as to

what steps had been taken to improve the situation and submit a report within one month.

On 9th December, 2010 the PAO informed the Committee that they had placed the order for the vessels to come in but berthing of vessel is not there prerogative and thus no negligence on the part of department was involved.

The MD, PSO informed the Committee that it depends on the infrastructure facility and the Company had done lot of scheduling and improvement.

The MD, PSO further informed that in the past the product sampling was not done and now the sampling and testing at outer anchorage began through HDIP and it saves about two days. This exercise was made mandatory by PSO as in the event of product failure and consequent rejection the vessel could not leave the Jetty as per Port Qasim Authorities. Loaded vessel once berthed would have to be discharged the channel restricted the movement of loaded vessel.

The MD, PSO further explained that import increases i.e. volume expand from .20 to .12 in six years time and the amount was 1.153 million dollars for the years 2008-09 and its come down from .875 in year 2003-04 with the volume of 4000 and in the percentage of volume term 112% and approximately reduce to 40%.

DIRECTIVE

The Committee directed the Audit to look into these figures as mentioned by the MD, PAO and recommended the Para for settlement subject to verification by Audit.

5.2 **Para-180-Page-174-ARPSE-2000-01**
LOSS OF RS 102.682 MILLION DUE TO IMPRUDENT INVESTMENT IN PRIVATE COMPANIES

Audit stated that during the year 1983 to 1995 the Management of PSO executed Joint Venture agreements with following private parities for establishing and operating lubricating oil blending plants at various places of Pakistan. The investment ratio of PSO in joint ventures was 60% while other parties invested 40% as per details given below:-

Audit further stated that some of the Companies faced differences with partners and filed suits against PSO. The Management of PSO instead of selling out the PSO shares purchased the shares of joint venture partners at higher rates than its value determined by the independent Chartered Accountant Firm appointed for the purpose. Thus PSO sustained loss of Rs 102.682 million due to purchase of shares of lesser value at a higher cost as detailed below:-

(Rs in million)

S.#	Name of partners	Purchased cost of shares	Actual value of shares	Extra payment
1.	M/s Rafi Sons	17.500	4.170	13.330
2.	M/s Waheed Group	19.000	5.393	13.607
3.	M/s Hassan Group	16.238	5.177	11.061
4.	M/s Mufti Group	14.472	5.084	9.388
5.	M/s Shaukat Memon	3.600	(1.677)	5.277
6.	M/s Nasir	16.100	(0.620)	16.720
7.	M/s Ahmed & Co.	4.400	(0.774)	5.174
8.	M/s Sami Group	20.000	5.829	14.171
9.	M/s Shaukat Group	5.800	(8.154)	13.954
Total:-				102.682

The M.D., PSO informed the Committee that the points raised by Audit is acceptable and further explained that the Company had bought for Rs.135 million and disposed off for Rs.173 million.

The MD, PSO further informed that being the country's largest oil marketing company PSO commands substantial market share in lubricants. However, in view of regulatory restrictions on purchase of Base Oil, it was not possible to meet the market demand from PSO's own four tube blending plants. Therefore, in order to ensure steady and uninterrupted supplies in the market, PSO was obliged to enter into joint venture agreements initially with following parties who had secured base oil quota license from the Government.

The MD, PSO further informed that PSO's increasing market participation in lubes on the basis of industry growth then estimated at 8% per annum warranted enhancing blending facilities to cater to the market requirements. In that direction joint venture agreements were executed with five more parties which are listed below:

1.	Petro Lube (Pvt) Ltd. (PLL)
2.	Petro Chemical (Pvt) Ltd. (PCPL)
3.	Mohsin Lubricants (Pvt) Ltd. (SPL)
4.	Salim Petroleum (Pvt) Ltd. (GLL)
5.	Bela Lubricants (Pvt) Ltd. (BLL)

The MD further submitted that whilst joint venture projects were in different stages of implementation, in a major policy shift, Government not only lifted quota restrictions on sale of Base Oil by refineries but also allowed its free import by individuals. These liberal policy measures resulted in the flooding of market by a large variety of different brands of lube oil which began to eat into PSO's market share.

The MD, PSO stated that consequently PSO was compelled to abandon the under-implementation projects and also close down five operating plants. Following the lifting of quota restriction, PSO had also closed down its own two blending plants situated at Keamari Terminal-C and Kot-Lakhpat, as production capacity of remaining two blending plants was enough to meet the market demand.

The MD, PSO informed that as a result of abandonment of under Implementation projects and closure of five operating joint venture blending plants certain disputes arose between PSO and joint venture partners. Some of the joint venture partners went into Arbitration and secured award against PSO for loss of profit due to non-implementation of projects, on the count that as per the agreement PSO had assumed the responsibilities of operating the plants.

The MD, PSO submitted that with a view to arrive at an amicable resolution all the parties in dispute were offered out of court settlement, with a pre-condition that law suits filed by them were withdrawn. Working paper prepared by committee was considered by the Board of Management in its meetings held on 04.09.2000 and 13.11.2000 and approved a compensation package of Rs.160 million for settlement of disputes with all joint venture partners.

The Committee directed the PAO to hold meeting in which all these issues should be examined and give agreed figures to the Committee in the next meeting within one month.

On 6th October, 2010 the M.D., PSO informed the Committee that PSO got additional revenue of Rs. 2.8 billion by operating those plants.

DIRECTIVE

The Committee recommended the Para for settlement.

The DAC recommended the following Audit Paras for settlement by the Special Committee:-

NATIONAL REFINERY LIMITED

- i). **Para-1681-(ARPSE-2001-02)-Page-165**
- ii). **Para-169-(ARPSE-2001-02)-Page-165**
- iii). **Para-170-(ARPSE-2001-02)-Page-166**
- iv). **Para-171-(ARPSE-2001-02)-Page-167**
Irregular approval of payment of bonus/Ex-Gratia amounting to Rs 22.973 million to officers and executive

PAKISTAN PETROLEUM LIMITED

- v). **Para-172-(ARPSE-2001-02)-Page-169**
- vi). **Para-173-(ARPSE-2001-02)-Page-169**
- vii). **Para-174-(ARPSE-2001-02)-Page-170**

PAKISTAN STATE OIL COMPANY LIMITED

- viii). **Para-175-(ARPSE-2001-02)-Page-171**
- ix). **Para-176-(ARPSE-2001-02)-Page-171**
- x). **Para-177-(ARPSE-2001-02)-Page-172**
- xi). **Para-178-(ARPSE-2001-02)-Page-172**

PAKISTAN STATE OIL COMPANY LIMITED

- xii). **Para-181-(ARPSE-2001-02)-Page-175**
Excessive contribution amounting to Rs 2.846 million in Contributory Provident Fund against the laid down rules

SUI SOUTHERN GAS COMPANY LIMITED

- xiii). **Para-182-(ARPSE-2001-02)-Page-177**
- xiv). **Para-183-(ARPSE-2001-02)-Page-177**
- xv). **Para-184-(ARPSE-2001-02)-Page-179**
- xvi). **Para-185-(ARPSE-2001-02)-Page-179**

SAINDAK METALS LIMITED

- xvii). **Para-186-(ARPSE-2001-02)-Page-180**
- xviii). **Para-187-(ARPSE-2001-02)-Page-180**
- xix). **Para-188-(ARPSE-2001-02)-Page-181**
- xx). **Para-189-(ARPSE-2001-02)-Page-181**

xxi). Para-190-(ARPSE-2001-02)-Page-181

B.P. PAKISTAN EXPLORATION AND PRODUCTION INC
(FORMERLY UNION TEXAS PAKISTAN INC)

xxii). Para-191-(ARPSE-2001-02)-Page-182

xxiii). Para-192-(ARPSE-2001-02)-Page-182

xxiv). Para-193-(ARPSE-2001-02)-Page-182

xxv). Para-194-(ARPSE-2001-02)-Page-182

DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the above-mentioned twenty-five (25) Audit Paras.

PLANNING AND DEVELOPMENT DIVISION

1. OVERVIEW

Appropriation Accounts and Audit Report Public Sector Enterprises for the year 2001-02 pertaining to Planning and Development Division were considered for examination by Special Committee-II of the PAC in Committee room No. 2 Parliament House, Islamabad on June 29th, 2010, October 5th, 2010 & December 9th, 2010. Decisions taken are summarized below:

- 1.1** Two (02) grants were reported by AGPR. Three (03) Paras of the Audit Report Public Sector Enterprises on Planning and Development Division were presented by Audit
- 1.2.** On presentation of the grants, the Committee observed that there was no justification for obtaining the second supplementary grant of Rs.1,160,000 on May 28th, 2002 when a total saving of Rs.2,220,100 was surrendered on May 15th, 2002. The Committee directed that financial management systems must be improved.
- 1.3.** While discussing Para No.213 of the National Logistic Cell, the Committee regretted that the figures of receivable amount as on June 2009 were not available with the Department and directed the PAO to provide the un-audited figures of receivables amount up to June 2010 as well as audited figures upto to June 2009 with an ageing analysis of the whole period to the Audit.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO. 97- PLANNING AND DEVELOPMENT DIVISION
Saving Rs. 1,150,446/-

A.G.P.R. pointed out that after supplementary grants of Rs. 5,000,000 the grant closed with a saving of Rs. 1,150,446/ (0.74% of the total grant). An amount of Rs.1,069,654/ was surrendered resulting in saving of Rs.90,346.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that there was no justification for obtaining the second supplementary grant of Rs. 1,160,000 on 28-05-2002, when a total saving of Rs. 2,220,100 was surrendered on 15-5-2002. Financial management systems must be improved.

ii. GRANT NO. 139- DEVELOPMENT EXPENDITURE OF PLANNING AND DEVELOPMENT DIVISION
Saving Rs. 85,897,253/-

A.G.P.R. pointed out that the grant closed with a saving of Rs. 85,897,253 (62.71 % of the total grant). An amount of Rs.74,875,250 was surrendered leaving a net saving to Rs.11,022,003.

The PAO informed the Committee that saving occurred in Social Action Programme II, in which consultants were not appointed and equipment was not procured.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that the entire savings should have been surrendered in time.

3. AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE ACCOUNTS OF PLANNING AND DEVELOPMENT DIVISION FOR THE AUDIT YEAR 2001-02.

The DAC recommended the following Audit Paras for settlement by the Special Committee:-

NATIONAL LOGISTIC CELL

- i. PARA-211(PAGE-203-204) ARPSE-2001-02
WORKING RESULTS**
- ii. PARA-212(PAGE-204) ARPSE-2001-02
AUDIT COMMENTS**

DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the above-mentioned two (02) Audit Paras.

**3.1 PARA-213(PAGE-204) ARPSE-2001-02
WORKING RESULTS**

Audit pointed out that accounts receivable increased abnormally from Rs.594.621 million as on June 30, 2001 to Rs. 1,382,002 million as on 30-06-2002, including long-outstanding receivables of Rs. 773.00 million. Figures required reconciliation and explanation by the management.

The Director General, NLC informed the Committee that whereas most of the accounts receivable which are the subject of the audit para had been recovered, total accounts receivable had since increased to over 3 billion including about Rs. 1.2 billion due from NHA and about a billion from other sources.

The Committee directed the D.G. to present record relating to recovery of accounts receivable to Audit for verification. The Committee further directed the

PAO to submit overall review of the performance of the NLC including plans for the future, before the main PAC at an early date.

DIRECTIVE

In a meeting held on 9th December, 2010 the Committee regretted that the figures of receivable amount as on June 2009 were not available with the Department and directed the PAO to provide the unaudited figures of receivables amount upto June 2010 as well as audited figures upto to June 2009 with an ageing analysis of the whole period to the Audit. The Para was recommended for settlement subject to verification, of full recovery of the receivables, by Audit.

MINISTRY OF POPULATION WELFARE

1. OVERVIEW

Appropriation Accounts and Audit Reports of the Federal Government for the year 2001-02 pertaining to Ministry of Population Welfare were considered for examination by Special Committee-II of the PAC in Committee room No.2 Parliament House, Islamabad on July 7th, 2010 & November 3rd, 2010. Decisions taken are summarized below:

- 1.1 Two (02) grants were reported by AGPR on Ministry of Population Welfare.
- 1.2 On presentation of the grants the Committee noted that funds had been surrendered without regard to the fact that the grant was already in excess. The Committee directed that financial management systems of the Ministry must be improved.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO. 98- POPULATION WELFARE DIVISION Excess Rs. 1,732,961/-

A.G.P.R. pointed out that the grant closed with an excess of Rs. 349,461 (0.93 % of the total grant). An amount of Rs.1,383,500 was surrendered increasing the excess to Rs. 1,732,961.

The PAO informed the Committee that excess was due to revision of basic pay scales. However, saving under Establishment Charges and Minister's discretionary grant were surrendered, increasing the excess to Rs. 1,732,961/-

DIRECTIVE

The Committee noted that funds had been surrendered without regard to the fact that the grant was already in excess. The Committee recommended

regularization of the grant with the direction that financial management systems of the Ministry must be improved.

ii. **GRANT NO.140- DEVELOPMENT EXPENDITURE OF POPULATION WELFARE DIVISION**
Saving Rs. 65,902,480/-

A.G.P.R. pointed out that the grant closed with a saving of Rs. 322,174,480 (17.89 % of the total grant). An amount of Rs. 256,272,000 was surrendered leaving a net saving of Rs. 65,902,480.

The PAO informed that the un-surrendered savings related to lower than anticipated expenditure on utilities, POL, TA / DA and unforeseen charges, variation in prices of contraceptive and fluctuation of US dollar exchange rate etc. The PAO further informed that the surrendered savings related to the Population Welfare Planning Programme, Islamabad, Lahore, Karachi, Quetta and Peshawar, transfer of funds to Health Division for meeting the expenditure on payment of salary to the village based family planning workers (female) and cuts imposed by the Planning and Development Division.

DIRECTIVE

The Committee observed that not only was budgetary allocation obtained much in excess of requirements, but entire savings were not surrendered resulting in huge blockage of funds.

The Committee recommended regularization of the grant with the direction that in future budgetary requirements should be accurately estimated and unanticipated savings, if any should be surrendered by the prescribed date.

In a meeting held on 3rd November, 2010 the Deputy Auditor General informed the Committee that no para/grant etc was pending pertaining to Ministry of Population Welfare.

The Committee thanked the PAO for his valuable contribution in the proceedings of the meeting.

MINISTRY OF PORTS AND SHIPPING

1. OVERVIEW

Appropriation Accounts and Audit Reports of Public Sector Enterprises for the year 1990-91 pertaining to Ministry of Ports & Shipping were taken up for examination by Special Committee-II of the PAC in the meetings held on July 14th 2010, October 20th 2010, December 9th 2010 , May 17th 2011 and June 10th, 2011 in Parliament House Islamabad. Decisions taken are summarized below:

- 1.1 Two (02) grants and eleven (11) Paras were reported by AGPR / Audit. One Performance Audit Report was presented by Audit.
- 1.2 On presentation of the grant, the Committee directed the PAO to provide the requisite record to Audit and recommended regularization of the grant subject to verification by Audit.
- 1.3 On presentation of seventeen (17) Paras of Audit Report of Public Sector Enterprises, the Committee endorsed the recommendations of the DAC for settlement.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO.16-OTHER EXPENDITURE OF COMMUNICATIONS DIVISION

Saving Rs. 12,291,992/-

AGPR stated that the grant closed with a saving of Rs.12,291,992 (1.28% of the total grant).

The PAO informed the Committee that this amount was relating to NHA for maintenance of roads and saving was due to non-release of funds to the NHA.

The Committee observed that a supplementary grant was obtained but ore then 50% was not spent and not surrendered in time. The Committee

recommended regularization of the grant with the direction that financial monitoring /management must be improved.

In another meeting held on 25th February, 2011 AGPR pointed out that the department has utilized its entire supplementary grant and saving of Rs. 12.29 million needs to be justified by the PAO.

The PAO informed the Committee that the department had been provided Rs. 760 million and the rest of the amount belonged to the M/o Ports and Shipping.

The Committee observed that assuming that this amount had been spent which needs to be reconciled by AGPR, the person concerned who surrendered when it should not have been surrendered and then did not surrender when the amount should have been surrendered needs to be reprimanded. The Committee directed the PAO to put in place a system whereby when the Ministry reviews expenditures on the 15th May it should only surrender what ever had been saved and not in a case when the Ministry was already in excess. The Committee further observed that in case of saving, the entire saving should be surrendered in time. The Committee asked the PAO to submit a report to the Committee within two weeks.

When the Committee met on June 10th, 2011 the AGPR informed the Committee that the departmental figures reconcile with AGPR and suggested that a system should be put in place so that such financial irregularities do not recur as no record of release of funds or otherwise has been provided to the AGPR.

The PAO informed the Committee that the Ministry has already put into place a system whereby such lapses are not likely to recur.

DIRECTIVE

The Committee directed the PAO to provide record regarding non-release of funds to AGPR and recommended regularization of the grant subject to verification by AGPR.

ii. **GRANT NO.147- CAPITAL OUTLAY ON COMMUNICATIONS**
DIVISION
Saving Rs. 597,589,062/-

Audit stated that the grant closed with a saving of Rs.9,131,000 (0.87% of the total grant). An amount of Rs.66.297 (0.72%) was surrendered, leaving a net saving of Rs.13,682 (0.14%).

Audit further stated that the documents were not provided to Audit.

The PAO informed the Committee that the requisite record would be provided to Audit.

DIRECTIVE

The Committee directed the PAO to provide the requisite record to Audit and recommended regularization of the grant subject to verification by Audit.

3. **AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE**
ACCOUNTS OF MINISTRY OF PORTS & SHIPPING FOR
THE AUDIT YEAR 2001-02.

The DAC recommended the following Audit Paras for settlement by the Special Committee:-

GWADAR FISH HARBOUR CUM-MINI PORT PROJECT

i. **Para-03(vi)-(ARPSE-2001-02)-Page-xviii**
NON-SUBMISSION OF ACCOUNTS

LIGHTHOUSES AND LIGHTSHIPS DEPARTMENT

- ii. **Para-03(vii)-(ARPSE-2001-02)-Page-xviii**
NON-SUBMISSION OF ACCOUNTS

NATIONAL TANKER COMPANY LIMITED

- iii. **Para-40-(ARPSE-2001-02)-Page-33**
iv. **Para-41-(ARPSE-2001-02)-Page-33**
v. **Para-42-(ARPSE-2001-02)-Page-34**
vi. **Para-43-(ARPSE-2001-02)-Page-34**
vii. **Para-44-(ARPSE-2001-02)-Page-34**
PAKISTAN NATIONAL SHIPPING CORPORATION
viii. **Para-45-(ARPSE-2001-02)-Page-35**
ix. **Para-46-(ARPSE-2001-02)-Page-36**
x. **Para-47-(ARPSE-2001-02)-Page-36**
xi. **Para-48-(ARPSE-2001-02)-Page-36**
xii. **Para-49-(ARPSE-2001-02)-Page-37**
Loss of US\$ 7.14 million on the purchase of 3 container ships
xiii. **Para-50-(ARPSE-2001-02)-Page-38**
Loss of Rs 33.242 million on time-chartered vessels

PORT QASIM AUTHORITY

- xiv. **Para-03(viii)-(ARPSE-2001-02)-Page-xviii**
NON-SUBMISSION OF ACCOUNTS
xv. **Para-51-(ARPSE-2001-02)-Page-39**
xvi. **Para-52-(ARPSE-2001-02)-Page-40**
Loss of Rs 4.5 million due to delay in awarding dredging work resulting in un-justified award of survey work to M/s Bahria Foundation
xvii. **Para-53-(ARPSE-2001-02)-Page-41**

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned seventeen (17) Audit Paras.

4. PERFORMANCE AUDIT REPORT ON THE ACCOUNTS ON PAKISTAN MARINE ACADEMY KARACHI, MINISTRY OF PORTS AND SHIPPING FOR THE YEAR 2001-02.

The DAC recommended the following Performance Audit Report for settlement by the Special Committee.

1. Findings
2. Higher average cost per cadet
3. Non-Establishment of Marine College/University.
4. Absence of Measures for Replacement of Equipments
5. Lack of Feedback for Appointment of Cadets on Ships
6. Revival of Refresher Seamen's Training (GP-HI) under Self Finance Scheme.
7. Loss to Government through Re-categorization of courses
8. Damage of Residential Accommodation and Boundary Wall
9. Time Overrun
10. Status of PMA at International Level
11. Recommendations

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned Performance Audit Report.

4.1 PARA No. 1
NON-ACHIEVEMENT OF ENROLLMENT TARGETS

The PAO informed the Committee that the Pakistan Marine Academy had moved a summary to the Planning Commission of Pakistan to be conferred the status of a degree-awarding institution. Presently it was affiliated with Karachi University.

The PAO further explained that the Academy runs a two-year training programme. The cadets then go abroad for further training. As far as Engineering is concerned they have to under go one-year mandatory workshop training, after which they are provided SSB i.e. service book to sail on boats, which is internationally acceptable.

The PAO further informed that these cadets work as Chief Engineers on ships but they are not accepted by the Pakistan Engineering Council as Engineers. Nadirshaw Edlgey Dilshaw (NED) University was interested to conduct a course with the Marine Academy, so that the students can be awarded a Marine Engineering Degree. The Academy had signed a MoU with NED, which is being processed.

The PAO further explained that around seven hundred students apply for admission every year and the Academy recommends 150 cadets on merit.

DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the Para.

4.2 **PARA No.3** **NON-ENROLLMENT OF FOREIGN CADETS**

The PAO informed the Committee that Pakistan Marine Academy (PMA) had trained a number of foreign nationals in the past. However the training of foreign nationals depends upon agreements between Government of Pakistan and the concerned foreign governments. Friendly countries in the region that were previously sending their nationals to PMA for training, have now established their own Marine Institutes.

DIRECTIVE

The Committee recommended the para for settlement.

4.3 **PARA No.5** **NON-CONDUCT OF IMO OBLIGATORY COURSES**

Audit informed the Committee that the International Maritime Organization (IMO), had developed a regime of technical standards, rules and regulations pertaining to safe operation of different types of ships and also to

prevent pollution of marine environment by these ships. PMA has been declared a branch of IMO. As a signatory of IMO Conventions, it has become obligatory to meet requirements of Regulation 1/7 of IMO in order to conduct IMO's mandatory courses. Pakistan Marine Academy was providing some of these courses mainly through self-finance scheme.

The PAO informed the Committee that presently the Academy did not have trained instructors to conduct all the courses, which is the function of a Marine College. For this purpose the Academy had now submitted a PC-1 in October 2009, which was a waiting ECNEC's approval.

The Committee directed the PAO to pursue the matter with the Planning Division. A copy of PC-1 should be sent to Audit and the Committee.

In another meeting held on 20th October, 2010 Audit informed the Committee that International Maritime Organization (IMO), had developed a regime of technical standards, rules and regulations pertaining to safe operation of different types of ships and also to prevent pollution of marine environment by these ships. PMA has been declared a branch of IMO. As a signatory of IMO Conventions, it has become obligatory to meet requirements of Regulation 1/7 of IMO in order to conduct IMO's mandatory courses. Pakistan Marine Academy was providing some of these courses mainly through self-finance scheme.

The PAO informed the Committee that it was pending with Planning Commission since May, 2010 and in the last DAC meeting the Ministry was asked to submit a copy of PC-1 to Audit which was provided.

Audit stated that the PC-1 copy had been received by Audit. Therefore, the para may be recommended for settlement.

DIRECTIVE

The Committee recommended the Para for settlement.

4.4 **PARA No.11**
IMPROPER UTILIZATION OF RESIDENTIAL QUARTERS

Audit stated that 12 out of 123 residential quarters meant for PMA employees were under un-authorized occupation.

The PAO informed the Committee that PMA Model School was a staff welfare project of PMA for the benefit of the employees of the Academy and It was opened with the permission of Director General Ports & Shipping Wing Karachi. Seven C-type flats were allotted to PMA Model School and the rent of these flats was being deposited in Government Treasury with effect from 01-11-2001.

The PAO further informed that some houses were allotted to employees of other Government departments performing duties in the vicinity of Pakistan Marine Academy, to avoid damages in case the houses remain vacant and to generate some revenue. Houses are allotted to other than PMA's employees with a view to better utilization of Government property. Allotment had been made with the condition that when required by PMA the houses shall be vacated by the occupants. He stated that there was no pending application of any PMA employees or waiting list for allotment of these houses.

DIRECTIVE

The Committee observed that the residential quarters were meant for PMA officers and staff and should not have been allotted to others. The PAO should reexamine / review these allotments in the light of relevant Rules.

In another meeting held on 20th October, 2010 Audit stated that 12 out of 123 residential quarters meant for PMA employees were under un-authorized occupation.

The PAO informed the Committee that as per directives of PAC, the accommodation occupied by the un-authorized persons / departments had now been got vacated. Therefore, it is requested to settle the para.

DIRECTIVE

The Committee recommended the Para for settlement subject to verification by Audit.

When the Para was taken up again for consideration on 17th May, 2011, the Committee directed the Ministry to make sure that it may be allotment to legal persons only and recommended the Para for settlement subject to verification by Audit.

MINISTRY OF POSTAL SERVICES

1. OVERVIEW

Appropriation Accounts and Audit Reports of Federal Government for the year 2001-02 pertaining to Ministry of Postal Services were taken up for examination by Special Committee-II of the PAC in the meetings held on July 28th, 2010 & February 1st, 2011 in Parliament House Islamabad. Decisions taken are summarized below:

- 1.1 Four (04) grants and twenty-three (23) Paras were reported by AGPR / Audit
- 1.2 On presentation of the grants, the Committee observed that the entire monitoring systems should be streamlined so that no such saving occurs in future.
- 1.3 While discussing Audit Report on the accounts of Pakistan Post Office Department the Committee endorsed recommendations of the DAC for settlement of twenty-three (23) Audit Paras.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO.17

Saving Rs. 39,972,981/-

AGPR pointed out that the Appropriation closed with a saving of Rs. 39,972,981/- (1.12% of total).

The PAO informed the Committee that the saving was under the heads of pay and allowances during the financial year.

The PAO further stated that there were 150 spending units under the PPOD throughout the country and saving of each unit under head employees related expenses (Rs. 4,660,540/-) could not be managed before the target date of surrender of savings due to un-foreseen circumstance.

DIRECTIVE

The Committee recommended regularization of the grant with the observation the entire monitoring systems should be streamlined so that no such saving occurs in future.

ii. **GRANT NO.18-**
Saving Rs. 125,217/-

AGPR pointed out that the grant closed with a saving of Rs.125,217/- only (0.0042% of the total grant).

DIRECTIVE

The Committee recommended regularization of the grant.

iii. **GRANT NO.149-CAPITAL OUTLAY FOR DEVELOPMENT PROGRAMMES.**
Saving Rs. 14,821,874/-

AGPR pointed out that the grant closed with a saving of Rs.14,821,874-

The PAO informed the Committee that saving was mainly due to non-release of funds by Finance Division.

DIRECTIVE

The Committee recommended regularization of the grant.

iv. **GRANT NO.181 – CAPITAL OUTLAY ON DEVELOPMENT PROGRAMMES.**
Saving / Excess: Zero.

A.G.P.R. and PAO pointed out that in the above-mention grant the budget had been fully utilized.

DIRECTIVE

The Committee recommended regularization of the grant as the budgetary provisions had been fully utilized.

3. AUDIT REPORT ON THE ACCOUNTS OF PAKISTAN POST OFFICE DEPARTMENT OF MINISTRY OF POSTAL SERVICES FOR THE AUDIT YEAR 2001-02.

- i. **Para 1.1-Page 8-AR 2001-02 (PPO)**
OVERSTATEMENT OF DEPARTMENTAL RECEIPTS BY RS 77.936 MILLION
- ii. **Para 1.2-Page 8-AR 2001-02 (PPO)**
IMPROPER PROCEDURE FOR PLACING OF COLLECTIONS AMOUNTING TO RS 29,290.747 MILLION OF OTHER ORGANIZATIONS UNDER “SAVING BANK DEPOSITS”
- iii. **Para 1.3-Page 10-AR 2001-02 (PPO)**
MINUS BALANCES IN DEPARTMENTAL ACCOUNTS AMOUNTING TO RS. 12,063.997 MILLION
- iv. **Para 1.4-Page 12-AR 2001-02 (PPO)**
NON RECONCILIATION OF BALANCES OF POST OFFICE SAVING SCHEMES OF RS 28.416 MILLION WITH THE CENTRAL DIRECTORATE OF NATIONAL SAVINGS
- v. **Para 1.5-Page 12-AR 2001-02 (PPO)**
NON CLEARANCE OF RS 3,423.244 MILLION APPEARING UNDER THE TRANSITORY HEAD “ MISCELLANEOUS DEPOSITS”
- vi. **Para 1.6-Page 13-AR 2001-02 (PPO)**
UNRELIABLE BALANCES OF RS (-) 6,145.941 MILLION UNDER THE HEAD REMITTANCES BETWEEN POST OFFICES
- vii. **Para 1.7-Page 14-AR 2001-02 (PPO)**
NON-REALIZATION OF RECOVERABLES OF RS 1,904.135 MILLION
- viii. **Para 1.8-Page 14-AR 2001-02 (PPO)**
COMPENSATION PAID FOR LOSS CASES
- ix. **Para 1.9-Page 8-AR 2001-02 (PPO)**
UNREALISTIC INCREASE IN POSTAL RECEIPTS
- x. **Para 1.1-Section-II-Page 18AR 2001-02 (PPO)**
NON RECOVERY OF OUTSTANDING DUES OF RS 134.186 MILLION FROM PROVINCIAL GOVERNMENTS
- xi. **Para 1.2-Section-II-Page 19-AR 2001-02 (PPO)**
NON RECOVERY OF 5% OF NORMAL RENT AMOUNTING TO RS 2.063 MILLION

- xii. **Para 1.3-Section-II-Page 20-AR 2001-02 (PPO)**
NON TRANSFER OF PROVINCIAL TAXES STAMPS AND NATIONAL IDENTITY CARD FORMS OF RS 2.990 MILLION
- xiii. **Para 1.4-Section-II-Page 21-AR 2001-02 (PPO)**
UN-NECESSARY BLOCKAGE OF FUNDS TO THE TUNE OF RS 4.546 MILLION BY PLACING THESE FUNDS UNDER HEAD “P-DEPOSIT”
- xiv. **Para 1.5-Section-II-Page 22-AR 2001-02 (PPO)**
NON-RECONCILIATION OF CONSOLIDATED POSTAL AND TREASURY RECEIPTS OF RS 2,137.990 MILLION WITH TREASURIES
- xv. **Para 1.6-Section-II-Page 23-AR 2001-02 (PPO)**
UNACKNOWLEDGED CASH REMITTANCES AND SAVING BANK ACCOUNTS OF RS 36.532 MILLION
- xvi. **Para 1.7-Section-II-Page 24-AR 2001-02 (PPO)**
EXPENDITURE OF RS 8.514 MILLION ON ADHOC APPOINTMENTS IN VIOLATION OF FINANCE DIVISION’S ORDER
- xvii. **Para 1.8-Section-II-Page 08-AR 2001-02 (PPO)**
EXPENDITURE OF RS 7.494 MILLION ON ENGAGEMENT OF DAILY WAGES STAFF IN EXCESS OF SANCTIONED POST/STRENGTH AND MISCLASSIFICATION OF EXPENDITURE AMOUNTING TO RS 2.933 MILLION
- xviii. **Para 1.9-Section-II-Page 26-AR 2001-02 (PPO)**
PAYMENT OF RS 1.312 MILLION MADE ON PAPER CHITS IN VIOLATION OF PROCEDURE
- xix. **Para 1.10-Section- II-Page 27-AR 2001-02 (PPO)**
NON-RECOVERY OF DIFFERENT ADVANCES LYING OUTSTANDING AGAINST THE OFFICERS AMOUNTING TO RS 1.257 MILLION
- xx. **Para 1.11-Section- II-Page 28-AR 2001-02 (PPO)**
OVERSTATEMENT OF DEPARTMENTAL RECEIPTS BY RS 77.936 MILLION
- xxi. **Para 1.12-Section- II-Page 29-AR 2001-02 (PPO)**
UNVERIFIED PAYMENTS OF RS 119.588 MILLION ON ACCOUNT OF PENSION PAYMENTS
- xxii. **Para 1.13-Section- II-Page 30-AR 2001-02 (PPO)**
DISCREPANT SAVING BANK ACCOUNTS WORTH RS 89.975 MILLION
- xxiii. **Para 1.14-Section- II-Page 31-AR 2001-02 (PPO)**
FAILURE TO CONTROL OVER LOSSES AND FRAUDS

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned twenty-three (23) Audit Paras.

PRESIDENT'S SECRETARIAT

1. OVERVIEW

Appropriation Accounts and Audit Reports for the year 2001-02 pertaining to President's Secretariat were considered for examination by Special Committee-II of the PAC in Committee room No.2 Parliament House Islamabad on July 21st, 2010. Decisions taken are summarized below:

- 1.1 One grant was reported by AGPR.
- 1.2 On presentation of the grant, the Committee recommended regularization of the grant with the observation that the entire savings should have been surrendered in time.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

- i. **GRANT: STAFF, HOUSE HOLD AND ALLOWANCES OF THE PRESIDENT:**
(Charged)
Saving Rs. 395,415/-

A.G.P.R. pointed out that the appropriation closed with a saving of Rs.15,422,415, (14.97% of the total). An amount of Rs.15,027,000 (14.58%) was surrendered, leaving a net saving of Rs.395,415 (0.38%).

DIRECTIVE

The Committee recommended regularization of the grant with the observation that the entire savings should have been surrendered in time.

PRIME MINISTER'S SECRETARIAT

1. OVERVIEW

Appropriation Accounts for the year 2001-02 pertaining to Prime Minister's Secretariat were considered for examination by Special Committee-II of the PAC in the meeting held in Committee room No. 2 Parliament House Islamabad, on July 29th, 2010. Decisions taken are summarized below:

- 1.1 One (01) grant was reported by AGPR.
- 1.2 On presentation of the grant the Committee recommended regularization of the grant.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

GRANT NO.9- CHIEF EXECUTIVE'S OFFICE

Saving Rs. 4,627,781/-

AGPR stated that the grant closed with a saving of Rs.144,613,137 (14.37% of the total grant). An amount of Rs.139,985,356 (13.91%) was surrendered leaving net saving of Rs.4,627,781 (0.45%).

The PAO informed that the saving of expenditure was due to vacant posts, and the major amount of saving of Rs.3,497,339 pertained to NAB which occurred due to non-completion of codal formalities, and submission of claims.

DIRECTIVE

The Committee recommended regularization of the grant.

PRIME MINISTER'S INSPECTION COMMISSION

1. OVERVIEW

Appropriation Accounts for the year 2001-02 pertaining to the Prime Minister's Inspection Commission were taken up for examination by Special Committee-II of the PAC in the meeting held in Parliament House Islamabad on July 7th, 2010. Decisions taken are summarized below:

- 1.1 One (01) grant was reported by AGPR.
- 1.2 On presentation of the grant the Committee observed that surrendered of funds after obtaining supplementary grant did not reflect good financial management, which needs to be improved.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO. 10- Prime Minister's Inspection Commission Saving Rs. 57126/

AGPR pointed out that after taking into account supplementary grant of Rs. 3,600,000/ the grant closed with a saving of Rs. 1,174,189 (0.82% of the total grant. An amount of Rs. 1,117,063/ was surrendered leaving a net saving of Rs. 57,125.

The PAO informed the Committee that the supplementary grant was obtained for purchase of vehicles. A saving of 11,117,063 had been surrendered in time.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that surrendered of funds after obtaining supplementary grant did not reflect good financial management, which needed to be improved.

PRIVATIZATION DIVISION

1. OVERVIEW

Appropriation Accounts for the year 2001-02 pertaining to Privatization Division were considered for examination by Special Committee-II of the PAC in the meetings held in Committee room No. 2 Parliament House, Islamabad on July 14th, 2010 & October 19th, 2010. Decisions taken are summarized below:

- 1.1 One grant was reported by AGPR on Privatization Division.
- 1.2 On the presentation of the grant, the Special Committee directed the Finance Division, Ministry of Privatization and Audit to sit together, in order to explain as to why such large amounts were being shown as grants to Privatization Division every year and then surrendered.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO.99- PRIVATISATION DIVISION

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) 195,985,758,755	(-) 755	195,985,758,000

The PAO informed the Committee that the saving of Rs 195,985,758,000 was surrendered on 15-05-2002 but inadvertently the letter was addressed to DFA (Privatization) instead of AGPR.

On being informed that allocation of this magnitude followed by surrender were a regular budgetary feature, the Committee directed the Finance Division to explain why such large amounts were being shown as grants to Privatization Division every year. Report in this regard should be submitted to the Committee within one month.

In a meeting held on 19th October, 2010 A.G.P.R. pointed out that after taking a supplementary grant of Rs. 195,985,758,000, the grant closed with a saving of Rs. 993,941,376 which works out to 99.98 % of the total grant. An amount of Rs. 8,182,621 (0.004) was surrendered leaving a net saving of Rs. 195,985,758,755 (99.97%).

The PAO informed the Committee that funds have been released to the Ministry since 1991 when privatization started. On the directive of the Prime Minister, the Ministry opened a separate account in the State Bank of Pakistan rather than depositing in Federal Consolidated Fund. So, the Ministry utilized funds from the account of SBP.

AGPR state that in the DAC meeting the Finance Division had indicated that these allocations were based on notional basis which were outside of the Federal Consolidated Fund.

DIRECTIVE

The Committee directed the Finance Division, Ministry of Privatization and Audit to sit together, in order to explain as to why such large amounts were being shown as grants to Privatization Division every year and then surrendered. A report has to be submitted to the Committee within two weeks. The Committee recommended the grant for settlement.

MINISTRY OF RAILWAYS

1. OVERVIEW

Appropriation Accounts and Audit Report of Federal Government for the year 2001-02 pertaining to Ministry of Railways were taken up for examination by Special Committee-II on August 17th, 2010, March 1st, 2011, May 17th, 2011 & June 10th, 2011 in Committee Room No.2, Parliament House Islamabad. Decisions taken are summarized below:

- 1.1** One (01) grant, thirty two (32) Paras and three Audit Comments were reported by AGPR/Audit.
- 1.2** While discussing Para No. 3.1 the Committee directed the PAO to trace the property of the dismissed Head Constable and file recovery suit against him after obtaining legal advice.
- 1.3** During discussion on Audit Comment No. 1.24 the Committee observed that this was the highest amount of excess of 2.6 billion which has come to the notice of PAC and needs to be verified by AGPR/Audit in order to see as to what was the original demand of the department and the allocation made by the Finance Division. The Audit should also see whether indeed it was a fault of the Railways or a miscalculation on the part of the Finance Division. The Committee further observed that the department went in to excess of 63% of the budget which was a huge amount. The Committee further observed that had this amount properly budgeted at time of allocation the department could not have gone in excess.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1 2001-02

i. GRANT NO.149-CAPITAL OUTLAY ON PAKISTAN RAILWAYS

Excess Rs. 400,000,000/-

The PAO informed the Committee that the excess occurred due to supplementary grant of Rs. 400,000,000 paid to Pakistan Railways as Federal Government assistance for their ADP for 2001-02 which could not be included in the supplementary schedule of authorized expenditure.

DIRECTIVE

The Committee recommended regularization of the grant.

3. AUDIT REPORT ON THE ACCOUNTS OF MINISTRY OF PAKISTAN RAILWAYS FOR THE YEAR 2001-02

3.1 PARA 3.1-2001-02

MIS-APPROPRIATION OF RS 2.71 MILLION BY POLICE HEAD CONSTABLE

Audit pointed that because periodical inspections had not been carried out as required under the rules, the Moharrir Malkhana at railways P.S. Lahore has misappropriated properties worth Rs. 2.71 million.

The PAO informed the Committee that an amount of Rs 0.25 million was recovered from the accused ex-Head Constable Dilshad Ahmad. He had been dismissed from service losing his right to gratuity of Rs. 312,648 and pension. As decided by the DAC inquiry had been concluded against five police officials for neglect of duty. Three were exonerated and two the (then DSP Raja Muhammad Iqbal and the then SHO Rana Wakeel Ahmed were compulsorily retired. Chances of recovery of the remaining amount were remote.

As the matter remained unresolved when the Special Committee met again on 17th May, 2011, IGP, Railways PAO informed the Committee that an amount of

Rs.2.710 million was misappropriated by Head Constable, Mr. Dilshad Ahmed and 254 criminal cases were registered against him. During investigation an amount of Rs.250,342 was recovered and deposited in government treasury. Whereas the remaining amount of Rs. 2.46 million embezzled by the accused could not be recovered from him. An amount of Rs.312,648 as gratuity as well as Rs. 1485 net pension per month had been saved as a result of dismissal of Head Constable, Mr. Dilshad Ahmed from the service.

IGP, Railways further informed that the Railways Authority had traced 5 Acre, 4 canal and 18 marla land of Mr. Dilshad Ahmad and his GP Fund was stopped on the request from the IG office and the opinion given by the Director Legal that this case was time barred and a civil suit could not be filed against him for the recovery of the remaining amount.

IGP, Railways stated the DSP Legal of Pakistan Railway Police had been directed on 14th May, 2011 to coordinate with the Director Legal Affairs Pakistan Railways and finalized the case within a week and submit a progress report and the legal proceeding on as the accuse was in the locker.

DIRECTIVE

The Committee directed the PAO to trace other property of the dismissed Head Constable and file recovery suit against him, for which legal advice may be obtained. A report has to be submitted to the Committee within in one month.

The Committee suggested that the court may be told that an amount was still pending as recoverable and when punishment and fine of convicted is awarded it should be sufficient to meet at least the loss of revenue involved to Railways.

The Committee further directed the PAO to pursue the legal cases as per advice of the DSP Legal.

3.2 **PARA 3.2-2001-02**

MIS-APPROPRIATION OF GOVERNMENT MONEY AMOUNTING TO RS 2.644 MILLION

Audit pointed out that the para related to misappropriation of money totaling to Rs. 2.644 million by three railway officials.

- i. The PAO informed the Committee that an amount of Rs 0.8 million was deposited by Mr. M. Naveed, SCA/G Dry Port Lahore.
- ii. Mr. Saleem Akhtar ex-junior commercial assistant (Goods), Multan had paid two installments of Rs. 47,500 and Rs 23,550 on 22.10.99 and 31.10.99 respectively. A sum of Rs 0.369 million was outstanding against him for which a civil suit for recovery has been filed in the Court of Civil Judge, Multan. He was dismissed from service on 13.05-2000.

The POA further informed that the next date of hearing was fixed as 27.08.2010 and the Ministry was pursuing thoroughly and vigorously for the recovery of the amount.

- iii. An Amount of Rs. 38,753 out of Rs 39,000 had been recovered from Mr. Ahmed Sibtain Gillani, JCA/B Multan. He was facing trial in the Court of Law Special Judge Multan.

When the Para was taken up again for consideration on 17th May, 2011, the PAO informed the Committee that out of total amount of Rs.3,035,549, in which 8 lacs had been recovered from 11 persons, dismissed from service and absconding. The case was pending in the court.

- ii. In another case in which an amount of Rs.0.44 million was embezzled by Mr. Saleem Akhtar, Junior Commercial Assistant, Dry Port, Multan. In this case Rs. 41,000 had been recovered and he was removed from service and the case was pending with Civil Judge, Multan.
- iii. Regarding the case against Mr. Ahmed Sibtain Gilani, JCA / B Multan, in which an amount of Rs. 0.039 million was short remitted in government treasury. He was dismissed from service and the case was pending in the court.

DIRECTIVE

The Committee directed the PAO to continue to pursue all cases vigorously till full recovery has been made. A report on the latest position of the cases should be sent to the Committee and the Audit. The Para was recommended for settlement subject to verification of Audit.

The Committee directed the Ministry to pursue all the cases vigorously in the courts.

3.3 **PARA 3.5-2001-02** **Likely Misappropriation of store ballast valuing Rs. 0.450 million**

Audit stated that result of inquiry against Mr. Shahnawaz, Ex-RVI/BDML and record relating to measurement book etc. had not yet supplied to Audit as decided by the DAC.

DIRECTIVE

The Committee directed the PAO to provide the relevant record to Audit. The Para was recommended for settlement subject to verification by Audit.

3.4 **PARA 3.9-2001-02** **UNJUSTIFIED EXPENDITURE OF RS 6.038 MILLION ON THE PAY AND ALLOWANCES OF IDLE STAFF**

The PAO requested the Committee that the para may be referred to the DAC for consideration.

The Committee referred the para to the DAC. DAC's recommendation should be sent to the Committee within one month.

When the Para came up again on 1st March, 2011, Audit reported that two electric furnaces in steel shop, Moghalpura remained closed from April 2000 to November 2000 and June 2000 to November 2000 due to non supply of graphite

electrodes by the Director Procurement/Stores, Lahore. The staff employed on these furnaces remained idle during the period and railways administration failed to utilize the idle staff gainfully. Thus, the expenditure of Rs 6.038 million incurred on pay and allowances of the idle staff was unjustified.

The PAO informed the Committee that the services of permanent employees can not be terminated on the pretext closure of furnaces. He assured the Committee that their services had been utilized in other gainful jobs.

DIRECTIVE

The Committee directed the PAO to put in place a system that such instances do not recur. The Committee emphasized the need for better planning and coordination in the Railways. A report has to be submitted to the Committee within one month.

(This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

3.5 **PARA 3.14-RAR 2001-02** **LOSS OF RS 5.322 MILLION DUE TO LATE CLEARANCE OF RAILWAY CONSIGNMENTS**

Audit pointed out that the railways paid a total amount of Rs. 5.322 million as shortage, demurrage storage/ground rent etc. due to non-clearance in time from customs ports and airports. A sum of Rs 0.699 million had been recovered and the balance amount will be deducted from bills of the concerned persons by Senior Accounts Officer Store, Lahore, before paying them the commission.

The PAO further informed that Railways had moved case to the competent authority for write-off of irrecoverable amount, where the employees responsible for default were not available, having either retired or expired.

DIRECTIVE

The Committee directed the PAO to provide the requisite record to Audit and recommended the Para for settlement subject to verification by Audit.

Audit requested that the Committee may issue suitable directive for further pursuance of the following four (04) Audit Paras at DAC level.

1. **PARA NO. 3.3-2001-02**
LIKELY MISAPPROPRIATION OF RAILWAY MATERIAL ALUING
RS 0.196 MILLION
2. **PARA NO. 3.4-2001-02**
LIKELY MISAPPROPRIATION OF STONE BALLAST VALUING
RS 0.453 MILLION
3. **PARA NO. 3.6-2001-02**
LOSS OF RS 2.256 MILLION DUE TO EXCESS UNLOADING OF
BALLAST OVER AND ABOVE THE SANCTIONED SCALE
4. **PARA NO. 3.10-2001-02**
UNNECESSARY PURCHASE OF MATERIAL VALUING RS 0.865
MILLION AND LOSS OF OPPORTUNITY COST OF RS 0.197
MILLION

DIRECTIVE

Accepting the request of Audit, the Committee directed the Audit to discuss the above-mentioned Paras in the next DAC meeting after which the Committee will take these paras up again in its next meeting.

(These paras were not brought forward for discussion in the subsequent meeting hence DAC has to report to the Monitoring and Implementation Committee of the PAC for further action.)

- i. **PARA NO. 3.12-2001-02**
AVOIDABLE EXTRA PAYMENT OF RS 1.100 MILLION DUE TO
ACCEPTANCE OF HIGHER RATES
- ii. **PARA NO. 3.13-2001-02**
BLOCKAGE OF CAPITAL OF RS 0.251 MILLION AND LOSS OF
OPPORTUNITY COST OF RS 0.262 MILLION ON PURCHASE OF
VEHICLES
- iii. **PARA NO. 3.17-2001-02**

- iv. THEFT OF RAILWAY MATERIAL VALUING RS 2.568 MILLION
PARA NO. 3.18-2001-02
UNNECESSARY DELAY IN DECIDING A TENDER RESULTING
IN AVOIDABLE EXTRA EXPENDITURE OF RS. 17.368
MILLION
- v. PARA NO. 3.19-2001-02
DEFICIENCIES OF RS 1.691 MILLION IN THE IMPREST
STORES
- vi. PARA NO. 3.22-2001-02
UNJUSTIFIED PAYMENT OF RS 0.286 MILLION TO THE
CONTRACTORS AND LOSS OF OPPORTUNITY COST OF
RS 0.077 MILLION.
- vii. PARA NO. 3.23-2001-02
SHORTAGE OF SCRAP VALUING RS 0.231 MILLION
- viii. PARA NO. 3.24-2001-02
LOSS OF RS 1.460 MILLION DUE TO SHORTAGE OF HIGH
SPEED DIESEL
- ix. PARA NO. 3.26-2001-02
LOSS OF RS 1.028 MILLION DUE TO LESS ACCOUNTAL OF
HIGH SPEED DIESEL
- x. Para No. 3.28-2001-02
LOSS OF RS 1.961 MILLION DUE TO IRREGULAR PAYMENT
OF SPECIAL ADDITIONAL ALLOWANCE

DIRECTIVE

The Committee referred the above-mentioned ten (10) paras to the DAC and directed that a report be submitted to the Committee within one month.

- 3.6 **PARA NO. 3.13-2001-02**
BLOCKAGE OF CAPITAL OF RS 0.251 MILLION AND LOSS OF
OPPORTUNITY COST OF RS 0.262 MILLION ON PURCHASE OF
VEHICLES

The Committee referred the above-mentioned para to the DAC and directed that a report be submitted to the Committee within a month.

When the matter was taken up again on 1st March, 2011, Audit reported that the relevant record had been provided.

The PAO informed the Committee that corrective measures have also been adopted for future.

DIRECTIVE

The Committee recommended the para for settlement subject to verification by Audit.

3.7 **PARA NO. 3.22-2001-02**
UNJUSTIFIED PAYMENT OF RS 0.286 MILLION TO THE CONTRACTORS
AND LOSS OF OPPORTUNITY COST OF RS 0.077 MILLION

The Committee referred the above-mentioned para to the DAC and directed that a report be submitted to the Committee within a month.

On 1st March, 2011, Audit reported that relevant record has not yet been provided.

The PAO informed the Committee that action has been completed, recovery has been made and the record would be provided to Audit

DIRECTIVE

The Committee directed the PAO to provide the relevant record to Audit. The Committee recommended the para for settlement subject to verification by Audit.

3.8 **PARA NO. 3.24-2001-02**
LOSS OF RS 1.460 MILLION DUE TO SHORTAGE OF HIGH SPEED
DIESEL

The Committee referred the above-mentioned para to the DAC and directed that a report be submitted to the Committee within a month.

When the para came up again on 1st March, 2011, Audit reported that the PAO may be asked to explain the latest position on this issue.

The PAO informed the Committee that the department has taken action and dispensing meters have been installed at Lahore and Rawalpindi and the entire system has been calibrated now.

DIRECTIVE

The Committee directed the PAO to provide a list of all such measures adopted to improve the system and directed the PAO to ensure that no such audit paras are allowed to crop-up in future.

3.9 **PARA NO. 3.26-2001-02**
LOSS OF RS 1.028 MILLION DUE TO LESS ACCOUNTAL

The Committee referred the above-mentioned para to the DAC and directed that a report be submitted to the Committee within a month.

On 1st March, 2011, Audit reported that the inquiry report has not been provided as yet.

The PAO informed the Committee that since the record has been sent to the court in an other case hence the department was unable to conduct a proper inquiry.

DIRECTIVE

The Committee directed the PAO to provide full facts to Audit, identify the culprits, fix responsibility and take action against those who are found responsible. A report has to be submitted to the Committee within 15 days.

(This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

i. **PARA NO. 3.7-2001-02**
BLOCKAGE OF CAPITAL WORTH RS 59.783 MILLION

- ii. **PARA NO. 3.8-2001-02**
UNNECESSARY PURCHASE OF CABLE VALUING RS 0.415 MILLION
- iii. **PARA NO. 3.11-2001-02**
LOSS OF RS 1.762 MILLION DUE TO PROCUREMENT OF TIE BARS AT HIGHER RATES
- iv. **PARA NO. 3.15-2001-02**
LOSS OF RS 0.961 MILLION DUE TO NON-RECOVERY OF FREIGHT CHARGES ON REVISED RATES
- v. **PARA NO. 3.16-2001-02**
NON-RECOVERY OF RS 0.400 MILLION FROM PRACS ON ACCOUNT OF DISPLAY OF PLASTIC SIGNS AT RAILWAY STATION, LAHORE
- vi. **PARA NO. 3.20-2001-02**
AVOIDABLE EXPENDITURE OF RS 1.488 MILLION DUE TO DELAY IN COMPLETION OF A WORK
- vii. **PARA NO. 3.21-2001-02**
LOSS OF RS 0.176 MILLION DUE TO PURCHASE OF DEFECTIVE MATERIAL
- viii. **PARA NO. 3.25-2001-02**
LOSS OF RS 1.236 MILLION DUE TO NON- IMPOSITION OF LIQUIDATED DAMAGE CHARGES
- ix. **PARA NO. 3.27-2001-02**
IRREGULAR/UNJUSTIFIED EXPENDITURE OF RS 16.736 MILLION INCURRED ON PROCUREMENT OF 30 VEHICLES

DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned nine Audit Paras.

4. AUDIT COMMENT ON THE ACCOUNTS OF PAKISTAN RAILWAYS AND SUBSIDIARIES FOR THE YEAR 2001-02

4.1 Audit Comments # 1.4-2001-02

Audit stated that the excess expenditure of Rs. 2,59,576 (62.59%) incurred under the Charged portion of the Revenue Grant for 2001-02 needs to be got regularized through Excess Budget Statement which has to be explained by PAO.

The PAO informed the Committee that this was a blocked account with SBP where from allocation was not received and SBP deducted the charged portion at source. He further stated that though the allocation was provided in the estimates but was not provided by the Finance Division.

As the matter remained unresolved when the Special Committee met again on 17th May, 2011, the PAO informed the Committee that it had been verified from the record of FA & CAO that no demand was made under head “repayment of domestic “ in the budget estimates. On release of budget, the SBP deducted an amount of Rs. 3000 million at source from the allocation. Due to that, excess expenditure of Rs.2.6 billion was occurred.

DIRECTIVE

The Committee observed that this was the highest amount of excess of 2.6 billion which has come to the notice of PAC and needs to be verified by Audit in order to see as to what was the original demand of the department and the allocation made by the Finance Division. The Audit should also see whether indeed it was a fault of the Railways or a miscalculation on the part of the Finance Division. The Committee further observed that the department went in to excess of 63% of the budget which was a huge amount. The Committee further observed that had this amount properly budgeted at time of allocation the department could not have gone in excess. The Committee directed the PAO to submit a report on these observations within two weeks.

On 17th May 2011, the Committee recommended the Para for settlement subject to verification by Audit.

4.2 **Audit Comments # 5-2001-02**
Loss due to Remission and Abandonment of Claims

Audit stated that adequate efforts are not being made by the department to recover the receivable which go on accumulating and further said that proper documentation with parties was also lacking.

The PAO informed the Committee that the department tries its level best to recover the receivable it was rather difficult to recover the amounts from government departments. He further stated that the department was trying to revamp the system of proper documentation.

When the Para came up for consideration again on 17th May, 2011, the PAO informed the Committee that 99.27% amount had been recovered and outstanding balance of Rs.3 lacs against PSO was waived off on the request of PSO authorities.

DIRECTIVE

The Committee directed the PAO to take proper action in order to improve the financial position of the department with special emphasis on recovery of receivable. A report has to be sent to the Committee within two weeks.

On 17th May, 2011 the Committee directed the PAO to submit a report to Audit on the recovery and written-off. The Committee recommended the para for settlement subject to the satisfaction / verification by Audit.

4.3 **Audit Comments # 6.3-2001-02**
Bills Receivable

Audit stated that bills receivables of Rs 1,764.871 million in June 2001 had been reduced to Rs 1,549.866 million in June 2002. High recoverable amount warrants effective steps to recover the outstanding amount to improve the financial position of Pakistan Railway.

When the Para was discussed on 17th May, 2011, the PAO informed the Committee that 80% of the amount had been recovered. The latest receivables were Rs.2 billion.

DIRECTIVE

The Committee directed the Railways management to provide up to date position of receivables and steps / outlines the Railways had taken for the further which would be reconciled with Audit.

MINISTRY OF RELIGIOUS AFFAIRS AND ZAKAT & USHR

1. OVERVIEW

Appropriation Accounts for the year 2001-02 pertaining to the Ministry of Religious Affairs and Zakat Usher were taken up for examination by Special Committee-II of the PAC in the meetings held on July 22nd 2010, December 28th, 2010 and February 1st, 2011 in Parliament House Islamabad. Decisions taken are summarized below:

- 1.1 Two (02) grants were reported by AGPR.
- 1.2 On presentation of the grants, the Committee recommended regularization of the grants.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1 2001-02

i. GRANT NO.100- RELIGIOUS AFFAIRS AND ZAKAT & USHR DIVISION

Saving Rs.3,345,860 /-

The PAO informed the Committee that the saving was mainly due to vacant posts.

DIRECTIVE

The Committee recommended regularization of the grant.

ii. GRANT NO.102- OTHER EXPENDITURE OF RELIGIOUS AFFAIRS AND ZAKAT & USHR DIVISION.

Saving Rs. 21,731,209 /-

The PAO informed the Committee that the saving was mainly due to establishment of Model Deeni Madaris at Islamabad, Karachi and Sukkar and they were self-supporting.

DIRECTIVE

The Committee recommended regularization of the grant.

MINISTRY OF SCIENCE & TECHNOLOGY

1. OVERVIEW

Appropriation Accounts (Civil-Vol-1) and Audit Report of Federal Government for the year 2001-02 pertaining to Ministry of Science & Technology were considered for examination by Special Committee-II of the PAC in the meetings held in Committee room No.2 Parliament House Islamabad on June 28th, 2010, November 3rd, 2010 & December 28th, 2010. Decisions taken are summarized below:

- 1.1** Four (04) grants were reported by AGPR on Ministry of Science & Technology.
- 1.2** On presentation of grant No.104 on Scientific and Technological Research Division, the Committee observed that this was a clear case of financial mismanagement in which huge supplementary grant had been obtained but the full amount had not been spent and the total savings had not been surrendered in time
- 1.3** While discussing grant No.105 on other expenditure of Scientific and Technological Research Division, the Committee took serious note of apparent mismanagement, bad accounting and poor budgeting, whereby large amount had been obtained by way of supplementary grant, funds had not been fully utilized and total savings had not been surrendered in time.
- 1.4** While discussing grant No.142 the Committee observed that formal procedure of surrender has to be followed even when money is not released. The Committee directed the PAO to make sure that the Ministry keeps EAD, Finance Division and Audit Department on board about such releases and such surrenders should be made before 30th of June.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO.104- SCIENTIFIC AND TECHNOLOGICAL RESEARCH DIVISION.

Saving Rs. 7,255,067/-

A.G.P.R. pointed out that after obtaining supplementary grant of Rs. 67,000,000 the grant closed with a saving of Rs. 9,755,067 (6.41 % of the total grant). An amount of Rs.2,500,000 was surrendered leaving a net saving of Rs. 7,255,067. The PAO informed the Committee that the first saving was due to vacant posts, strict control over expenditure under T.A. POL, Stationary and due to less expenditure incurred on Contribution & Subscription and expenses of delegation sent abroad. The PAO further informed that the supplementary grant was also due to the expenditure on payment of contribution to COMSTECH.

DIRECTIVE

The Committee observed that this was a clear case of financial mismanagement in which huge supplementary grant had been obtained but the full amount had not been spent and the total savings had not been surrendered in time. The Committee recommended regularization of the grant with the direction to the PAO that every effort should be made to ensure that accurate budget estimates are made while formulating budget, so that at the end of the financial year, the grants of the Ministry are fully utilized.

ii. GRANT NO.105- OTHER EXPENDITURE OF SCIENTIFIC AND TECHNOLOGICAL RESEARCH DIVISION.

Saving Rs. 20,471,215/-

A.G.P.R. pointed out that the grant closed with a saving of Rs. 21,471,215 (2.69 % of the total grant). An amount of Rs. 1,000,000 was surrendered leaving a net saving of Rs. 20,471,215. A supplementary grant of Rs. 4,500,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO informed the Committee that purpose of supplementary grant taken was for payments to National University of Science & Technology NUST, and Pakistan Institute of Science & Technology regarding payment of Research Productivity Allowance to PCSIR as well as for clearance of their outstanding liabilities of Pension and Commutation dues, and to National Institute of Oceanography to meet the shortfall under establishment charges due to revision of pay scales announced by the Government.

DIRECTIVE

The Committee took serious note of apparent mismanagement, bad accounting and poor budgeting, whereby large amount had been obtained by way of supplementary grant, funds had not been fully utilized and total savings had not been surrendered in time. The Committee recommended regularization of the grant.

iii. **GRANT NO.142- SCIENTIFIC AND TECHNOLOGICAL RESEARCH DIVISION.**

Saving Rs. 1,322,368,244/-

A.G.P.R. pointed out that the grant closed with a saving of Rs.1,394,468,244 (55.39 % of the total). An amount of Rs.72,100,000 was surrendered leaving a net saving of Rs. 1,322,368,244.

The PAO informed the Committee that a major portion of saving was from FEC components allocated for payments of consultants and training of staff of the National Accreditation Council and to NUST as Foreign Aid (IDB Credit). It was stated that the amount in question was notional rupee cover which was not in fact released by Finance Division.

Representative of Finance Division stated that even in such cases formal surrender was required to be made.

The Committee referred the grant back to DAC meeting for regularization as per Rules. The Ministry will also submit a report after the DAC meeting as to the standard prescribed procedure for surrender of rupee cover in cases where foreign aid is not in fact received.

DIRECTIVE

On 3rd November, 2010, the Committee observed that formal procedure of surrender has to be followed even when money is not released. The Committee directed the PAO to make sure that the Ministry has kept EAD, Finance Division and Audit Department on board about such releases and such surrenders should be made before 30th of June. Grant was recommended for regularization.

iv. **GRANT NO.157- CAPITAL OUTLAY ON SCIENTIFIC AND TECHNOLOGICAL RESEARCH DIVISION.**

Saving / Excess: Zero

A.G.P.R. pointed out that the budget allocation was utilized in full.

DIRECTIVE

The Committee recommended regularization of the grant as the budgetary provision had been fully utilized.

SENATE SECRETARIAT

1. OVERVIEW

Appropriation Accounts for the year 2001-02 pertaining to the Senate Secretariat were considered for examination by Special Committee-II of the PAC in the meeting held in Committee room No. 2 Parliament House Islamabad on July 14th, 2010. Decisions taken are summarized below:

- 1.1 One grant was reported by AGPR.
- 1.2 On presentation of the grant, the Committee recommended regularization of the grant.

2. APPROPRIATION ACCOUNTS CIVIL VOL-I 2001-02

i. GRANT NO.93-THE SENATE

(CHARGED)

Saving Rs. 228,210/-

The PAO informed the Committee that savings of Rs. 2,566,210 which had accrued under various heads, an amount of Rs. 2,338,000 had been surrendered in time, leaving minor net saving of Rs. 228,210 (0.73%) only.

(OTHER THAN CHARGED)

Saving Rs. 70,034/-

The PAO informed the Committee that out of saving of Rs. 1,001,034 under different heads, a sum of Rs. 931,000 had been surrendered in time, leaving minor net saving of Rs. 70,034 (1.11%) only.

DIRECTIVE

The Committee recommended regularization of the grant.

MINISTRY OF SOCIAL WELFARE AND SPECIAL EDUCATION

1. OVERVIEW

Appropriation Accounts / Audit Report Public Sector Enterprises & Special Audit Report for the year 2001-02 pertaining to the Ministry of Social Welfare & Special Education were considered for examination by Special Committee-II of the PAC in the meetings held in Committee room No.2 Parliament House Islamabad on July 7th, 2010, December 28th, 2010, February 2nd, 2011 & May 17th, 2011. Decisions taken are summarized below:

- 1.1 Three (03) grants and three (03) Paras were reported by AGPR/ Audit. Two Special Audit Reports containing 27 paras were presented by Audit.
- 1.2. While discussing Audit Para No. 07 pertaining to the National Trust for Disabled (NTD), Islamabad, the Committee expressed its displeasure regarding the delay in implementation of the BOG decision. The Committee directed the PAO to pull-up the people(s) responsible for non-implementation of the PAC's directives.
- 1.3 While discussing Audit Report Public Sector Enterprises on Pakistan Bait-Ul-Mal, the Committee recommended the Audit Para Nos. 308 & 309 for settlement.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO.107- WOMEN DEVELOPMENT, SPECIAL EDUCATION AND SOCIAL WELFARE :

Saving AGPR fig. Rs. 120,588,004/-, Deptt Fig. Rs.124,590,004/-

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) <u>120,588,004</u>	(-) <u>124,590,004</u>	4,002,000

A.G.P.R. pointed out that after accounting for supplementary grant of Rs. 4,002,000 the grant closed with a saving of Rs. 147,721,116 (4.55% of the total grant). An amount of Rs. 23,131,172 was surrendered leaving a net saving of Rs. 124,590,004.

The PAO informed the Committee that saving of Rs. 128 million pertaining to Pakistan Bait-ul-Mall was not released by Finance Division reasons for the savings and for non-surrender of the entire savings in time.

ii. GRANT NO.108- OTHER EXPENDITURE OF WOMEN DEVELOPMENT, SPECIAL EDUCATIONAND SOCIAL WELFARE

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-)	250,246	(-) 452,531 202,285

A.G.P.R. pointed out that after taking into account supplementary grant of Rs. 202,285, the grant closed with a saving of Rs. 452,531 (3.03% of the total grant).

iii. GRANT NO.144- DEVELOPMENT EXPENDITURE OF WOMEN DEVELOPMENT, SPECIAL EDUCATIONAND SOCIAL WELFARE
Excess AGPR fig. Rs. 5,598,014/-, Deptt Fig. Rs.5,601,014/-

A.G.P.R. pointed out that after taking into account supplementary grant of Rs. 800,003,000, the grant closed with a saving of Rs. 13,144,104 (1.44% of the total grant). An amount of Rs. 7,546,090 was surrendered leaving a net saving of Rs. 5,601,014.

DIRECTIVE

The Committee referred the above three grants back to DAC to examine reasons for the savings and for non-surrender of the entire savings in time. Some portions of the grants related to the Ministry of Women Development hence the Ministry should be invited to the next meeting of the Committee.

(These three grants were also taken up by the Committee while considering Appropriation Accounts of Ministry of Women Development)

3. SPECIAL AUDIT REPORT No. 190 ON THE ACCOUNTS NATIONAL TRUST FOR DISABLED (NTD), ISLAMABAD, MINISTRY OF SOCIAL WELFARE AND SPECIAL EDUCATION FOR THE PERIOD 1997-2002.

**3.1 PARA-1 (PAGE-3) SAR 190
NON-CONVENING OF MEETING OF THE BOARD OF GOVERNORS**

Audit pointed out that under Para-4(5)(i) of the notification relating to establishment of the Trust, meetings of the Board of Governors were required to be convened at least once a year but it was noticed that no meeting of Board of Governors was convened during the period (1997-2002) under audit.

Audit is of the view that non-convening of the meetings of the supreme body of NTD which is responsible for taking important decisions and ensuring smooth and efficient running of the Trust affairs has promoted ad-hocism and caused many problems as pointed out in the audit report. Furthermore, due to non-holding of meetings of BOG the objectives of the trust are not being achieved effectively.

The PAO informed that the inaugural meeting of BOG was held on 06-11-1988 and second meeting of BOG was convened on 22-07-1992 but it was declared null and void by the law and Justice Division due to lack of quorum. After that several attempts were made to convene the meeting of BOG but in vain. This is because of composition of BOG which is headed by the President of Pakistan and includes all four Chief Ministers, four Federal Ministers and Five Federal Secretaries.

However, the said meeting was held on 25-01-2008 chaired by the Federal Minister, Social Welfare and Special Education as Vice President of BOG under the advice of President's Secretariat. The PAO agreed that management should hold BOG meeting regularly. The issue was being examined in detail in the Ministry and satisfactory resolution was expected shortly.

The Committee directed the PAO to expedite the case and report to the Committee within two months time.

In a meeting held on 27th October, 2010 Audit pointed out that under Para-4(5)(i) of the notification relating to establishment of the Trust, meetings of the Board of Governors were required to be convened at least once a year but it was noticed that no meeting of Board of Governors was convened during the period (1997-2002) under audit.

Audit was of the view that non-convening of the meetings of the supreme body of NTD which is responsible for taking important decisions and ensuring smooth and efficient running of the Trust affairs has promoted ad-hocism and caused many problems as pointed out in the audit report. Furthermore, due to non-holding of meetings of BOG the objectives of the trust are not being achieved effectively.

The PAO informed the Committee that there was progress in this case. In the first instance, he had written to the Minister to convene the meeting of Executive Committee in order to look into the matter.

The PAO further informed that the Ministry had also requested the President to hold the meeting.

The Committee directed the PAO to expedite the case and report to the Committee within one month.

DIRECTIVE

In a meeting held on 27th October, 2010 the Committee recommended the Para for settlement.

3.2 **PARA-2 (PAGE-4) SAR 190**
NON-MERGER OF “DIRECTORATE GENERAL OF SPECIAL EDUCATION” INTO “NATIONAL TRUST FOR DISABLED”

Audit pointed out that in terms of Para 4(7)(iii) of SRO 627(1)188 Directorate General of Special Education (DGSE), Islamabad was to stand merged with the NTD, Islamabad along with staff and its centers with immediate effect to avoid parallel functioning of two entities. But it was noticed that despite clear instructions of the Ministry of Law, Justice and Human Rights issued dated 06-06-2002 whereby all earlier amendments in the original notification were declared null and void and no action was taken by the concerned Ministry to implement the decision.

The PAO stated that he had written to the Minister to convene a meeting of Executive Committee on posting of new MD. The PAO further stated that the Ministry had written to Ministry of Law & Justice Division for their opinion on and on receipt of their opinion the Ministry would pursue it in the Executive Committee.

The Committee directed the PAO to examine the question of merger and send a report to the Committee in respect of the merger in one month.

DIRECTIVE

In a meeting held on 28th December 2010 the Committee recommended the Para for settlement.

3.3 **PARA-3 (PAGE-5) SAR 190.**
UN-AUTHORIZED BUDGETARY ALLOCATION OF Rs. 8.688 MILLION

Audit pointed out that in terms of Para-4(8)(i) of SRO No. 627(1)/88 dated 19th July, 1988 Federal Government may, from time to time, place funds including grants at the disposal of the Trust for smooth discharge of its functions and efficient conduct of its affairs. Furthermore, in terms of Para 4(8)(ii) of the above

mentioned SRO “there shall be constituted for the Trust a fund to which shall be credited all the sums received by the Trust and out of which shall be defrayed all the expenditure incurred by the Trust”. Instead of obtaining grants the NTD had obtained budgetary allowances for the years 1997-98 to 2001-02 and had spent funds on pay and establishment of officers / establishment.

The PAO stated that the summary will be submitted in the next week to the competent authority for policy decision as to the status of NTD, so that the issue can be regularized / settled.

The Committee directed the PAO to send a report to the Committee in respect of the policy decision within two months, after which it will be put up before the main Committee.

DIRECTIVE

In a meeting held on 2nd February 2011 the Committee recommended the Para for settlement.

3.4 **PARA-4 (PAGE-6) SAR 190.**
MIS-MANAGEMENT OF FUNDS (Rs.100 MILLION) ALLOCATED BY THE GOVERNMENT AND CENTRAL ZAKAT ADMINISTRATION AND INTEREST EARNED (Rs. 46.164 MILLION) ON ZAKAT FUNDS

Audit pointed out that in terms of Para-4(8)(ii) of SRO No. 627(1)/88 dated 19th July,1988, management of the NTD was required to create an Endowment Fund through investment of Rs. 50 million provided by the Ministry of Finance vide U.O. No. 15(6) BR-III/88-17-5891 dated 29th November, 1988 in profit earning schemes to run the business of the Trust. This was not done and instead the money was deposited in PLA and utilized for pay and allowances etc.

Another sum of Rs. 50 million provided by the Central Zakat Administration (CZA) on 20-11-1988 was also required to be spent on

Mustahiquen, but was deposited in National Savings Centre and interest income utilized for budgetary expenditure of the Trust.

The PAO informed the Committee that the issue relating to misutilization of Zakat funds has been under inquiry by NAB since long.

The PAO stated that the DAC on 2-7-2010 had directed the NTD management to return the amount available with and to CZA under intimation to Audit. An inquiry may be held to determine the fact.

DIRECTIVE

The Committee directed the PAO to comply with the directions of the DAC. A report has to be submitted to the Committee within two months on action taken after conducting the inquiry and also ascertaining result of NAB investigation.

In a meeting held on 27th October, 2010 the Committee directed the PAO to get a detailed report from NAB and inform about the exact amount recovered and the nature of the pre-bargaining.

The Committee further directed the PAO to send a separate report relating to the mismanagement and the question of Mustahiquen, whether they were included or not and embezzlement issue. A report has to be submitted to the Committee within one month.

On 2nd February, 2011 the PAO informed the Committee that NAB had responded to the Ministry that 7.5 million had been recovered from the accused.

DIRECTIVE

The Committee recommended the Para for settlement.

3.5 **PARA-5 (PAGE-10) SAR 190.**
IMPROPER MANAGENT OF CONSTRUCTION PROJECTS AT KARACHI
AND NAUSHERO FEROZE- LOSS OF Rs. 3.853 MILLION

Audit pointed out that National Trust for Disabled started two construction projects without obtaining approval of BOG.

The PAO informed the Committee that the construction of two buildings of Special Education Centres (NTSE's) at Karachi and Noushero Feroze through National Construction Ltd. (NCL) and loss of Rs. 3.853 million (for not working penalty due to delay in completion) had been discussed in the BOG meeting in 1988, and it was decided that the EC should examine these transaction for taking appropriate action. The matter had also been investigated by NAB.

The Committee expressed its displeasure at the delay in implementation of the BOG decision. It directed the PAO (to submit a report to the Committee within two months regarding):

1. Decision of the Executive Committee regarding the issue and action taken thereon,
2. Present position of the NAB case.

In a meeting held on 27th October, 2010 the PAO admitted that there was fault on the part of the Ministry which needs to be rectified.

When the Para was taken up again for consideration on 17th May, 2011, Audit reported that break of verified amount of Rest. 6 Million should be provided .

The PAO informed the Committee that the Ministry had already written to NAB for detailed / bifurcation report on recovery of Rs.6 million. After obtaining the required information / documentations from NAB, the Ministry would provide the requisite record to Audit for verification.

DIRECTIVE

In a meeting held on 2nd February 2011 the Committee directed the PAO to provide the requisite record from NAB to Audit. The Committee recommended the Para for settlement subject to verification by Audit.

On 17th May the Committee recommended the Para for settlement subject to verification by Audit.

3.6 **PARA-6 (PAGE-12) SAR 190** **IRREGULAR AND WASTEFUL EXPENDITURE OF Rs. 700,000 ON THE APPOINTMENT OF CONSULTANTS**

Audit pointed out that in terms of Establishment Division O.M. No. 6/2/2000-R.3 dated 25-05-2000 consultants appointed after the age of their superannuation would be treated as re-employed. Furthermore, appointment of consultants was required to be advertised. The management of NTD hired the services of two consultants (retired persons) at a monthly salary of Rs. 35,000 each for two years, which could be further extended on mutually agreed conditions, in sheer disregard of the provisions of Establishment Division O.M. referred to above.

The PAO informed the Committee that the BOG in 1988 had decided that the matter be discussed in the Executive Committee in the light of the recommendations of the MD. The DAC on 2-7-2010 had directed that a meeting of the EC should be called immediately as per decision of the BOG

The Committee again expressed its displeasure regarding the delay in implementation of the BOG decision. This should be done now and report submitted to the Committee within one month.

The Committee directed the PAO to prepare a comprehensive reply as to what had been done in the past as well as an outline of future plan of the organization. The Committee recommended conducting Special Audit. The

Committee further directed the PAO to check the details on this particular Audit report and come back after one month. A report has then to be submitted to the main PAC within two months.

In view of the large number of irregularities pointed out in the Special Audit Report, the Committee directed the PAO to prepare a comprehensive report regarding each Para and submit the same to the Committee / Audit within one month. The report should include a review of past activities of NTD and future plans. On the receipt of the same the Committee will submit its recommendation to the main PAC within two months as to whether another Special Audit for the subsequent period is required.

In a meeting held on 27th October, 2010 Audit pointed out that in terms of Establishment Division O.M. No. 6/2/2000-R.3 dated 25-05-2000 consultants appointed after the age of their superannuation would be treated as re-employed. Furthermore, appointment of consultants was required to be advertised. The management of NTD hired the services of two consultants (retired persons) at a monthly salary of Rs. 35,000 each for two years, which could be further extended on mutually agreed conditions, in sheer disregard of the provisions of Establishment Division O.M. referred to above.

The PAO admitted the delay and fault and further stated that the Ministry had pursued the case vigorously and requested in writing to the Minister to call the Executive Committee meeting within 2 to 3 weeks to discuss the irregularities.

DIRECTIVE

The Committee again expressed its displeasure regarding the delay in implementation of the BOG's decision. The Committee directed that this should be done now and report should be submitted to the Committee within one month.

In a meeting held on 2nd February 2011 the Committee recommended the Para for settlement.

3.7 **PARA-7 (PAGE-15) SAR 190**
EXPENDITURE OF Rs.288,791 ON IRREGULAR APPOINTMENT OF CONTRACT STAFF.

Audit stated that Establishment Division prescribes the conditions under which contract staff can be appointed. The management of NTD appointed the following staff on contract basis for the consultants without following the prescribed conditions and incurred an expenditure of Rs. 288,719 from their date of appointment to 30 June 2002.

S. #	BPS	Designation	Date of appointment
1	16	PA to Expert	30.08.2001
2	16	PA to Expert	30.08.2001
3	4	Driver	30.08.2001
4	1	Naib Qasid	23.10.2001
5	1	Naib Qasid	23.10.2001

Audit observed that no advertisement was placed in the press, no Selection Committee was constituted for this purpose and the Managing Director made these appointments without the approval of the BOG / Executive Committee.

The PAO informed the Committee that they requested the Minister to call the Executive Committee meeting to discuss the irregularities.

DIRECTIVE

The Committee again expressed its displeasure regarding the delay in implementation of the BOG decision. A report should be submitted to the Committee in one month.

The Committee directed the PAO to pull-up the people(s) responsible for non-implementation of the PAC directives. The compliance of directives of the

Committee shall be taken up by the Monitoring and Implementation Committee of the PAC for further action.

3.8 **PARA-14 (PAGE-23) SAR 190**
LOSS OF Rs. 479,277 DUE TO NEGLIGENCE OF THE MANAGEMENT

Audit stated that Rule 77 (v) of Federal Treasury Rules provides that reconciliation should be carried out to find out any differences in the balances. The scrutiny of record of the Trust for the period under audit revealed that:

1. NBP, Main Branch, Islamabad deducted withholding tax of Rs 203,277 on the balance available in the account despite the fact that the Trust funds were exempted from levy of any kind of tax. No efforts were made by the management to get this money back from the Bank.
2. In another case the National Savings Center, Melody Branch, Islamabad deducted an amount of Rs 276,000 on the investment made by the Trust management in the Center despite exemption given by the concerned authority.
3. The management undertook no concrete efforts to recover this amount from National Savings Center or the Income Tax authorities.

Audit feels that the management was least bothered about the loss of Rs. 479,277 suffered by the Trust. It was replied that the matter has been taken up with CBR and outcome would be intimated to audit.

The PAO informed the Committee that an amount of Rs.0.276 million had been received back from FBR and for remaining amount of Rs. 0.203 million with FBR the Ministry was pursuing vigorously.

In a meeting held on 27th October, 2010 while accepting the request of Audit, the Committee directed the PAO to discuss the above-mention Audit Para in the next DAC meeting. The Committee will take up this Audit Para again its next meeting.

DIRECTIVE

In another meeting held on 2nd February, 2011 the Committee recommended the para for settlement subject to verification by Audit.

Audit requested that the Committee may issue suitable directive for further pursuance of the following Audit Paras at DAC level.

- i. **PARA-2 (PAGE-4) SAR 190**
NON-MERGER OF “DIRECTORATE GENERAL OF SPECIAL EDUCATION” INTO “NATIONAL TRUST FOR DISABLED”
- ii. **PARA-8 (PAGE-16) SAR 190**
IRREGULAR PAYMENT OF COMPUTER ALLOWANCE OF Rs. 20,000 TO CONTRACT STAFF ATTACHED WITH THE CONSULTANTS
- iii. **PARA-9 (PAGE-17) SAR 190**
UN-AUTHORIZED PURCHASES OF Rs. 477,292 WITHOUT OBSERVING CODAL FORMALITIES
- iv. **PARA-10 (PAGE-18) SAR 190**
UN-AUTHORIZED EXPENDITURE OF Rs. 137,080 ON REPAIR AND TRANSPORTATION OF A VEHICLE WHICH WAS NOT THE PROPERTY OF THE TRUST
- v. **PARA-11 (PAGE-20) SAR 190**
EXPENDITURE OF Rs. 269,246 ON IRREGULAR APPOINTMENT OF STAFF
- vi. **PARA-14 (PAGE-23) SAR 190**
LOSS OF Rs. 479,277 DUE TO NEGLIGENCE OF THE MANAGEMENT

DIRECTIVE

Accepting the request of Audit, the Committee directed the PAO to discuss the above-mentioned Paras in the next DAC meeting. The Committee will take up these Paras again its next meeting.

The DAC recommended the following Audit Paras for settlement by the Special Committee.

- i. **PARA-12 (PAGE-21) SAR 190**
IRREGULAR PAYMENT OF Rs. 83,285 AS HONORARIUM TO THE EMPLOYEES OF OTHER DEPARTMENTS OUT OF TRUST FUNDS

- ii. **PARA-13 (PAGE-22) SAR 190**
UN-AUTHORIZED PAYMENT OF Rs. 23,450 FOR A UNIVERSAL ACCESS NUMBER (UAN) OUT OF TRUST FUNDS
- iii. **PARA-15 (PAGE-24) SAR 190**
OVER-DRAWL OF Rs. 61,826 OUT OF PERSONAL LEDGER ACCOUNT (PLA) MAINTAINED AT FTO, ISLAMABAD
- iv. **PARA-16 (PAGE-25) SAR 190**
NON-AVAILABILITY OF RECORD PERTAINING TO EXPENDITURE OF Rs. 74,000
- v. **PARA-17 (PAGE-26) SAR 190**
LOOSE INTERNAL CONTROLS

DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the above-mentioned five (05) Audit Paras.

4. SPECIAL AUDIT REPORT No. 194 ON THE ACCOUNTS DIRECTORATE GENERAL SPECIAL EDUCATION, ISLAMABAD, MINISTRY OF SOCIAL WELFARE AND SPECIAL EDUCATION FOR THE PERIOD 1999-2002.

4.1 PARA-01 (PAGE-3) SAR 194 **IRREGULAR DEPOSIT OF Rs. 76.248 MILLION INTO BANK ACCOUNT MAINTAINED FOR SECURITY DEPOSIT OF CONTRACTORS TO AVOID LAPSE OF FUNDS**

Audit pointed out that Directorate General Special Education drew a total of Rs.76.248 million during the year 2000-01 and 2001-02 without immediate requirement from the AGPR / lapsable Personal Ledger Account and from Donation Bank Account.

Audit further pointed out that the amounts were drawn from PLA and deposited into bank account maintained for security deposit of different contractors and utilized for expenditure of following years for which separate allocations were also obtained which is held irregular in terms of Para-7 of GFR Vol. 1. Furthermore, according to Para 96 of GFR, Vol.-1 expenditure should not be incurred just to avoid lapse of funds.

The PAO informed the Committee that in compliance with the direction of the DAC the Ministry had referred the case to the Finance Division for regularization, which was expected within one week.

The Committee directed the PAO to submit a report within one month indicating the decision of the Finance Division.

In a meeting held on 27th October, 2010 the PAO informed the Committee that he had directed for denovo inquiry in the matter under the Chairmanship of Joint Secretary and asked to report within 30 days.

The Committee directed the PAO to submit a report to the Committee within 30 days.

In a meeting held on 28th December, 2010 Audit stated that the DAC had indicated its satisfaction regarding fixing of responsibility in denovo- inquiry report and recommended the para for settlement subject to condonation from Finance Division.

The Committee recommended the para for settlement subject to condonation from Finance Division.

The PAO informed the Committee on 2nd February, 2011 that this case was in progress with Finance Division and their decision was still awaited.

Member Finance Division informed the Committee that the Finance Division had asked the Ministry to send additional information in order to take a decision on merit.

DIRECTIVE

The Committee directed the PAO to provide the requisite additional information to the Finance Division. A report has to be submitted to the Committee within one month. The para was recommended for settlement subject to verification by Audit.

4.2 **PARA-03 (PAGE-6) SAR 194**
UN-AUTHORIZED / IRREGULAR DEPOSIT OF Rs. 6.763 MILLION OF DONATION MONEY INTO BANK ACCOUNTS INSTEAD OF ITS DEPOSIT INTO PROPER FUND ACCOUNT

Audit pointed out that Directorate General Special Education (DGSE) received donations from foreign donors, Prime Minister Secretariat and General Headquarters for the welfare of special, retarded and handicapped children. For example, donations of Rs. 894,700 received from Africans Groups of Countries and Rotary Club (MASUDA), Japan were deposited in commercial bank accounts, which was irregular as a proper head of account had been allocated by the Government for the purpose.

The PAO informed the Committee that the DAC had directed the Ministry to refer the case to Finance Division for regularization.

The Committee endorsed the decision of the DAC for referring the matter to Finance Division for regularization. It also directed the PAO to provide relevant bank record of cash and other recovery to DGSE, NTD and to Audit for verification. A report has to be submitted to the Committee indicating action taken in this regard.

The PAO informed the Committee that the DAC had directed the Ministry to refer the case to Finance Division for regularization.

The PAO further informed that a Committee was constituted under the Chairmanship of Joint Secretary and directed for denovo inquiry in the matter that

the Ministry must have had valid reasons for it. A report had to be submitted to the Ministry within 30 days.

The Committee took a very serious view of the performance of the Ministry and directed the PAO to tell the Committee that what action had been taken. A Report should be submitted within one-month to the Committee indicating action taken in this regard.

In a meeting held on 28th December, 2010 Audit stated that the DAC indicated its satisfaction regarding fixing of responsibility in denovo inquiry report and recommended the para for settlement subject to condonation from Finance Division.

The Committee recommended the Para for settlement subject to condonation from Finance Division.

DIRECTIVE

In a meeting held on 2nd February 2011 the Committee recommended the Para for settlement.

4.3 **PARA-05 (PAGE-7) SAR 194.**
IRREGULAR RETENTION / DEPOSIT OF Rs. 3.00 MILLION INTO BANK ACCOUNT MEANT FOR DEPOSIT TO AVOID LAPSE OF FUNDS

Audit pointed out that the Ministry of Women Development, Social Welfare and Special Education drew Rs. 3.0 million from AGPR in June, 2000 and handed it over to DGSE. This amount was meant for construction of Women Training Institute at Sahiwal, a project of Ministry of Women Development, Social Welfare and Special Education and was to be released to P.W.D. DGSE had deposited the amount in an unauthorized account with ABL and latter transferred it to NBP account for security deposit of contractors. The drawn was drawn to avoid lapse of funds in violation of Rules.

The PAO informed the Committee that the system had since been streamlined and payment authorities with sealed are being issued in favour of PLA instead of cheques. In compliance with DAC direction, the matter was being referred to Finance Division for regularization.

The Committee endorsed the recommendation of the DAC for referral of the Para to Finance Division for regularization. It directed the PAO to submit a report to the Committee within one month regarding all such cases of irregular accounts, fixing responsibility on the person(s) who had opened these unauthorized accounts

DIRECTIVE

In a meeting held on 28th December, 2011 the committee recommended the Para for settlement.

The DAC recommended the following Audit Paras for settlement by the Special Committee:-

- i. **PARA-2 (PAGE-5) SAR 194**
MIS-UTILIZATION OF EARNEST MONEY OF Rs. 13.109 MILLION DEDUCTED FROM CONTRACTORS ON THEIR RUNNING BILLS
- ii. **PARA-4 (PAGE-7) SAR 194**
NON-OBTAINING OF ADJUSTMENT ACCOUNTS / AUDITED STATEMENT OF GRANT OF Rs. 4.015 MILLION MADE TO DSE, UNIVERSITY OF PUNJAB
- iii. **PARA-6 (PAGE-8) SAR 194**
PAYMENT OF Rs. 1.0 MILLION TO PAK.PWD OUT OF DONATION FUND
- iv. **PARA-7 (PAGE-9) SAR 194**
IRREGULAR EXPENDITURE OF Rs.0.951 MILLION DUE TO RETENTION OF SERVICES OF DIRECTOR (WORKS) BEYOND THE AUTHORIZED DEPUTATION PERIOD
- v. **PARA-8 (PAGE-11) SAR 194**
RECOVERY OF Rs. 0.054 MILLION DUE TO IRREGULAR DRAWL OF DEPUTATION ALLOWANCE

- vi. **PARA-9 (PAGE-12) SAR 194**
NON-CONDUCT OF INTERNAL CHECK AND PHYSICAL
VERIFICATION

DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the above-mentioned six (06) Audit Paras.

5. AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE
ACCOUNTS MINISTRY OF SOCIAL WELFARE AND
SPECIAL EDUCATION FOR THE AUDIT YEAR 2001-02.

PAKISTAN BAIT-UL-MAL

5.1 **PARA-308 (PAGE-282-283) ARPSE 2001-02**

Audit pointed out Pakistan Bait-ul-Mal has four Provincial Offices, one Regional Office at Islamabad and District Office in all districts of the country. Separate bank accounts were also maintained at all districts but Chartered Accountants audited the accounts of Pakistan Bait-ul-Mal Head Office only (which represents only 17% of the total expenditure) and thus major part of the payments was left un-audited.

The DAC in its meeting held on 2-7-2010 directed the management to extend the scope of the work assigned to the Chartered Accountants upto Provincial / Regional offices from the year ending 30-06-2010 onwards.

The Committee directed the PAO to ensure audit accounts of Head Office and the Provincial Offices by the Chartered Accountants for previous years and the future. Report in this regard should be submitted to the Committee and to Audit within one month.

In a meeting held on 27th October, 2010 Audit pointed out Pakistan Bait-ul-Mal has four Provincial Offices, one Regional Office at Islamabad and District Office in all districts of the country. Separate bank accounts were also maintained

at all districts but Chartered Accountants audited the accounts of Pakistan Bait-ul-Mal Head Office only (which represents only 17% of the total expenditure) and thus major part of the payments was left un-audited.

The PAO informed the Committee that the accounts of Islamabad had been audited and in all the four Provinces, teams had been sent to audit their accounts. He assured that by the end of October, 2010 the audit would be completed.

The Committee directed the PAO to get the accounts of Head Office and the Provincial Offices audited by Chartered Accountants for pertaining to the previous years and in future as well.

The Committee further directed the PAO to send a report in one month time regarding the report of 31st October, 2010 and indicate what instructions the Chairman Bait-ul-Mal had given regarding previous years.

DIRECTIVE

In a meeting held on 28th December, 2011 the Committee recommended the Para for settlement.

5.2 PARA-309 (PAGE-283) ARPSE 2001-02

Audit pointed out that the accounts of Pakistan Bait-ul-Mal indicate balance of Rs. 871.213 million with post offices on 30-06-2002, whereas the accounts of post offices maintained by the Director Postal Accounts, Lahore show minus balance. Reconciliation of accounts with post offices is imperative.

The PAO stated that process of reconciliation was underway. It had been completed upto Punjab level but had still to be carried out in respect of Provincial / Regional offices.

The Chairman, Pakistan Bait-ul-Mal informed the Committee that recoveries had been made as a result of the reconciliation and that he will submit a report to the committee within one month.

The Committee directed the Chairman, Bait-ul-Mal to send a report to the Committee within one month on the action taken in respect of recoveries made, penalty imposed and disciplinary actions initiated.

The Committee also directed the PAO to submit final report regarding the reconciled accounts to Audit and discuss the same in the next meeting of the DAC.

In a meeting held on 27th October, 2010 Audit pointed out that the accounts of Pakistan Bait-ul-Mal indicate balance of Rs. 871.213 million with post offices on 30-06-2002, whereas the accounts of post offices maintained by the Director Postal Accounts, Lahore show minus balance. Reconciliation of accounts with post offices is imperative.

The PAO stated that the Ministry had completed the reconciliation process up to Punjab level as a result of which an amount of Rs. 14.906 million was recovered and the action against the concerned person(s) had been initiated.

The PAO further stated that a detailed final report regarding the reconciled accounts had been submitted to Audit.

The Committee directed the Audit to check the final report regarding the reconciled accounts.

DIRECTIVE

In a meeting held on 28th December, 2011 the Committee recommended the Para for settlement.

The DAC recommended the following Audit Para for settlement by the Special Committee.

5.3 **PARA-307 (PAGE-281-282) ARPSE 2001-02**

DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the above-mentioned Audit Para.

MINISTRY OF STATES & FRONTIER REGIONS

1. OVERVIEW

Appropriation Accounts / Audit Report Public Sector Enterprises & Special Audit Report for the year 2001-02 pertaining to the Ministry of States & Frontier Regions were considered for examination by Special Committee-II of the PAC in the meetings held in Committee room No.2 Parliament House Islamabad on July 8th, 2010, October 27th, 2010, December 21st, 2010 & 1st February, 2011. Decisions taken are summarized below:

- 1.1 Four (04) grants and one Para were reported by AGPR / Audit on Ministry of States & Frontier Regions.
- 1.2 While discussing Para No.163-ARPSE, 2001-02, the Committee directed the PAO to pursue the case of misappropriation of Rs. 33.836 million vigorously and submit a report to the Committee.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-I ON THE ACCOUNTS OF FOR THE YEAR 2001-02

i. GRANT NO.82- FEDERALLY ADMINISTERED TRIBAL AREAS **Excess Rs. 13,511,915**

AGPR stated that the grant closed with a saving of Rs. 36,509,148 (1.38% of the total grant). An amount of Rs. 50,021,063 (1.89%) was surrendered resulting into an excess of Rs. 13,511,915.

The PAO stated that the DAC had recommended this grant for regularization.

DIRECTIVE

On recommendation of the DAC the Committee recommended the grant for regularization.

ii. **GRANT NO.85- AFGHAN REFUGEES**

Budget	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) 14,944,428	(-) 21,247,428	47,225,000

Audit stated that after taking into account two supplementary grants totaling to Rs. 47,225,000, the grant closed with a saving of Rs. 14,944,428 (9.67% of the total grant).

The PAO informed the Committee that the saving occurred due to non-filling up of vacant posts in the Province of Balochistan, non-clearance of bills of leave salary and less than expected receipt of land compensation cases. The supplementary grant was taken for the Province of Khyber Pakhtunkhwa.

DIRECTIVE

The Committee recommended regularization of the grant.

iii. **GRANT NO.135- DEVELOPMENT EXPENDITURE OF FEDERALLY ADMINISTERED TRIBAL AREAS**

Excess Rs. 916,551,969/-

AGPR stated that the grant closed with an excess of Rs. 916,551,969 (38.34% of the total grant).

The PAO stated that the DAC had recommended this grant for regularization.

DIRECTIVE

On recommendation of the DAC the Committee recommended the grant for regularization.

iv. **GRANT NO.155- CAPITAL OUTLAY ON DEVELOPMENT OF TRIBAL AREAS.**

Excess Rs. 13,007,000

AGPR stated that the grant closed with an excess of Rs. 13,007,000 (9.29% of the total grant). A supplementary grant of Rs. 13,007,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

DIRECTIVE

The Committee recommended the grant for regularization.

3. **AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE ACCOUNTS OF FEDERALLY ADMINISTERED TRIBAL AREA (FATA) SECRETARIAT FOR THE YEAR 2001-02.**

3.1 **PARA No.163-PAGE No.153-ARPSE-2001-02**
MISAPPROPRIATION OF RS 33.836 MILLION BY EMPLOYEES OF FATA DEVELOPMENT CORPORATION

Audit stated that FATA Development Corporation (FATA D.C) Mr. Roshan Khan Khattak, Ex-Executive Director (Finance) and Mr. Yar Khan, Assistant Director (Accounts) mis-appropriated Rs 32.240 million during 01.01.1996 to 31.01.2000 by transferring profit of various Term Deposit Certificates to a secret account in Allied Bank of Pakistan, Warsak Road, Peshawar operated by the Director Finance. The management of FATA D.C had lodged two FIRs dated 23.05.2002 and 04.10.2002 against these officers.

Audit further stated that the accounts of FATA D.C contained an amount of Rs 1,596,000 under head cash and bank balances kept in Allied Bank, Warsak Road Peshawar in shape of Term Deposit Certificates. On transfer of Mr. Yar Khan, Assistant Director Accounts/ Cashier on 23.09.2000 the Term Deposit Certificates stated to be with Allied Bank were not handed over to the coming cashier. When FATA, D.C Finance Directorate approached the bank authorities, the bank denied having issued such Term Deposit Certificates in favour of FATA D.C. Thus this amount was also misappropriated by Assistant Director (Accounts)

in connivance with Ex-Director (Finance) because both were co-signatories. Thus the employees of FATA D.C misappropriated Rs 33.836 million.

Audit further stated that the matter was reported to the Ministry through Audit Inspection Report on 14.06.2002 and draft para on 17.09.2002. The management in reply dated 17.12.2002 stated that case was being probed into by NAB authorities.

The PAO informed the Committee on 1st February, 2011 that the main accused Mr. Roshan Khan Khattak Ex- ED (Finance) was absconder and was abroad. His case was pending with NAB and the hearing has been stopped since May 13th, 2006. The PAO stated that the detailed report on the case would be submitted to the Committee within one week.

The Committee directed the PAO to trace out the absconder and consider this matter very seriously. The Committee further directed to take necessary action in order to put Mr. Roshan Khan Khattak Ex-ED (Finance) on ECL.

The Committee further directed the PAO that a report has to be submitted to the Committee within two weeks.

On 1st March, 2011 the PAO informed the Committee that the name of Mr. Roshan Khan Khattak Ex-ED had been put on ECL and the case is being pursued.

DIRECTIVE

The Committee directed the PAO to pursue the case vigorously and submit a report to the Committee within two weeks.

4. **AUDIT REPORT PUBLIC SECTOR ENTERPRISES ON THE ACCOUNTS OF MINISTRY OF STATES AND FRONTIER REGION FOR THE AUDIT YEAR 2001-02.**

DIRECTIVE

The Committee referred the Audit Report Public Sector Enterprises for a DAC and directed the PAO to come back within one month's time.

(This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

STATISTICS DIVISION

1. OVERVIEW

Appropriation Accounts for the year 2001-02 pertaining to the Statistics Division were considered for examination by Special Committee-II of the PAC in the meetings held in Committee room No.2 Parliament House Islamabad on July 22nd, 2010 & October 20th, 2010. Decisions taken are summarized below:

- 1.1 Two (02) grants were reported by AGPR.
- 1.2 On presentation of the grants, the Committee recommended regularization of the grants with the observation that there should be zero excess / zero saving in the grants.

2. APPROPRIATION ACCOUNTS CIVIL VOL-I 2001-02

i. GRANT NO.47- STATISTICS DIVISION

Saving Rs. 1,730,218/-

The PAO informed the Committee that the saving was due to non-receipt of medical claims, utilities bills, non-clearance of some bill of repair & maintenance of 35 offices and also due to observance of strict economy measures as well as to meet shortfall under Establishment Charges.

DIRECTIVE

The Committee recommended regularization of the grant.

ii. GRANT NO.127-DEVELOPMENT EXPENDITURE OF STATISTICS DIVISION.

Saving Rs. 2686/-

The PAO informed the Committee that the saving occurred due to unspent amount kept in order to meet expenditure requirements of the contract employees of Economic Census Project (E.C.P).

DIRECTIVE

The Committee recommended regularization of the grant with the observation that there should be zero excess / zero saving in the grant.

WAFAQI MOHTASIB SECRETARIAT

1. OVERVIEW

Appropriation Accounts for the year 2001-02 pertaining to Wafaqi Mohtasib were considered for examination by Special Committee-II of the PAC in the meeting held in Committee room No.2 Parliament House Islamabad on July 27th, 2010. Decisions taken are summarized below:

- 1.1 One grant was reported by AGPR.
- 1.2 On presentation of the appropriation, the Committee recommended regularization of the grant with the direction to ensure that in future the entire saving is surrendered in time.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

WAFAQI MOHTASIB
(Charged)
Saving Rs. 6,179,306/-

AGPR stated that the Appropriation closed with a saving of Rs 12,363,306(17.67 percent of the total). An amount of Rs. 6,184,000 was surrendered, leaving a net saving of Rs. 6,179,306 (8.83%).

The PAO informed the Committee that the saving was due to low than anticipated expenditures under various heads.

DIRECTIVE

The Committee recommended regularization of the Appropriation with the direction to the PAO to ensure that in future the entire saving is surrendered in time.

MINISTRY OF WATER AND POWER

1. OVERVIEW

Appropriation Accounts / Audit Reports / Special Study Reports for the year 2001-02 pertaining to the Ministry of Water & Power were taken up for examination by Special Committee-II of the PAC in the meetings held in Committee room No. 2 , Parliament House Islamabad on July 28th , 2010 & February 23rd, 2011. Decisions taken are summarized below:

- 1.1 Three (03) grants and eighteen (18) Paras were reported by AGPR / Audit.
- 1.2 While discussing Audit Para No. 14.6 pertaining to loss due to embezzlement of cash of Rs. 1.307 million, the Committee expressed its displeasure that officers were allowed to retire prior to initiation of action against them.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO.106 – MINISTRY OF WATER AND POWER

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Excess	(+) 2,318,644	(+) 757,644	8,738,000

Audit stated that after accounting for supplementary grant totaling to Rs. 8,738,000, the grant closed with an excess of Rs.2,318,644 (2.97% of the total grant).

The PAO informed the Committee that excess expenditure was due to increase in pay and allowances.

DIRECTIVE

The Committee recommended regularization of the grant.

ii. **GRANT NO. 143- DEVELOPMENT EXPENDITURE OF MINISTRY OF WATER AND POWER.**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) 520,244,785	(-) 244,785	520,001,000

Audit stated that after accounting for supplementary grant totaling to Rs. 520,001,000, the grant closed with a saving of Rs.1,597,219,785 (46.68% of the total grant). An amount of Rs. 1,076,975,000 (31.48%) was surrendered, leaving net saving of Rs. 520,244,785 (15.20%).

The PAO informed the Committee that surrender order amounting to Rs. 520,000,000 issued on 13-05-2002, was not accounted for.

The PAO further informed that Rs. 1.6 billion was also not released by Finance Division, which was meant for raising of Mangla Dam because of the PC-1.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that a minor saving should also be surrendered in time.

iii. **GRANT NO. 158 –CAPITAL OUTLAY ON IRRIGATION AND ELECTRICITY**

Saving / Excess: Zero.

A.G.P.R. and PAO pointed out that in the above-mentioned grant the budgetary provisions had been fully utilized.

DIRECTIVE

The Committee recommended regularization of the above-mentioned grant as the budgetary provisions had been fully utilized.

3. AUDIT REPORT ON THE ACCOUNTS OF MINISTRY OF WATER AND POWER FOR THE AUDIT YEAR 2001-02.

**3.1 PARA NO. 14.1-AR. 2001-02
LOSS OF RS.1.678 MILLION ON ACCOUNT OF DEDUCTION OF COMMITMENT CHARGES**

Audit pointed out that Asian Development Bank granted a loan for the construction of Chashma Hydro Power Project. The Project authorities failed to utilize the loan within prescribed period. Resultantly the Bank itself deducted commitment charges amounting to Rs 1.678 million on the amount less drawn by the Project authorities.

Member, WAPDA informed the Committee that in Para No.1.1 of Audit Report 2005-06 (regarding payment of additional cost claims worth Rs.1244 million to the Civil Works contractor of Chashma Hydro Power Project) the main PAC directed Chairman WAPDA to conduct an inquiry and submit report. The inquiry report was submitted to PAC Secretariat, moreover the circumstances/reasons for payment of commitment charges were the same, and hence DAC recommended that the issue regarding payment of commitment charges (Para No.14.1 of AR 2001-02) may be linked with the decision of PAC on Para No.1.1 of Audit Report 2005-06.

Member, WAPDA further informed that ADB granted a loan of US\$ 71 million for execution of civil works to implement C.H.P.P. according to financing plan of November 14th 1992. Partial order to commence was given to M/s Hyundai Hidco Hakkas (H.H.H) on January 12th 1994 and order to commence the whole civil works, was awarded on July 05th 1994.

Member, WAPDA explained to the Committee that the project had been completed 10 years ago and the project had earned Rs. 35.00 billion after generating 3.8 per unit. Total cost was Rs. 21 billion.

The Committee clubbed the Para with the decision of main PAC on Para No.1.1 of Audit Report 2005-06 due to same nature. The Committee further directed the PAO to ensure that the inquiry report should be presented to the Committee. The Committee also directed Audit to send a copy of comments to the PAO.

On 23rd February, 2011 Audit pointed out that the authority may be directed to issue necessary instructions for avoiding recurrence of such instances of mismanagement in future.

The PAO stated that this para is part of the main Chasma Hydro Power Project of the 2005-06, hence it may be clubbed with the report of the financial year 2005-06 which is being considered by the Main PAC.

DIRECTIVE

The Committee recommended the Para to be taken up with Para on Chasma Hydro Power Project of 2005-06 and directed to discuss the comments of the inquiry report in the report of the Main PAC as well.

3.2 PARA NO. 14.3-AR-2001-02 LOSS OF RS.3.024 MILLION DUE TO UNDUE FAVOUR EXTENDED TO A CONTRACTOR

Audit stated that in Fordwah Sadiqia Remaining Project, Bahawal Nagar a contract (NC-3AW) valuing Rs 8.259 million for construction of additional structures on drains was awarded to a contractor with stipulated dates of commencement and completion as March 04th 1996 and November 28th 1996 respectively. The contractor brought 30 tons of steel at site of work and obtained a secured advance amounting to Rs 0.413 million in September 1996 but failed to start construction activities upto 1998. The project authorities should have terminated his contract and got the work done at his risk and cost, along-with encashment of performance bond.

Audit further stated that the Authorities not only extended his contract upto October 24th 1999 and thereafter upto December 30th 2001 without imposing liquidated damages (L.D) amounting to Rs 1.857 million for delay in completion of work but also paid escalation amounting to Rs 1.167 million for the rise in prices upto October 24th 1999. The payment of escalation was also not admissible in the light of Authority's clarification dated February 08th 1996 which states that the contracts which have completion period of less than one year are usually tendered on firm rate basis i.e. without escalation claim. Thus an undue favour was extended to the contractor which caused a loss of Rs 3.024 million on account of non-imposition of L.D and inadmissible payment of escalation.

Member, WAPDA informed the Committee that the relevant documents had been provided to Audit.

DIRECTIVE

The Committee directed the Audit to submit a report to the Committee within one month.

3.3 PARA NO. 14.6-AR-2001-02 **LOSS DUE TO EMBEZZLEMENT OF CASH RS.1.307 MILLION**

Audit stated that in National Transmission & Dispatch Company (NTDC), Lahore an official was involved in the embezzlement of cash amounting to Rs 1.307 million since 1996. A charge sheet alongwith statement of allegations was served in May 1998 after two years of the occurrence of the event. Subsequently, the above official was arrested in another case due to his involvement in some anti-state activities and the amount involved was yet to be recovered causing loss to the Authority.

M.D., WAPDA assured the Committee that he would lodged a criminal case against Mr. Imtiaz Ahmad, Ex-Divisional Accountant, immediately.

The Committee directed M.D., WAPDA to proceed properly on the criminal side against the person(s) specially Mr. Imtiaz Ahmad, Ex-Divisional Accountant.

The Committee further directed M.D., WAPDA to make sure that recoveries made by the management should be got verified from Audit.

On 23rd February, 2011 Audit pointed out that no report on the directive of the previous meeting of the PAC has been provided.

The PAO stated that an amount of Rs. 3,83,419 was recoverable from Mr. Imtiaz. An FIR had been lodged against him but he was acquitted by the court due to lack of evidence. He however stated that some amount has also been recovered and verified by the audit.

The Committee directed the PAO to obtain a copy of the acquittal order of the court and fix responsibility of mishandling this case which resulted into his acquittal. The Committee further directed to seek legal advice whether further criminal proceedings can be initiated for the embezzlement. The Committee directed to provide relevant document to audit.

In another meeting held on June 10th 2011 audit stated that M/s Mian Sleem Hassan and K.M.Ansari both G.M's who have now retired from service but not timely action was taken against them. However a case has been filed in the civil court against Mr. Imtiaz Divisional Accountant

The PAO stated that the outstanding against the Divisional Accountant is Rs. 5,20000 and case is being pursued vigorously against him.

DIRECTIVE

The Committee expressed its displeasure that officers were allowed to retire prior to initiation of action against them. The Committee directed the PAO to reconsider this Para again in DAC in order to fix responsibility of

embezzlement and recover the balance amount. The Committee directed to put up a report to Audit within one month. The para was recommended for settlement subject to verification of recovery by Audit.

The DAC recommended the following Audit Paras for settlement by the Special Committee.

- i. **PARA NO. 14.2-AR-2001-02**
Inadmissible re-imburement of Advance Income Tax amounting to Rs.3.309 million
- ii. **PARA NO. 14.7-AR-2001-02**
Non-utilization of equipment valuing Rs.99.296 million
- iii. **PARA NO. 14.8-AR-2001-02**
Loss of Rs.2.723 million on account of extra payment for acquisition of land
- iv. **PARA NO. 14.9-AR-2001-02**
Loss of Rs.1.589 million due to mis-appropriation of material
- v. **PARA NO. 14.11-AR-2001-02**
Less recovery of fixed charges amounting to Rs.1.082 million
- vi. **PARA NO. 14.12-AR-2001-02**
Undue favour to the consumers to the tune of Rs.4.314 million
- vii. **PARA NO. 14.16-AR-2001-02**
Non-recovery of utility charges and cost of dismantled material from a contractor Rs.1.184 million

DIRECTIVE

The Committee endorsed the recommendation of the DAC for settlement of the above-mentioned seven (07) Audit Paras.

Audit requested that the Committee may issue suitable directive for further pursuance of the following eight (08) Audit Paras at DAC level.

- i. **PARA NO. 14.4-AR-2001-02**
Loss of Rs.3.250 million due to damaged electrical equipment.
- ii. **PARA NO. 14.5-AR-2001-02**
Loss of US \$ 4300 due to undue benefit extended to the contractor.
- iii. **PARA NO. 14.10-AR-2001-02**
Non-recovery of Rs.4.441 million on account of security deposit.

- iv. **PARA NO. 14.13-AR-2001-02**
Less generation of revenues amounting to Rs.20.685 million due to wrong application of tariff
- v. **PARA NO. 14.14-AR-2001-02**
Non-recovery of Rs.3.730 million on account of security deposit.
- vi. **PARA NO. 14.15-AR-2001-02**
Non-recovery of capital cost to the tune of Rs.1.578 million from consumers
- vii. **PARA NO. 14.17-AR-2001-02**
Loss of Rs.7 million due to purchase of sub standard material
- viii. **PARA NO. 14.18-AR-2001-02**
Loss of Rs.3.236 million due to non-recovery of cost of 11 K.V VCB panel and security deposit.

DIRECTIVE

Accepting the request of the Audit, the Committee directed the Audit to discuss the above-mentioned Paras in the DAC meeting and report to the Committee within one month.

(This Audit Para will now be taken up by the Monitoring and Implementation Committee of the PAC for further action.)

MINISTRY OF WOMEN DEVELOPMENT

1. OVERVIEW

Appropriation Accounts for the year 2001-02 pertaining to Ministry of Women Development were considered for examination by Special Committee-II of the PAC in the meetings held in Committee room No.2 Parliament House Islamabad on July 14th, 2010 & November 3rd, 2010. Decisions taken are summarized below:

- 1.1 Three (03) grants were reported by AGPR.
- 1.2 On presentation of the grants, the Committee recommended regularization of the grants with the direction that financial management systems must be improved.

2. APPROPRIATION ACCOUNTS (CIVIL) VOL-1, 2001-02

i. GRANT NO.107- WOMEN DEVELOPMENT, SOCIAL WELFARE AND SPECIAL EDUCATION

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) 120,588,004	(-) 124,590,004	4,002,000

The PAO informed the Committee that this grant pertained to two Ministries, Ministry of Women Development and Ministry of Social Welfare and Special Education.

ii. MINISTRY OF WOMEN DEVELOPMENT

Saving Rs. 10,089/-

AGPR stated that after supplementary grant of Rs. 4,002,000, the grant for the Ministry closed with a saving of Rs. 4,797,258. A sum of Rs. 4,787,169 was surrendered, leaving net saving of Rs. 10,089 only.

The Committee questioned the need for supplementary grant when there was substantial saving in the grant. This reflected poor financial management.

DIRECTIVE

The Committee recommended regularization of the grant with the direction that financial management systems must be improved, so that such instances do not recur.

iii. **MINISTRY OF SOCIAL WELFARE & SPECIAL EDUCATION**
Saving Rs. 124,579,915/-

AGPR pointed out that out of saving of Rs. 142,923,918, a sum of Rs. 18,344,003 was surrendered, leaving net saving of Rs. 124,579,915.

The PAO informed the Committee that the saving of Rs. 128.00 Million pertained to Pakistan Bait-ul-Mall, (due to shifting of dialysis centre to the Ministry of Health). The amount in question was not released by Finance Division.

DIRECTIVE

The Committee recommended regularization of the grant with the observation, that technically the Ministry of Social Welfare & Special Education should have formally surrendered the budgetary allocation, which had not been released.

iv. **GRANT NO.108- OTHER EXPENDITURE OF WOMEN DEVELOPMENT. SOCIAL WELFARE AND SPECIAL, EDUCATION DIVISION**

<u>Budget</u>	<u>AGPR Figures</u>	<u>Deptt. Figures</u>	<u>Difference</u>
Saving	(-) 250,246	(-)452,531	202,285

AGPR stated that after accounting for supplementary grant of Rs. 202,285, the grant closed with saving of Rs. 452,531.

The PAO informed the Committee that the saving was mainly due to non-submission of utilization reports by the 9 NGOs (out of 27) to the Ministry, as a result of which funds could not be released.

DIRECTIVE

The Committee recommended regularization of the grant with the direction that the saving should have been surrendered in time.

v. **GRANT NO.144- DEVELOPMENT EXPENDITURE OF WOMEN DEVELOPMENT, SOCIAL WELFARE AND SPECIAL EDUCATION.**

<u>Budget Saving</u>	<u>AGPR Figures (-) 5,598,014</u>	<u>Deptt. Figures (-)5,601,014</u>	<u>Difference 3,000</u>
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The PAO informed the Committee that this grant pertained to two Ministries i.e. Ministry of Women Development and Ministry of Social Welfare and Special Education.

vi. **MINISTRY OF WOMEN DEVELOPMENT**
Saving Rs. 5,055/-

AGPR informed the Committee that there was a nominal saving of Rs. 5055 only in the grant.

DIRECTIVE

The Committee recommended regularization of the grant.

vii. **MINISTRY OF SOCIAL WELFARE & SPECIAL EDUCATION**
Saving Rs. 5,595,959/-

AGPR pointed out that after supplementary grant of Rs. 800,000,000, the grant closed with a saving of Rs. 13,142,049. A sum of Rs. 7,546,000 was surrendered, leaving net saving of Rs. 5,595,959.

The PAO informed the Committee that the saving was due to vacant posts of officers and staff, discontinuation of allowances, and non-materialization of purchases.

The PAO further informed that Rs. 800,000,000 was for implementation of “Tawana Pakistan Project ” School Nutrition Package for girls” in respect of which the Ministry will submit a report within two months.

DIRECTIVE

The Committee recommended regularization of the grant with the observation that the Ministry should have surrendered the entire saving in time.
