



PERFORMANCE AUDIT REPORT

ON

KORANGI FISHERIES HARBOUR AUTHORITY

**FOR THE YEARS
2011-12 To 2016-17**

AUDITOR GENERAL OF PAKISTAN

PREFACE

The Auditor General conducts audit as provided under Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973 read with Sections 8 and 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001. The Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for the period 2011-12 to 2016-17 was carried out accordingly.

The Directorate General of Commercial Audit & Evaluation (DG CA&E), Karachi conducted Performance Audit of Korangi Fisheries Harbour Authority for the years 2011-12 to 2016-17 during December 2016 to January 2017 and July 2017 to August 2017 with a view to report significant findings to the stakeholders. Audit examined the performance of KoFHA in providing of facilities to fishermen and to assess performance of the management specifically in three areas i.e. revenue receipts, land lease matters and recruitment process. In addition, Audit also assessed, on test check basis, whether the management complied with applicable laws, rules, and regulations in managing the affairs of KoFHA. The Performance Audit Report indicates specific actions that, if taken, will help the management realize the objectives. Most of the observations included in this report have been finalized in the light of discussions in the DAC meeting.

The Performance Audit Report is submitted under Section 10 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 to the President of Pakistan in pursuance of the Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 for causing it to be laid before both Houses of Parliament.

Islamabad
Dated:

Javaid Jehangir
Auditor General of Pakistan

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Abbreviations and Acronyms

ADB	Asian Development Bank
AGP	Auditor General of Pakistan
AGPR	Accountant General Pakistan Revenue
BoDs	Board of Directors
CDWP	Central Development Working Party
DAC	Departmental Accounts Committee
ECNEC	Economic Committee of National Economic Council
EEZ	Exclusive Economic Zone
EPB	Export Promotion Bureau
GoP	Government of Pakistan
GoS	Government of Sindh
GRT	Gross Tonnage
IC	Investment Committee
IMSC	Inter Ministerial Scrutiny Committee
INTOSAI	International Supreme Audit Institution
KoFHA	Korangi Fisheries Harbor Authority
MFD	Marine Fisheries Department
NBP	National bank of Pakistan
NM	Nautical Miles
PAC	Public Accounts Committee
PEC	Pakistan Engineering Council
PSIA	Pakistan Seafood Industries Association
SOP	Standard Operating Procedures
TDR	Term Deposits Receipts

EXECUTIVE SUMMARY

The Directorate General of Commercial Audit & Evaluation (DG CA&E) Karachi conducted Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for the period 2011-12 to 2015-16 during December 2016 to January 2017 and Special Audit for the period 2011-12 to 2016-17 during July 2017 to August 2017. Results of both the audits have been merged as Performance Audit Report for the years 2011-12 to 2016-17. The main objectives of the audit were to evaluate the performance of KoFHA in respect of providing Harbour facilities to fishermen and to assess performance of the management specifically in three areas i.e. revenue receipts, land lease matters and recruitment process. KoFHA was established under Ordinance No. XVI of 1982 for making all arrangements for the planning, construction, operation, management and maintenance of Korangi Fisheries Harbour for exploiting fisheries resources beyond territorial waters.

On the basis of performance audit, certain irregularities were pointed out in the thisreports.

Key Audit Findings:

- i. Irregular appointments involving an amount of Rs. 3.442 million were reported in four cases.
- ii. Illegal withdrawal from assignment account amounting to Rs.187.952 million reported in one case.
- iii. Loss of revenue amounting to Rs 309.218 million was reported in four cases.
- iv. Non recovery of land dues and berthing charges Rs.7.191 million was reported in two cases.
- v. Irregular investment amounting to Rs.1,137.208 million pointed out in three cases.
- vi. Default in re-payment of ADB loan of Rs. 790.110 million was reported in one case.
- vii. Excess expenditure amounting to Rs 34.586 million over and above the PC-1 provision was reported in one case.
- viii. Irregular award of contractor Rs. 3.237 million was reported in one case.

Recommendations:

- i. Ensure merit and transparency in selection process of officers and employees as duly obligated by the State of Pakistan.
- ii. Ensure all internal controls regarding land allotment are fully implemented.
- iii. There is a need to devise the comprehensive rules and policy for land, lease and allotment of land.
- iv. There is a need to increase the role of Land Allotment Committee and the Board for the sake of prudent decisions of land lease because most of the matters of land lease are carried out by M.D, KoFHA only, due to absence of detailed rules and policy for matters of land and its lease.
- v. There is a need to maintain a classified and detailed accounting and financial record, especially for revenue of KoFHA. The revenue record should be computerized and receipt of fish landing, berthing and others should also be maintained in revenue register properly. The revenue register should be maintained centrally in order to avoid the repetition of revenue record.
- vi. There is a need of qualified employees to look after the affairs of finance, investment and maintenance of accounts.
- vii. There is a need to fill the vacant posts to overcome shortage of officers and staff.
- viii. Establish pre-audit system for clearance of land lease/contractors/suppliers bills and withdrawal of funds from assignment account.
- ix. There is a need to diversify portfolio by investing in different fields and banks.
- x. There is a need to obtain competitive bids from banks instead of selecting one bank.

I. INTRODUCTION

The Korangi Fisheries Harbour Authority (KoFHA) was established under Ordinance No. XVI of 1982 for making all arrangements for the planning, construction, operation, management and maintenance of Korangi Fisheries Harbour for exploiting fisheries resources beyond territorial waters.

The construction work of Korangi Fisheries Harbour Authority was completed in 1998 at a cost of Rs 938.00 million including foreign exchange of Rs 644.0 million (US\$ 26.121 million) financed by Asian Development Bank. The loan was relented to the Authority by the Govt. of Pakistan under a Financing Agreement with 4% interest. The functions and administrative control of the Authority after devolution of Ministry of Livestock & Dairy Development was transferred to the Ministry of Ports & Shipping Govt. of Pakistan in May, 2011.

2. AUDIT OBJECTIVES

- a. Examine that the objectives of establishing KoFHA have been met effectively and efficiently.
- b. Examine that due facilities required for effective operational activities have been provided /established in the Harbour area.
- c. Check the allotment of plots is done in a fair and objective manner to the genuine investor
- d. Examine hurdles being faced by KoFHA to perform its operational activities effectively.
- e. Ensure that KoFHA is providing environment conducive to export oriented investment activities.

3. AUDIT SCOPE AND METHODOLOGY

The performance audit of KoFHA for the period 2011-12 to 2016-17 was conducted as per following scope and methodology:

- i. Examine the functioning of KoFHA in compliance with rules and regulations.
- ii. Check and scrutinize accounting record etc. on random basis for the audit period.
- iii. Visit the selected offices and conduct interview with concerned authorities of KoFHA.
- iv. Conduct physical examination of assets and other relevant material of the Authority.
- v. Meetings with officers/officials of the organization to understand the working of KoFHA and gathering specific information/record.
- vi. Verifying probity and propriety of administrative decisions taken within the audited entity.

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Organization and Management

4.1.1 Irregular appointment of three stenographers - Rs. 0.872 million

Advertisement dated 29-05-2016 published in Dawn newspaper for the posts of Stenographers BPS-16 stated that candidate must be “intermediate having shorthand/typing speed of 100/50 w.p. mand having essentially computer knowledge/skill also. The maximum age limit was 25 year, whereas 01 seat for Sindh-U, 01 seat for Sindh-R and 01 seat on open merit was specified.” Further, Korangi Fisheries Harbour Authority Employees (Service) Regulation, 1988 section 3(iii) states that appointment to posts in BPS-12 to 16 shall be made on the recommendations of the following committee:

Sr. No.	Designation	Status
1	Managing Director	Chairman
2	Project Director	Member
3	Director Administration	Member

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, it was observed that the management appointed three (03) persons namely Ms. Raana Kanwal, Mr. Naushad Anwar and Mr. Rameez Ahmed. The following irregularities were observed in their appointments:

- i. All three appointed employees were over-aged at the time of appointment Mr. Naushad 09 years, Ms. Raana Kanwal 07 years and Mr. Rameez Ahmed 03 years were over aged.
- ii. All three had no mandatory qualification of Shorthand/ typing speed of 100/50 w.p.m.
- iii. The Selection Committee which recommended these employees was constituted in violation of Service Regulation, 1988 of the Authority as to extend undue favour to the appointees.
- iv. The better eligible candidates having required shorthand/typing speed certificates and were available who were ignored to favour the liked persons.

Audit is of the view that appointment of all three stenographers BPS-16 was irregular and amount of Rs. 0.872 million paid on account of pay and perks to appointees may be recovered forthwith.

The matter was reported to the management in October 2017. DAC meeting was held on December 21, 2017 wherein the management informed that due to acute dearth of officers and staff, vacancies was filled by giving age and experience relaxation. DAC directed the management to review the recruitment process. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.1.2 Irregular appointment of Computer Operator - Rs. 0.290 million

Advertisement dated 29-05-2016 published in Dawn newspaper for the post of Computer Operator, BPS-16, states that candidate must have “Diploma in Computer Science from a recognized institute with five (05) years’ experience in computer operations, programming, application of software, data communication & networking. The maximum upper age limit was 28 years”. Further, Korangi Fisheries Harbour Authority Employees (Service) Regulation, 1988 section 3(iii) says that appointment to posts in BPS-12 to 16 shall be made on the recommendations of the following committee:

Sr. No.	Designation	Status
1	Managing Director	Chairman
2	Project Director	Member
3	Director Administration	Member

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, Mr. Waqas Ali Khan Computer Operator, BPS-16, following irregularities were observed in his appointment:

- i. The incumbent was Electrical Engineer having no degree in computer science. Thus, he had neither relevant qualification nor minimum of 05 years relevant experience.
- ii. He was about 29 years of age at the time of appointment over-aged about one year.

- iii. The Selection Committee which recommended Mr. Waqas Ali Khan was constituted against the directives of Service Regulation, 1988 of the Authority.

Audit is of the view that appointment of Mr. Waqas Ali Khan as Computer Operator BPS-16 was irregular, therefore, pay and perks of Rs 0.290 million incurred on the employee must be recovered forthwith.

The matter was reported to the management in October 2017. DAC meeting was held on December 21, 2017, wherein it was informed that he was selected by the Selection Committee because vacancy was lying unfilled. DAC directed the management to review the recruitment process. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.1.3 Irregular appointment of drivers and Naib Qasids - Rs 1.80 million

Estt. Div.'s O.M.No.3/1/92-R.2, dated 2-1-1992, states that the vacancies in each Ministry/Division/ Department/ Autonomous Body/Corporation, as per the provincial/ regional quotas, shall be advertised through National/ provincial/regional newspapers and electronic media on Sundays. Further, Korangi Fisheries Harbour Authority Employees (Service) Regulation, 1988 section 3(v) states that appointment to posts in BPS-01 to 11 shall be made on the recommendations of the following committee:

Sr. No.	Designation	Status
1	Director Administration	Chairman
2	Project Director	Member
3	Accounts officer	Member
4	Any other officer co-opted by the Committee Chairman	Member

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, it was observed that the advertisement was made on 29-05-2016 for two (02) posts of Naib Qasid BPS-02 and two (02) posts of drivers BPS-02. But, the management appointed five (05) Naib Qasids and five (05) drivers in clear-cut violation to the number of posts mentioned in advertisement. (**Annex-1**) Other irregularities found are as under:

- i. It was necessary for the appointment of driver to have “L.T.V license with 03 years’ experience”. But, the drivers were appointed who neither possessed L.T.V license nor 03 years’ experience.
- ii. All the appointed drivers are over-aged except one candidate Mr. Parvez Ali.
- iii. The appointments were recommended by the Selection Committee constituted in violation of KoFHA services regulation 1988.

Audit is of the view that the management appointed 10 drivers and naib qasids irregularly, therefore, pay and perks of Rs 1.80 million incurred on these employees must be recovered forthwith.

The matter was reported to the management in October 2017. DAC meeting was held on December 21, 2017 wherein the management informed that advertisement was wrongly published by the Ministry and appointment was made due to acute shortage of staff. DAC directed the management to review the recruitment process. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.1.4 Irregular appointment of Private Secretary - Rs. 0.460 million

Establishment Division O.M. No.9/2/74-R.6 (Pt.2), dated 21-1-1988] states that appointment to the post shall be made by promotion on the basis of selection by the DPC of the Ministry/Division/ Department concerned and with the approval of the appointing authority, from amongst the regularly appointed Stenographers of the Ministry/ Division/Department concerned: provided that failing promotion, the post of Private Secretary shall be filled by transfer in accordance with para 4 which stipulated that if no suitable person is available for promotion to the post in the Ministry/ Division/Department concerned, the vacancy shall be filled in by appointment from amongst the regular Stenographers, employed in other Ministries/Divisions/ Departments who fulfill the conditions for promotion to the post as laid down above, in consultation with the Establishment Division.

Further, Korangi Fisheries Harbour Authority Employees (Service) Regulation, 1988 section 3(iii) states that appointment to posts in BPS-17 to 18 shall be made on the recommendations of the following committee:

Sr. No.	Designation	Status
1	Managing Director	Chairman
2	Joint Secretary	Member
3	General Manager PP&D, PQA	Member

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, it was observed that the advertisement was made on 29-05-2016 for post of Private Secretary to MD. The candidate must have minimum 07 years secretarial experience in govt. or private office and shorthand literacy. In response, Mr. Syed Salman Hassan was appointed as Private Secretary to MD BPS-17 on 28th Sep, 2016 on temporary basis subject to confirmation by the Board of Directors. He had neither secretarial experience of minimum 07 years nor shorthand literacy as obligatory requirements. He was recommended by the unauthorized Selection Committee constituted in violation of service regulation of KoFHA. The post of PS to MD BPS-17 was required to be filled by promotion from stenographers either from the Authority employees or from the ministry's any other departments.

Audit is of the view that subject appointment was irregular, therefore, pay and perks of Rs 0.460 million incurred on the employee must be recovered forthwith.

The matter was reported to the management in October 2017. DAC meeting was held on December 21, 2017, wherein it was informed that the stenographer available was not fit for promotion therefore a new initial appointment of PS to MD was made. DAC directed the management to review the recruitment process. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.1.5 Abnormal delay in grant of licenses & operation of deep sea fishing vessels

As per PC-1 of KoFHA, one of the basic objectives of the harbor is to promote deep sea fishing by accommodating large sized vessels to exploit the un-tapped off-shore fisheries resources. Pursuant to Deep-sea Fishing Policy of 2009, it is mandatory for all deep-sea vessels operating in EEZ (20 to 200 nautical miles) to land/export the

fish catch from Korangi Fisheries Harbour. The Korangi Fisheries Harbour Authority has been established with the very purpose of exploiting fisheries resources beyond territorial waters (12 NM).

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, it was observed that deep sea licenses were issued to 22 foreign vessels for three years in 2002-03 for fish catch beyond territorial waters. However from October, 2005 these licenses were not renewed and cancelled. Resultantly, foreign companies suspended their operations at harbor. Since 2005 no deep sea license was issued to any company reasons best known to the authority. Despite amendment in Deep-sea Fishing Policy and repeated invitation for the grant of fishing licenses through press, the operation of deep sea vessels remained discontinued since 2005. Although the Deep-sea Fishing Policy was revisited in 2009 however the management failed to attract foreign operators. It is pertinent to mention here that six Fishing Trawlers of Chinese origin are anchored idle at Korangi Harbour since December 2015, waiting for grant of fishing licenses.

Audit is of the view that the management failed to achieve its basic objectives of deep sea fishing due to non-issuance of deep sea licenses since 2005. This shows the negligence and incompetency of the management who yet unable to fully operate the Harbour.

The matter was reported to the management in October 2017. DAC meeting was held on December 21, 2017. The management informed the DAC that Deep Sea Fishing Policy was under Review and not yet finalized. Provinces (Balochistan & Sindh) have certain observation on new Deep Sea Fishing Policy. As soon as the provinces will agree on new Deep Sea Fishing Policy the same will be submitted to Prime Minister's Office for approval. DAC directed the management to get the facts verified from audit. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.1.6 Non-constitution of Board and non-appointment of Chairman

As per KoFHA Ordinance, the Board should meet at least twice in a year.

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, it was observed that the Board meetings were not held since February 18, 2015 till to date contrary to KoFHA Ordinance.

It is also pertinent to mention here that the position of Chairman of the Board is vacant since resignation of Mr. Salim Khan, former Secretary, Ports & Shipping in August 2012. Since then two meetings of the Board were held on 11-12-2013 & 18-02-2015, which were presided by the Fisheries Development Commission.

Audit is of the view that non-constitution of the Board and non-appointment of the chairman is not only the violation of the Ordinance but also the negligence of the authority whereas the chances of mismanagement and mis-utilization of funds in the absence of Board cannot be ruled out.

The matter was reported to the management in June 2017. DAC meeting was held in August 2017. The management informed the DAC that the new board has been constituted and its approval by the Federal Government is in process. DAC directed the management to get the facts verified from audit. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.1.7 Non-production of requisitioned auditable record

Section-14(2) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001 states that the officer in-charge of any office or department shall afford all facilities and provide record for audit. Further the Public Accounts Committee directives, issued vide OM No.F-10(1)/2000/2004-PAC dated Jun 03, 2004 requires all PAOs of Ministries / Divisions to make available all information/record to Audit as and when required by them, otherwise disciplinary action will be initiated against person(s) responsible for the delay under Section-14(2) of the Auditor General's Ordinance No. XXIII of 2001.

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, various requisitions and subsequently reminders on 11.01.2017 and 20.01.2017 for the production of record issued to the management. However, only partial record was provided to audit. The details of record /information not provided to audit is at **Annex-2**.

Audit is of the view that the non-production of record is not only the violation of AGP mandate but also the non-implementation of PAC directives.

The matter was reported to the management in June 2017. DAC meeting was held in August 2017. DAC directed the management to provide requisitioned auditable record to Audit team within week. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.1.8 Non-conducting of Internal Audit

The functions of the Internal Audit Department are to review all aspects of their operation, implement Standard of Performance Manuals (SOP's) throughout the Authority ensuring all staff is suitably trained with company procedures. Internal Audit carries out all the activities of internal control, ensuring compliance to lay down rules/regulations and procedures and suggesting measures of cost control including physical verification of stock and store etc.

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, it was observed that internal audit was not being conducted in the authority which is violation of statutory rules/SOPs.

The matter was reported to the management in June 2017. DAC meeting was held in August 2017. DAC directed the management to carry the internal audit regularly from existing strength. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.2 Financial Management

4.2.1 Illegal withdrawal from assignment account - Rs. 187.952 million

Expenditure Wing Finance Division Notification dated Sept 23, 2008 states that it shall not be permissible to draw the whole amount or part thereof from assignment account and to place it in a separate account at the treasury or in any commercial bank.

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, it was observed that KoFHA received government grants of Rs 209.079 million during last five years through assignment account maintained in National Bank of Pakistan (NBP). However, it was noticed that out of total grant Rs 209.079 million, an amount of Rs 187.952 million was transferred into NBP KoFHA current account No.10001 maintained in NBP KoFHA Branch Korangi. (**Annex-3**)

Audit is of the view that the management clearly violated the instructions and orders of the government regarding the maintenance of assignment account and illegally transferred Rs 187.952 million into another account which is unjustified.

The matter was reported to the management in June 2017. DAC meeting was held in August 2017. DAC directed the management to look into the matter and give his proper guidance in this matter. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.2.2 Accumulated losses on account of anticipated revenue income - Rs. 90.35 million

As per Financial Analysis Annexure-XXII of PC-1, the Korangi Fisheries Harbour Project shall generate an anticipated income of Rs 77.7 million against its total anticipated costs of 31.3 million from 1999 to 2013.

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, it was observed that KoFHA sustained accumulated losses of Rs 90.375 million against the anticipated revenue income as per PC-1. (**Annex-4**)

Audit is of the view that due to the poor performance, management failed to achieve its anticipated revenue income as per PC-1 targets and thus sustained accumulated losses of Rs 90.375 million.

The matter was reported to the management in June 2017. DAC meeting was held in August 2017. DAC directed the management to look into the matter and give his proper guidance in this matter. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.2.3 Non recovery of Berthing Charges from foreign Vessels - Rs. 5.156 million

Article 24 of KoFHA Ordinance, 1982 says that all fees and sums due on account of property for the time being vested in the Authority and all arrears of tolls, charges, rates and dues imposed under this Ordinance or any rules or regulations may be recovered as arrears of land revenue, in addition to the other modes provided by this Ordinance. As per KoFHA tariff rate of berthing charges from international vessels are \$ 0.08 p/GT p/day.

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, it was observed that M/s Cosmic Resources (Pvt.) Ltd. approached the authority through his letter dated 17.12.2016 wherein it was requested the authority for berthing of 6 foreign chine's fishing vessels having 348 Gross Tonnage (GT). The Authority accepted the request subject to the clearance of these vessels from different concerned agencies / authorities. The berthing charges of anchoring the foreign vessels as per approved rate were US\$ 0.08 per Gross tonnage per day. Further, six chine's vessels naming Rui Shan1 to RuiShan-6 were anchoring at the KoFHA port since December 15, 2015 to-date without catching fishes in deep sea due to non-issuance of the deep sea license by the federal government.

It was observed that the company which invited these vessels paid the berthing charges till July 2016 and stopped to pay the rest of payables Rs 5.156 million to Authority till to-date.

Audit is of the view that besides issuing the license to the vessels, recovery of berthing charges may be made without further delay.

The matter was reported to the management in June 2017. DAC meeting was held in August 2017. DAC directed to pursue the matter for early recovery/settlement. However, no progress was reported till the finalization of this report.

Audit recommends that the recovery may be made and the responsibility may be fixed on person(s) at fault.

4.2.4 Irregular investment - Rs. 448.500 million

As per Finance Division OM No.F.4 (1)/2002-BR.II dated 2nd July, 2003, para (3) (b) says that the process of selection of bank/(s) should be transparent. Therefore, prior to placing deposits with a bank under this new policy, and in case the total working balances exceed Rs.10 million, the selection of the bank/(s) as well as the terms of deposits will be approved by the concerned Board of Directors/Governing Body on the basis of competitive bids from at least three independent banks. Further, Para 6 states, “Before making any investment under this policy, it would be necessary for public sector entities to set up in-house professional treasury management functions. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority. Transactions above the approval authority of the IC will be subject to approval of the Board of Directors or an equivalent forum.”

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, it was observed that an investment of Rs 8.500 million was made in National Saving Centre Quaidabad Branch for three years and amounting of Rs 440.00 million was made in Term Deposits Receipts (TDR) and special saving account in National Bank of Pakistan, Korangi Fisheries Branch in violation of above rules/regulation.(Annex-5) Besides, it is pertinent to mention here that the Board constituted the Investment Committee (IC) in its meeting on 11.12.2013. But, it was found that no any investment case was referred to IC for approval while the decision was wholly taken by the Managing Director.

Furthermore, it was observed that all the investment and financial decisions were taken by the General Manager (Engineering) who was given the extra charge of Director Finance (DF) since last four years, having no academic financial background and qualification.

Audit is of the view that investments of Rs 448.500 million without exploring the competitive rates and without the approval of the CI and BoDs are irregular and unjustified.

The matter was reported to the management in June 2017. DAC meeting was held in August 2017. DAC directed the management that on maturity of each existing investment in NBP, new investment be made as per investment policy of the Finance Division. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.2.5 Irregular deposition of working balances - Rs. 23.708 million

Para 3(b) of Finance Division OM No.F.4(1)/2002-BR.II dated 2nd July, 2003, says that the process of selection of bank/(s) should be transparent. Therefore, prior to placing deposits with a bank under this policy, and in case the total working balances exceed Rs.10 million, the selection of the bank/(s) as well as the terms of deposits will be approved by the concerned Board of Directors/Governing Body on the basis of competitive bids from at least three independent banks. Further, Para (e) states that the working balance limit of the each organization should be determined with the approval of Administrative Ministry in consultation with Finance Division. The account of working balance may be maintained in current or savings Bank account.

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, Balance Sheet of the annual accounts for the year 2014-15 revealed that an amount of Rs 23.708 million Cash and Bank Balances was available in current account of NBP Korangi Branch. It was observed that neither the approval of Ministry of Ports and Shipping was sought nor the consultation was made with Finance division regarding the placement of the working balance. Besides, the requirement of cash and bank balances was also not determined by the Investment Committee. The entire balances were kept in current account without fulfillment of the above Finance division's orders.

Audit is of the view that the core function of the authority is suspended since 2005-06 and keeping a huge amount of working balances Rs 23.708 million in current account without approval of the concerned Ministry and Finance Division is irregular and unjustified.

The matter was reported to the management in June 2017. DAC meeting was held in August 2017. DAC directed the management to follow the government instructions to deposit working balance on daily basis product. It further directed that investment policy of the Authority may be streamlined with the approval of Ministry. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.2.6 Non-payment of installments of Asian Development Bank Loan - Rs. 790.111 million

According to Financing Agreement signed between GoP and KoFHA on 13-07-1982 the Authority is required to make repayment of loan within 30 years in equal semi-annual installments commencing from April, 1995. The Authority has to repay total US\$ 26.121 million (Rupees 644.336 million) with 4 % interest. Further, as per PC-I (Revised) approved by ECNEC on 28.5.1994, it was anticipated that during the first year of operation of the Harbour (1994-95), the Authority would start earning a revenue of Rs 12.4 million which would gradually increase upto Rs 77.70 million in the year 1999-2000, sufficient enough to meet annual operational/recurring expenses of the Harbour and repayment of the loan amount.

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, it was observed that Asian Development Bank granted a loan of US\$ 26.121 million (644.336 million) with 4% interest to Government of Pakistan (GoP) as sponsor for the construction of Korangi Fisheries Harbour Authority. GoP relented the same to KoFHA through agreement on 13-07-1982. The Authority was required to make repayment of loan within 30 years in equal semi-annual installments commencing from April, 1995. The Authority was required to make repayment of a total US\$ 26.121 million (Rupees 644.336 million) of the loan amount with 4 % interest. However, Authority paid only two installments of Rs.70.982 million to date. Resultantly, the accrued liability in respect of unpaid loan installments stood to Rs 790.111 million as on 1.10.2016.

Audit is of the view that due to poor performance of the Authority, liability of the ADB loan increased resultantly interest is increasing day by day which requires immediate attention.

The matter was reported to the management in June 2017. DAC meeting was held in August 2017. DAC directed the management to expedite the matter at the earliest. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.2.7 Non-recovery of outstanding dues from different customers - Rs. 2.035 million

Rule 7 of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Board shall establish appropriate arrangements to ensure it has access to all relevant information, advice and resources necessary to enable it to carry out its role effectively. Significant issues shall be placed before the Board for its information and consideration, in order to formalize and strengthen the corporate decision making process. (2) For the purpose of sub-rule (1), significant issues shall, inter-cilia, include the following, namely:- (L) failure to recover material amounts of loans, advances, and deposits made by the Public Sector Company, including trade debts and inter corporate finances.”

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, it was observed that an amount of Rs 6.557 million was outstanding for more than the year i.e. 01 to 05 year against 29 against customers/ departments on accounts of annual ground rent revenue, water charges revenue and power charges revenue as on June 30, 2017 (**Annex-6**). Moreover, it is revealed that as per above rule, the non-recovery of outstanding amount from the above customers/department was required to be placed before the Board of Directors for Board was also not informed timely for taking action to recover the amount from the above department/customers due to which the outstanding amount was accumulated to Rs 6.557 million as on June 30, 2017

Audit is of the view that the management was un-able to recover the huge amount of Rs. 6.557 million from the above departments which showed negligence on the part of the management. Such non-recovery may lead to serious concerns over the cash flow of the Corporation and the recovery chances of such outstanding dues may become remote with the passage of time and there arises a risk of conversion into bad debts.

The matter was reported to the management in June 2017. DAC meeting was held in August 2017 whereas it was informed that partial amount had been recovered and the outstanding amount would soon be recovered. DAC directed the management to get recovered amount verified from Audit. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.2.8 Imprudent & non-transparent investment of funds - Rs. 1,465.00 million

As per para 3(b) of Finance Division's OM dated 02 July 20103 states the process of selection of bank/(s) should be transparent. Therefore, prior to placing deposits with a bank under this policy, and in case the total working balances exceed Rs.10 million, the selection of the bank/(s) as well as the terms of deposits will be approved by the concerned Board of Directors/Governing Body on the basis of competitive bids from at least three independent banks. Further, Sr. No.6 says that before making any investment under this policy, it would be necessary for public sector entities to set up in-house professional treasury management functions. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority. Transactions above the approval authority of the IC will be subject to approval of the Board of Directors or an equivalent forum.

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17. Audit observed following irregularities in investment of Rs.1,465 million in Term Deposit Receipts (TDR) with various Banks.

- i. Management has not followed the process of selection of banks at all as required to seek competitive bids from at least three independent banks. Instead, it has invested funds with NBP only.
- ii. It has not sought approval of the Board of Directors for the investment in TDRs.
- iii. It has not constituted Investment Committee (IC) which is professional and qualified in finance matters of investment, with defined approval authority.
- iv. It has not "set up in-house professional treasury management functions".

The detail of the funds invested in Term Deposit Receipts (TDRs) since 2015 are at (**Annex-7**).

Audit is of the view that the whole process was irregular as it deprived the organization of the benefits of competitive profit rates, which was a gross violation of instructions of Finance Division.

The matter was reported to the management in June 2017. DAC meeting was held in August 2017. The management informed the DAC that the investment was made in the light of directives of Board of Directors. DAC directed the management to carry out internal audit of the Authority within one month and submit the report to Audit for verification. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.2.9 Mis-use of revenue by incurring doubtful expenditures of Rs. 3.637 million on fuel and repair of Noori Boat

Rule 10(i) of GFR provides that every public officer is expected to exercise the same vigilance in respect expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During Performance Audit of Korangi Fisheries Harbour Authority (KofHA) for years 2011-12 to 2016-17, it was observed that the management of Kofha incurred huge expenses on the account of fuel purchase and repair/maintenances of Noori Boat. It was revealed from log book that the boat was used for navigational duty without signing of the log book by the boat driver on daily basis and the boat driver usually signs the logbook on monthly basis by showing approximate use of fuel. The management of Kofha provided fuel bills which showed the amount of fuel without the serial number on the pump letters and according to the verification of fuel letter. It was further revealed that the fuel was purchased in lump sum quantity on monthly-basis instead of the requirement of the boat. The details of doubtful expenditure incurred by the management on the Noori Boat for the years 2011-12 to 2016-17 are at (**Annex-8**).

Audit is of the view that the management incurred doubtful expenditure on fuel, repair & maintenance Rs. 3.637 million without justification of running of the boat because according to the boat file the same was purchased for the navigational purpose of deep sea fisheries boats/large ships for berthing in the harbor, but no single large ship/deep sea fishing operated during the last ten years, thus, running for personal use cannot be ruled out.

The matter was reported to the management in June 2017. DAC meeting was held in August 2017. DAC directed the management to get expenditure verified. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.3 Procurement and Contract

4.3.1 Irregular award of contract to 2nd lowest bidder -Rs. 3.237 million

Rule 32 of PPRA2004 states that, no procuring agency shall introduce any condition, which discriminates between bidders or that is considered to be met with difficulty. In ascertaining the discriminatory or difficult nature of any condition reference shall be made to the ordinary practices of that trade, manufacturing, construction business or service to which that particular procurement is related.

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, it was observed that the Authority invited bids on single stage - one envelope procedure from contractors registered with Pakistan Engineering Council (PEC) in Category C-4 for repair of its link road (about 1200 square meters) between the harbour and entry gates through newspaper in April 2016. The bids were opened on May 02, 2016 and four bidders submitted their bids. It was observed that M/s Mehran Shah Babar & Co. was the lowest bidder by quoting price Rs. 3.112 million and M/s A. Rahim Khan & Co. was the 2nd lowest with quoted Price of Rs. 3.237 million.

The comparative statement of Arithmetic checking of the tender document showed that the Authority's Engineer's estimated cost of the repair work was Rs 4.150 million and the 1st lowest was 25% below the estimated cost. But, 1st lowest bidder was concluded by the committee as "Not Responsive" due to having valid PEC in category C-5 (50 million). Resultantly, the contract was awarded to the 2nd lowest M/s A. Rahim Khan & Co at the cost of Rs 3.237 million. Furthermore, the valid Income Tax Certificate and Professional Tax Certificate of the contractor M/s A. Rahim Khan & Co was not found in the concerned file.

Audit is of the view that due to the discriminatory condition of demanding valid PEC in category C-4 which was needless as the estimated cost of the work clearly reflects that the valid PEC in category C-5 was required, only one bidder out of four could qualify which shows that the management extended undue favour to the contractor.

The matter was reported to the management in June 2017. DAC meeting was held on 17-08-2017. DAC recommended the Para for settlement subject to verification of Board approval. However, the management during the verification failed to produce the approval of the BoD in this regard.

Audit recommends responsibility should be fixed on the person(s) at fault

4.4 Assets Management

4.4.1 Irregularly rented office building and plots at lower rates -Rs. 212.98 million

The Board of Directors in its meeting held on 10th February, 2009 constituted a committee for the purpose of ensuring transparency comprising MD, KOFHA, Pakistan Fisheries Exporters Association and Fisheries Development Commissioner as representative of the Ministry to recommend allotment of plots in KofHA in future with following objects:

- i. Assess the viability of the project
- ii. Financial soundness of the firm.
- iii. Ascertain the actual area of land needed for the project.
- iv. Submit the recommendations to MD,KoFHA for decision.

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, it was observed that the management allotted office building, on fixed rent basis, merely on the request of the company. The management initially allotted on rent an area of old office plots measuring 638 sq. metres on April 21, 2004, and subsequently the adjoining land measuring 2,600 sq. metres on rent at the rate of Rs.30,000 fixed per month. The tenancy agreement to lease was entered into with M/s. Botan Corporation for a period of three years w.e.f. May 01, 2004. Furthermore, an additional land measuring 300 & 320 sq. metres was also allotted on rent on March 12, 2005 within one year period at the rate of Rs.9,100 per month. It is noteworthy that area of allotted plots to the company was found to have increased when actual measurement of the area and surrounding area were also made part of the agreement, are reflected in the table. Thus, the detail of loss occurred due to sub-lease/rent of plots on lower rates (**Annex-9**).

The management of KoFHA directly rented above stated office building plots and other area on resident and industrial purposes on lower rates which was against the existing rules approved by the board.

Audit is of the view that the allotment of above plots was unjustified because the process of evaluation of parties was not carried out and undue favour was extended

to the parties by awarding plots on rent on lower rates and for the purposes of residency and industrial purposes which is against the above stated rules.

The matter was reported to the management in October 2017. DAC meeting was held in December 2012. The management informed the DAC that MD, KoFHA was fully competent to allot land. It further stated that land initially was allotted for temporary purpose but it was later rented for longer time to the same company. DAC directed the management to review the KoFHA Land Allotment/lease policy and submit their report within one month and get it verified. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.4.2 Irregular allotment of 06 plots on account of mis-use of delegated powers by Managing Director without approval from the Land/plot allotment committee

The Board of Directors in its meeting held on 10th February, 2009 constituted a committee for the sake of transparency comprising MD, KOFHA, Pakistan Fisheries Exporters Association and Fisheries Development Commissioner as representative of the Ministry to recommend allotment of plots in KoFHA in future with following objects:

- i. Assess the viability of the project
- ii. Financial soundness of the firm.
- iii. Ascertain the actual area of land needed for the project.
- iv. Submit the recommendations to MD,KoFHA for decision.

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, it was observed that MD, KoFHA extended undue favour to the parties for allotment of 06 industrial and commercial plots (**Annex-10**) on nominal rates of Rs.300 per square meter without getting the formal approval and recommendation of the land allotment committee constituted by the board.

Furthermore, allotments were made on the request of the parties on simple papers without fulfilling the requirements i.e. assessment of the project, financial soundness of the project etc.

Audit is of the view that allotment of plots without getting approval from the allotment committee was irregular.

The matter was reported to the management in October 2017. DAC meeting was held in December, 2017. The management informed the DAC that MD, KoFHA was fully competent to allot land. It further stated the NAB had exonerated MD KoFHA and GM (Engineering) KoFHA of the misuse of authority. DAC directed the management that to review the finding of NAB Inquiry and submit their report within one month and get it verified. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.4.3 Irregular/undue favour awarded for allotment of commercial plots on sub-leased basis

The Board of Directors in its meeting held on 10th February, 2009 constituted a committee for the sake of transparency comprising MD, KOFHA, Pakistan Fisheries Exporters Association and Fisheries Development Commissioner as representative of the Ministry to recommend allotment of plots in KoFHA in future with following objects:

- i. Assess the viability of the project
- ii. Financial soundness of the firm.
- iii. Ascertain the actual area of land needed for the project.
- iv. Submit the recommendations to MD, KoFHA for decision.

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, it was observed that the management of KoFHA allotted four (04) plots without fulfilling the above stated formalities. Furthermore, the commercial plots were allotted directly to the parties by showing procedure of technical and financial bidding but on scrutiny of files of allotted commercial plots not a single document of the parties i.e. application letter, bidding document, technical and

commercial offer letter, bank statements (shows the financial soundness of the parties), past experience (shows the viability of the project) were found to prove that proper procedure was adopted by the management. The details of commercial plots allotted by the management to the parties on sub-lease (**Annex-11**).Moreover, the management of KoFHA extended undue favour to the parties vide sr. No.4 & 6 by not only reviving 21 years old plot allotted by the authority but allotted also additional plot on the sub-lease basis which was against the existing rules approved by the board.

Audit was of the view that the allotment of above plots was unjustified because the process of evaluation of parties was not carried out and undue favour was extended to the parties by awarding plots on sub-lease basis for 30 years on Rs.300 sq. metre.

The matter was reported to the management in October 2017. DAC meeting held in December, 2017. The management informed the DAC that despite repeated ads, response was not encouraging but it was not substantiated with documentary evidences. DAC directed the management to review the KoFHA land allotment/ lease policy and submit their report within one month and get it verified. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.4.4 Loss of Income due sale of plots on lower rates - Rs. 2.251 million

Section 4(3)of Sector Companies (Corporate Governance) Rules, 2013 states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, it was observed that the management of KoFHA allotted 02 commercial plots measuring 200 sq. metres at the rate of Rs.300 per sq. meter to Mr. Athar Ali and Mr. Muhammad Arif for establishment of Mechanical Workshops on sub-lease for a period of 30 years at lower rates than the market rates. According to other land allotment record, the management of KoFHA allotted 02 plots D-1 & D-8 measuring 500 Sq. metres each at the rates of Rs 2.814 million (2,814,000/500=Rs.5,628 per Sq. metres) and Rs.3.114 million (3,114,000/500=6,228 per Sq. metre) respectively. Thus, Authority suffered a loss of Rs. 2.251 million due to

sub-lease of plots on lower rates (**Annex-12**). Record also shows that no evaluation process was carried out i.e. financial capacity, past experience of the parties etcetera prior to allotment of land.

Audit was of the view that the allotment of above plots was unjustified because the process of evaluation of parties was not carried out and undue favour was extended to the parties by awarding plots on sub-lease basis at lower rates.

The matter was reported to the management in October 2017. DAC meeting was held in December, 2017. DAC directed the management to review the KoFHA land allotment/ lease policy and submit their report within one month and get it verified. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.4.5 Irregular award of plots by MD, KoFHA without approval from the Land/plot Allotment Committee

The Board of Directors in its meeting held on 10th February, 2009 constituted a committee for the sake of transparency comprising MD, KOFHA, Pakistan Fisheries Exporters Association and Fisheries Development Commissioner as representative of the Ministry to recommend allotment of plots in KoFHA in future with following objects:

- i. Assess the viability of the project
- ii. Financial soundness of the firm.
- iii. Ascertain the actual area of land needed for the project.
- iv. Submit the recommendations to MD, KoFHA for decision.

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, it was observed that the allotment of plots were made without approval of the land allotment committees and without evaluation process. (**Annex-13**)

Therefore, audit is of the view that the allotment of plots was irregular because the management of KoFHA extended undue favour to the parties for allotment of land without getting the approval from the Land Allotment Committee/Board.

The matter was reported to the management in October 2017. DAC meeting was held in December, 2017. DAC directed the management to review the KoFHA land allotment/ lease policy and submit their report within one month and get it verified. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.4.6 Irregular award of commercial land for residential purposes to M/s. Kaneshro (Pvt.) Ltd.

Board of Directors' 28th meeting held on 12th May, 1994 states the criteria for establishment of land for industrial and commercial purposes allotted by Port Qasim Authority (PQA) to Korangi Fisheries Harbour Authority (KoFHA) on lease for 90 years. The detail of establishment of Fisheries allied industries, facilities and services were set on the following basis:

A- Fisheries Allied Industries and Facilities:

1. Ice plant/storage plant
2. Chill room
3. Cold storage
4. Fisheries/shrimp processing plants
5. Fisheries meal plants
6. Fisheries de-hydration/ oil extraction plant
7. Fisheries canning plant
8. Boat building and repair yard
9. Workshop for the repair of the engines and Fisheries gears
10. Slip way and ship lifting platform
11. Weighing bridge
12. Fisheries suction pump for the unloading of trash Fisheries
13. Cafeteria
14. Any other plant for value added products.

B- Fisheries Support Services:

1. Commercial Centre
2. Establishment of mole holders
3. Establishment of whole-sale buyers of Fisheries
4. Supply of ice of Fisheries boats
5. Stevedoring
6. Maintaining the cleanliness of the harbor and sanitation services
7. Operation and maintenance of power house and pump house

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, it was observed that the management of KoFHA allotted industrial/commercial plot measuring 11,318 sq. meters at the rate of Rs 300 per sq meters to M/s. Kaneshro (Pvt.) Ltd. company for a period of 30 years and made agreement with the company on May 26, 2011. But, it was revealed that the management initially allotted 18,800 sq. meters plot and during the agreement period, on the request of M/s. Kaneshiro (Pvt.) Ltd. company, on August 15, 2011 an additional plot measuring 4,000 sq. meters for establishment of Fisheries meal plant machinery was allotted which was later changed for residential purposes, which is violation of above rules.

The MD, KoFHA directly allotted the above stated plot by violating the Board's criteria.

Audit is of the view that the management of KoFHA extended undue favour against the company for allotting plot on residential purposes without getting the formal approval from the Board and Land Allotment Committee before allotment of land that is against the rules.

The matter was reported to the management in October 2017. DAC meeting was held in December, 2017. DAC directed the management to review the KoFHA land allotment/ lease policy and submit their report within one month and get it verified. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.5 Overall Assessment

4.5.1 Analysis of Authority's Annual Audited Accounts for the years 2011-12 to 2014-15 and 2015-16

The working results of the Authority for the year 2014-15 as compared to the preceding years are given below:

(Rs. in million)

	2014-15	% Inc/Dec	2013-14	% Inc/(Dec)	2012-13	% Inc/(Dec)	2011-12
Grant received for revenue Expenditure	43.92	19.87	36.64	(3.83)	38.10	2.30	37.24
Operating Income	14.67	14.55	12.80	(41.56)	22.02	(49.11)	43.28
Other Income	40.78	6.97	38.12	5.03	36.29	(19.20)	44.93
Total Income	99.37	13.48	87.56	(9.18)	96.42	(23.07)	125.49
Expenditures							
Operating Expenses	78.12	0.69	77.57	1.48	76.45	(28.78)	107.34
Finance cost	10.64	(0.09)	11.70	(8.33)	12.76	(7.68)	13.83
Total expenditure	88.76	(0.58)	(89.27)	0.07	(89.21)	(26.37)	(121.17)
Profit (Before Tax)	10.61	719	(1.71)	(123.77)	7.208	68.45	4.28
Taxation							
Current	(3.4)		(0.5)		(0.29)		(0.43)
Prior			---		(0.45)	(123.12)	1.94
Net surplus / Deficit	7.13	420.75	(2.22)	(134.35)	6.47	11.71	5.79

(Source: AR 2015-16)

- Total Income of KoFHA is showing an increase by 13.48 % in 2014-15 against 2013-14. This increase is mainly due to 19.87% grant received for revenue expenditure. In actual total Revenue of 2014-15 amounting to Rs 55.45 million which also includes an amount of Government Grant of Rs 43.92 million. Such increase needs justification.
- Operating expenses is increased by 0.69% in 2014-15 against 2013-14. Such increase needs justification.

- The authority obtained a heavy loan from Asian Development Bank which has principle outstanding balance of Rs 624.767 million. The details is as under:

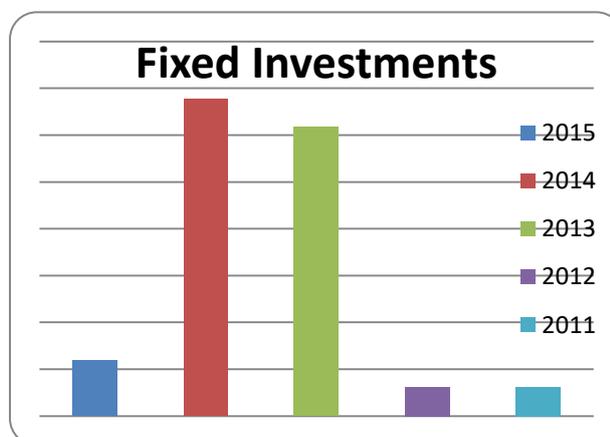
Asian Development Bank Loan	2015
Principle Balance	624,767,000
Less (Overdue)	(372,176,000)
Current Maturity	(26,584,000)
Total	226,007,000

- The repayment has been in suspension since 2007 which accumulating the liability with compound interest and likely would lead to serious financial problem in coming time. The matter needs to be justified.
- It is worth mentioning that despite having top quality infrastructure, the management of KoFHA has been unable to develop its core operational activity pertaining to Deep Sea Fishing since decade. This inability to develop core fishing activity raises doubt and concerns about its future standing. Uncertainty about future of KoFHA needs to be assessed & taken in this regard needs to be justified.

Fixed Investments:

Year	2015	% Inc/Dec	2014	2013	2012	2011
Fixed Investments	59.17	-82.518	338.48	308.868	31.315	31.315

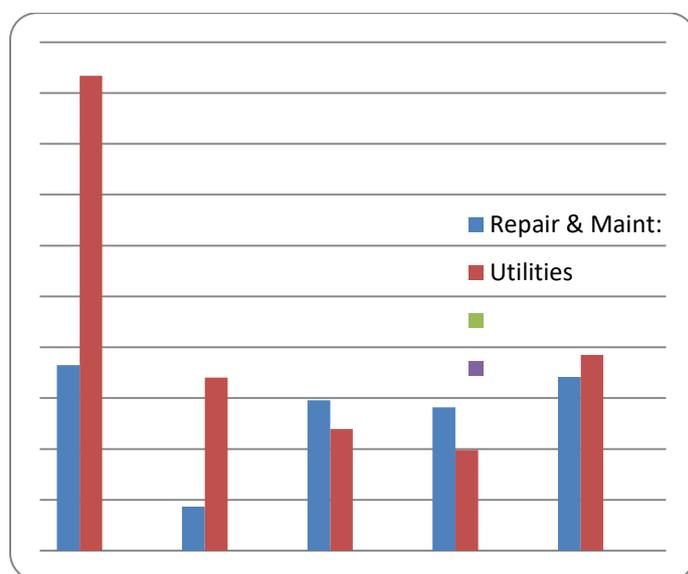
Fixed Investments decreased by 82.518% from 338.48 million in 2014 to 59.17 million in 2015. Such a huge decrease in investments needs justification.



Operating Expenses:

	2015	% Inc/(Dec)	2014	2013	2012	2011
Repair & Maint:	1.826	321.709	0.433	1.478	1.409	1.71
Utilities	4.669	174.163	1.703	1.198	0.99	1.924

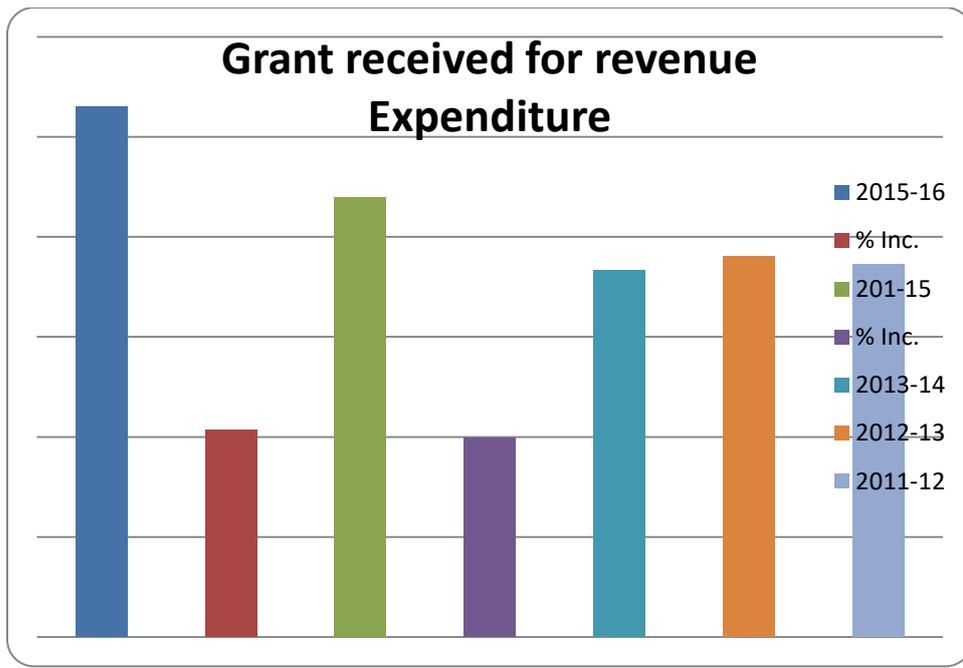
Repair & Maintenance increased by 321.709% and Utilities expenses increased by 174.163% as compared to previous year 2013-14. Such increase needs justification.



GoP Grant received;

Year	2015-16	% Inc.	2014-15	% Inc.	2013-14	2012-13	2011-12
Grant received for revenue Expenditure	53.00	20.67	43.92	19.87	36.637	38.098	37.242

Government grant received by the Authority increased by 20.673% from Rs 43.92 million to 53 million in 2015-16 and 19.878% increased from Rs 36.637 million to 43.92 million in the year 2013-14 to 2014-15. Such increase needs justification.



4.5.2 Operation of illegal jetties in the vicinity of Korangi Harbour

During Performance Audit of Korangi Fisheries Harbour Authority (KoFHA) for years 2011-12 to 2016-17, it was observed that a number of unauthorized jetties i.e. Dawood Jat Jetty, Haji Amin Aat Jetty, Najeeb Jetty RehriGhot etc. were constructed by private entrepreneurs in the vicinity of Korangi Fisheries Harbour which were being used for uploading of trash fish creating traffic hazard for the fishing boats / vessels berthing at Korangi Fisheries Harbour. For the safe operation of Korangi Fisheries Harbour it was necessary that the unauthorized jetties may be closed down and the fish landing on these unauthorized jetties be diverted to Korangi Fisheries Harbour in order to make the fish harbor operational and to avoid the loss to the national exchequer. Besides, these private jetties operating near Korangi Harbour were not conforming to the international standards of hygiene. These landing facilities need to be closed forthwith and boats operating there may be shifted to Korangi Harbour.

Audit is of the view that the authority miserably failed to close down their unauthorized jetties operating in the vicinity of Korangi Harbour which shows the lack of interest and sheer negligence of the management to handle this issue.

The matter was reported to the management in June 2017. DAC meeting was held in August, 2017. DAC directed the management efforts to be made to close down

all unauthorized illegal jetties in vicinity of the harbor. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

5. CONCLUSION

Director General of Commercial Audit & Evaluation (South) Karachi conducted Performance Audit and Special Audit of Korangi Fisheries Harbour Authority, July 2011 to June, 2017. This report is the merger of two audit reports namely performance audit and special audit on accounts of KoFHA for years 2011-2017. The main objectives of the audit were to evaluate the performance of KoFHA in respect of providing Harbour facilities to attract the investment opportunities and to assess revenue receipts, land lease matters and recruitments process.

Audit raised observation with regard to organizational issues, management issues, and procurement and contracts with a view to evaluate effectiveness, efficiency and economy. Audit further raised issues in the areas of repair & maintenance and asset management along with evaluating overall assessment of the Korangi Fishries Harbour Authority.

The Audit also highlighted the need for greater efforts to improve the hygiene and cleanliness of surroundings by managing disposal of solid waste in addition to proper effluent and sewerage for disposal in sea. Need to clear the sites dumped with wasted solid and disposal of dirty waste in the sea spreading pollution in the sea and dangerous for sea lives also highlighted by Audit.

There is no Internal Audit Department in KoFHA. Similarly, there seems to be no internal check and balance over the operational activities of the Authority. No Systemic Operating Procedures (SOPs) and System for monitoring internal controls existed in the Authority, as management did not provide any information/record when called for by Audit through issuance of requisitions.

The Audit has also observed grievances of the Authority regarding implementation of policies / decisions taken by the committee constituted by the Prime Minister under the chairmanship of Chief Minister Government of Sindh (GoS) and Board of Directors (BoDs) in their meetings held from time to time regarding issues faced by the Authority.

Annual Accounts of the Authority for the Year 2014-15 and 2015-16 have not yet been certified by the External Auditors and thus the facts and figures in the accounts cannot be treated as authenticated.

ACKNOWLEDGEMENT

We wish to express our appreciation to the Management and staff of Korangi Fisheries Harbour Authority for the assistance and cooperation extended to the auditors during this assignment.

Annexes

Annex-1*(See Para No.4.1.3)*

(Rs. in million)

S. No.	Name	Designation	Pay Scale	Appointment date	Amount (per year)
1	Mr. Gul Muhammad	Driver	BPS-5	22-Aug-2016	0.284
2	Mr. Aleemuddin	Driver	BPS-5	22-Aug-2016	0.301
3	Mr. Ameer Ali	Driver	BPS-5	22-Aug-2016	0.157
4	Mr. Muhammad Ali	Driver	BPS-5	22-Aug-2016	0.157
5	Mr. Pervez Ali	Driver	BPS-5	22-Aug-2016	0.157
6	Mr. Mazhar Ali	Naib Qasid	BPS-2	02-Sept-2016	0.157
7	Mr. Ghulam Rasool	Naib Qasid	BPS-2	02-Sept-2016	0.145
8	Mr. Ghulam Mustafa	Naib Qasid	BPS-2	02-Sept-2016	0.145
9	Mr. Asim Saeed	Naib Qasid	BPS-2	02-Sept-2016	0.145
10	Allah Dad	Naib Qasid	BPS-2	02-Sept-2016	0.145
Total					1.800

Annex-2

(Para See No.4.1.7)

Statement of Non-production of record

1. Complete details / file of appointments made during last five years of performance Audit.
2. Copies of Advertisements
3. Details of tests conducted for the appointments along with the results of the candidates.
4. Details of the interview along with the remarks and recommendations lists of the candidates. Details of interview panel members.
5. Copies of offer orders and joining reports with medical certificates of the selected candidates.
6. Copy of the final approval of the Ministry.
7. Complete details of daily wages employees along with their approvals of competent Authority, tenure of service and wages paid till to-date.
8. Record related to appointments of five incumbents i.e. one of grade 17 and 4 of grade 16 were selected through advertisement. These appointments were made without NTS test. However, no record was produced to audit for scrutiny.

Annex-3*(See Para No.4.2.1)*

Year	Budget / Grant	Expenditure incurred from Assignment Account	Amount Transferred From Assignment Account to NBP KoFHA Current A/c No.10001
2011-12	37,424,000	Nil	37,242,000
2012-13	38,098,000	2,845,778	35,252,222
2013-14	36,637,000	2,832,466	33,804,534
2014-15	43,920,000	5,070,787	38,849,213
2015-16	53,000,000	10,195,923	42,804,077
Total	209,079,000	20,944,954	187,952,046

Annex-4*(See Para No.4.2.2)*

S.No.	Particulars	Year 2011-12	Year 2012-13	Year 2013-14	Year 2014-15	Year 2015-16
1.	Anticipated Income As per PC-1	77.7	77.7	77.7	77.7	77.7
(a)	Operating income	43.28	22.023	12.803	12.9	20.162
(b)	Non-operating income	44.926	36.298	38.125	46.614	31.500
	Total Income as per accounts	88.206	58.321	50.928	59.514	51.662
	Revenue / (loss)	10.506	(-19.379)	(-26.772)	(-18.186)	(-26.038)
	Total Losses					90.375

Annex-5
(See Para No.4.2.4)

Sr. No.	Date & Type of Investment	Place of Investment	Amount	Rate of Investment	Maturity Date
1	Special Saving Account -04.04.2014 for three Years	NSC Quaidabad Branch	8,500,000	47.128% after maturity	3.04.2017
2	TDR special Rate - 11.04.2016 for one year	NBP KoFHA Branch	370,000,000	6.4% average per year	10.04.2017
3	TDR special rate – 07.09.2016 for one year	NBP KoFHA Branch	35,000,000	6%	06.09.2017
4	Special Saving Account – 09-01-2017 for one year	NBP KoFHA Branch	35,000,000	6%	9.01.2018
Total			448,500,000		

Annex-6*(See Para No.4.2.7)***(Rs. in million)**

S. No.	Description	Total Number of customers	Yearly break-up of receivables/trade debts				
			2012-13	2013-14	2014-15	2015-16	2016-17
1.	Annual Ground rent	29	3.165	2.683	2.783	1.630	2.035
2.	Water Charges	29	6.777	3.686	0.830	1.331	
3.	Power charges	29			2.549	3.469	
4.	Berthing Charges		0.127	0.476	0.567		
5.	Land Occupancy charges	29	0.843	0.973	-		
6.	Commission on Fisheries			0.450	0.174		
Grand Total			10.912	7.864	6.891	6.891	6.557

Annex-7*(See Para No.4.2.8)***(Rs. in million)**

S. No.	Name of Bank	Date of Investment	Avg Rate	Tenure	Funds invested
1	NBP	11-04-2017	6.10%	1 Year	404
2	NBP	09-01-2017	6.01%	01 Year	36
3	NBP	07-09-2016	6.00%	01 Year	35
4	NBP	09-06-2016	6.00%	01 Year	20
5	NBP	07-04-2016	6.40%	01 Year	370
6	NBP	07-01-2015	9.45%	01 Year	20
7	NBP	03-04-2014	9.45%	01 Year	6.075
8	NBP	05-09-2013	10.50%	03 Year	20
9	NBP	09-04-2013	11.00%	01 Year	280
10	NBP	06-09-2012	10.50%	01 Year	15
11	NBP	25-04-2012	11.90%	01 Year	246
12	NBP	07-09-2011	12.90%	1 Year	12.4
Total					1,465

Annex-8*(See Para No.4.2.9)*

(Rs. in million)

Sr. No	Years	Description of expenditure		
		Diesel expenditure incurred	Repair & Maintenance	Total expenditure incurred
1.	2016-17	0.314	0.415	0.730
2.	2015-16	0.305	0.61	0.366
3.	2014-15	0.504	0.035	0.539
4.	2013-14	0.566	0.124	0.690
5.	2012-13	0.800	0.014	0.814
6.	2011-12	0.412	0.083	0.496
Grand Total		2.903	0.733	3.637

Annex-9

(See Para No.4.4.1)

(Rs.in million)

S. No.	Classification of plots	Plot Sub-leased in Sq.Metres	Year	Rate of plots sub-leased in Rs. Per Sq.Mt	Rates of sub-leased plots to Other parties at the same time Rs (3,236.4 × 300) Per Sq.Mt	Difference rate total Sq.Mt in Rs.	Total loss
				A	B	C = (B-C)	D = (C×12×3)
1.	i- Old KoFHA site office building.	301	2004-07 (3 years)	30,000	970,920	940,920	33.873
	ii- Old main contractor site office building.	336.4					
	iii- Car parking shed.	85					
	iv- Adjoining open area.	2,514					
	Total area	3,236.4					
2.	Additional allotment		2004-2007 (3 year)	9,100	186,000	176,900	6.368
	i- old office building	300					
	ii- old car repair shed	180					
	iii- open area	140					
Total	620						
3.	Final Allotment		2008-2011 (3 Years)	49,920	1,849,317	1,799,397	64.778
	i- Building area	905.4					
	ii- shed area	198.09					
	iii- open area	5,061.2					
Total	6,164.39						
4.	Final Allotment		2012-2017 (5 years)	49,920	1,849,317	1,799,397	107.963
	i- Building area	905.4					
	ii- shed area	198.09					
	iii- open area	5,061.2					
Total	6,164.39						
Total							212.983

Annex-10*(See Para No.4.4.2)*

S. No.	Name of allottee	Area (Sq.Metre)	Rate of per Sq.Metre	Date of agreement	Purpose of allotment
1.	M/s. Seo Young International	4,000	300	14-04-2011	Fisheries Processing Plant
2.	M/s. Kaneshiro (Pvt.) Ltd	18,800+4,000 (Extra Land)=21,800	300	26-05-2011	Fisheries Processing, Fisheries Cake, Fisheries Meal & Staff residency
3.	M/s. MukhiNoorudin	4,000	300	10-01-2011 13-02-2011	Frozen Fisheries/shrimp processing & seafood value added products.
4.	M/s. La-Candela Sea Food	2,000	300	01-11-2011	Fisheries/shrimp processing factory
5.	M/s. FalconFisheriesTrading	2,000	300	08-10-2011	Seafood processing & Freezing Plant
6.	Morawala Engineering	400	300	22-08-2011	Mechanical Workshop

Annex-11*(See Para No.4.4.3)*

S. No.	Name of parties/details of parties	Plot details/Measurement	Rate of plots per sq.metres	Period of sub-leased
1.	Ali Ice Factory M/s. Muhammad Ismail	A-37 (200 Sq. Metre)	300	30 years
2.	Mechanical workshop Mr.MuhammadArif	C-8 (200 Sq.Metre)	300	30 years
3	Workshop repairs of engines & Fisheriesing Gears. Mr. Athar Ali	C-8 (200 Sq.Metre) LPG Storage	300	30 years
4.	Mechanical workshop & LPG units Mr. AmjadShafqat	C-6 (200 Sq. Metre) D-2 (800 Sq. Metre)	300 Revived allotment of 1996 (after 21 years)	30 years
5.	M/s. Nisar Engineering Workshop Mr. Nisar Ahmed	C-14 & 15 now changed C-24 & 25 (200 sq. Metre each)=400 Sq. Metre	300 revived allotment of 2009 (after 08 years)	30 years.
6.	M/s. 3 Star Weighting Enterprises Mr. AmjadShafqat	A-40 (750 Sq.Metre)	300	30 years
7.	M/s. Haji Muhammad Sadiq Ice Factory & Supplier Mr.Haji Muhammad Sadiq	A-31 (1,000 Sq. Metre)	300	30 years
8.	M/s. ALM Enterprises Private Limited	A-5, A-6, A-7 & A-8 (1,000 Sq. Metre each plot)= 4,000 Sq. Metre	300	30 years

Annex-12*(See Para No.4.4.4)*

(Rs. in million)

S. No.	Name of Party & purposes of plot.	Plot Subleased in Sq. M	Rate of plots subleased in Rs. Per Sq.M	Market rates of sub-leased plot Rs. Average Per Sq. Metres (Rs.5,628+6,228/2=5,928)	Difference rate per Sq.Metres in Rs.	Total loss
1.	Mr. Athar Ali, Mechanical workshop	200	300	5,928	5,628	1.125
2.	Mr. Muhammad Arif, Mechanical workshop	200	300	5,928	5,628	1.125
Total						2.251

Annex-13*(See Para No.4.4.5)*

S. No.	Name of companies allotted plot	Details of plots in Sq.Metres	Details of allotment plots committee	Recommendation/directives of allotment committee meetings
1.	M/s. ALM Enterprises Private, Limited	4,000	3 rd meeting held on 20 th January, 2010	The committee recommends allotment of 4000 Sq.M. land (Plot No.A-5,6,7 &8) to the firm
2.	M/s. Haji Muhammad Siddiq Ice Factory & Supplier	1,000	3 rd meeting held on 20 th January, 2010	The committee recommends that 1,000 Sq.M condition for completion of the project in 1½ years.
3.	M/s. Tribeca Fisherie series	4,000	2 nd meeting held on 9 th September, 2009	The committee recommends allotment of 4,000 sq.m to the firm under the condition from the firm for completion of the project within two years.
4.	M/s. EMC Engineering & Construction	200	2 nd meeting held on 9 th September, 2009	The recommends to allot 200 sq.metre land for establishment of mechanical workshop because the firm is running a mechanical workshop and financially sound.
5.	M/s.HyderyEngineering works	200	2 nd meeting held on 9 th September, 2009.	The committee recommends for allotment of additional land of 200 sq.metre for establishment of propeller, water/ fuel tank fabrication and repairing facility of boat engine