REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON THE

Accounts of the Government of Pakistan

For the Years

1966-67 and 1967-68

CONTENTS

COMPOSITION OF THE AD HOC PUBLIC ACCOUNTS COMMITTEE

GOVERNMENT OF PAKISTAN

MINISTRY OF FINANCE

NOTIFICATION

Islamabad, the 12th June, 1970

S. R. O. 562 (K)|70.—The President and Chief Martial Law Administrator is pleased to constitute an *Ad hoc* Public Accounts Committee for examining the appropriation and other accounts of the Government of Pakistan and the Reports of the Comptroller and Auditor General thereon. The *Ad hoc* Public Accounts Committee shall also deal with the unfinished business of the Standing Committee on Public Accounts of the National Assembly of Pakistan dissolved on the 25th day of March, 1969. The Committee shall consist of the following:

Chairman:

(1) Minister for Finance.

Members:

(2) Mr. Justice Abdul Moudud, retired Judge of the Dacca High Court.

(3) Mr. M. A. Bary, *Ex*-Chairman, East Pakistan Public Service Commission.

(4) Syed Amjad Ali, *Ex*-Finance Minister.

(5) Mr. Mumtaz Mirza, S.Pk., *Ex*-Secretary, Finance and Executive Director, World Bank.

In scrutinizing the accounts and the reports of the Comptroller and Auditor General thereon, it shall be the duty of the *Ad hoc* Public Accounts Committee to satisfy itself:—

(a) that 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;

(b) that the expenditure conforms to the authority which governs it; and

(c) that every re-appropriation has been made in accordance with such rules as may be prescribed by the Finance Ministry.

It shall also be the duty of the Committee—

(a) to examine such trading, manufacturing and profit and loss accounts and balance sheets as the President may have required to be prepared and the Comptroller and Auditor General's report thereon; and

(b) to consider the report of the Comptroller and Auditor-General in cases where the President may have required him to conduct an audit of any receipts or to examine the accounts of stores and stock.

[F. 2 (2)-BV|69.]

GHOLAM KIBRIA,
Deputy Secretary.

GOVERNMENT OF PAKISTAN

MINISTRY OF FINANCE

NOTIFICATION

Islamabad, the 17th September, 1970

S. R. O. 1017(K)|70.—In partial modification of this Ministry's Notification No. S. R. O. 562 (K)/70, dated the 12th June, 1970, the President and Chief Martial Law Administrator is pleased to appoint Mr. Y. S. Ahmed, Resident Director, James Mckey & Sons, as member of the *Ad hoc* Public Accounts Committee in place of late Mr. Justice Abdul Moudud.

[F. 2 (2)-BV/69.]

MOHAMMAD RIAZUDDIN,
Deputy Secretary.

GOVERNMENT OF PAKISTAN

MINISTRY OF FINANCE

[BUDGET WING]

(*Budget V Section*)

NOTIFICATION

Islamabad, the 28th August, 1971

S. R. O. 1019 (K)|71.—In partial modification of this Ministry's Notification No. S. R. O. 562 (K)/70, dated the 12th June, 1970, as amended *vide* this Ministry's Notification No. S. R. O. 1077 (K)/70, dated the 17th September 1970, the President and Chief Martial Law Administrator is pleased to appoint Syed Amjad Ali, *Ex*-Finance Minister and at present a member of the *Ad hoc* Public Accounts Committee as Chairman of that Committee.

[F. 2 (2)-BV/69.]

SADIQ SAYEED KHAN,
Deputy Secretary (Budget).

REPORT

The *Ad hoc* Public Accounts Committee was constituted, *vide* Ministry of Finance's Notification No. S. R. O. 562(R)|70, dated 12th June 1970 to examine the appropriation and other accounts of the Government of Pakistan and the Reports of the Comptroller and Auditor-General of Pakistan thereon. Following terms were laid down in the said notification for the guidance of the Committee :—

> " In scrutinizing the accounts and the reports of the Comptroller and Auditor-General thereon, it shall be the duty of the *Ad hoc* Public Accounts Committee to satisfy itself :
>
> (a) that the money 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 ;
>
> (b) that the expenditure conforms to the authority which governs it ; and
>
> (c) that every re-appropriation has been made in accordance with the rules prescribed by the Finance Ministry.
>
> It shall also be the duty of the Committee—
>
> (a) to examine such trading, manufacturing and profit and loss accounts and balance sheets as the President may have required to be prepared and the Comptroller and Auditor-General's report thereon ; and
>
> (b) to consider the report of the Comptroller and Auditor-General in cases where the President may have required him to conduct an audit of any receipts or to examine the accounts of stores and stock ".

2. The composition of the Committee was as under :—

Chairman

(1) Minister for Finance.

Members

(2) Mr. Justice Abdul Moudud, retired Judge of the Dacca High Court.

(3) Mr. M. A. Bary, *Ex-Chairman*, East Pakistan Public Service Commission.

(4) Mr. S. Amjad Ali, *Ex*-Finance Minister.

(5) Mr. Mumtaz Mirza, S.Pk., *Ex*-Finance Secretary, and Executive Director, World Bank.

On the death of Mr. Justice Abdul Moudud, Mr. Y. S. Ahmad, Resident Director, James Mckey & Sons, was appointed as member of the Committee *vide* Ministry of Finance notification No. S. R. O. 1017 (K)/70, dated 17th September, 1970.

3. The Committee held two sessions in Islamabad. The first session was held from the 10th August, 1970 to 21st August, 1970 while the second session was held from the 5th October to 10th October, 1970. After welcoming the members of the Committee, Nawab Muzaffar Ali Khan Qizilbash said that owing

to his pre-occupation and engagements it would not be possible for him to preside over the daily sessions of the Committee. He therefore requested Syed Amjad Ali to act as Chairman in his absence.

4. The Committee examined in details the accounts of the Central Government for the years 1966-67 and 1967-68 and the Comptroller and Auditor-General's reports thereon. In all 16 meetings were held. The proceedings of these meetings are attached as Part II and, as usual, are to be treated as a part of this report. The more important recommendations which are general in nature are summarised below.

5. A number of cases came to the notice of the Committee where it was observed that the department had failed to produce the relevant records before the Comptroller and Auditor-General with the result that the observations made by Audit remained unsettled. The Committee feels that if the departments concerned had produced the records much of its time would have been saved and quite a few observations settled in the normal course. The Committee hopes that the departments would in future realise the importance of timely production of records and information called for by Audit.

6. The Committee further observed that the Agreements entered into for the main contracts of the various Indus Basin Projects contained certain unusual and abnormal provisions which operated to the disadvantage of the executing authority and resulted in large and excessive payments to the contractors on various items which were not admissible. The departmental representative advanced the plea that for International competition it was necessary to follow the international practice, forms and conditions of contracts. The Committee, however, could not accept this plea as there were instances that, in the past, the terms of International contracts were got modified by Pakistan to suit its own requirements. It was noticed that if the agreements were defective, the arbitrators or legal advisers cannot help subsequently, because they have necessarily to take decisions in accordance with the terms and conditions of the agreements between the contracting parties. The Committee, therefore, recommends that such contracts and agreements should always be prepared with utmost care, after getting all possible assistance of the technical and legal experts, so that the interests of the employers and of the country at large are adequately safeguarded.

7. In certain cases, the committee observed that proper legal advice had not been obtained by the departments in all cases, where necessary, or, if obtained it had been so done independently without consulting Audit. This course of action resulted in unnecessary correspondence and the Committee was confronted with cases the legal aspect of which had not been properly examined before hand. The committee directs that in future in all cases where legal advice has to be taken it should invariably be done in close association with Audit and before these are subjected to examination by the Public Accounts Committee.

8. In a few cases, it was noticed that the departmental enquiries had either been held very late or their proceedings lingered so long that the persons responsible for irregularities or losses to Government had either retired or died with the result that neither the losses could be recovered nor any deciplinary action taken against them. The Committee directs that, in future, the department concerned should ensure that action in such cases is taken expeditiously and well in time and those found responsible for delaying the proceedings unnecessarily should be taken to account.

9. The Committee noted a number of instances of laxity of control over expenditure resulting in non-surrender of savings or leaving excesses in expenditure uncovered. The Committee feels that it is imperative on the part of the various Ministries/Divisions to exercise better control in this respect and funds which are in excess of requirements should be surrendered well in time before the close of the financial year and the excesses where these are inevitable and unavoidable, should similarly be covered by adequate budgetary provisions.

10. The Committee particularly noted with concern the very large excesses of expenditure over budget allotments under the head "Civil Works" (other than 'Charged'). These excesses have been occurring persistently since 1959-60. A detailed note in this respect will be found appended with the proceedings. It is observed that these excesses not only indicate a lack of control over expenditure on the part of the PPWD but also a disregard of the sanctity of the budgetary provisions. The Committee was not convinced with the department's explanation that the excesses were mainly due to the fact that funds applied for were not allotted in full. These excesses were indicative of the fact that either the accounts were not properly maintained or adequate efforts were not made to keep expenditure within the budgetary limits. The Committee recommends that a departmental committee should be appointed to go into the question of budgeting and accounting for the PPWD so as to suggest improvements. The Committee also recommends that there should be a Financial Adviser in the PPWD who should, among other things, also ensure that the expenditure was kept within the budgetary ceilings and accounts were maintained properly. The Committee observed that the Financial Adviser attached to the Rehabilitation and Works Division could also exercise some check over the expenditure incurred by the Pak. P.W.D.

11. The Committee also felt a great concern over the non-submission to Audit of various accounting returns which have been listed in paragraphs 32 and 35 on pages 47 and 45 of the Audit Reports for 1966-67 and 1967-68 respectively. The Committee hopes that, in future, prompt and regular submission of these reports and returns would be ensured.

12. The Committee noticed that some of the departmental representative had not come fully prepared and, therefore, could not adequately answer the questions raised by the Committee during the course of examination of the accounts and reports. In some cases, the departmental representative had to be asked to appear again before the Committee. Even the second time, it was observed that the departmental representative of a certain Ministry were not fully prepared to furnish the required explanations. In such cases, the Committee's time is wasted. The Committee therefore directs that in future all the Ministries/Divisions etc. should ensure that their departmental representative are well prepared for the meetings of the Public Accounts Committee.

13. We append to this report the following statements as Annex-II of the Report :—

(1) *Statement No.* 1.—Summary of Results of Appropriation Audit.

(2) *Statement No.* 2.—Analysis of savings and excesses by main Departments *i.e.* Civil, Defence and Post Office and Telegraph and Telephone Departments.

(3) *Statement No.* 3.—Analysis of savings and excesses under Revenue, Capital and Loans and Advances.

(4) *Statement No. 4.*—Statement showing Excesses over Grants which require to be regularised.

(5) *Statement No. 5.*—Statement showing Excesses over Charged Appropriations which require to be regularised.

We recommend that the excesses in expenditure as shown in the statements (4) and (5) may be regularised by the President.

SYED AMJAD ALI,
Chairman.

MUMTAZ MIRZA, S. PK.,
Member.

M. A. BARY,
Member.

Y. S. AHMED,
Member.

MOHAMMAD RIAZUDDIN,
Secretary,

Ad hoc *Public Accounts Committee.*

Islamabad, the 14th *December,* 1971.

Annexure I

PROCEEDINGS OF THE FIRST MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON MONDAY, THE 10TH AUGUST, 1970

The Public Accounts Committee met in Committee Room No. 405 in 'Q' Block, Ministry of Finance, Pakistan Secretariat, Islamabad, at 10.00 A. M. on 10th August, 1970.

Chairman

1. Nawab Muzaffar Ali Khan Qizilbash, Finance Minister.

Members

2. Syed Amjad Ali, *Ex*-Finance Minister.
3. Mr. M. A. Bary, *Ex*-Chairman, East Pakistan Public Service Commission.
4. Mr. Mumtaz Mirza, S. Pk., *Ex*-Secretary Finance.

Audit Representatives

5. Mr. A. I. Osmany, P. A. A. S., Comptroller and Auditor-General of Pakistan.
6. Mr. F. M. Aziz, T. Q. A., P. A. A. S., Deputy Comptroller and Auditor-General.
7. Mr. Riazul Hasan Qureshi, P. A. A. S., Director, Foreign and United Nations Audit.
8. Mr. N. A. Jafarey, P. A. A. S., Director of Commercial Audit.

Representatives of the Ministry of Finance

9. Mr. Ghulam Ishaq Khan, H. Q. A., S. Pk., C. S. P., Finance Secretary.
10. Mr. Nasim Ahmed Khan, S. Q. A., S. K., Joint Secretary (Budget).

Secretary of the Public Accounts Committee

11. Mr. Mohammad Riazuddin, P. A. A. S., Deputy Secretary (Budget), Ministry of Finance.

After the introductory remarks welcoming the members of the Committee, the Chairman invited the members to join him in placing on record their condolences on the demise of one of the members of the Committee, Mr. Justice Abdul Moudud, and Mr. S. M. Raza the former Comptroller and Auditor-General of Pakistan. He informed the Committee that action was being taken separately by the Government for the appointment of another member in place of late Mr. Justice Abdul Moudud.

Emphasizing the importance of the Public Accounts Committee, the Chairman said that it was one of the standing and most important Committees of the Assembly. He stated that the last Committee was dissolved on the declaration of Martial Law in March, 1969. The dissolution of the Committee had however, created a vaccum as in its absence the expert guidance which it was expected to give to the administrative Ministries/Divisions and the healthy influence that it was in a position to exercise in enforcing financial discipline was no longer available to Government. He expressed the opinion that this Committee was his closest ally in laying down and achieving the highest possible standards of financial morality. Government had not, therefore, waited for the regular legislative institutions to re-emerge, but proceeded ahead with the setting up of machinery in the form of *ad hoc* Committee for examining the Accounts and Audit Reports which had been finalized by the Comptroller and Auditor-General. He invited the attention of the Committee to its terms of reference and assured that the findings of the Committee which would be put up to the President would receive his full support and action would be initiated in due course to implement the various directives given by them.

The Chairman pointed out that besides the examination of the Accounts and Audit Reports for the years 1966-67 and 1967-68, the Committee was required to finalize the unfinished work relating to the examination of the accounts of the year 1965-66 which the previous Committee of the House could not complete. The draft Report submitted for consideration of this Committee had been drawn up on the basis of the available minutes of the meetings of the previous Committee. Referring to the Appropriation Accounts and Audit Reports for the years 1966-67 and 1967-68 the Chairman observed that he had come across a number of financial irregularities detected by Audit which needed to be investigated and set right by the Administrative Ministries concerned. Similarly there were a number of cases indicating large savings and excesses as compared to the voted grants and charged appropriations which indicated lack of financial discipline and control over expenditure. He added that he had also noticed a number of instances of lapse of funds which indicated not only a waste of effort but also unnecessary blocking of scarce resources which could have been otherwise put to use more advantageously.

The Minister hoped that during the course of their deliberations the Committee would suggest necessary measures for improvement in the general tenor of financial system and for instilling responsibility and judgement on the part of the administrative Ministries and Divisions. He further stated that the Secretaries of the administrative Ministries had already been advised to extend their full cooperation in the conduct of the Committee's proceedings and that, as in the past, the administrative secretaries would attend these meetings personally.

The Chairman then invited comments and suggestions, from the members of the Committee about the business of the Committee.

Syed Amjad Ali thanked the Chairman on behalf of the Committee for having invited them to this important Committee, the appointment of which was a healthy step in the right, direction in the absence of a regular Committee. Welcoming the new Comptroller and Auditor-General of Pakistan, Syed Amiad Ali expressed his deep appreciation for the excellent work done by him and his predecessor at the United Nations in their capacity as Chairman of the Board of Auditors.

After some general discussion, the Committee decided that it would try to finish the examination of the accounts according to the agenda in the next 10 days and that the meetings on each day would commence at 9.00 A. M. Regarding approval of the Draft Report, for the year 1965-66, it was generally felt the

Committee was not required to make any alterations in the proceedings of the last Committee. The Draft Report was based on the examination of those proceedings and, therefore, it could be approved by the Committee and transmitted to the President. The Comptroller and Auditor-General, however, said that he would like to study the Draft Report further and that, if he had any comments to offer thereon, he would place them before the Committee for their consideraction in subsequent meeting.

One of the members invited the attention of the Committee to para 4 of the Comptroller and Auditor-General's Report on the accounts for 1966-67 which also appears in the Report for 1967-68 and reads as follows :—

> "The cases of financial irregularities, defective administration, etc., brought to notice in the Report represent only a small percentage of the total financial transactions of the year. The comments on such cases must not be understood as conveying any general reflection on the administration of public expenditure."

The member pointed out that in his opinion this paragraph conveyed the sense that the financial control exercised by the administrative Ministries was very satisfactory and it did not require any further improvement whereas the position was just the contrary. This paragraph, therefore, should either be dropped altogether or reworded suitably. The Comptroller and Auditor-General explained that, as any direct expression on this would have been embarrassing for the Ministries and Divisions, it had been expressed euphemistically which could not be interpreted to mean that there was no further scope for improvement in this behalf. The member also drew attention to paragraph 5 of the Audit Report for the year 1967-68 which related to the reorganisation of the treasuries by setting up Pay and Account Offices in their place. He observed that, in the previous Report also, it was stated that the experiment was under study in West Pakistan and that it would be extended soon to various districts in East Pakistan. The member said that this was being repeated from year to year without any progress having been achieved towards implementation of the scheme. This, he considered, was not a happy state of affairs and desired that due and prompt attention should be paid in this respect.

The same member also expressed dis-satisfaction in regard to the non-reconciliation of accounts by the administrative Ministries despite the repeated reports of the Comptroller and Auditor-General to the Offices, as mentioned in paragraph 7 of the Audit Report. The Comptroller and Auditor-General informed the Committee that the A. G. P. R. had been sending reports about non-reconciliation of figures to the Heads of Departments and the Auditor-General himself had been sending reports about non-compliance of the audit objections to the Secretaries of the administrative Ministries but inspite of this the response in the matter was extremely poor. The member observed that in view of the unsatisfactory response from the administrative Ministries, it would be worth considering whether the matter should be brought to the notice of the Cabinet and to arrange for the setting up of a regular machinery through which a constant and continuous watch could be kept in the matter. The Deputy Comptroller and Auditor-General informed the Committee that six monthly reports of the audit observations remaining unreplied were being sent to the Ministries concerned.

The Committee agreed to the suggestions of the Comptroller and Auditor-General that, with a view to enabling the members to pay greater attention to the more serious financial irregularities brought out in the Audit Report, the

Committee would generally ignore the cases of minor excesses and savings under the various departments. They would also leave the minor irregularities to be settled by the administrative Ministries and Audit in the usual manner, without the direct intervention of the Committee. The Comptroller and Auditor-General added that he would place before the Committee only cases of serious irregularities which deserved their attention.

The Chairman said that it would not perhaps be possible for him to preside over the daily sessions of the Committee because of his pre-occupation and engagements. He requested Mr. Amjad Ali to preside over the meetings of the Committee in his absence. He, however, assured the Committee that he would always be available for advice and consultation as he would be sitting in the room next to the Committee room. Syed Amjad Ali thanked the Finance Minister for asking him to act as Chairman in his absence.

The Finance Minister then adjourned the meeting for the day to meet again at 9.00 A.M. on 11th August, 1970.

PROCEEDINGS OF THE SECOND MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON TUESDAY THE 11TH AUGUST, 1970.

The Public Accounts Committee met in Committee Room No. 405 in 'Q' Block, Ministry of Finance, Pakistan Secretariat, Islamabad at 9.00 A.M. on 11th August, 1970.

Members present

1. Syed Amjad Ali—(Chairman).
2. Mr. M. A. Bary.
3. Mr. Mumtaz Mirza, S. Pk.

Audit Representatives

4. Mr. A. I. Osmany, P.A.A.S., Comptroller and Auditor-General of Pakistan.
5. Mr. F. M. Aziz, T.Q.A., P.A.A.S., Deputy Comptroller and Auditor-General.
6. Mr. Riazul Hasan Qureshi, P.A.A.S., Director, Foreign and United Nations Audit.
7. Mr. Maqsood Ahmed Choudhury, P.A.A.S., Comptroller, Posts, Telegraph and Telephones.

Departmental Representatives

8. Mr. Ali Hasan, S.Q.A., T. Pk., CSP, Secretary, Ministry of Communications.
9. Mr. M. A. Alvie, P.F.S., Additional Foreign Secretary.
10. Mr. Birjis Hassan Khan, P.F.S., Director-General, Foreign Affairs.
11. Dr. Ashraffuzzaman, PC&ES, Joint Secretary, President Secretariat (Public).
12. Lt. Col. Nur Alam Lodhi, O.S.D., President Secretariat (Personal).

Secretary Public Accounts Committee

13. Mr. Mohammad Riazuddin, P.A.A.S., Deputy Secretary (Budget), Ministry of Finance.

In the absence of the Chairman, Syed Amjad Ali presided over the session.

The Committee took up the consideration of the Draft Report on the Accounts for the year 1965-66 examined by the previous Public Accounts Committee and there being no comments from the Comptroller and Auditor-General, adopted it formally.

The Committee then proceeded with the examination of the Grants controlled by the Ministry of Communications including Pakistan Post Office and Pakistan Telegraph and Telephone Departments.

APPROPRIATION ACCOUNTS (CIVIL)—1966-67 (Page 104)

Grant No. 19—*Ministry of Communications.*—The Committee noted that in other than new expenditure there was an excess of Rs. 1,07,354 over the final Grant of Rs. 22,64,000 which was required to be explained. The departmental representative pointed out that this particular item related to the Director General of Ports and Shipping which was a part of the Ministry of Communications during the year under review, but whose control was transferred to the Ministry of Defence subsequently and, therefore, the explanation in respect of this item could only be furnished by the Ministry of Defence. The Committee agreed to the suggestion and decided that discussion on this item be deferred and taken up subsequently when the representative of Ministry of Defence would be present. The Departmental representative was asked to explain for the surrender of Rs. 2,726 under this grant in the absence of any saving. In reply he said the matter was being looked into and Audit would be apprised of the position as early as possible.

GRANT No. 105.—CAPITAL OUTLAY ON PORTS AND COMMUNICATIONS

Page 434—*Sub-head E. 2—Other Roads.*—There was a saving of Rs. 4,30,42,552 under this sub-head. Explaining the position, the departmental representative said that it was not possible on his part to furnish full explanation for the saving as the work was being executed by another agency. On enquiry by the Audit representative it was learnt that the Accounts Officer of the executing agency concerned had not communicated the figures of actuals till the close of the year and therefore, savings could not be surrendered. Thereupon the Committee observed that there seemed to be a lack of co-ordination between the Audit Offices and various executing agencies. The Comptroller and Auditor-General observed that almost every Ministry appeared to be guilty of this charge which was applicable not only to cases of accounting adjustments but also to audit observations in general which were not promptly attended to by the Ministries and Divisions despite constant pursuance on the part of Audit. One member of the Committee suggested that such cases should be brought to the notice of the Finance Minister who could in turn place them before the Cabinet. The Committee finally directed that some procedure should be evolved in order to over-come the genuine difficulties encountered by Audit Offices and the executive agencies.

Grant No. 47—*Miscellaneous Capital Investment* (*Page*—205).—The Chairman wanted to know the position about the recovery of the amount outstanding against the Karachi Road Transport Corporation. The Department representative stated that up to 1967-68 a sum of Rs. 1,96,44,700 had been recovered and a sum of Rs. 45,68,000 approximately plus accrued interest remained to be recovered from M|s. Commerce Bank who were the guarantors of the KRTC. Further progress of recovery was required to be reported.

Grant No. 103—*Capital Outlay on Post Office Department.*—Under this grant there was an excess of Rs. 3.38 lakhs of which Rs. 1.65 lakhs was stated to have been due to incurring of expenditure by the PWD without obtaining proper allotment. One of the members wanted to know as to how Pak. P.W.D. incurred an expenditure of Rs. 1.65 lakhs without obtaining proper allotment at the fag end of the year. The Departmental representative explained that in accordance with the general rules variations up to 10% were allowed and the work could be executed without going back for revaluation of the project. The explanation was acepted.

Grant No. 20—Pakistan Post Office Department of 1966-67.—The Chairman pointed out that under the charged section of this Grant (Rs. 24,45,000) there was an excess (Rs. 2,08,863) of 8.55%. The Departmental representative explained that expenditure on interest payment was affected by a number of factors. If the profit of the Post Office Department was less, they had to pay more interest to the general revenues. If there was a little excess in the capital at charge, then interest also went up. The Committee was satisfied with the explanation.

Para 5 (*Page*—22) *of the Appropriation Accounts for* 1966-67 *in respect of Post Office Department.*—Attention of the Committee was drawn to the excesses and savings during the three years (1964-65, 1965-66 and 1966-67). The Departmental representative explained that the expenditure was spread over 14,000 Post Offices and some variations at the time of consolidation of expenditure were likely to occur. The Committee also noted that the profit of the Post Office Department was less than what was estimated during those years. The Departmental representative explained the estimated revenues fell because of the War in 1965 as their services to India had been suspended. Again their international traffic also failed to recover. On an enquiry from a member whether there would ever be a time when the Post Office Department would be self sufficient, the Departmental representative informed the Committee that during the current year (1970-71) the Post Office Department would have a profit. He stated that during the year 1967-68 the deficit was of the order of Rs. 20.60 lakhs only. He also explained that the Post Office Department was not able to produce a surplus because the postal rates were fixed and the expenditure for providing postal services had been increasing. He stated that the position of the Pakistan Post Office Department was much better as compared to other foreign countries like America, where they had a deficit of one million dollar.

Para 1(*a*) *Chapter III* (*Page*—26) *of the Appropriation Accounts for* 1966-67 *Losses Defalcations of Public Moneys in Post Office Department.*—Explaining the number of cases of loss|defalcation of public money in Post Office Department, the Departmental representative stated that the number of loss cases in Post Office Department should be considered rather nofmal in view of wide spread offices of the department extending over far-flung areas. The Comptroller and Auditor General stated that the number of loss cases had decreased as compared with previous years and therefore there was little cause for worry on this account. A member drew the attention of the representative of the Pakistan Post Office Department to the lack of efficiency in the delivery of book packets from foreign countries. The Departmental representative explained that his department had been giving services which were much beyond what they were getting. He stated that in fact the agency of foreign publishers in Pakistan sent less books themselves and efforts of the Post Office Department to obtain lists of subscribers to ensure correct delivery to those subscribers did not bring any result because the agencies declined to supply the lists.

Para 1(*d*) (*Page*—27)—*Money Orders and Miscellaneous Frauds.*—The Committee noted that both the number and amounts involved in the fraud cases were on the decline.

Para 3 (*Page*—28)—*Misappropriation of Government Money.*—A sub-Post Master misappropriated a sum of Rs. 12,094 by showing short credits for money order collections during 1966. The Departmental representative said that the Police had completed their investigation and sanction for the prosecution of the accused Sub-Post-Master had been issued by the Government. He further remarked that the Special Police Establishment usually took a very long time to settle the cases of mis-appropriations in the Post Offices. He suggested that the Post Office cases should be taken out of the hand of the Special Police and entrusted to the Provincial Police, as was recommended in Fida Hassan Report. The Committee agreed to the suggestion and directed that Government should be moved to make the necessary arrangement with the Provincial Governments.

MINISTRY OF COMMUNICATIONS (PAKISTAN POST OFFICE DEPARTMENT)

Appropriation Accounts for 1967-68 (*Para* 2 (*a*) *and* (*b*) *on page*—20 *Expenditure in Excess of Grants/Appropriations*.—An expenditure of Rs. 10,65,80,575 was incurred against the final provision of Rs. 10,39,02,000 under Grant No. 22 resulting in an excess of Rs. 26,78,575. While explaining the excess the Departmental representative stated that it was due mainly to (i) the increase in pensionary charges resulting from more retirements than anticipated and (ii) extensive repairs to assets necessitated by heavy rains and breaches in Hyderabad Division and Cyclones in East Pakistan. On an enquiry by one of the members the Departmental representative explained that in 1968 the Government decided that the age of retirement would be 55 years instead of 60 years' so, many people retired in 1968 and had to be paid both gratuities and pension. The explanation was accepted by the Committee.

Para 1 (*d*) *Page*—25 *Appropriation Accounts* 1967-68 ***Money Orders and*** *Miscellaneous Frauds*.—Following miscellaneous cases of frauds and losses were stated to be under investigation :—

Year	No. of cases	Amount
		Rs
1963-64	24	45,135
1964-65	24	40,281
1965 66	31	2,02,175
1966-67	13	24,567
1967-68	17	1,04,051

One of the members wanted to know whether the investigation was being done departmentally or through police. The departmental representative replied that so far as the criminal side was concerned, these investigations were being conducted by the police but the contributory negligence cases were being conducted by the department. One of the members remarked that most of such losses of revenue of the Government could be recovered by instituting departmental proceedings. The Departmental representative replied that whatever departmental action was possible they took it. Some time the recovery was made from the pay of the culprit and in certain cases, he was reduced in rank by one stage by way of punishment. The departmental representative further suggested that whatever amount could be recovered by various methods, it should be recovered and the rest of the amount should be writen off without waiting for the complete realization of the recoverable amount which was effected in instalments over a long period. The Committee directed that such a proposal should come from the department of Post Office and should be considered on the basis of individual merit.

Para 3 (*i*) *Page* 26—*Infructuous expenditure of Rs.* 7,215 *on printing the commemorative stamps.*—Six Lakh Nazarul Islam commemorative stamps were got printed from the Pakistan Security Printing Press costing the department an expenditure of Rs. 7,215 but due to a typographical error regarding the age of the poet, the same could not be sold. The Departmental representative explained that this was due to the negligence on the part of the typist which was not detected even by higher officers and hence no particular person could be held responsible. The explanation was accepted by the Committee.

Para 3 (*ii*) *Page* 26 *Loss of a letter ensured for Rs.* 5,000.—A letter ensured for Rs. 5,000 did not reach the receiving Post Office. The Departmental representative stated that as a result of departmental investigation Rs. 3,042 were recovered from the departmental officials and that the recovery of the remaining amount of Rs. 1,958 was also under examination by the department. He informed the Committee that the case was also under Police investigation. The Committee decided to await the results of the Police invesigations.

MINISTRY OF COMMUNICATIONS (PAKISTAN TELEGRAPH AND TELEPHONE DEPARTMENT)

Appropriation Accounts and Audit Report for the year 1966-67.—On an enquiry by one of the members the Departmental representative stated that Government had set up a Committee to consider and suggest improvements in the telephone system and that a working group had been appointed to make similar study in respect of the Telegraph system.

Para 2 (*i*) *Page* 30—*Defalcations/Losses of Money in the Telegraph and Telephone Departments.*—A clerk incorporated bogus entries in the record of telephone revenue collection resulting in mis-appropriation of a sum of Rs. 9,278. The Departmental representative explained that a part of the amount had been recovered and the culprit had been handed over to the Police. The Committee directed that the position of the case might be reported to the Committee in their next meeting.

Para 2 (*vi*) *Page* 31—*Payment of compensation to the occupants of* 22 *Government quarters.*—An expenditure of Rs. 22,400 was incurred by the Department on payment of compensation to 22 occupants of government quarters which were to be vacated by them. The Departmental representative explained that some people had to be shifted from one place to other place and they wanted alternate accommodation. Some of them had made additions and alterations in the quarters and they refused to move out unless and until some compensation was paid to them. This created a law and order situation and the payment had to be made. The Committee agreed that in such a contingency *ex-gratia* payment was admissible.

MINISTRY OF COMMUNICATIONS (PAKISTAN TELEGRAPH AND TELEPHONE DEPARTMENT)

Appropriation Accounts for the year 1967-68 *Paras* 7—12 *Page* 32—*Financial Results of Pakistan Telegraph and Telephone Department.*—While comparing the expenditure on Telegraph and Telephone services for the years 1965-66, 1966-67 and 1967-68, the Comptroller and Auditor-General observed that the telephone expenditure was going up while that of telegraph was going down as shown below :—

(Rupees in thousand)

	Telegraph	Telephone
1965-66	6,66,36	6,03,89
1966-67	4,75,64	8,71,77
1967-68	4,78,59	10,91,07

The Departmental representative replied that telephone circuits also served as telegraph circuits and therefore less expenditure was being incurred on the Telegraph side.

Para 1. *Page* 27—*Defalcation or losses of Public Money, losses due to theft of underground cable and copper wire* (*Rs.* 53,984).—The Departmental representative remarked that situation with regard to the theft of copper wire was worsening so much so that it was effecting the efficiency of Department. He informed the Committee that now they were using copper coated steel wire instead of copper wire. The Departmental representative also stated that in order to discourage theft of copper wire they had proposed an amendment in the Telegraph and Telephone Act to make the possession of Telegraph and Telephone type of copper wire an offence but their proposal was not considered practicable by the Law Division. One of the members suggested to have a punch mark to the copper wire so that it could be readily recognised. The Departmental representative said that the punch mark could be easily removed by the thief. In the circumstances the Committee decided to drop the audit observation.

Para 2 (*i*) *Page* 28—*Irregular payment of bills for Repairs of Vehicle* (*Rs.* 38,615).—In an Engineering Division certain bills on account of purchase of petrol and repairs of vehicles were paid to the parties concerned direct by the Divisional Engineer without being checked by Divisional Accountant. The Departmental representative explained the facts of the case which did not satisfy Audit representatives. The Committee accordingly directed that the case should be further investigated and re-submitted in the next session.

Para 2 (*ii*) *Page* 29—*Excess expenditure in manufacturing cabinets Rs.* 17.403.—In a Telegraph Workshop 18 cabinets were manufactured at a cost of Rs. 23,343 *i.e.* at Rs. 1,297 per cabinet instead of Rs. 330, as originally planned. The Departmental representative explained that this work was undertaken for the first time at a Dacca Workshop which did not have necessary tools and other things with which to do the work and therefore the expenditure had increased. As the Departmental representative could not give a detailed item-wise analysis of the original estimates and the actual expenditure the Committee decided to examine the matter in its next meeting.

Para 2 (*iii*) *Page* 29—*Outstanding claims against various newspapers and news agencies* (*Rs.* 2,12,574).—A sum of Rs. 2,12,574 in respect of press bills up to March, 1968 was outstanding on 30th September, 1968. Out of this an amount of Rs. 53,303 was outstanding against newspapers and news agencies which had discontinued the press telegrams without pre-payment. The remaining amount pertained to the press bills for the period of June, 1957 to March, 1968, against newspapers and news agencies, which still had the facility of booking telegrams without pre-payment although they had failed to pay outstanding dues under the rules. The Telegraph Office was required to recover the amount of press bills within a week, failing which the concession of sending un-prepaid telegram was required to be withdrawn immediately. Since the Department had not followed the rules, it had been deprived of the revenue to the extent of Rs. 2,12,574 and the defaulters still continued to enjoy the concession. The Departmental representative explained that the present arrears were Rs. 1,19,000 and also promised to recover the outstanding amounts. The Committee directed the department to report further progress of recovery in the next meeting of the Public Accounts Committee.

Para 2 (*iv*) *Page* 29—*Non-maintenance of proper account of replaced stores* (*Rs.* 50,545).—An engineering Division had obtained stores worth Rs. 50,545 during the year 1966-67 for the maintenance of telegraph lines and wires and utilised the stores for that purpose. Under the rules the replaced stores from the telegraph lines should have been taken on the register of unserviceable stores for ultimate disposal and credit of sale proceeds to Government account. But this was not done. The Departmental representative informed the Committee that the wires to be replaced were stolen and therefore the accounts of the replaced stores could not be maintained. The Committee was satisfied with the explanation.

Para 2 (*v*) *Page* 30—*Extravagant expenditure on muster-roll coolies* (*Rs.* 86,400).—90 coolies were engaged on daily wages for dusting 3-switch rooms in a telephone house on a monthly average expenditure of Rs. 7,200. The switch rooms were air-conditioned with all possible arrangements to keep them dust free. Therefore this expenditure was unnecessary. This was pointed out to the department. They replied that out of 3-switch rooms, only one was air-conditioned and the air-conditioner was out of order whereas the remaining two were not air-conditioned. The Departmental representative also stated that the building was situated near Railway Station and therefore dust and soot from passing Railway Engines went into the rooms. He, however, submitted that they had already issued instructions to all concerned to stop the practice of employing coolies on daily wages and, where justified, to submit proposals for employment of regular staff. The Committee accepted the explanation.

Para 2(*vi*) *Page* 30—*Financial Aid to Contractor.*—An agreement was entered into with a clearing Agent in February, 1967 for a period of one year from 1st February, 1967, for the clearance and delivery of stores to various Telegraphs Stores Depots and Telegraphs and Telephones Offices. The Commission of the clearing Agent for both clearance and delivery was fixed at the rate of Rs. 11 per ton (Gross) during the currency of the contract. A fresh agreement was entered into with the same clearing Agent for a period of one year from 1st July, 1967. Under the terms of the second agreement, the Agent was entitled to charge commission per shipping ton of the consignments cleared and delivered.

Under clause 2 (b) of the contract, the clearing Agent was responsible for arrangements of Wagons, etc., at his initiative and cost but was paid a sum of Rs. 12,038 on account of demurrage charges. Audit objected to this and it was reported that a copy of Audit observation had been furnished to the officer, who had made the agreement and despite the reminders, his reply was still awaited. Audit raised objection also against the second contract for which no fresh tender was invited as required by the Rules. Audit also pointed out that the change in the mode of payment had involved excess payment between Rs. 15,000 and Rs. 20,000 per year and the same fact had been communicated to the department by the accounts officers concerned but no consideration was given to the observation. The clearing Agent was also paid a sum of Rs. 3,567 as difference of commission on shipping ton basis and gross ton basis for stores cleared from 1st February, 1968 to 30th June, 1968, which was irregular.

The departmental representative explained that the original contract was for the period February, 1967 to June, 1968 and at the instance of the Director of stores, it was changed from July, 1967 to June, 1968 in order to synchronise the period of contract with the financial year. The original contract also contained the provision for its extension and so no fresh tenders were required to be invited. Regarding the excess expenditure of Rs. 15,000—Rs. 20,000, he pointed out that according to the previous contract, the payment was to be made for shipping ton in case of light and bulky cases and on gross weight basis for heavy stores and dead weight. This was, however, not clearly spelt out in the agreement. The new agreement merely clarified the position and later on the Accounts Officer of the department who had made the original calculation of hypothetical increase in cost agreed that no such increase in cost was involved. He, further, explained that the demurrage became payable to the contractor as a result of non-availability of wagons as certified by the jetty authorities. So the contractor was not responsible under the terms of contract to bear the demurrage incurred due to the cost beyond his control. The Committee was not satisfied with the explanation and decided to examine the matter further in its next meeting.

PRESIDENT'S SECRETARIAT (PUBLIC)

APPROPRIATION ACCOUNTS FOR THE YEAR 1966-67

Staff, Household and Allowances of the President for 1966-67.—It was brought to the notice of the Committee that the expenditure on the salary and allowances of the President was to be regulated in terms of the limits laid down in the President's (Allowances and Privileges) Order, 1962, and if the actual expenditure exceeded those limits, the excess was required to be got regularized by the President. It was pointed out that these limits were exceeded at the very outset when the original budget provision was made. It implied that the additional expenditure was provided in anticipation of the approval of the President. The Committee observed that budget provision should have been kept within the limits and the Ministry of Finance should not have allowed the budget provision to exceed the limits. This should be sorted out with the Ministry of Finance for future.

MINISTRY OF FOREIGN AFFAIRS

APPROPRIATION ACCOUNTS—1966-67 (PAGES 225—227)

Grant No. 53.—Other Expenditure of Ministry of Foreign Affairs.—The Committee took up the examination of Appropriation Accounts for the year 1966-67 relating to the Ministry of Foreign Affairs. It was generally observed that there were large veriations under different sub-heads pertaining to the actuals as booked by the Audit Office and the Ministry which could be attributed to non-reconciliation of figures. On a question being raised by one of the members as to what was the system of reconciliation, it was explained by the Audit representative that figures as initially booked in the Audit department were supplied to the Departmental officers concerned for the purpose of reconciliation. Explaining the point further the Audit representative said that the departments were usually not very keen about reconciliation although every possible help was being extended in the matter by the Audit Department. In certain Audit Offices special Cells were formed so that reconciliation of figures could be carried out on a regular monthly basis. The Comptroller and Auditor General while discussing the issue pointed out that a revised procedure for reconciliation was being introduced in the Ministry of Foreign Affairs and suggested that the Committee should wait and see the results. In case the revised system was also found unsatisfactory the matter would be brought to the notice of the Public Accounts Committee, for consideration and advice, in its next meeting when the accounts for 1968-69 are examined.

As far as the reconciliation pertaining to the Foreign Missions was concerned it was pointed out by the Audit representative that during the course of annual inspection of their accounts these things were invariably brought to the notice of the Ministry of Foreign Affairs.

While discussing the issue of reconciliation in general between audit figures and departmental figures, the Comptroller and Auditor-General pointed out that the problem would be solved altogether with the introduction of the scheme relating to departmentalisation of the accounts. In his opinion the Ministries and Divisions did not seem to be willing to accept the responsibility. The Departmental representative said that he would be willing to accept the proposal and put it into practice as early as could be possible. The Auditor General thereupon pointed out that as far back as 1967 a similar proposal was made to the then Foreign Secretary who refused to accept it saying that for the time being it should be under the aegis of the Auditor General. The Public Accounts Committee directed that the findings of the Committee set up for the purpose of departmentalization of accounts should be reported to it in its next

Para 76 of Audit Report for 1966-67 Excess drawal of pay and allowances amounting to Rs. 32,375 by a non-career Diplomat.—According to the terms of his appointment and the relevant rules a non-career diplomat is entitled to leave salary at the rate of 30 days for each year of service subject to a maximum accumulation of 90 days leave. On January, 1965 Ministry of Foreign Affairs sanctioned him leave for 60 days when he had 66 days leave on his credit. Leave salary was accordingly authorised by the Audit office. However his leave was extended by the Ministry for a further period of 72 days from 28th March, 1965 without obtaining certificate of entitlement of leave from Audit, and the officer drew the leave salary for the extended period of leave which was contrary to the rules. The overdrawal of leave salary and Foreign

Allowance amounting to Rs. 13,467 was pointed out to the Ministry, but no refund was made. Audit also objected to the grant of free passage for the diplomat and his family from the place of his posting to Pakistan and back, since this was contrary to the terms of his appointment. This involved an irregular payment of Rs. 17,407 which was to be accounted for. The Officer further drew Accreditation Allowance amounting to Rs. 1,219 to which he was not entitled for the said period of leave and Rs. 282 for the period from 31st May to 31st July, 1965, during which he ceased to be accredited to the country in respect of which it was claimed. The allowance too was drawn without any authority from Audit.

The Departmental representative explained that out of Rs. 13,467 held under objection on account of over-payment of leave salary and Foreign Allowance for 66 days sanction regularising payment for the period of 52 days had already been issued. The diplomat had refunded a sum of Rs. 12,469.56 on this accounts and also refunded a sum of Rs. 1,500.84 objected by the Audit as having been over-paid on account of Accreditation Allowance.

Regarding over-payment of Rs. 17,407 on account of passage for the *ex*-ambassador and his family, the Departmental representative said that the case had been recommended to the Director, Foreign and United Nations Audit, Lahore, for settlement as Ministry of Foreign Affairs was of the view that according to the circular issued on March, 1963 non-career heads of Missions were also entitled to avail of home passage at Government expenses. In the meantime the amount had been withheld from the pension|gratuity of the *ex*-ambassador. He further explained that action to finally recover this amount or to release it would be taken after the decision on the issue had been arrived at in consultation with Audit and the Ministry of Finance if necessary.

The Committee directed that further progress of the case should be reported.

Para 77 (*Page* 63) *of the Audit Report* 1966-67 *Excess payment of* Rs. 2,199 *on nursing charges to an Officer and its non-recovery.*—Under the rules re-imbursement of special nursing charges is not admissible to a foreign service officer not belonging to the former Secretary of State's Service. However, an amount of Rs. 2,199 was re-imbursed to an Officer of Pakistan Mission in September, 1963 on account of special nursing charges. Audit pointed out that there was a need for taking disciplinary action for infringement of rules and for delay in effecting the recovery. The Departmental representative explained that the officer had represented for waiving of the recovery on the ground that special nursing charges had been foisted upon him by the Hospital authorities. Before the recovery could be effected from the officer, the Departmental representative stated that they were making out a general case for relaxation of rules regarding special nursing charges which would be taken up with the Health Division.

The Committee directed that the matter should be reported back.

Para 78 (*Page* 63) *of the Audit Report* 1966-67 *Non-recovery of cost of utility services amounting to Rs.* 2,455 *from the Head of a Mission.*—Under the rules the Heads of Missions are required to pay 50% of the charges for utility services in respect of residential accommodation provided to them. It was noticed that recovery amounting to Rs. 2,455 on account of such charges were not effected from the head of a Mission for the entire period of his tenure in a country. The Departmental representative explained that officer from whom the recovery was due, was no longer in Government service and that they had continuously been writing to him for the refund of the outstanding amount but he failed to do so. The Committee observed that the matter should be pursued and the progress reported next time.

Para 79 (*Page* 63) *of Audit Report* 1966-67 *Irregular expenditure on the passage of domestic servants of a head of a Mission.*—After a general discussion on the main points involved the Departmental representative informed the Committee that the para has since settled by Audit. The position was accepted by the Committee.

Para 80 (*Page* 63) *of Audit Report* 1966-67 *Irregular purchase of furniture and equipment for Commercial Section.*—In December, 1964 Government decided to open a Commercial Section in an Embassy and the posts of Commercial Secretary and ancillary non-gazetted staff were consequently sanctioned for the purpose. However, no officer or staff were posted against the sanctioned posts till the end of financial year 1964-65 with the result that the sanction lapsed and it was not renewed in the subsequent year. Nevertheless, some purchase of furniture and equipment was sanctioned at a cost of Rs. 20,000 just at the close of the financial year. Against this sanction a carpet was purchased on 25th June, 1965 and cheque for Rs. 18,360 was issued on 30th June, 1965 to supplier as advance for the purchase of furniture and equipment. The contractor failed to make the necessary supplies. On the contrary, purchases were made from other suppliers, and more furniture was received during the period from October, 1965 to 28th February, 1966. Audit observed that the drawal of cheque for Rs. 18,360 on 30th June, 1965 just to prevent lapse of budget grant was irregular. It also objected to the incurring of expenditure in foreign exchange on the purchase of furniture and equipment for Commercial Section, which was opened almost two years after the purchase was made and thus the expenditure could have been avoided.

The discussion on the points involved remained incomplete and the Committee before adjourning for the day decided to resume it in the next session.

PROCEEDINGS OF THE THIRD MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 12TH AUGUST, 1970.

The Public Accounts Committee met in Committee Room No. 405 in 'Q' Block, Ministry of Finance, Pakistan Secretariat, Islamabad at 9.00 A.M. on 12th August, 1970.

Members present

1. Syed Amjad Ali—(Chairman).
2. Mr. M. A. Bary.

Audit Representatives

3. Mr. A. I. Osmany, P. A. A. S., Comptroller and Auditor-General of Pakistan.
4. Mr. F. M. Aziz, T. Q. A., P. A. A. S., Deputy Comptroller and Auditor-General.
5. Mr. Riazul Hasan Qureshi, P. A. A. S., Director, Foreign and United Nations Audit.

Departmental Representatives

6. Mr. Q. Islam, S. Pk., S.Q.A., C.S.P., Secretary, Planning Division.
7. Mr. M. A. Alvie, P. F. S., Additional Foreign Secretary.
8. Mr. Birjis Hassan Khan, P. F. S., Director-General, Foreign Affairs.
9. Mr. M. H. Sufi, S. Pk., C.S.P., Secretary, Cabinet Division.
10. Major-General Bashir Ahmed, Chairman, C. D. A.

Secretary Public Accounts Committee

11. Mr. Mohammad Riazuddin, P.A.A.S., Deputy Secretary (Budget), Ministry of Finance.

The Committee resumed examination of the Accounts of the Ministry of Foreign Affairs for the year 1966-67 which could not be concluded on the previous day. The matter under consideration was the irregular purchase of furniture in a Mission during 1964-65 mentioned in para 80 pages 63-64 of the Audit Report for 1966-67.

The Chairman observed that it was irregular to have drawn funds on the last day of the financial year 1964-65 and to have used the money for purchase of furniture in a piece-meal manner in 1965-66 and even after. The Departmental representative stated that the expenditure was incurred on behalf of the Ministry of Commerce and the purchase was made in anticipation of the appointment of the Commercial Secretary and therefore, it was not unusual. The Committee did not accept this explanation and observed that since the expenditure was incurred by an officer of the Ministry of Foreign Affairs, that Ministry was responsible for the irregularity. The Committee suggested that disciplinary action should be taken against the Officer responsible.

APPROPRIATION ACCOUNTS (CIVIL), 1967-68

Grant No. 52—*Ministry of Foreign Affairs* (*Pages* 221 *to* 222).—Attention of the Committee was drawn to the excess expenditure of Rs. 1,55,334, under the sub-head "A—3.-Allowances and honoraria". This excess was explained by the Departmental representative to have arisen due to wrong booking of expenditure and certain belated adjustments. The Committee observed that it was the responsibility of the Ministry to keep track of the outstanding liabilities and funds should have been accordingly arranged to cover the excess expenditure.

Audit Report 1967-68 (*Paras* 76—81)

The Committee was informed that paragraphs 76, 80, 81 were settled.

Para 77 (*Page* 59) *Recovery of overdrawal.*—The Departmental representative explained that the excess payment of Rs. 3,041 was received by the officer in good faith and that they were exploring the possibility of effecting recovery, the result of which would be reported in to the next meeting of the Public Accounts Committee examining the accounts for 1968-69.

Para 78 (*Page* 59) *Irregular grant of home passage to the wife of an Ambassador.*—The Departmental representative explained that in one of their letters they had informed the Ambassador that home passage to his wife could not be given unless he had applied for leave and the same had been refused to him, but later on it was found that he had already applied for leave which was refused and accordingly home passage to his wife was sanctioned. Therefore they had granted home passage in this case. The Committee accepted the explanation.

Para 79 (*Page* 60) *Overpayment of expenses on the transportation of personal effects on transfer.*—The Departmental representative explained that they had paid transportation charges on the basis of volume of luggage the limit of which was 900 cft. as agreed by the Ministry of Finance. Audit had worked out the limit on the basis of weight of luggage. He further stated that the difference of opinion between the Ministry of Foreign Affairs and Audit over the issue had been referred to the Ministry of Finance for clarification, the result of which would be reported to the Committee.

APPROPRIATION ACCOUNTS (CIVIL), 1966-67 (Pages 373—375) PLANNING DIVISION

Grant No. 87.—The Departmental representative at the very outset drew the attention of the Committee to the fact that the Planning Commission did not only function as a normal Secretariat, but had in addition taken over certain responsibilities which were not normal responsibilities of the Division such as the Harvard Advisory Group working in the Division, the R. C. D. and IPECC and U. N. project. He stated that because of the very nature of this function it was difficult to exercise any affective control over their expenditure. Keeping these items aside there were no excesses and savings in the grant of the Planning Division.

The Comptroller and Auditor-General pointed out that substantial amounts were surrendered under various other sub-heads of the Planning Division also and, therefore, it was not correct to say that their budgeting had been very judicious. The Departmental representative explained that the savings effected under the Demand of Planning Division were in response to a request to reduce the expenditure and therefore certain posts which were to be filled were left vacant. The Departmental representative also pointed out that under this Grant (Sub-Head A-3) there was a difference of Rs. 48,030 and that with great difficulty they were able to get a sum of Rs. 27,549 adjusted but a discrepancy of Rs. 20,481 could not be re-conciled. The Committee directed that reconciliation for the remaining amount should also be carried out by consulting the records of the Audit Office.

Grant No. 122 (*Page* 473)—*Development expenditure of Planning Division.*—Under this grant a sum of Rs. 2,08,580 only was utilized against the original budget provision of Rs. 34,40,000 and the final grant of Rs. 6,01,800. The Departmental representative explained the reason for non-utilization of funds as being due to non-arrival of foreign experts and non-recruitment of Pakistani counterparts for the project sponsored by the U. N. Industrial Development Organisation. He further stated that the amount was not wholly surrendered because of an element of uncertainty about it. The Chairman agreed with the Departmental representative and accepted the explanation.

APPROPRIATION ACCOUNTS (CIVIL), 1966-67 (Page 76) GRANT No. 12 CABINET DIVISION A. 5. ESTABLISHMENT

Charges credited to Other Government Departments.—On being called upon by the Chairman to explain the excess of Rs. 11,911 under this sub-head the Departmental representative stated that this was due to certain inevitable expenditure incurred by a foreign Mission abroad. The Departmental representative further stated that as the statement of actual expenditure for the entire year were received after the close of the financial year *i.e.,* 9th August, 1967 through the Ministry of Foreign Affairs, the Cabinet Division could not foresee the actual requirement of the Mission.

AUDIT REPORT 1966-67 CABINET DIVISION (C. D. A.)

Para 38 (*Page* 51)—*Overpayment of Rs.* 28,138 *to a contractor.*—The Chairman observed that out of 28,138 a sum of Rs. 20,229 had since been recovered and the balance of Rs. 7,909 still remained outstanding against the contractor. The Departmental representative submitted that the progress of recovery of the balance would be reported to the Committee.

Para 39 (*Page* 51) *Overpayment of Rs.* 12,500 *due to defective paint.*—The loss was written off by the Board of C. D. A. and the para was treated as settled.

Para 40 (*Page* 52) *Overpayment of Rs.* 10,815 *on account of payment of higher rates.*—A contractor provided 20 connections with W.C. with sockets at the rate of Rs. 25 each and 721 connections with 2 in. locks at the rate of Rs. 10 each. All the connections provided with sockets or with 2 in. locks were paid for at the rate of Rs. 25 each, resulting in a overpayment of Rs. 10,815. The matter was brought to the notice of the authority in March, 1965.

The Departmental representative explained that the rate of Rs. 10 for anti-sypher connectors which was provided in the agreement could be applicable only if "Shanks" type W. Cs. had been used. With the chance of W. Cs. from shanks type to "Doulton" type, the contractor was paid Rs. 25 per connection for a specific type of work for which rate existed in the agreement. This rate has to be paid because the "Doulton" type W. Cs. could not be fixed with anti-sypher connectors provided in the agreement. As the change was duly approved by the competent authority before its implementation in consideration of overall economy and was supported by the revised detailed estimates technically sanctioned by the competent authority, there was no overpayment involved. The Committee was satisfied with the explanation.

Para 41 (*Page* 52) *Excess payment of Rs.* 9,000 *to a contractor.*—The excess payment resulting from incomplete entries in the Measurement Book on account of excavation work was said to be under enquiry by the department. The Committee directed that further progress should be reported in due course.

Para 42 (*Page* 52) *Undue payment of Rs.* 98,536 *to a contractor.*—The Departmental representative submitted that there was a difference of opinion regarding interpretation of the agreement between the authority and the contractor. Audit however seemed to hold a different view in the matter. The Committee observed that the matter should be referred to the Ministry of Law and the result reported to the Committee.

Para 43 (*Page* 53) *Excess payment of Rs.* 24,398.—The notice inviting tenderers for a work of construction of roads contained a clear provision that the tender rates would be inclusive of all lifts and leads. In spite of this, payment of Rs. 24,398 was made to the contractors by allowing lifts and leads. The reply of the Division was that the contractors give their rates for additional lifts and leads in the Schedule of Quantities attached to the Agreement and that the payment was, therefore, correct. Audit pointed out that the reply was not acceptable since clause (3) of the additional conditions of the contract provided that the tender rates were inclusive of all lifts and leads and hence the payment was irregular and needed to be recovered. The Departmental representative was advised to approach the Ministry of Law for interpretation.

Para 44 (*Page* 53) *Fraudulent overpayment of Rs.* 12,000 *to a contractor.*—The Departmental representative explained that recovery in the case had been effected and disciplinary action also taken and therefore it should be treated as closed. The Committee accepted that position.

Para 45 (*Page* 43) *Undue payment of Rs.* 13,048.—C.D.A. made a payment of Rs. 13,048 for providing Chimeny Stocks in 'E' type quarters on the plea that payment for this item did not amount to a deviation from the original contract. Audit, however, did not agree to the position brought out by the Departmental representative and suggested that either the amount should be recovered or disciplinary action initiated against the officials concerned. The Departmental representative further explained that when these quarters, were constructed the intention was that gas would be used for heating and cooling. But gas could not be supplied with the result that they had to make arrangements for wood burning which was not in the agreement and thus extra amount was paid to the contractor. The Committee accepted the explanation.

Para 46 (*Page* 53) *Infructuous expenditure of Rs.* 21,047 *on account of defective alignment of pipe lines and subsequent changes therein.*—As pointed out by Audit, the Departmental representative promised to obtain specific sanction of the Board to regularize the infructuous expenditure and if necessary to fix responsibility for the loss after due investigation.

Para 47 (*Page* 54) *Undue payment of Rs.* 22,920 *to a contractor for using crushed stone in place of well graded screened bajri in an R.C.C. work.*—The Departmental representative explained that crushed stone was used for bajri on the basis of a technical opinion to the effect that it would ensure the required strength. The explanation was accepted by the Committee.

Para 48 (*Page* 54) *Infructous expenditure of Rs.* 16,077 *on account of dismantlement and relaying of pipes.*—The Departmental representative explained that the change in alignments had to be made because of a later decision due to construction of bridge where the water lines were being laid and due to redesigning of the area for construction of flats instead of single storey houses. He promised that sanction of the Board of C. D. A. would be obtained for the condonation of the infructuous expenditure.

Para 49 (*Page* 54) *Undue expenditure of Rs.* 49,952 *on roughening the surface of R.C.C. columns beams and slabs.*—The Departmental representative admitted that the additional expenditure on roughening was not justified and that the over-payment made would be recovered.

Para 50 (*Page* 54) *Undue benefit of Rs.* 11,419 *given to a contractor.*—The Departmental representative stated that it had been decided to hold an enquiry into this case and also to obtain legal advise on the point whether the officer concerned who obtained tenders was competent to entertain the subsequent letter of withdrawal of reduction in rates offered by the contractor. He informed the Committee that necessary action was in progress and the result of enquiry would be available in due course.

Para 51 (*Page* 55) *Undue financial aid of Rs.* 15,000 *to a contractor by accepting the security deposit of Rs.* 15,000 *instead of Rs.* 30,000.—The Departmental representative stated that the security for the higher amount was not insisted upon as it could have led to the abandonment of the work necessitating the award of the contract to another person and thereby causing extra expenditure. He further stated that the case for the condonation of the irregularity had already been initiated and final decision of the C. D. A. Board was awaited. The Committee directed the C. D. A. to report further progress.

Para 52 (*Page* 55) *Extra payment of Rs.* 17,418 *due to enhancement of Sales Tax after the stipulated date of delivery.*—The para treated as settled.

Para 53 (*Page* 55) *Excess payment of Rs.* 7,384 *to a contractor for carriage of R. C. C. pipes from the C. D. A's store to the site of work.*—According to the terms of the contract the contractor was not entitled to any charge for carriage of material to the site of work. The Departmental representative stated that a request had been made for condonation of the irregularity by the Board of C.D.A. and the decision of the Board would be communicated to Audit.

Para 54 (*Page* 55) *Over-payment of Rs.* 9,03,580 *to a contractor for earthwork carried out in excess of the quantity provided for in the contract.*—The Departmental representative informed the Committee that the relevant record was with the Special Police Esablishment and the decision of the Police and Court was being awaited. On enquiry by the Committee whether the case was referred to the Martial Law Court, the Departmental representative stated that there were several cases before the Martial Law Court and he did not know whether this case had also been referred to them or not because the papers were with the Special Police. The Committee directed that further progress in the matter should be reported.

Para 55(*Page* 56)—*Over-payment of Rs.* 42,148 *due to wrong application of rates*.—In this case a contractor was paid for blasting of stones at Rs. 44 to Rs. 54 per 100 cubic feet instead of Rs. 30—40 per 100 cubic feet as laid down in the Schedule of Rates. The Departmental representative explained that the estimate and the tender documents were prepared on the basis of the schedule. The rate of removal of soil for deep trenches for sewerage was worked out at Rs. 45. Audit representative enquired whether there was any detailed analysis of the rates available. The Departmental representative replied in the affirmative. The Comptroller and Auditor-General stated that Audit would like to check up the position and in case it did not agree with the analysis of the department the matter would be brought to the notice of the Public Accounts Committee again.

Para 56 (*Page* 56)—*Over-payment of Rs.* 55,852 due to wrong application *of rates*.—In this case the contractor was paid for laying R.C.C. roof slabs etc. at Rs. 531 and 549 respectively instead of Rs. 238 and 253 per 100 cubic feet as per Schedule of Rates. The Departmental representative informed the Committee that they had started recovering the amount from the contractor but the contractor had gone to the Court and had obtained stay order from the Court against the recovery. He could not state the exact amount of recovery already affected. The Committee directed that future progress in this behalf should be reported.

Para 57(*Page* 56)—*Excess payment of Rs.* 44,152.—This excess payment was attributed to the change in the rates for supply of crushed stones from Rs. 9.13 to Rs. 9.50 and Rs. 9.70 with retrospective effect. The Departmental representative explained that the matter had been reported to the Ministry of Law on a point of interpretation and the result of which would be placed before the Public Accounts Committee in due course.

Para 58 (*Page* 57)—*Undue payment of Rs.* 48,622.—This extra payment related to the work of construction of 277 'D' type houses by different contractors and it was result of change in the size of bars from 3/16 in. and 5/16 to ¼ in. and ⅜ in. The Departmental representative explained that after the work had been awarded to the contractor, the Engineer-in-charge observed that the size of the steel bars proposed by the Architect in the roof was insufficient to balance the tension and consequently he had changed the size of the bars. After some discussion over the justification for the changing of the size and the extra expenditure caused thereby it was agreed that the Departmental representative would furnish to Audit the details as to how that decision was arrived at. The Chairman observed that the Committee would also like to re-examine this matter after Audit had reported back the result.

Para 59 (*Page* 57)—*Undue payment of Rs.* 36,889.—The excess payment was attributed to the non-re-use of earth excavated from the foundation of the Municipal buildings at Islamabad. The Departmental representative explained that the earth being slushy mixed with vegetable matter could not be re-used and that whatever boulders were available they were supplied to the contractor on payment basis. He informed the Committee that the case was being examined by Government auditors and their findings were awaited. The Chairman considered the explanation as satisfactory subject to satisfaction of Audit.

Para 60(*Page* 57)—*Uneconomical purchase of steel wire resulting in extra expenditure of Rs.* 1,78,656.—This excess expenditure had resulted from purchases of steel wires at £ 79-7-10 per ton from the U.K. instead of the lowest rate of £ 58-15-0 per ton. The Departmental representative explained that steel wire was to be purchased against the 8th U.K. Credit and that subsequently, the U.K. suppliers raised their rates so as to bring them to the level of U.S.A. prices. The Chairman observed that it was a case of tied loan given by the U.K. and the material had to be purchased from U.K. at rates on a World basis. Tender could not have been obtained. The extra payment was thus inevitable. The Committee accepted the explanation.

Para 61 (*Page* 58)—*Non-recovery of Rs.* 40,985 *on account of excavated gravels.*—The Departmental representative explained that the excavation was mostly carried out by machinery and gravel was rendered unfit for use in the sub-base. The Committee admitted that the matter was some what technical and accepted the explanation.

Para 62 (*Page* 58)—*Infructuous expenditure of Rs.* 23,043 *due to subsequent changes in the design of houses.*—The Departmental representative explained that in the oringinal designs the number of doors was more than required and in case it had been followed it would have resulted in an extra expenditure of Rs. 90,472. The changed pattern adopted by the Department reduced the expenditure which ultimately amounted to Rs. 23,043 only. The Committee accepted the explanation.

Para 63 (*Page* 58)—*Irregular allotment of works amounting to Rs.* 56,73,716.—This was the case of awarding of eleven works to the same contractor at the same rate on negotiation basis. The Departmental representative stated that at the instance of the Cabinet Division and Government auditors the case was being submitted to the Board of C.D.A. for review and ascertaining whether the award of works on negotiation basis was justified. The Committee directed that the result thereof should be reported back to it.

Para 64 (*Page* 59)—*Blocking of Capital to the extent of Rs.* 1,58,759 *due to purchase of coloured cement and paints.*—The Departmental representative explained that in a big purchase it was not possible to visualize the quantity of material which might not be utilized immediately and informed the Committee that the C.D.A. had been able to dispose of material worth Rs. 64,000 and that the balance was also being utilized. The Committee accepted the explanation.

Para 65 (*Page* 59)—*Undue financial aid of Rs.* 45,000 *to a contractor.*—The Comptroller and Auditor-General informed the Committee that this had already been settled.

Para 66 (*Page* 59)—*Irregular Refund of liquidated damages of Rs.* 19,355.—The Committee was informed that penalty was levied on the contractor but it was reviewed on the request of the contractor which was considered to be genuine. The Committee decided to treat the matter as settled.

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Para 41 (*Page* 47)—*Excess payment of Rs.* 14,06,259 *due to increase in rates.*—Excess payment resulted from the change in the rates of M.S. Bars supplied by a Firm in 1962 and 1963. The Firm failed to supply the bars and purchases were made under the risk purchases clause of the contract. The amount was recoverable from the original suppliers. The Departmental representative explained that the increase in the rates was based on the law of equity irrespective of the prices given in the contract being firm and final. He also stated that the recovery of Rs. 4,28,668 was being pursued regularly after observance of the due process of law. The Public Accounts Committee directed that the result of the progress of the remaining two cases should be reported back.

Para 42(*Page* 48)—*Overpayment of Rs.* 7,15,875 *due to award of work to a contractor other than the lowest bidder.*—The Departmental representative explained that the excess expenditure which resulted from awarding the contract to the 3rd lowest bidder was due to the fact that the first two contractors had made their contracts conditional and that their conditions could not possibly be accepted. Therefore, the contract had to be given to the 3rd contractor. The Committee accepted the explanation.

Para 43(*Page* 48)—*Excess payment of Rs.* 2,76,756 *to a contractor.*—The excess payment resulted from inflated measurements and by applying incorrect rates in respect of the work of construction of the Murree Highway. The Departmental representative explained that the case was taken by the contractor to the arbitration whose decision was in favour of the contractor, and therefore, no recovery could be made on this account. The Committee accepted the explanation.

Para 44(*Page* 48)—*Excess payment of Rs.* 1,72,809 *to a contractor for construction of bridges.*—The Departmental representative explained that the work was awarded to M/s. Gammon Pak. Ltd. although it was on the higher side. This had to be done as the work not only required construction of bridges but also required designing and change in designing for which the other two firms were not fully equipped. This explanation was accepted by the Committee.

Para 45(*Page* 45)—*Loss of Rs.* 94,394 *on account of purchase of defective and sub-standard wood.*—This loss comprised Rs. 1,668 being the value of the rejected material, Rs. 89,579 represented wastage of wood in the process of sawing and Rs. 3,147 due to liquidated damages not recovered. The Departmental representative informed the Committee that as regards the recovery of Rs. 1,668 the case was under reference with Collector of Jhelum and as soon as the recovery was affected Audit would be informed. As for the high percentage of wastage of wood the Departmental representative stated that this loss was comparable with the percentage of such loss for conversion from logs to small pieces which in certain case went up to 60%. The Committee was satisfied with the explanation.

Para 46(*Page* 49)—*Overpayment of Rs.* 77,144 *for not calling tender through advertisement.*—The Departmental representative stated that the loss had been worked out on the basis of the low rate of Rs. 6.62 per ton offered by a firm in July, 1966 but later on when it was found that the work of the firm was unsatisfactory the contract had to be terminated. It was, therefore, not only the rate which was important but also the financial position and the capacity of the firm to do the work efficiently which had to be taken into consideration. The Committee accepted this explanation.

Para 47 (*Page* 50)—*Overpayment of Rs.* 65,650 *to a contractor by changing the rate quoted from* 209% *to* 298% *above the scheduled rate.*—The Departmental representative stated that the factual position was that the change from 209% to 298% was made by the contractors before submitting the tender.

However, as the matter was not free from doubt, a departmental enquiry was being instituted to find out the correct facts. The Committee directed the result of enquiry to be reported to it.

Para 48(*Page* 50)—*Overpayment of Rs.* 53,198.—This represented the payment for the difference in the quantity of road metal procured and that actually used. The representative of the C.D.A. explained that there always occurred a difference between the quantity of stones stacked and the quantity laid down on the surface of the road and that there was actually no overpayment. The Committee accepted the explanation.

Para 49(*Page* 50)—*Loss of Rs.* 32,251 *due to double payment of customs duty.*—This loss resulted from payment of custom duty on W. C. pans with P. traps and again on the same P. traps because of defective entries in the invoices. This amount was to be recovered from the contractor but when the settlement of dispute was sought through arbitration the award was given in favour of the contractor. It was pointed out by the Committee that the double payment of customs duty could have been recovered from the Customs Department. The Departmental representative agreed with the Committee that the recovery of this amount would be effected and the result brought to the notice of the Committee.

Para 50 (*Page* 51)—*Interpolation in agreements resulting in extra payment of Rs.* 14,666.—This extra payment was attributed to the change in the percentage of premium over P.W.D's scheduled rates from 10% to 19%. The Departmental representative explained that an enquiry had been ordered and was in progress. The Committee decided to await the result of the enquiry.

Para 51 (*Page* 51)—*Excess payment of Rs.* 8,684.—This excess payment was attributed to the payment for sand brought from a distant place instead of using the locally available sand. The Departmental representative explained that the matter had been referred to the Board of C.D.A. for decision, the result of which would be reported to the Committee.

Para 52 (*Page* 51)—*Excess payment of Rs.* 6,053 *to contractors for carriage of cement.*—This paragraph related to the increase in carriage charges of cement from Rs. 5 per ton during the year 1963 to Rs. 6 per ton and further reduction of the same charges to Rs. 5 per ton again. This established that the increase in the rate of Rs. 6 per ton for certain periad was unjustified. However the Committee, after having the explanation accepted the position.

Para 53 (*Page* 52)—*Embezzlement of Rs.* 64,175 *through foregery.*—In March, 1966 two cheques were drawn on the basis of the daily payment sheets which were later found to have been forged. The Departmental representative explained that the lacuna in the payment procedure was removed and there was no possibility for recurrence of such cases in future. He also stated that the cases had been reported to police for investigation. He could not, however, say whether the cases had been referred to the Martial Law Court. The Committee decided to await the decision of the Court.

Para 54 (*Page* 52)—*Undue payment of Rs.* 14,460 *to a contractor for carriage of material.*—The audit objection was that the C.D.A. should not have paid to the contractor for carriage of material from the departmental store to the site of work. The Departmental representative stated that the contractor was not entitled to payment for carriage of material which was to be procured by the contractor himself, but he was to be paid for the material issued free of cost by the C.D.A. from its own stores. The Committee accepted the explanation.

Para 55(*Page* 52)—*Non-recovery of compensation of Rs.* 57,716.—The C.D.A. allotted to a contractor through negotiation a work of construction of eighty-four houses to be completed within six months. As the contractor could not complete the work, a portion of the contract was allotted to other contractors. According to the terms of contract a compensation of Rs. 57,716 was recoverable from the original contractor. The Departmental representative explained that because the contractor fell within the limit of low level contractors, the penalty was not imposed as in that case low limit contractors would have been scared away. The Committee accepted the explanation.

Para 56(*Page* 53)—*Loss of Rs.* 27,240 *due to non-recovery of compensation from contractors.*—In this case also the audit objection pertained to the non-recovery for penalty from two contractors for their failure to complete the work within the stipulated period. The Departmental representative explained that after allotment of the work to the contractors certain amendments in specification, quantity rates, delivery points, etc. were made. Further some other amendments in the contract were also made. He stated that because the contractor was not at fault his contract period was extended by 10 weeks and the contractor completed the work within 7 weeks only. The explanation was accepted.

Para 57 (*Page* 53)—*Loss of Rs.* 20,209 *due to short delivery of material.*—This loss had occured because of short delivery of M.S. Billets by M|s. Univerdent Karachi. The Departmental representative informed the Committee that they had referred the matter subsequently to arbitrators but the dispute could not be settled. Later they referred the case to the Umpire for a final award which was still awaited. He stated that the actual loss after retention of the commission payable to the agent amounted to Rs. 1,568 only. The Committee decided that the award of the umpire should be awaited.

Para 58(*Page* 53)—*Loss of Rs.* 5,100.—*This loss was stated to have arisen* by refund of cost price of one shop paid by a bidder who did not take possession of the shop. The Departmental representative explained that the shop was not allotted to the bidder because later on it was decided to have a cloth shop. The bidder was offered another shop but he refused to take it. Thereupon the money was refunded to the bidder without any deduction after obtaining a legal advice. The Committee accepted the explanation.

Para 59 (*Page* 54)—*Loss of Rs.* 86,350 *due to allotment of work to the highest tenderer.*—The Departmental representative explained that it was the case of tender called for construction of 'E' type houses in Islamabad. The lowest tender was given by a small contractor who had made it clear that he could work up to Rs. 2 lakhs only. It was felt by the Department that in case one block was awarded to him the cost would have worked out to Rs. 4 lakhs. The second lowest was the rate quoted by another contractor which was low for a number of items but high in general. Third lowest was 28.29% above the scheduled rates. The contract was ultimately allotted to the third contractor who agreed to reduce it by 7%. He stated that this decision was taken after careful consideration. The Committee was satisfied with the explanation.

Para 60 (*Page* 54)—*Avoidable expenditure of Rs.* 19,39,500.—The work of construction of a divergent tunnel of a dam was allotted to the second lowest tenderer, M|s. Mustafa P.R.C.C. The Departmental representative agreed that the whole thing was manipulated to favour one person and he informed the Committee that the matter was being dealt with by the Martial Law authorities. The Committee agreed to wait for the result of action taken against the contractor.

Para 61 (*Page* 55)—*Extra-expenditure of Rs.* 7,77,868.—This case related to the award of the work of underground garrages and services in the main Secretariat Zone. The Departmental representative explained that the work was allotted to the contractor working on the main Secretariat buildings on the lowest tendered rates of Secretariat Buildings and not on negotiated rates as maintained by Audit. He also stated that according to the comparative statement covering items of work prepared by them there was in fact a saving of about Rs. 22,960. He maintained that no favour was shown to the contractor and the question of disciplinary action against any person did not arrise. The Comptroller and Auditor-General thereupon stated that he would have the matter examined again and, if necessary, he would bring it again before the Committee.

Para 62 (*Page* 55)—*Extra expenditure of Rs.* 1,10,261 *due to defective work.*—The extra expenditure had resulted from priming the roofs of 583 A, B and C type houses with bitumen spreading over Hessain Cloth soaked in bitumen and blinding the tops with sand. The Departmental representative explained that this amount could not be recovered from the contractor because he had carried out the work according to the earlier specifications which after an experience of two years were found to be unsuited for the climate of Islamabad. The Committee decided to drop the audit objection.

Para 63 (*Page* 55)—*Excess expenditure of Rs.* 5,87,476 *on account of non-application of contractual rates.*—Excess expenditure resulted from the payment at Rs. 170 per 100 cubic feet for labour charges instead of the contract rate of Rs. 270 per 100 cubic feet for the item of work 'providing and fixing suspended gypsum ceiling panels'. The Departmental representative explained that the false ceiling was to be provided in the Secretariat buildings and it was later on decided that instead of gypsum ceiling panels suspension system of acoustic penals should be provided so as to cut off noise from floor to floor and to reduce the cost of initial and subsequent surface painting. He maintained that the increase in the total cost was thus due to better specifications and there was no undue benefit given to the contractor. The Committee accepted the explanation.

Para 64 (*Page* 55)—*Excess payment of Rs.* 11,932.—The excess payment had resulted because of the delay in resolving a dispute between the C.D.A. and the contractor for supply of unpolished glass sheets which were required to be inspected before use. In the meantime an excise duty on glass had been imposed by the Government and the contractor had to be paid more on account of duty in addition to the cost of glass supplied by him. The Departmental representative maintained that the delay was unavoidable because they could not dispense with the condition of prior inspections of material. He further stated that the contractor was not liable to bear the expenditure on account of the excise duty subsequently levied by Government. The Committee accepted the explanation.

Para 65 (*Page* 56)—*Excess payment of Rs.* 9,297 *for extending the validity of letter of credit.*—The excess payment resulted from the opening of a letter of credit and payment of interest on the amount thereof, although ultimately a bank guarantee was taken from the contractor. The Departmental representative stated that they wanted to make sure that their money was not lost and, therefore, they had in their own interest to make the payment of bank charges also. The Committee accepted the explanation.

Para 66 (*Page* 56) *Extra expenditure of Rs.* 8,456 *for purchasing fans from the second lowest firm.*—The C.D.A. had purchased fans from the second lowest bidder for the houses to be occupied by the staff of Ministries and Divisions shifting from Karachi to Islamabad, involving the extra expenditure. The Departmental representative explained that because the shifting had taken place during the extreme hot season and the first lowest bidder which was a firm located in East Pakistan was unable to supply the fans within the required time, there was under the circumstances no alternative but to purchase fans from the second lowest tenderer. This action was subsequently approved by the Board of C.D.A. The Committee decided to drop the objection.

Para 67 (*Page* 56)—*Infructuous expenditure of Rs.* 18,85,738 *on account of defective planning.*—In November, 1962 the C.D.A. started construction of two roads with bridges and culverts without any technical sanction. Later, after a sum of Rs. 19 lakhs had been spent, the work was ordered to be abandoned and fresh estimates costing Rs. 20.61 lakhs for construction of roads on new alignments were prepared. The Departmental representative explained that when work was in progress the Blue Area was realigned as per advice of the consultants as a result of which certain changes were necessary including the abandonment of the roads under construction and construction of new roads on different alignments. The loss due to the expenditure of Rs. 18,85,738 lakhs on the abandoned roads was therefore unavoidable. The Committee was satisfied with the explanation.

Para 68 (*Page* 57)—*Unauthorised expenditure of Rs.* 11,68,717 *on deposit works.*—The Departmental representative explained that because there was an urgency to provide certain essential services such as bus stands, in the initial stages and had to be provided immediately. The work was carried out before obtaining deposit from the agencies concerned. He informed the Committee that all the agencies except Road Transport Corporation had paid for the work done by the C.D.A. on their behalf. The Committee accepted the explanation.

APPROPRIATION ACCOUNTS (CIVIL) 1966-67 AND 1967-68

ESTABLISHMENT DIVISION

The Committee then took up the examination of appropriation accounts of the Establishment Division for the years 1966-67 and 1967-68. The Committee had no comments to make on these accounts. They however noticed a provision of Rs. 2,12,000 under Grant No. 100—Development Expenditure of Establishment Division for 1966-67 on account of Grant-in-aid to the Administrative Staff College against which no expenditure appeared. It was explained that although the expenditure had already been incurred it was not adjusted in the accounts because the debit for this amount was not received in time. The explanation was accepted by the Committee.

PROCEEDINGS OF THE FOURTH MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 13TH AUGUST, 1970

The Public Accounts Committee met in Committee Room No. 405 in 'Q' Block, Ministry of Finance, Pakistan Secretariat, Islamabad at 9.00 A.M. on 13th August, 1970.

Members present

1. Syed Amjad Ali—(Chairman).
2. Mr. M. A. Bary.

Audit Representatives

3. Mr. A. T. Osmany, P.A.A.S., Comptroller and Auditor General of Pakistan.
4. Mr. F. M. Aziz, T.Q.A., P.A.A.S., Deputy Comptroller and Auditor General.
5. Mr. Riazul Hasan Qureshi, P.A.A.S., Director, Foreign and United Nations Audit.
6. Mr. N. A. Jafary, P.A.A.S., Director, Commercial Audit.
7. Mr. N. A. Choudhury, P.A.A.S., Director (Audit and Accounts) W.A.P.D.A., Lahore.

Departmental Representatives

8. Mr. Justice Mohammad Gul, Secretary, Ministry of Law and Parliamentary Affairs.
9. Mr. M. Aminuddin Asad, Assistant Secretary, Parliamentary Affairs.
10. Mr. S. A. Nizami, Deputy Registrar, Supreme Court.
11. Mr. Z. A. K. Baqai, T. Pk., T. K., C.S.S., Deputy Secretary, National Assembly Secretariat.
12. Mr. T. G. Nasir Khan, P.M.A.S., Additional Secretary, Ministry of Industries and Natural Resources.
13. Mr. Anwar Khan Soofi, Deputy Secretary, Industries Division.
14. Mr. Masood Ahmad, C.S.P., Deputy Secretary, Industries Division.
15. Mr. Memon Khan, Member, W.A.P.D.A.
16. Mr. Shah Nawaz Khan, Member, W.A.P.D.A.

Secretary Public Accounts Committee

17. Mr. Mohammad Riazuddin, P.A.A.S., Deputy Secretary (Budget), Ministry of Finance.

APPROPRIATION ACCOUNTS (CIVIL), 1966-67

Grant No. 83—*Ministry of Law and Parliamentary Affairs.*—The Committee took up the examination of the Appropriation Accounts for the year 1966-67 relating to the Ministry of Law and Parliamentary Affairs.

The Committee noted that there were excesses almost under all the sub-heads such as "Pay of Officers", "Pay of Establishments", "Allowances, Honoraria" etc. and desired to know the reasons for the same. The departmental representative explained that the Rann of Kutch Tribunal was suddenly made the responsibility of the Law and Parliamentary Affairs, and that it was not so anticipated when the proposals for the budget were being formulated. The expenditure on the OSD and his complementary staff who were to work in connection with the Tribunal had to be shown under a different sub-head "F—Special Commission" under Grant No. 84 but they were shown against the main sub-head of the Ministry. Most of the expenditure in respect of the Tribunal was initially incurred by the Mission Abroad and the debits and the accounts statements in this respect were received very late from those Missions. The bills were still pouring in. These were the primary reasons for the excesses under all the heads of accounts.

The Committee observed that the proportion of Rs. 45.383 in a budget or Rs. 1,62,700 under A. 3—Allowances, Honoraria, etc. (*i.e.* expatriation allowance, reimbursement of medical charges and other allowances) was rather on the high side and these were the items in which economy could be effected to some extent. The departmental representative stated that it was very difficult to anticipate the expenditure on travelling allowance and the expatriation allowance in the beginning of the year when it would not be known as to how many officers would be coming from the Eastern Wing in pursuance of the Government Policy to maintain parity and so the exact amount required particularly for pay and allowances could not be estimated by the Ministry at the time of preparation of the budget. It was further argued that the amount required for reimbursement of the medical charges could not also be correctly estimated for similar reasons.

The explanation was accepted by the Committee.

Grant No. 84—*Other Expenditure of the Ministry of Law and Parliamentary Affairs* "27—*Administration of Justice*"—*B*—*Law Officers*.—The Committee noted that the saving of Rs. 23,073 under sub-head 'B. 1—Law Officers' could have been surrendered within the financial year. The departmental representative explained that the savings was due to the fact that the posts of Advocate General and Deputy Advocate General in Lahore and Karachi remained vacant for some time during the year and also due to wrong booking of the expenditure under the Sub-head "Other Charges". Efforts were made to fill up the vacant posts but due to non-availability of suitable persons no appointments could be made. The department engaged private practitioners for appearance on behalf of the Government but they could not continue for want of adequate funds. The Committee observed that an excess of Rs. 41.423 under 'Other Charges' which was more than 50 per cent of the grant of Rs. 7,350 was apt to upset the whole budget, and therefore, directed that the extra provision should have been obtained where the existing budget provision was considered inadequate. The reason assigned by the departmental representative for the excess of Rs. 41,442 was not acceptable. The Committee observed that from the wrong booking of expenditure it appeared that nobody in the depatment was alert enough to see that he was exceeding the allotment of Rs. 73,500 to Rs. 1,14,923. The explanation given by the departmental representative was also found to be different than the one given in the main book. It was pointed out that as against a total provision of Rs. 73,500 the expenditure against "Fees" alone aggregated Rs. 78,000. The Committee felt that extra sanction should have been obtained for such expenditure and the control over expenditure was slack.

The Audit representative pointed out that the department surrendered the amount of Rs. 18,500 which indicated that the department was not aware of the flow of expenditure. It was further noticed that expenditure statements issued by the Acccunts offices were not also kept in view and had it been done, the amount of Rs. 18,500 would not have been surrendered from this sub-head.

The Committee further observed that against a budget provision of Rs. 3 lakhs against sub-head 'F—Special Commission'—on Rann of Katch, the final appropriation was Rs. 11,71,000 and the actual expenditure was Rs. 9,85,994 and there was a saving of Rs. 1,85,006 out of the additional amount of Rs. 8,71,000. The departmental representative explained that they had anticipated more expenditure but they did not receive the debits in time.

PARLIAMENTARY AFFAIRS DIVISION 1966-67 and 1967-68.

The Committee did not offer any comments on the accounts.

SUPREME COURT—1966-67 and 1967-68.

The Committee did not find any thing which called for comments.

ELECTION COMMISSION—1966-67 AND 1967-68

The Chairman observed that there was a very large saving of Rs. 42,41,305 out of which the department had surrendered a sum Rs. 39,93,555. The Auditor General enquired as to wether the saving was due to the abandonment of some schemes, which could not be implemented. The departmental representative explained that it was due to the work relating to amendments in the electrol rolls. The Committee accepted this explanation.

AUDIT REPORT, 1966-67

Para 89 (Page 66) settled.

Para 90 (Page 66).—The overpayment of Rs. 4,379 on account of travelling allowance of electors, as explained by the departmental representative was due to the fact that the payment was made at flat rate of Rs. 25 instead of being made according to distance of mileage. The Auditor General asked the department to approach the Ministry of Finance for regularising the over-payment. The departmental representative promised to do so.

MINISTRY OF INDUSTRIES AND NATURAL RESOURCES

(INDUSTRIES DIVISION)

The Committee, while looking at the report of the Comptroller and Auditor General for the year 1966-67 of Industries Division, recomended that in order to keep proper control over expenditure and to avoid large savings and excesses up-setting the budget as also to ensure a constant and complete execution of various projects and schemes some sort of review should be done quarterly or half yearly. It was emphasised that it was the primary duty of the controlling officers to have a vigilant eye on the progress of expenditure and to take timely steps to surrender funds which could not be utilized before the end of the financial year. The Committee recommended that such a review should be made obligatory and conducted on a six monthly basis. The Auditor General pointed out that some time ago recommendations were made by Public Accounts Committee for obtaining supplementary grants more than once during each year. The Commitee observed that if some interim review could be carried out the number of irregularities would be reduced considerably. This would also minimise the cases of excess and the surrenders.

The Committee recommended that a high level Committee be constituted in each spending department who could go into the details of expenditure to be incurred by the department and keep a continuous and complete watch over the progress of various schemes etc. *vis-a-vis* the budgetary provision. This would also enable them to avoid hasty expenditure on certain schemes on the last day of the financial year that is 30th June. The departmental representative welcomed the suggestion and promised that an attempt in this direction would be made.

The Committee observed that under Grant No. 70—Industries Division for the year 1966-67, the saving was 19.49 per cent of the total grant. It was explained that this was due to non implementation of the scheme regarding introduction of Metric System for Weights and Measures. The funds were asked for and also granted but the Ministry was not in a position to implement the scheme. The Committee wanted to know the reasons for its—non implementation. The departmental representative explained that they were fully prepared to implement it but subsequently the President decided that it should be implemented after the elections.

GRANT NO. 72.—DEPARTMENT OF INVESTMENT PROMOTION AND SUPPLIES

A. 1 (4)—*Other Charges*.—The saving of Rs. 43,818 was stated to be due to economy in expendiure. The Committee observed that if it was so then there was all the more reasons to surrender the saving before the expiry of the financial year. This was considered irregular and the Committee directed that this should be avoided in future.

A. 4 (4)—*Other Charges*.—The Committee observed that the explanation given in the departmental brief was different from that given in the book. The saving along with the other big saving of Rs. 2,48,946 under 'B. 4—Other Charges' should have been surrendered in time. The Committee observed that the department did not follow rigidly the instructions regarding the control of expenditure. The departmental representative explained that the saving was mostly due to the fact that the foreign exchange allocation was made available very late and the fund could not be utilized.

Grant No. 73—*Stationery and Printing*.— The Committee observed that the huge saving of Rs. 3,03,504 under 'B. 5 (1)—Papers' and Rs. 2,83,548 under 'B. 5 (2)—Other Stores' should have been surrendered in time. The departmental representative explained that this was due to the non-receipt of debits in time. The explanation was accepted by the committee.

AUDIT REPORT, 1966-67

MINISTRY OF INDUSTRIES AND NATURAL RESOURCES

(NATURAL RESOURCES DIVISION)

Para 88 (*Page* 66)—*Unauthorised Expenditure*.—An Officer in an office empowered to incur expenditure up to Rs. 2,400 on petrol and lubricants for each vehicle in a year incurred expenditure far in excess of the limit authorised for Department in December, 1965, but the expenditure incurred in excess could not be regularised nor the action taken against the officer who had exceeded Rs. 43,200 admissible. The irregularity was brought to the notice of the each vehicle. The total expenditure incurred on this account on 18 vehicles his financial powers was indicated.

The Committee observed that the position was not clear and it required to be reviewed and reported back.

Grant No. 78—Capital Outlay on Miscellaneous Stores—Iron and Steel.—The Committee pointed out that the accounts of certain closed schemes like that of 'Iron' 'Steel' and 'Purchase of Cloth for Tribal Areas', etc. had yet to be finalised. The departmental representative stated that the profit and loss accounts on all these schemes would be prepared and loss if any written off after due investigation. He further stated that all such closed schemes which were not in operation would be subjected to review to see what treatment should be accorded to them. The Auditor General was of the view that some *ad-hoc* decision would have to be taken in the matter and if necessary a high powered Committee could be appointed to examine the whole issue.

He further pointed out that it was no use keeping the old accounts open and repeating year after year position of outstanding assets and liabilities.

As for the scheme for purchase and sale of diplomatic cars the Auditor General pointed out that the accounts of this scheme were not maintained in accordance with rules followed for other State Trading Schemes. The departmental representative stated that this was not a state trading scheme as such with a profit motive and, therefore, it should be taken out of the purview of commercial undertakings. The Committee observed that a simple proforma should be devised in consultation with the Financial Adviser for maintenance and submission of such accounts.

APPROPRIATION ACCOUNTS (CIVIL), 1967-68

Grant No. 74—Stationery and Printing.—B. 5—Purchase of Stationery and Store—B. 5 (1)—Papers.—The actual Expenditure under this sub-head amounted to Rs. 1,08,96,311 against the final grant of Rs. 99,85,200. The departmental representative stated that the figures were reconciled after the close of the year and the excess expenditure was adjusted by Audit without intimation to them. The Committee observed that adjustments should have been made in consultation with the department concerned.

Grant No. 75—Other expenditure of industries division subsidy to Khulna Shipyard and Engineering Works for ship-buildings.—One of the members of the Committee enquired as to why an amount of Rs. 2,000 provided under C. 4 was not utilized. It was explained that it was due to discontinuation of subsidy to smaller crafts.

AUDIT REPORT, 1967-68

Para 4 (e) Pages 31-32—Scheme for the Production and Supply of Coal.—The Audit representative pointed out that the Coal Scheme was also discussed in the last meeting of the PAC and the department promised to submit the accounts to Audit at that time. Although the last meeting of PAC was held some 18 months ago the progress achieved appeared to be very slow. The departmental representative explained that steps were being taken to bring the accounts up-to-date as also to effect recoveries where necessary. Elaborating the point further he pointed out that out of an outstanding amount of Rs. 6.26 crores, 3 crores had already been adjusted. The departmental representative promised to do his best for effecting further recoveries.

The Chairman then referred to the huge recoveries due from non-Government Indentors as mentioned in para 101 of the Audit Report 1967-68. The departmental representative replied that the main indentor was the EPWAPDA from whom no amount could be recovered. The Chairman further enquired about recoveries from Karnafuly Paper Mills. It was mentioned that a meeting was held with the Finance Minister of the Provincial Government and they assured the Central Finance Minister that they would try to clear it out. On enquiry from the Committee as to what were the dues to be recovered from the Dacca University, the departmental representative stated that some Laboratory equipments were imported for Dacca University and the amount was not much.

The Committee directed the departmental representative to report further progress in this behalf.

COMMERCIAL ACCOUNTS 1967-68

Paras 83-86 *page* 61

The Commercial Accounts of Wood Working Production Unit had been running at a loss since the last 4-5 years. The Chairman thereupon enquired the reasons for the continuous losses. The departmental representative explained that the parties had failed to lift the goods and very often adopted dilatory tactics. The Chairman felt that it was high time that some device was adopted for the profitable working of the Unit. The departmental representative further explained that it was not possible to have any profit in the face of stiff competition in the market. He further added that the Institute was situated about 20 miles away from Karachi, and therefore, the distance also added to the disadvantage.

The PAC desired that attempt should be made to avoid losses.

Ready—to—Wear Garment Production Unit—Swedish Pakistan institute of Technology Landhi—Page 215—*Para* 261 *of Commercial Accounts for* 1967-68.

The Committee observed that there was an outstanding balance of Rs. 1,47,974 on account of Trade Debtors and wanted to know from whom the amount was due. The departmental representative explained that a maor portion of the amount pertained to the PIA. He stated that efforts were being made to recover the outstanding amount through the Director General, Defence Purchases. The departmental representative further said that some papers were missing and that they were trying to trace them out.

Referring to para 259 the Chairman enquired as to what were the reasons for the change of a profit of Rs. 23,068 in 1965-66 to a loss of Rs. 88,579 in 1966-67 and observed that effective steps were required to be taken to avoid the losses and to make the Unit a profitable concern.

The progress of recovery was required to be reported.

Grant No. 116—*Capital Outlay on Mineral Development* 1966-67

Expenditure of Rs. 20,78,396 under sub-head A.4 of this grant included a contingent advance of Rs. 45,000 drawn for expenditure on Russian Geological Delegation. The Auditor General remarked that the account of the advance had yet to be rendered, duly supported by vouchers and the balance refunded. The departmental representative informed that the account had already been rendered to the Accounts Officer and the balance was in the bank. The Chairman stated that since the delegation had left the country the balance should be deposited in the Government treasury.

Grant No. 117—*Capital Outlay on Irrigation and Electricity*

Pages 462—465—Appropriation Accounts for 1966-67.

Under this grant a recovery of Rs. 13,31,67,000 was provided on account of foreign aid. The Committee observed that no adjustment in this regard had been carried out. The departmental representative explained that adjustment had not been possible because of a dispute between the E. A. D. and the Ministry of Finance. The Committee directed that further progress in the matter should be reported.

WAPDA ACCOUNTS FOR THE YEAR 1966-67

The Committee then took up the examination of WAPDA Accounts. After some discussion on paragraph 7 on page 72 of the Audit Report for 1966-67 it was realised that it would not be advisable to proceed further without having the supporting documentary evidence on the various points and related issues. The Chairman on the suggestion of the Comptroller and Auditor General decided to postpone the discussion to a further date with the directive that the representative concerned should come again fully prepared with the relevant records.

PROCEEDINGS OF THE FIFTH MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 15TH AUGUST, 1970.

The Public Accounts Committee met in Committee room No. 405 in 'Q' Block, Ministry of Finance, Pakistan Secretariate, Islamabad at 10.00 A. M. on 15th August, 1970.

Members Present

1. Mr. S. Amjad Ali. *Chairman.*

2. Mr. M. A. Bary.

3. Mr. Mumtaz Mirza, S. Pk..

Audit Representatives

4. Mr. A. I. Osmany, P. A. A. S., Comptroller and Auditor-General of Pakistan.

5. Mr. F. M. Aziz, T.Q.A., P.A.A.S., Deputy Controller and Auditor General.

6. Mr. Riazul Hasan Qureshi, P. A. A. S., Director, Foreign and United Nations Audit.

7. Mr. N. A. Jafary, P. A. A. S., Director, Commercial Audit.

Departmental Representatives

8. Brigadier C. K. Hasan., Director-General, Health.

9. Mr. Karim Iqbal, C. S. P., Joint Secretary, Ministry of Health, Labour and Social Welfare.

10. Mr. Wajeehuddin, C.S.P., Joint Secretary, Family Planning Division.

Secretary of the Public Accounts Committee

11. Mr. Muhammad Riazuddin, P. A. A. S., Deputy Secretary (Budget), Ministry of Finance.

The Committee took up the examination of the accounts relating to the Health Division for the year 1966-67 and 1967-68.

APPROPRIATION ACCOUNTS (CIVIL) 1966-67

(Health Division)

GRANT NO. 56—MEDICAL SERVICES

Page 234.*B*.3 (4)—*Other Charges.*—It was observed by the Committee that the details of the amount of Rs. 15.63.270 (part of the expenditure of Rs. 17.67.185) *inter alia* included a sum of Rs. 1,00,009 for miscellaneous expenditure under this sub-head for which no details were given. The Chairman directed that item-wise details of the expenditure should be made available to the Auditor-General for verification. The departmental representative promised to do so.

Page 235.*D.I.—Jinnah Post Graduate Medical Centre, Karachi D.* 1 (4)—*Other Charge.*—The Committee observed that the original grant was Rs. 24,39,100 and the department took an additional amount of Rs. 10,15,000 through a supplementary grant and a sum of Rs. 3,01,200 by reappropriation. The supplementary grant was unnecessary in view of the saving of Rs. 2,97,172.

Page 235.*D.I.* (4)—*Other Charge.*—The Chairman desired to know the nature of expenditure of Rs. 3,77,800 shown against "Other Contingent Expenditure" under this sub-head, while furnishing details of the expenditure of Rs. 34,58,128 pertaining to Jinnah Post Graduate Medical Centre, Karachi and directed that the details of the major items of about 20,000 or more should invariably be furnished to Audit for necessary scrutiny and examination. The departmental representative promised to supply the details.

NOTES ON APPROPRIATION ACCOUNTS 1966-67

Page 238, *Para* 3.—The Committee observed that the preparation of accounts by a medical institution was due for the years 1961-62 to 1965-66 and also for 1966-67. As the proforma for the submission of account had since been approved, the department should fix a date, by which the previous accounts would be prepared. The Committee emphasised the importance of the maintenance of the accounts of the Medical Stores and desired that these should be maintained on the same lines as prevailing in other stores and that the accounts should indicate quantity, rate and value of the stores. The Committee went on to suggest that such procedure should be adopted with regard to all stores irrespective of the fact whether they pertained to the account keeping of drugs and medicines or something else. The Chairman directed the department to introduce a fool proof system for the maintenance of store accounts and to enforce it rigidly.

Grant No. 57—Public Health

The Committee observed that under a number of sub-heads under this grant, the department had asked for a supplementary grant and simultaneously surrendered almost equal amounts at the end of the financial year under those very sub-heads as noted below :—

	Supplementary Grant	Reappropriation
D.6(1)	11,500	—13,700
D.6(2)	13,500	—5,900
D.6(4)	16,000	—15,800

Had the saving under these sub-heads been properly assessed, the need for supplementary grants would not have arisen. The Committee further observed that the situation reflected wrong budgeting and defective forecast on the part of the department and this could have been avoided if proper vigilance had been exercised by the Ministry.

Grant No. 110—*Development Expenditure of Health Division—Page* 447.—Referring to the reconcillation of expenditure under sub-head H. 2 (2)—National Health Laboratory and adjustment of outstanding debits by the *Audit Department* the Committee desired that the Auditor-General could impress upon the department the necessity for timely reconciliation and also keep a watch over the adjustments to be made before the end of the financial year.

COMMERCIAL ACCOUNTS, 1966-67

Para 17 (a) *Pages* 6 *and* 7.—The Auditor-General pointed out that the accounts for the Bureau of Laboratories were in arrears. The departmental representative explained that the delay in compilation was mainly due to transfer of the Account Section from Karachi to Islamabad and the vacancy created by the resignation of the Cost Accountant which could not filled up till May, 1970. The work in connection with the preparation of the accounts had since started and would be completed as early as possible.

The Committee directed the departmental authorities to clear the back log of arrears and report further progress in regard to the compilation of accounts.

Para 241, *Page* 192.—The Committee observed that the pace of recovery was too slow and in the case of old dues no recovery had been effected for the last several years. The Committee wanted to know the reasons leading to the accumulation of the dues. The departmental representative explained that some of the dues related to the supplies made to private parties sometime in 1951 and 1952 and that they were trying to contact them but some of the people were not traceable at their previous addresses and many of them had become non-existent. The dues in this respect had either been written off or the action initiated for writing off the outstanding amounts due from other private parties. As regards the amount due from Karachi Municipal Corporation and Lahore Municipal Corporation, the departmental representative stated that they were being pursued vigorously.

The Committee directed the departmental authorities to report further progress in respect of recoveries.

AUDIT REPORT, 1967-68

Para 83, *Page* 60—*Loss of Government Property*.—Referring to the Volks Wagon pick-up which was given to a firm in December 1964 for repairs and stated to be still with the firm in a totally dismantled condition, the Committee observed that it should either have been got repaired or taken back in time for disposal for whatever value it could fetch. The Committee took a serious view of this and felt that it was a case of mismanagement and lack of interest on the part of departmental authorities in Government property. The Committee desired that up to date posision should be reported back to them.

Para 84, *Page* 61—*Unauthorised transfer of Government property to a local Municipal Corporation*.—In a certain locality, there were 100 Government quarters for the residence of sweepers engaged for sanitary arrangements in various colonies. In October 1952, the sanitary arrangement of some localities was transferred to the local Municipal Corporation alongwith the sweepers engaged on the work. The quarters in occupation of the transferred sweepers were neither got vacated from them nor was their rent recovered from the Corporation, The Committee suggested that the quarters should be sold to the Municipal Corporation of Karachi as there was no possibility of recovery of rent. The departmental representative promised to do the needful and report the progress to the Committee.

Para 85, *Page* 61—*Loss to Government for non-delivery of a motor launch.*—A contract for the supply of a motor launch was awarded to a firm on 1st March, 1965 at the cost of Rs. 1,47,820. The last date of delivery of the launch with complete parts, etc., was fixed on or before 30th November, 1965. It was stipulated in the contract that in the event of delivery being delayed beyond three months purchaser may cancel the contract by serving upon the builders a written notice and the builders, on receiving such notice, shall promptly refund the full amount to the purchaser plus interest at 5% per annum. It was, however, noticed that the launch was not delivered to the Port Health Officer till May, 1968, though the last date of dlivery expired on 30th November, *i.e.*, two years 6 months ago. On the other hand, an amount of Rs. 1,10,865 was advanced to the contractor in three instalments at the rate of Rs. 36,955 each on 28th April, 1965, 2nd June, 1965 and 5th October, 1965. Despite inordinate delay in the supply of launch no action had been taken by the department to cancel the contract and to realise the amount of Rs. 1,10,865 with 5% interest according to the conditions of the contract.

Regarding the loss about the non-delivery of the motor launch, the departmental representative explained that the matter had been referred to an arbitrator appointed by both the parties. The Chairman desired that the progress of the case should be reported to the Public Accounts Committee.

APPROPRIATION ACCOUNTS, 1966-67

Grant No. 61—*Capital Outlay on Medical Stores.*—About the outstanding recoveries the departmental reprsentative informed the Committee that the Health Division had been regularly making provision for recovery of cost of DDT supplies to the Malaria Eradication Board of the Provincial Government under this grant from year to year. From the following table it appeared that the progress of recovery had been very poor :—

Year	Grant No.	Estimated Recovery	Actual Recovery	Less
		Rs.	Rs.	Rs.
1964-65	76	41,97,000	*Nil*	41,97,000
1965-66	80	39,87,200	*Nil*	39,87,200
1966-67	61	41,97,000	*Nil*	41,97,000
1967-68	62	41,97,000	6,60,659	35,36,341
1968-69	63	57,68,000	6,12,320	51,55,680
		2,23,46,200	12,72,979	2,10,73,221

The Committee observed that the back log of arrears indicated above was required to be cleared immediately in consultation with the Provinncial Government. The departmental representative informed the Committee that a further amount of Rs. 34,39,710 had since been recovered bearing a balance of Rs. 1,76,33,511 for which effective steps would be taken as advised by the Commitee. He also promised to report further progress in the matter.

LABOUR AND SOCIAL WELFARE DIVISION

Grant No. 111—*Development Expenditure of Labour Social Welfare Division*—" *V.* 1 (1) (4)—*Other Charges* ".—The Committee enquired as to why the entire budget provision of Rs. 4,50,000 under this sub-head remained un-utilized and not surrendered in time. The departmental representative explained that this provision was made for creation for three new offices of Labour Attaches abroad, but consultation with the Ministries of Finance and Foreign Affairs took an unusually long time and the amount lapsed. This could not be surrendered due to misunderstanding. The Committee directed the department to be more vigilant in future.

APPROPRIATION ACCOUNTS, 1967-68

Grant No. 61—*Other Expenditure of Labour and Social Welfare Division—Pages* 252—254.—The Auditor General felt that the explanation given by the department for the overall savings of Rs. 1,69,740 was not satisfactory. The departmental representative accepted that it was an omisson and proised that steps would be taken to ensure better control in future.

PROCEEDINGS OF THE SIXTH MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 17TH AUGUST, 1970

The Public Accounts Committee met in Committee Room No. 405 in 'Q' Block, Ministry of Finance, Pakistan Secretariat, Islamabad at 9.00 A.M. on 17th August, 1970.

Members present

1. Syed Amjad Ali—(Chairman).
2. Mr. M. A. Bary.
3. Mr. Mumtaz Mirza, S.Pk.

Audit Representatives

4. Mr. A. I. Osmany, P. A. A.S., Comptroller and Auditor-General of Pakistan.
5. Mr. F. M. Aziz, T. Q. A., P. A. A. S., Deputy Comptroller and Auditor-General.
6. Mr. Riazul Hasan Qureshi, P. A. A. S., Director, Foreign and United Nations Audit.
7. Mr. K. A. Whaheed, P. A. A. S., Audit Officer, Industries, Supplies & Food.
8. Mr. Mehboob Siddiqui, P. A. A. S., Director, Audit & Accounts Works Lahore.

Departmental Representatives

9. Mr. Sami Quraishi, C. S. P., Joint Secretary (Agriculture Wing).
10. Mr. Obaidur Rahman, E. P. C. S., Joint Secretary (Food Wing).
11. Mr. Yakub Ali Khan, E. P. C. S., Joint Secretary (Works and Rehabilitation Division).
12. Mr. M. G. Siddiqui, Chief Engineer, Pak. P. W. D.
13. Mr. M. Aleem, Deputy Secretary (Finance & Accounts).
14. Mr. S. M. Waqif, Estate Officer.

Secretary Public Accounts Committee

15. Mr. Mohammad Riazuddin, P. A. A. S., Deputy Secretary (Budget), Ministry of Finanee.

The Committee took up the examination of the accounts of Food and Agriculture Division of the Ministry of Agriculture and Works.

FOOD AND AGRICULTURE DIVISION (AGRICULTURE WING) AUDIT REPORT, 1966-67.

Page 38, (*Para* 1)—*Non-recovery of heavy outstandings.*—During 1955-56 and subsequent two years Marine Diesel Engines and Nylon twine were imported by the Government under U. S. Aid programme, and were issued to fishermen in some places. Out of Rs. 67,66,870 recoverable from the fishermen within a period of two years only a sum of Rs. 33,29,817 still remains unrealised. Besides, two more amounts of Rs. 18.058 and Rs. 13,330 on account of the cost of Inboard Marine Engines are outstanding against fishermen. The Departmental representative explained the difficulties of the Department in effecting the recoveries and informed the Committee that they were doing their best. The Committee directed that the progress of recoveries should be reported during their next meeting.

Grant No. 1—*Food and Agriculture Division for* 1966-67 *Sub-head A.* 4—*Other Charge.*—A supplementary grant of Rs. 2.35 lakhs was taken under this sub-head but ultimately there was a saving of Rs. 4.36 lakhs. On an enquiry by the Committee as to why a supplementary grant had to be taken inspite of a saving under the sub-head, the Departmental representative explained that sanctions for Rs. 2.35 lakhs and Rs. 2.69 lakhs were issued, but the payment was not made by the A. G. P. R. and that resulted in the savings. The Audit representative pointed out that these sanctions were for allocaion of funds and not for payment that the Department should have persued the matter and ensured that the payment was made in time. The Committee observed that the matter should be settled between Audit and Agriculture Division.

Grant No. 2—*Survey of Pakistan for* 1966-67.—The Committee noted that in the details of 'Other Charges' furnished by the Department, a sum of Rs. 89,145 was shown under the heading other miscellaneous items of the Director General's Office and a sum of Rs. 75,808 was similarly shown under Drawing Offices. On an enquiry the Departmental representative stated that the expenditure was not merely on sundry items but it pertained to purchase of transport and maintenance of tents etc. The Committee observed that it was not correct to show such important items of expediture under the heading of miscellaneous items and directed that the detailed heads of 'Other Charges' should be revised so that expenditure of all important items could be shown separately. The Committee further added that this directive was to be applied in respect of the expenditure under the head 'Other Charges' of all the Ministries, Departments, etc. The Committee made it clear that they had no intention to prescribe standard sub-heads. The Ministries concerned should themselves decide as to which items should be shown separately and which others combined.

Under group-head "C—Survey parties" the Committee noted that funds were surrendered under sub-heads C. 1, C. 2, C. 3 and C. 4 but there were excesses under all sub-heads. The Committee observed that it was an instance of bad budgeting and defective expenditure control.

Note 3 *below Grant No.* 2—*Survey of Pakistan.*—The Comptroller and Auditor General enquired about the present position of the acount of stores for the years 1961-62 to 1966-67. The Departmental representative stated that accounts up to the year 1964-65 had been completed and the rest were being prepared.

The Committee directed that further progress should be reported.

Note 5 (Page 28) under Grant No. 2-Survey of Pakistan.—On an enquiry by Audit the Departmental representative stated that the arrears amounting to Rs. 26,284 on account of maps sold on credit had since been realised in full.

Grant No. 5-Fisheries for 1966-67 Sea Exploratory Fishing Scheme D. 4.—Other Charges.—The excess of Rs. 20,119 was explained as due to un-anticipated payment of bills on account of operational expenses of S. S. Jalva. On an enquiry from one of the members the Departmental representative explained that the expenditure had to be incurred because the ship had sunk as a result of cyclone. The Committee observed that in that case the explanation should have borne out the factual position.

Grant No. 10-A-Capital Outlay on Purchase of Fertilizers.—The Committee noted that there was no original or final appropriation under this grant and desired to know how expenditure could be incurred without budgetary provision. The Committee observed that this matter should be examined in consultation with the Ministry of Finance.

Regarding the absence of budget provision for recovery amounting to Rs. 46,55,269 the Committee had the same remarks and observed that at least the adjustment for the subsidy sanctioned by the Ministry of Finance could have been anticipated.

Note below Grant No. 10-Capital Outlay on purchase of fertilizers para 2 of the Financial Review (Page 61)—Regarding the outstanding liabilities of the scheme of purchase and distribution of fertilizers amounting to Rs. 7,20,956 on the 30th June, 1967 the Departmental representative explained that the amount of outstanding liabilities had been reduced to Rs. 5,68,040 on 30th June, 1970 and to Rs. 2,71,492 by July, 1970. He further stated that as far as the clearance of the balance was concerned he had made reference to the Comptroller and Auditor General and on receipt of reply from him the balance would also be adjusted. The Comptroller and Auditor General promised that he would look into the matter, and report the position in the next meeting of the Committee.

Page 62 of Appropriation Accounts for 1966-67 para 5.—It was pointed out that out of the outstanding amount of the subsidy on fertizers adjustable in the accounts as on the 30th June, 1967 namely Rs. 3,51,13,867 a balance of Rs. 81,25,757 was still un-adjusted. The Departmental representative informed the committee that a further amount of Rs. 60 lakhs was to be adjusted by debit to the head "40-Agriculture" and by credit to the head "87-Capital Outlay" but this adjustment was not carried out by Audit because in their view the expenditure was of Capital nature and could not be debited to Revenue. The Committee observed that the matter should be settled in consultation with the Ministry of Finance and the remaining balance should also be adjusted and the progress should be reported in the next meeting of the Committee.

Grant No. 93-Development Expenditure of the Food and Agriculture Division for 1966-67.—The Committee noted that under the sub-head "R-Fisheries-R. 1 (1) (4)-Development of Marine Fisheries" a sum of Rs. 16.70 lakhs was provided in the original budget but the entire amount was surrendered although the actual expenditure amounting to Rs. 5,65,552 was adjusted in the account. The Committee enquired why the entire amount was surrendered and the actual expenditure was left uncovered. The Departmental representative explained that under this sub-head no expenditure was to be incurred and that the actual expenditure represented the expenditure out of foreign aid incurred in 1963 but adjusted in the accounts of 1966-67 on the advice of Economic Affairs Division. The Committee observed that the department should have kept track of their outstanding liabilities and budget provision to cover the expenditure should have been made accordingly.

Grant No. 93-Development Expenditure of the Food and Agriculture Division for 1966-67.—It was noticed that the excess of Rs. 1,06,764 under the sub-head 0.2 (1) (1)-Pay of Officers was stated to have been incurred in anticipation of accrual of some savings to cover excess expenditure. The Committee observed that it was not a correct attitude and whenever expenditure exceeded the sanctioned budget grant, additional funds should invariably be provided for.

Grant No. 95-Capital Outlay on Forest Agriculture and Fisheries.—Under the sub-head "A. 1 (1)-Extension of Fish Harbour at Karachi" a provision of Rs. 7 lakhs was made in the original budget but it was surrendered wholly although the actual expenditure was Rs. 1,62,938. The Committee enquired why the budget provision was surrendered and the excess expenditure was not provided for. The Departmental representative explained that the original budget of Rs. 7 lakhs was made for the second phase of the Fish Harbour at Karachi but subsequently it was decided that the second phase should not be taken up by the Government. The entire amount was, therefore, surrendered. As regards the actual expenditure of Rs. 1,62,938, the Departmental representative stated that this expenditure pertained to the payments made to K. M. C. for water charges and to the Karachi Electric Supply Corporation for Electricity Charges and were incurred by the P. W. D., without the knowledge of the Department. He further stated that the entire amount was recoverable from the Fishermen and that the recovery had been actually effected.

APPROPRIATION ACCOUNTS FOR THE YEAR 1967-68

Grant No. 2-Survey of Pakistan.—Under this Grant the estimated recovery was Rs. 51.96 lakhs but the actual recovery amounted to Rs. 11,95,493 only. On an enquiry by the Committee as to why the full amount was not recovered, the Departmental representative stated that the entire amount had been recovered but was adjusted in the accounts of the subsequent year.

Audit Comments on the Consolidated Stores Account at page 29 of the Appropriation Accounts for 1967-68.—It was stated that the subsidiary accounts of Map Stores etc. were not available in time. The Departmental representative explained that it was not possible for them to maintain commercial accounts as their department was essentially a service department. He stated that even before Independence commercial accounts were not maintained by the department. The Chairman observed that the question whether or not commercial accounts should be maintained should be settled in consultation with the Ministry of Finance and the decision arrived at in the matter should be reported to the Committee in their next meeting.

The Committee then took up the accounts of the Food Wing for 1966-67.

FOOD AND AGRICULTURE DIVISION (FOOD WING)

Para 2 of Audit Report for 1966-67 page 38.—Loss due to lack of proper storage arrangements.—The loss of Rs. 2,36,107 due to improper storage was discussed in detail and the Committee was satisfied that in terms of percentage of the total quantities the loss was not significant. The Committee noted that the loss had occurred under circumstances beyond the control of the department and decided to drop the paragraph.

Grant No. 11-Capital Outlay on Purchase of Food for 1966-67.—Under this grant it was noted that against the estimated recovery of Rs. 1,34,75,11,000 on account of Sale Proceeds, the actual recovery was only Rs. 1,11,15,89,544. The Departmental representative informed the Committee that a part of the shortfall in recovery was due to less sales and the remaining amount had been subsequently recovered.

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Para 1 Shortage of cash to the extent of Rs. 34,668.—The Committee was informed by the Departmental representative that the *ex*-cashier who was convicted in this case had filed an appeal in the High Court and therefore this paragraph could not be settled. The Committee directed that the progress of the case may be reported in the next meeting.

Grant No. 12-Capital Outlay on Purchases by Food and Agriculture Division for 1967-68.—Audit comments on the Food Purchase Scheme-Physical Verification of stocks (Page 86). It was pointed out by Audit that the Food Division had not so far furnished the physical verification certificate in respect of wheat, sugar, rice etc. The Comptroller and Auditor General mentioned that in the last Public Accounts Committee the Food Secretray had said that it was almost impossible to conduct physical verification on a 100% basis and therefore it should be brought down to a reasonable level. He further added that the previous Committee had directed that the question should be examined by a high powered Committee keeping in view the difficulties encountered by the Food Division in this behalf. Elaborating the point further the Comptroller and Auditor General stated that it was agreed by the Committee that 5-10% of the stocks should be verified by the audit staff. He further stated that when the audit staff specially sanctioned by the Ministry of Finance for this purpose was sent to the godowns to carry out physical verification of stocks the departmental officers did not allow the staff to take up the work. The Chairman observed that the Central Government stocks should have been allowed to be physically verified by the Audit staff and that the percentage of stocks to be verified could be 2 to 3 per cent if not 10 per cent. He directed that the compliance of this recommendation should be reported in the next meeting of the Committee.

APPROPRIATION ACCOUNTS OF THE REHABILITATION AND WORKS DIVISION FOR 1966-67

Grant No. 7-Rehabilitation and Works Division for 1966-67.—It was noticed by the Committee that under this grant there was an excess of Rs. 1,83,945 under 'Other than new expenditure, and a saving of Rs. 1,52,717 under new expenditure. The Departmental representative stated that under this grant there was an overall net excess of Rs. 31,220 only and that excess and savings under new and other than new expenditure had resulted because they could not classify the expenditure and make provision therefor by the two categories of expenditure separately. The Committee observed that the distinction between new and other than new expenditure was made in the constitution of 1962 and that by now the Department should have become familiar with it. The Committee directed that since classification of expenditure into new and other than new was a statutory obligation the Department should have maintained their accounts accordingly.

Under the sub-head A.3.—Allowances, Honoraria etc. the Committee noted that there was an actual expenditure of Rs. 1,96,282 against the budget provision of Rs. 88,800 resulting in an excess of Rs. 1,07,482. On an enquiry by the Committee the departmental representative explained that excess in expenditure had occurred because of the shifting of staff from Karachi to Islamabad and additional T. A. incurred on officers and staff in connection with the National Assembly session at Dacca. The Committee pointed out that these very factors could have been anticipated and provided for in the original or at least in the supplementary budget. The Chairman observed that all Ministries and Divisions should be directed not to incur expenditure which they could anticipate but for which they did not secure additional funds and that excesses in expenditure should not be left uncovered in anticipation of savings that might accrue.

Grant No. 8-Civil Works for 1966-67.—Under this grant the Committee noted that there were instances of excess expenditure under several sub-heads. The Committee observed that there appeared to be no control over the spending of the Department. There were excesses in expenditure on repair (Rs. 44,25,336), Establishments (sub-heads D. 1 (1), D. 1 (2) and D. 1 (3) Rs. 20,72,589), Tools and Plants (Rs. 15,82,026), Suspense-Stocks (Rs. 29,32,918) and Other Suspense Accounts (Rs. 2,40,25,335). The Committee observed that the expenditure on these items could have been anticipated in advance and budget provision made accordingly. The Committee did not accept the explanation of the Departmental representative that sufficient budget provision was not allotted to the department.

Regarding the excesses of about Rs. 2.40 crores under Other Suspense Accounts the Committee observed that it appeared that proper accounts were not maintained and adequate efforts were not made to clear the items placed under suspense. The Departmental representative admitted that the position in this regard was not satisfactory and informed the Committee that the matter was already under investigation by a Committee headed by Mr. M. H. Sufi. The Report of the Committee was submitted in 1968 and after the recommendations made in that report had been implemented it was expected that the position would improve. The Comptroller and Auditor-General pointed out that terms of reference of that Committee included (1) to ensure best possible method for construction jobs (2) to suggest improvements and rationalization of the system and procedure in P. W. D. and (3) to suggest economical methods for undertaking construction works and as such the recommendations of the Committee even if implemented would not go to improve the accounts and budgeting of the P. W. D. Thereupon the Chairman suggested that another Committee should be appointed to look into the matters relating to the budgeting and accounting in the P. W. D. because the terms of reference of the previous Committee did not cover this aspect.

Under the sub-head E. 1.—New Supplies, Repairs etc. under "E-Tools and Plants" there was an excess of Rs. 15,82,026 and the Committee wanted to know how the expenditure could be incurred in the absence of sufficient funds. The Departmental representative stated that purchase of machinery was arranged in previous years when funds were available but the Department of Investment, Promotion and Supplies arranged for the supply of machinery during the following years when no funds were allocated for the purpose. The Committee observed that the department should have anticipated the time the machinery was likely to be supplied and necessary funds should have been earmarked to cover the expenditure. The Committee observed that it appeared necessary that the P. W. D. was provided with a Financial Advisor so that he could ensure that the actual expenditure remained within the sanctioned budget and allotments and the accounts were maintained properly. The Committee also observed that the Financial Adviser attached to the Ministry of Rehabilitation and Works should have also exercised some checks over the expenditure of the Public Works Department.

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Para 3 (*Page* 38)—*Loss of Rs.* 3,800 *due to Irregular auction of evacuee Houses.*—The Departmental representative informed the Committee that efforts were being made to enforce recovery through the Collector, Bannu and stated that the progress of the recovery would be reported to the Committee in their next meeing.

Para 4.—*Arrears of rent of Evacuee Agricultural Land.*—The Departmental representative explained that out of a total of Rs. 2,68,584 a sum of Rs. 1,20,036 had been realised and efforts were being made to recover the balance from the District Authorities. The Committee directed that further progress made by the department should be reported to the Committee in their next meeting.

Para 5—*Grant of premature increments without observing prescribed conditions.*—The Departmental representative informed the Committee that the matter was being examined and a decision would be taken shortly in consultation with the Ministry of Finance. The Committee directed that further report should be submitted in the next meeting of the Committee.

Para 6—*Loss of Rs.* 1,69,337 *due to non-fulfilment of terms of the contract.*—This loss was attributed to the non-imposition of fine on the contractor for short supply of bricks. The Departmental representative maintained that the contractor had actually supplied more number of briks than required and, therefore there was no justification for penalizing the contractor. The Committee directed that the facts of the case should be verified by Audit and a report submitted in the next meeting of the Committee.

Para 7—*Short recovery of Rs.* 9,563.—The Departmental representative explained that the amount recoverable from the contractor was worked out by Audit on the basis of the original agreement whereas that agreement was subsequently revised and in terms of the revised agreement the amount was recovered in full. The Committee decided to drop this paragraph.

Para 8—*Injudicious award of tenders resulting in excess expenditure of Rs.* 2,61,864.—The Departmental representative explained that the excess expenditure had resulted from award of contract to contractor other than the lowest bidder because of the urgency of the work and likely inability of the lowest contractor to complete the work in time. He stated that the detailed position was explained to Audit and that Audit had agreed to drop their objection. The Committee directed that the position was required to be verified by the Comptroller and Auditor-General and if he was not satisfied with the explanation of the department he might bring the matter again before the Committee.

Para 9—*Irregular drawal of temporary advance amounting to Rs.* 3,49,326.—The Departmental representative admitted that the department should not have drawn money through self-cheques for disbursement of salary and allowances of the staff. He said the entire amount had since been adjusted and assured the Committee that such irregularity would not recur in future. The Committee decided that the matter should be dropped.

Para 10—*Inspection and Local Audit of PWD Division*.—It was reported by Audit that in 1966-67 the accounts of 18 PWD Divisions were locally audited and the general conditions of accounts of 12 Divisions was found un-satisfactory. The Departmental representative stated that general instructions had been issued to all the Divisional Officers to make their accounts up-to-date and to submit report to Audit promptly. He also stated that so far 14 Divisions had cleared their arrears and information from 4 Divisions was awaited. The Committee directed that a report of the further progress made in the matter should be submitted in the next meeting of the Committee.

Para 11—*Demurrage charges amounting to Rs.* 31,654.—The Departmental representative stated that the actual amount of demurrage charges worked out to Rs. 1,705 only and not Rs. 31,654 as pointed out by Audit and that action was being taken to regularise this expenditure. The Committee directed that the position should be verified by Audit and reported to Committee in their next meeting.

Para 12—*Extra Expenditure of Rs.* 17,289.—The extra expenditure was attributed to the allotment of a contract to a contractor other than the lowest tendered. The Departmental representative explained that the work was to be executed at Murree within a short time and the lowest tenderer had quoted his rates without taken into account the high cost involved in execution of work at a hill station, which was almost 100% more than the cost of similar work executed in the plain. He added that because there was no likehood of the contractor completing the work within the amount quoted by him, the work was allotted by the competent authority to another contractor. The Committee decided to drop the paragraph.

Para 13—*Infructuous Expenditure of Rs.* 33,030.—This infructuous expenditure had resulted from the change in the designs of the work of construction of National Health Laboratories. The Departmental representative maintained that after the work had started it became necessary to charge its design because of the soil condition and the sub-soil water level. This explanation was not acceptable to the committee and the Committee desired that the matter should be settled between the department and Audit and if necessary reported back to the Committee.

Para 14—*Loss of stores worth Rs.* 11,830.—This loss represented the cost of 169 lowdown cisterns which were found broken during 1961. The Departmental representative informed the Committee that a survey report of the damaged cisterns had been prepared and the amount written off by the competent authority. The Committee decided that this objection should be treated as settled.

Para 15—*Loss of timber worth Rs.* 12,379.—Settled.

Para 16—*Outstanding dues against contractors amounting to Rs.* 6,592.—The Departmental representative informed the Committee that out of this amount a sum of Rs. 3,556 had been recovered and that action was being taken to recover the balance. The Committee directed that further report on the progress of recovery should be submitted before the Committee in their next meeting.

Para 17—*Outstanding Recovery of Rs.* 10,104 *from a contractor*.—The Departmental representative stated that the material was issued by the Government direct to the work and its cost was not recoverable from the contractor who was to be paid for labour charges only. He stated that the position had been verified by Audit. The Committee decided that this paragraph should be dropped after verification by Audit.

Para 18—*Non-Recovery of Government money from a contractor.*—The Departmental representative informed the Committee that the objection had already been dropped in pursuance of the directive of the last Committee.

Para 19—*Outstanding rent of Rs.* 1,72,185.—This amount was recoverable from 26 shopkeepers as explained by the Departmental representative. The recovery could not be made because some of the shopkeepers has field a suit in the Court against the recovery. He stated that further action to effect recovery would be taken after judgement of the Court had been announced. The Committee directed that the position of the case should be reported back.

Para 20—*Loss of Rs.* 1,55,305 *because of realisation of rent in accordance with incorrect categorisation of houses.*—The Departmental representative explained that the categorisation of houses was initially done by PWD on *ad hoc* basis but later on it was corrected and rent was recovered from allottees in accordance with the rules. The Committee directed that the fact stated by the Department should be verified by Audit and reported to the Committee.

Para 21—*Loss of Rs.* 27,500.—This loss was attributed to have arisen from maintenance of a hostel which was not fully occupied. The Departmental representative explained that one of the hostels at Karachi was taken over by the PWD to meet the requirements of officers but it was released after one year when it was found to be surplus of the requirements. The Committee decided to drop the para.

Para 22—*Shortage of store worth Rs.* 7,100.—The Departmental representative informed the Committee that an enquiry had been instituted by the department and action would be taken against the individual responsible for the loss. The Committee decided to await the result of the enquiry.

Para 23—*Irregular un-authorised payment of Rs.* 14,244.—A contractor was paid Rs. 14,244 for disposal of surplus excavated stuff although that was the responsibility of the contractor. The departmental representative explained that the contractor's responsibility for disposal of the surplus stuff was for carriage of material within 100 feet only and that he was entitled to payment if the material had to be taken to a far away place. He further stated that the material could not be deposited in the vicinity of the work and the contractor had to be paid for the work. The Committee directed that it should be verified by Audit whether the place where the surplus earth was taken was actually away from site of the work, and, if necessary, the matter should be reported back the Committee.

Para 24—*Non-recovery of Government dues amounting to Rs.* 10,958 *from shopkeepers etc.*—The Departmental representative informed the Committee that out of this amount a sum of Rs. 6,794 had been recovered and the balance which was recoverable from 40 persons could not be recovered because the shops were allotted by the Deputy Commissioner Rawalpindi without taking security deposits from them. He further stated that the cases of the defaulters has been referred to the Deputy Commissioner for recovery of outstanding dues. The Committee directed that the progress made in recovery of the dues should be reported in the next meeting.

As the Audit Report relating to the accounts of the Rehabilitation and Works Division could not be completely examined by the Committee before it adjourned, the Committee decided that the remaining paragraphs of the report might be taken up on 18th August, 1970.

PROCEEDINGS OF THE SEVENTH MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 18TH AUGUST, 1970

The Public Accounts Committee met in Committee Room No. 405 in 'Q' Block, Ministry of Finance, Pakistan Secretariat, Islamabad at 8.30 a.m. on 18th August, 1970.

Members present

1. Syed Amjad Ali. (*Chairman*).
2. Mr. M. A. Barry.
3. Mr. Mumtaz Mirza, S. Pk.

Audit Representatives

4. Mr. A. I. Osmany, P.A.A.S.,
   Comptroller & Auditor General of Pakistan.
5. Mr. F. M. Aziz, TQA, PAAS,
   Deputy Comptroller and Auditor General of Pakistan.
6. Mr. Riazul Hasan Qureshi, P.A.A.S.,
   Director, Foreign and United Nations Audit.
7. Mr. N. A. Jafray, PAAS,
   Director, Commercial Audit.

Departmental Representatives

8. Mr. Y. A. Khan, E.P.C.S.,
   Joint Secretary, Rehabilitation and Works Division.
9. Mr. M. G. Siddiqi,
   Chief Engineer.
10. Mr. M. A. Rahman,
    Additional Chief Engineer.
11. Mr. Ghani Erabi,
    Joint Secretary and Director General (Public Relations), Ministry of Information and National Affairs.
12. Mr. Mofizur Rahman, C.S.P.,
    Director General, Radio Pakistan.
13. Mr. S. A. Aziz,
    Chief Engineer.
14. Mr. A. N. Mohd. A. Sattar,
    Deputy Secretary, Home Affairs Division.
15. Mr. S. M. A. Ashraf, C.S.P.,
    Joint Secretary, Kashmir Affairs Division.
16. Brigadier Mahboob Khan,
    Resident in Gilgit and Baltistan.
17. Mr. Waziruddin, C.E.S.I.,
    Chief Engineer for Azad Kashmir and Northern Areas.

18. Brigadier Sardar Mohammad Ismail Khan,
Joint Secretary (States & F. R. Division).

19. Brigadier Mohammad Jan,
Inspector General, Frontier Corps.

20. Mr. Mohammad Muzaffar Khan Bangash,
Commandant Frontier Corps.

Secretary Public Accounts Committee

21. Mr. Mohammad Riazuddin, P.A.A.S.,
Deputy Secretary (Budget), Ministry of Finance.

The Committee took up the examination of the remaining portion of the Audit Report on the accounts of the Rehabilitation and Works Division which could not be completed on the previous day.

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Para 25 (*Page* 44) *Non-recovery of Government dues amounting to Rs.* 7,83,885.—The arrear dues represented expenditure on (i) requisitioned buildings recoverable from landlords and (ii) expenditure on maintenance of requisitioned buildings incurred by the Government. The departmental representative informed the Committee that the total amount due from the landlords had been adjusted and action had also been initiated to regularise the expenditure on maintenance incurred without proper sanction. The Committee directed that a report on regularisation should be submitted to the Committee.

Para 26 (*Page* 44) *Non-recovery of storage charges amounting to Rs.* 1,13,101.—The departmental representative stated that under the tender issued to the contractor it was not provided that storage charges at the rate of 3 per cent would be added to the cost of material issued to the contractor which would be recovered from him. He informed the Committee that action had been taken for condonation of the irregularity. The Committee decided to await further report in the matter.

Para 27 (*Page* 45) *Non-recovery of Government dues amounting to Rs.* 32,304.—This represented the amount recoverable from a contractor for storage charges. The irregularity was condoned by the Government in March, 1968. The Committee directed that the factual position should be verified by Audit and reported back to the Committee if necessary.

Para 28 (*Page* 45) *Blocking up of Capital amounting to Rs.* 27,10,564 *in the purchase of electrical stores.*—The departmental representative explained that the bulk of the material had already been used and the balance was in the process of utilisation. He further stated that due to the general rise in the price of electricity stores the value of the material had further increased, and thus there was no loss to Government. The Committee decided to drop the paragraph.

Para 29 (*Page* 45)—*Losses due to Non-imposition of penalty amounting to Rs.* 9,32,051.—These losses were attributed to the extension in time granted to contractors without receiving any written request therefor so as to save them from payment of penalty for delay in the completion of work. The departmential representative maintained that it was not necessary for Audit to call for the application of contractors for examination. The audit representative pointed out that it was their responsibility to audit the sanctions granting extension of time to the contractors and that under the rules such sanctions could only be issued on the written request of the contractors stating why the work could not be completed in time. The audit representative maintained that he could not admit such sanctions in audit unless he was satisfied that the extension of time was requested by the contractor. The Committee agreed with the audit representative and concluded that Audit should verify from the records whether the contractors had actually requested for extension in time and report the factual position to the Committee in their next meeting. The Committee also directed that the department should issue general instructions to its officers that in future sanctions for extension of time should be accorded only on the written request of the contractors.

Para 30 (1) (*Page* 46)—*Non-recovery of cost of empty cement bags from a contractor Rs.* 4,78,200.—The departmental representative informed the Committee that the matter was under arbitration, the proceedings of which were in progress and that the recovery would be made after the matter had been decided. The Committee directed that further report should be submitted to the Committee.

Para 30 (2) (*Page* 46)—*Recovery of Rs.* 84,946 *from a contractor for non-return of empty cement bags.*—The departmental representative stated that a part of the amount had been recovered and the balance was under the process of recovery. The Committee directed that the facts should be verified by Audit and reported back to the Committee.

Para 30 (3) *and* (4) (*Page* 46)—*Losses due to non-return of empty cement bags by a contractor Rs.* 20,640 *and Rs.* 20,884.—The Committee was informed that the contractor had returned the bags. The Committee decided that these paragraphs should be dropped subject to verification of the position by Audit.

Para 31 (*Page* 46)—*Non-recovery of rent of Government quarters amounting to Rs.* 77,933.—The departmental representative stated that a part of the amount had been recovered and efforts were being made to settle the balance of the amount. The Committee directed that the progress of this case should be reported in their next meeting.

Para 32 (*Page* 47)—*Outstanding periodical returns from P.W.D. Divisions.*—The departmental representative informed the Committee that out of 18 Divisions 14 had submitted their returns of cleared their arrears and that information was awaited from the remaining 4 Divisions. The Committee directed that further progress in the matter should be awaited.

Para 33 (*Page* 48)—*Non-preparation of Capital and Revenue Accounts of Residential Buildings.*—These accounts were in arreas and the Committee directed that data for their preparation should be furnished to Audit without further delav.

Para 34 (*Page* 48)—*Subsidiary Accounts—Stock Accounts for the year* 1966-67.—It was reported by the Audit that physical verification of the stocks was not carried out by the departmental officers during the year 1966-67. The departmental representative informed the Committee that in a number of Divisions stock verification had been done and action had been taken to expedite the work in other Divisions also. The Committee directed that the progress of the work should be reported in their next meeting.

Para 35 (*Page* 50)—*Non-verification of furniture at the residences of Ministers and other high officials*.—The departmental representative informed the Committee that physical verification of furniture had been carried out and necessary certificates had been furnished to Audit. The Committee directed that the position should be verified by Audit and, if necessary, should be brought again before the Committe.

Para 36 (*Page* 50)—*Execution of works in the absence of administrative approval and technical sanction to estimates*.—A large number of cases of execution of works without proper sanction were brought to notice by Audit. The departmental representative explained that the lists of such works prepared by Audit appeared to have been drawn up on the basis of lists of works sent by Audit to the Divisions for completion of entries and return to Audit. He further stated that some of the Divisions had returned the lists and he assured the Committee that only in very rare cases a work is started without proper sanction. The Committee directed that the position stated by the departmental representatives should be verified by Audit and, if necessary, brought to the notice of the Committee again.

Para 37 (*Page* 51)—*Review of expenditure on establishment and tools and plant charges*.—The departmental representative informed the Committee that the question of rationalising the Departmental charges had been considered by the Committee and these rates were being revised in the light of the recommendations of the Committee. The Committee decided to drop the para.

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Para 3 (*Page* 37)—*Loss of Rs.* 20,265 *due o Non-economical hiring of furniture*.—The departmental representative explained that the furniture was hired for Claims Organization for a short duration as it was a purely temporary organization. He further stated that expenditure had been regularised with the sanction of the Government. The Committee decided to drop the objection.

Para 4 (*Page* 37)—*Overpayment of Rs.* 1,28,796 *to a contractor*.—The departmental representative explained that it was not a case of overpayment but that of short payment. He stated that the accounts had since been settled. The Committee directed that the facts stated by the Department should be verified by Audit.

Para 5 (*Page* 38)—*Non-recovery of compensation of Rs.* 79,850 *for delayed completion of work*.—The departmental representative stated that the extension of time was allowed by he competent authority and the sanction which could not be produced to Audit earlier could be seen and verified by Audit. The Committee decided to drop the objection subject to verification by Audit.

Para 6 (*Page* 38—*Loss of Rs.* 24,300 *on account of fraudulent encashment of a cheque*.—The departmental representative stated that the cashier who was involved in the fraud had been charge sheeted and his reply to the charge sheet was being examined. The Committee directed that a report of the action taken should be submitted in the next meeting.

Para 7 (*Page* 38)—*Loss of Rs.* 4,119 *due to short assessment of rent*.—The departmental representative informed the Committee that the short assessment had been rectified later and recovery due from individual concerned was in progress. The Committee directed that a report on the completion of recovery should be submitted in the next meeting.

Para 8 (*Page* 38)—*Loss of material worth Rs.* 37,365.—The departmental representative explained that the excess quantity of steel issued for a work was subsequently transferred to another work and that there was no loss to Government. The Committee accepted the explanation.

Para 9 (*Page* 38)—*Shortage of material worth Rs.* 2,87,709.—The departmental representative explained that out of this amount a sum of Rs. 1,21,357 was later recovered and adjusted under the final head of accounts and that efforts were being made to adjust the remaining amount also. The Committee directed that the progress made in this matter should be reported to the Committee in their next meeting.

Para 10 (*Page* 38)—*Shortage of steel amounting to Rs.* 14,437.—The departmental representative informed the Committee that an enquiry had been instituted to look into the matter and fix responsibility for the shortage. He further added, instructions had been issued that complete details regarding number and quantity of steel bars should invariably be indicated on each package and at the time of delivery these details should be verified so that such shortages did not occur in future. The Committee directed that the result of the enquiry should be reported in the next meeting of the Committee.

Para 11 (*Page* 39)—*Shortage of stores worth Rs.* 5,732.—This case was a similar to that mentioned in paragraph 10 above. The Committee's directive was the same.

Para 12 (*Page* 39)—*Excess payment of Rs.* 1,11,074.—The departmental representative stated that it was not a case of excess payment and that the revised estimates of the work which included the payment of Rs. 1,11,074 had been sanctioned after observance of proper formalities. The Committee directed that the facts stated by the department should be verified by Audit.

Para 13 (*Page* 39)—*Double payment of Rs.* 8,140.—The departmental representative stated that it was not a case of double payment but the mis-understanding was caused by the similar symbols assigned to several columns of various types. The Committee directed that the facts stated by the Department should be verified by Audit.

Para 14 (*Page* 39)—*Non-recovery of electric charges amounting to Rs.* 17,045.—The departmental representative explained that these charges were recoverable from the Police personnel and the full particulars of the persons concerned were furnished to the D.I.G. Police, Karachi in June, 1962 but the amount remained unrecovered in spite of repeated reminders. The Committee directed that the matter should be taken up at a higher level and further progress reported in their next meeting.

Para 15 (*Page* 40)—*Non-recovery of Rs.* 4,886 *on account of damages to a vehicle*.—The departmental representative informed the Committee that under the advice of the Law Division it was decided to forego the recovery. The Committee decided to drop this paragraph.

Para 16 (*Page* 40)—*Loss of Rs.* 20,845 *due to non-recovery of cost of material*.—The departmental representative stated that the Department preferred a claim for arbitration but the arbitrator decided that the recovery should not be effected. He further stated that the loss was later written off by Government. The Committee decided to close the case subject to verification by Audit.

Para. 17 (*Page*-40)—*Loss of Rs.* 2,26,501 *due to issue of teak wood to a contractor at cheaper rate.*—The departmental representative informed the Committee that this paragraph was included in the Audit Report for 1965-66 and the previous Committee had examined it. The Committee decided that the paragraph should be treated as settled.

Para 18 (*Page* 40)—*Loss of Rs.* 70,000*to the Government on account of dismantled material.*—The departmental representative informed the Committee that the matter was under arbitration under Court orders and stated that the outcome of the arbitration would be reported to the Committee in the next meeting. The Committee agreed to this.

Para 19 (*Page* 41)—*Non-recovery of the cost of steel worth Rs.* 53,286 *from a contractor.*—The Committee was informed that the matter was under arbitration under the orders of the Court and promised to submit a report on this case in the next meeting of the Committee.

Para 20 (*Page*-41)—*Loss of Rs.* 26,400 *due to excess issue of material to a contractor.*—The departmental representative stated that due to a subsequent change in the design of work additional quantity of steel was issued to the contractor and that the same quantity was actually consumed on the work. The Committee decided to drop the objection subject to verifictaion by Audit.

Para 21 (*Page* 41)—*Non-imposition of penalty amounting to Rs.* 1,66,960 *for delay in completion of a work.*—The Committee was informed that the contractor was granted extension of time and the question of penalising him did not arise. He further stated that the relevant records had already been shown to Audit and verified by them. The Committee decided to drop the paragraph subject to verification by Audit.

Para 22 (*Page* 41)—*Non-recovery of penalty amounting to Rs.* 83,080 *due to delay in completion of a work.*—The Committee was informed that the contractor was granted extension of time by the competent authority and no penalty was to be imposed on him. The Committee decided to drop this paragraph, subject to verification by Audit.

Para 23 (*Page* 42)—*Unauthorised expenditure amounting of Rs.* 1,68,303.—The Committet was informed that the additional work for which the payment was made had been technically sanctioned and administratively approved and therefore, the expenditure did not remain unauthorised. The Committee decided that this paragraph should be dropped.

Para 24 (*Page* 42)—*Loss of Rs.* 51,384 *owing to non-acceptance of the lowest tender.*—The departmental representative maintained that it was not a case of non-acceptance of the lowest tender because a work could not be distributed sub-headwise. The lowest bidder for 2 items was also given the 3rd item for which his rate was higher but on an overall basis his tender was lowest. The Committee directed that the fact stated by the Department should be verified by Audit.

Para 25 (*Page* 42)—*Loss of foreign exchange worth Rs.* 47,282.—The departmental representative stated that the loss did not occur because of late supply of material but as a result of change in the import policy of the Government and that this extra expenditure was unavoidable. The Committee decided to drop the objection subject to verifications by Audit.

Para 26 (*Page* 42)—*Unauthorised expenditure on repairs of furniture amounting to Rs.* 19,191.—The departmental representative started that the expenditure had to be incurred on the repairs of valuable and costly furniture so that it might not become un-serviceable due to normal wear and tear. The Committee directed that the expenditure should be regularised under proper sanction.

Para 27 (*Page* 43)—*Loss of Rs.* 14,589 *due to irregular allotment of a work through negotiations.*—The Committee was informed that sanction for the condonation of the irregularity had been sought for and was under consideration of the Government. The Committee directed that further progress of the case might be awaited.

Para 28 (*Page* 43)—*Loss of stores worth Rs.* 5,409 *due to breakage in transit.*—The Committee was informed that an enquiry board was being appointed to conduct detailed investigation and fix responsibility for the loss and that further report would be submitted in the next meeting of the Committee.

Para 29 (*Page* 43)—*Unnecessary purchase of perishable materials worth Rs.* 52,341.—The departmental representative stated that a part of the materials purchased by the P.W.D. could not be utilised because of the transfer of some of the buildings from their charge. He further stated that action was being taken to release the remaining stores. The Committee directed that a further report should be submitted in their next meeting.

Para 30 (*Page* 43)—*Irregular withdrawal of money from the main chest.*—The departmental representative stated that out of Rs. 7,850 a sum of Rs. 6,350 had been adjusted and action was being taken to adjust the balance of Rs. 1,500 also. The Committee directed that a further report should be submitted in the next meeting.

Para 31 (*Page* 44)—*Undue Financial aid to a contractor.*—The departmental representative stated that material costing Rs. 34,028 was not utilised on the work up to December, 1966 and as such the amount was not recovered then. He further stated that the entire amount was recovered in June, 1967. The Committee decided that this paragraph may be treated as settled.

Para 32 (*Page* 44)—*Fictitious adjustment of material worth Rs.* 39,875.—The departmental representative stated that the cost of 275 tons of cement originally charged to the construction of quarters at Golra Road, Rawalpindi was subsequently transferred to another work on the proper authority of indent. He added that this course was adopted due to scarcity of cement in those days. The Committee directed that the facts stated by the Department should be verified by Audit.

Para 33 (*Page* 44)—*Expenditure incurred on deposit works in excess of deposits received.*—The Committee directed that the amount due against the Department concerned should be recovered expeditiously and the fact reported to the Committee.

Para 34 (*Page* 45)—*Non-verification of furniture at the residences of the Ministers and other high officials.*—The Committee was informed that certificates of physical verification of furniture had been furnished to Audit by the Executive Engineers concerned. The Committee decided to drop the audit objection after necessary verification by Audit.

Paras 35, 36 and 37 (Page 45)—Outstanding periodical returns inspection reports and Subsidiary Accounts.—The Committee directed that the outstanding returns should be furnished by the Department to Audit without further delay.

Para 38 (Page 46)—Review of expenditure on Establishment and 'Tools and Plant' charges.—The departmental representative informed the Committee that the question of rationalising the Departmental charges had been considered by a high powered committee and that the matter was being reviewed in the light of the recommendations of the Committee. The Committee asked the Department to submit a further report on this matter in the next meeting.

Para 39 (Page 47)—Execution of works in absence of technical sanction to estimates.—The departmental representative stated that out of 21 Divisions, 13 Divisions had sent the Statement of sanction and that the remaining 8 Divisions had been directed to expedite the submission of the statement to Audit. The Committee directed that furher progress in the matter should be reported in their next meeting.

Para 40 (Page 47)—Outstanding adjustment memos.—The Committee was not satisfied with the progress made by the Department and directed that the outstanding adjustment memos should be cleared regularly.

GRANT NO. 79.—MNISTRY OF INFORMATION AND BROADCASTING 1966-67

A. 6.—Lump provision for publicity of Third Plan.—The Auditor-General pointed out that the department had surrendered a sum of Rs. 9,73,400 out of the original provision of Rs. 12,00,000 which was perhaps on the high side and the Ministry was unaware of the trend of their actual expenditure which amounted to Rs. 4,01,328 against the modified grant of Rs. 2,26,000. The departmental representative explained that they had to collect the figures of expenditure from various agencies like Radio Pakistan, PID etc., and those figures became available to them at a later stage when it was not possible for the Account Office to accept them for adjustments. The Committee was not satisfied with the explanation given by the department and directed them to be more vigilant and to avoid such heavy excesses at the end of the financial year.

GRANT NO. 80.—PAKISTAN BROADCASTING SERVICE

1.6.—Payment to News Agencies.—The Auditor-General pointed out that the department had surrendered Rs. 33,900 under this sub-head and also registered an excess expenditure of Rs. 29,493 due to the fact that the sanction for the payment to the A.P.P., was issued towards the close of the year against the earlier assumption that no sanction will be issued this year. The Committee sanctions till the fag end of the year. The Committee recommended that observed that almost all the Ministries had developed a tendency to withhold periodical review should be made and the savings/excesses regulated as soon as they were anticipated.

The Committee further directed that the permissible limit of the percentage up to which no explanation was required for excesses and savings in the demands should invariably be mentioned in the statement of replies given by the controlling Ministry.

D.—Central Stores.—The Committee observed that although the department had obtained an additional provision of Rs. 13,62,000 under this sub-head but still they registered an excess of Rs. 11,74,863 over the final grant and enquired of the department as to why they could not go in for a supplementary grant. The departmental representative explained that they had no control over the supplies arranged by the Department of Investment Promotion and Supplies who did not generally keep to the scheduled time for supplies. The Auditor-General pointed out that in accordance with the instructions of the Ministry of Finance every department should keep a register of liabilities to keep a note of such commitments. The Committee directed the department to follow strictly the instructions given by the Ministry of Finance in this respect.

COMMERCIAL ACCOUNTS 1966-67

Para 160 *Page* 130.—Review of the accounts of Associated Press of Pakistan during the year revealed that the operation of the agency resulted in a deficit of Rs. 5,09,800 in the year 1966-67 as against Rs. 2,92,631 in the year 1965-66. The heavy deficit was due to increase in expenditure and shortfall in receipts as compared to that of the preceding year. It was recommended that necessary steps should be taken for the curtailment of the expenditure and to increase the income so that the persistent deficit in the operations might be avoided.

Para 162 *Page* 130.—In accordance with book debts, the amount due from subscribers as on 30th June, 1960 was Rs. 14,99,230 which increased to Rs. 16,43,590 up to 30th June, 1967. Out of the above amount a sum of Rs. 8,28,289 was considered to be "Bad and Doubtful Debts". The Committee recommended that effective steps should be taken to realise the outstanding amounts.

APPROPRIATION ACCOUNTS 1967-68

Grant No. 80.—Ministry of Information and Broadcasting.

Page 334.—*Secretariat.*—The Audit representative pointed out that the huge excess, which were attributed to late receipt of information from Karachi Office, indicated that the department had no proper control over the expenditure. The departmental representative explained that they had a branch of the Ministry situated in Karachi and the figures were made available by the Karachi office after a long time. He informed the Committee that the situation was improving and they had taken all the necessary measures to avoid delay and promised that such delay would not recur.

Grant No. 127.—Capital outlay on Television Service, 1967-68.

The Auditor General observed that although the entire grant remained unspent, due to non-execution of construction work, the department did not surrender anything. The Chairman took a serious view and directed that if the building was not ready, there was obviously no reason to block the fund for other requirements such as installations and equipments for the Central Television Institute and Film Processing Laboratory. The departmental representative promised that, in future, he would ensure that amounts not required were surrendered in time.

AUDIT REPORT, 1967-68

Para 103 (*Page* 67)—*Misuse of Government Money amounting to Rs.* 96,273.—In a department under the Ministry, a sum of Rs. 96,273 was found short at the time of physical verification of cash on 7th March, 1967. It had been advanced to the officers and staff, during August, 1964 to March, 1967, unauthorisedly *i.e.* without proper sanction and drawal through regular bills, The advances were given for the purpose of meeting expenses on travelling, advertising of films, repairs of vans and purchase of books and publications, etc., without even obtaining acknowledgements as per details given below :—

	(Rs.)
Travelling allowances to officers ... — —	20,233
Miscellaneous advances for films, publications, repairs of vans etc.	76,040
Total ..	96,273

These payments had also accounted for in the cash books. In repayment of the travelling allowance advances to the officers, 28 private cheques for a total amount of Rs. 15,952 were found in the cash chest, out of which 15 cheques did not bear any date, and seven were time barred. The proceeds of these private cheques were not realised till the 7th March, 1967. The utilisation of cash for purposes other than those for which it was meant, was irregular.

The Auditor-General pointed out that this was a serious misuse of Government money which brought out another irregularity in as much as the amount which was due for payment to other parties was unnecessarily withheld. The Committee took a serious view of the case and desired that the Ministry should take disciplinary action against the persons concerned. The departmental representative informed the Committee that the department had formed a two-man Committee to investigate the irregularities and promised to report the progress of the case to Audit within a month.

Para 104 (*Page* 68).—A department of this Ministry was given permission to draw cheques for payment to writers only. They misused the permission to draw cheques on the treasury for contingent expenditure also with the result that the entire contingent expenditure provided for in the budget was drawn without pre-audit which had not only led to the withdrawal of a heavy amount from the treasury but also resulted in retention of heavy balance in the departmental chest. The Committee took serious view of the violation of rules and orders. The departmental representative submitted that the irregularity was similar to that, discussed in respect of para 103 above and promised that the investigations made in respect of all such irregularities mentioned in paras 105 to 109, pages 68-69 would be submitted to Audit. As regards para 110, page 69, the Committee accepted the departmental explanation that they would recover the amount.

AUDIT REPORT, 1966-67

Para 64 *A.R.—Para* 81 (*ii*).—A sum of Rs. 2,12,42,522.81 including Rs. 16,51,550 in respect of a Zonal Office was reported by the Treasury Officer concerned as closing balance of the Cash Security Deposits at the end of September 1963, but the records of the local office did not show any figures of the balance for the month.

Inspite of repeated request the reconciliation of the departmental figures with those of the Treasury had not been carried out for the last eight years, *i. e.* 1957-58 to 1964-65 nor had any effective steps been taken for proper maintenance of pass books and reconciliation of figures. The departmental representative explained that the delay was due to shortage of staff whcih had resulted the reconciliation work to fall in arrears and it was difficult for the deparment to guess as to how long it would take for them to clear the arrears, but, however, he promised to complete the work within a year or so.

KASHMIR AFFAIRS DIVISION AUDIT REPORT, 1966-67

Para 4 (*a*) (*iv*), *Page* 30.—The Scheme for purchase of cloth for Tribal areas and Powindas etc. was introduced by the Central Government in 1948 and it was discontinued in 1952-53. The running account for the year 1966-67 showed that an amount of Rs. 8,47,196 was outstanding in respect of 1,000 bales of cloth supplied to the Political Agent, Gilgit. The Audit representative pointed out that this para had been appearing for the last 14 years. The departmental representative explained that the amount was actually deposited in the treasury and this fact could be checked up by Audit. The departmental representative further stated that they had been requesting Audit to carry out the necessary checks and that they were all along awaiting the arrival of the audit representative for verification. The Audit representative pointed out that there were a number of schemes run by different departments, the accounts of which had not been closed. The Committee suggested that a high powered committee might be constituted to go into all such schemes and report as to which of the schemes were to be closed. The Audit representative also stated that all other irregularities pointed out in paras 82 to 87 of the Audit Report required further verification by Audit before any comments could be offered on them.

Audit Para 87—*Undue financial aid to contractor amounting of Rs.* 12,000.—The irregularities were brought to the notice of the departmental authorities at the time of local audit in September, 1966 and the matter was also taken up with the Chief Engineer in February, 1967 but neither the irregularity had been condoned nor had any disciplinary action been taken against the persons at fault. The departmental representative explained that further action to condone the irregularity was being taken by them and the case was under consideration in the Ministry. The Committee directed that the outcome of the case should be reported to them.

Audit comments on the running of State Trading Schemes in Gilgit/Baltistan Agencies maintained by the Director of Civil Supplies and Transport (Azad Kashmir) Rawalpindi for the years 1960-61 *to* 1963-64 (*Page* 286).—The details of subsidies of Rs. 14,09,844 were checked up from the respective ledgers and files but the amount were not found to have been adjusted in the respective years due to the closure of those accounts. The departmental representative explained that the matter was being pursued for obtaining necessary funds for adjustments of subsidy and promised that action in this regard would be completed this year.

The godown and transit shortages of Rs. 30,157 were not regularised either by write off or recoveries. The Audit representative pointed out that a sum of Rs. 3,147.47 had not been written off and the balance of Rs. 27,009.50 was still awaiting regularisation. The Committee directed that effective steps should be taken either to recover them or to write them off.

GRANT No. 91.—FRONTIER REGIONS 1966-67 (PAGE 401)—B.—

WORKS—OTHER AGENCIES—B.—2 (1)—BUIDINGS

The Auditor General pointed out that the excess of Rs. 1,53,008 was due to repairs of buildings damaged by heavy rains and floods which were carried out in May and June, 1966. There was, therefore, ample time to obtain the supplementary grant in the year 1966-67. The Department representative admitted that it was an omission on their part. The Committee directed that the department should exercise more vigilance to avoid such irregularities.

APPROPRIATION ACCOUNTS 1967-68 KASHMIR AFFAIRS DIVISION

When the Committee took up the examination of Appropriation Accounts and Audit Report for the year 1967-68 the Committee found that the explanations furnished were not satisfactory. The Committee therefore, directed that all the accounts and reports pertaining to the Kashmir affairs Division for the year 1967-68 could be examined in their meetings commencing from 5-10-1970.

STATES AND FRONTIER REGIONS DIVISION AUDIT REPORT, 1966-67

Para 92 (*Page* 67).—It was noticed that the money for construction of verandas and repairs to Khassadars picquets was drawn in June, 1965 and payment was made in January and February, 1966. Again money was drawn for the construction of picqutes in Tribal Areas in June, 1966 and payment was made in July and August, 1966. In the first case no estimates of work were found on record and, therefore, it was not clear as to how they arrived at the amount of Rs. 14,960 which was drawn from the treasury. Further it was observed that a picquet constructed in October, 1964 at a cost of Rs. 2,055 was repaired in 1965 at a cost of Rs. 2,850. The expenditure on repairs to the picquet so soon after its construction and in excess of the cost of construction was required to be explained.

The departmental representative accepted that the objection was very valid and explained that the conditions and the problems prevailing in the Frontier Regions were of a peculiar nature. First they had to get the contract through and when they started the work, they left it half way. It was correct that they had drawn the money in June and utilized it in January and February. This was because of the peculiar situation they faced in the Frontier Regions. The Committee observed that the drawal of money without utilization, carrying it over to the next year to avoid lapse of funds was highly irregular. The Committee further observed that undertaking of the work without proper estimates and incurrence of expenditure on account of repairs exceeding the actual cost of construction were also irregularities of an equally serious nature.

The Committee directed that steps should be taken to avoid recurrence of such irregularities in future.

AD HOC P.A.C's EXAMINATION OF GRANTS RELATING TO CIVIL WORKS IN THE APPROPRIATION ACCOUNTS FOR 1966-67 AND 1967-68.

The Committee noted with concern the very large excesses of expenditure over budget allotments under Grant No. 8 Civil Works. (Other than charged). These excesses had been occurring persistently since 1959-00. The amounts of excesses and their percentages to the final grants were as follows :—

Year	Excess	Percentage of final grant
	Rs.	
1959-60	2,96,16,806	56.74
1960-61	5,48,25,446	101.21
1961-62	4,15,20,161	62.45
1962-63	1,83,18,091	27.01
1963-64	3,13,06,594	45.91
1964-65	1,50,93,993	18.67
1965-66	3,36,84,944	41.29
1966-67	3,83,91,126	54.78
1967-68	6,62,63,956	89.14

The major excesses were under the following sub-heads in respect of the years 1962-63 to 1967-68 :—

Sub-head	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Suspense Stock ...	62,65,115	1,33,74,320	48,90,277	23,47,661	29,32,918	1,22,34,993
Other suspense Accounts	1,19 88,627	1,14,74,428	75,28,097	2,93,09,707	2,40,25,335	3,52,11,186
Repairs Buildings ...	12,71,976	36,49,631	15,18,541	131,31,862	44,25,336	30,94,946

2. The Chairman observed that these excesses not only indicated lack of control over expenditure on the part of the P.P.W.D. but also a disregard of the sanctity of budgetary provisions. He added that this state of affairs cannot be looked upon with equanimity as, in the ultimite analysis, the annual budget loses its sanctity in the face of such excesses of expenditure. The Committee observed that if adequate measures for control over expenditure had existed in the P.P.W.D., the expenditure under the various sub-heads could have been assessed properly at the time of framing the budget estimates and adequate provision made to watch the flow of expenditure. The Committee were not convinced with the explanation of the Departmental representative that the excesses were mainly due to the fact that the funds applied for were not allotted in full.

3. The Committee observed that the large excesses of Rs. 2,93,09,707, Rs. 2,40,25,335 and Rs. 3,52,11,185 under the sub-head "Other Suspense Accounts" in 1965-66, 1966-67 and 1967-68 respectively and similar large excesses in previous years under Grant No. 8-Civil Works, were indicative of the fact that either the Accounts were not being properly maintained or adequate efforts were not being made to keep the expenditure within the budgeted amounts. The Departmental representative admitted that the position in this respect was not satisfactory and that a Committee headed by Mr. M. H. Sufi had investigated into this matter and submitted its report in 1968, and that the position was expected to improve after the recommendations made in that report had been implemented. The Comptroller and Auditor General pointed out that this question was not included in the terms of reference of the Committee which were mainly :—

(1) to ensure best possible method for construction jobs,

(2) to suggest improvements and rationalisation of the system and procedure in P.P.W.D., and

(3) to suggest economical methods for undertaking construction work. and,

as such, the recomendations of the Committee even if implemented would not go to improve the accounts and budgeting of P.P.W.D. The P.A.C. suggested that another Committee should be appointed to go into the budgeting and accounting in the P.P.W.D. because the terms of reference of the previous Committee did not cover this aspect. The following illustration would support the point raised.

4. Referring to the excesses of Rs. 15,82,026 and Rs. 9,60,179 under the sub-head 'Tools and Plant E. I.—New Supplies, Repairs, etc.' in 1966-67 and 1967-68 respectively in Grant No. 8.—Civil Works, the Committee wanted to know why expenditure was incurred in excess without funds to cover it. The Departmental representative stated that the machinery was to be purchased in previous years when funds existed but the Department of Investment Promotion and Supplies arranged the procurement of machinery during 1966-67 and 1967-68 when no funds to meet the expenditure on machinery indented for in the previous year, were available. The Committee observed that the Department should have kept themselves well posted of the likely schedule of delivery of the machinery which they knew they had indented for, and applied for funds to cover the expenditure. The Chairman enquired how the payment for the machinery could be made when the Department did not have adequate funds. He further observed that the Department to certify that funds are available. The Departmental representative stated that there were cases with regard to the second capital when such certificates had to be given although the funds were not available. The Committee observed that it was a shocking statement as coming from the Head of a Department.

5. The Committee wondered how such large excesses could occur when elaborate instructions have been and are in fact being issued every year by the Ministry of Finance regarding the formulation, compilation and execution of the budget. With the increased delegation of financial powers to the Secretaries of the various Ministries, it devolved on the Secretary of the Ministry of Agriculture and Works as the Principal Accounting Officer to keep a watch over the expenditure of the P.P.W.D. There should, in the view of the Committee, be a Financial Adviser in the P.P.W.D. who could, among other things, also ensure that

the expenditure was kept within the budget and the accounts were maintained properly. The Committee observed that the Financial Adviser attached to the Rehabilitation and Works Division should also exercise some checks over the expenditure.

6. The excesses of expenditure over budget grants persistently occurring in the P.P.W.D. were taken serious note of by the previous Public Accounts Committee and the National Assembly also. In the *ad hoc* Public Accounts Committee meeting held on 21st August, 1970, the representative of the Ministry of Finance brought to the notice of the Committee the demi-official letter (No. F. 2 (3)-BV|68, dated 6th July, 1968) which the then Finance Minister had addressed to all Ministers pin pointing the need of keeping the expenditure within the budget grants and proper observance of financial discipline by all Ministries and Departments. Particular attention was drawn in that letter to the need for fixing responsibility for all major excesses and taking suitable disciplinary action against those who had been remiss in their duties. In the letter to the Works Minister, the Finance Minister had drawn the former's attention to the large and persistant excesses relating to Civil Works and Capital Outlay on Civil Works during the years 1959-60 to 1964-65 and pointed out that this indicated a very serious failure on the part of the executive authorities to exercise proper control over expenditure against authorised grants. The Finance Minister also suggested that the Works Minister might consider the appointment of a Special Committee consisting of representatives of the Works Division, the Ministry of Finance and the Comptroller and Auditor-General to investigate into the causes of this failure, fix responsibility for the persistent neglect of the constitutional and codal provisions and to recommend ways and means for the avoidance of such excesses in future. Finally he pointed out that the payments relating to Civil Works expenditure are made by the Divisional Officers of the P.P.W.D., through cheques drawn on Civil treasuries. This privilege pre-supposed a high degree of budgetary self-discipline. If this was not in evidence, the Finance Minister feared that the facility might have to be withdrawn and the P.W.D. payments subjected to the same kind of scrutiny as is applied to the payments of other Departments. The P.A.C. observed that even this warning from the Finance Minister did not produce the desired effect.

7. The Committee felt concerned at the non-submission to Audit of various accounts returns listed in paragraphs 32 and 35 on pages 47 and 45 of the Audit Reports for 1966-67 and 1967-68 respectively and directed that the prompt and regular submission of these returns should be ensured.

8. The irregularities detailed in Audit Reports for the years 1966-67 and 1967-68 also indicated that the financial control in the Department was not up to the mark. When a financial irregularity is pointed out by Audit, it is the responsibility of the Department to see that the irregularity is not repeated in any of its formations.

PROCEEDINGS OF THE EIGHTH MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 19TH AUGUST, 1970

The Public Accounts Committee met in Committee Room No. 405 in 'Q' Block, Ministry of Finance, Pakistan Secretariat, Islamabad at 9.00 A. M. on 19th August, 1970.

Members present

1. Syed Amjad Ali. *Chairman*
2. Mr. M. A. Bary.
3. Mr. Mumtaz Mirza, S. Pk.

Audit Representatives

4. Mr. A. I. Osmany, P. A. A. S., Comptroller and Auditor-General of Pakistan.
5. Mr. F. M. Aziz, TQA, P.A.A.S., Deputy Comptroller and Auditor-General.
6. Mr. Riazul Hassan Qureshi, P.A.A.S., Director, Foreign and United Nations Audit.

Departmental Representatives

7. Mr. V. A. Jafarey, SQA, CSP, Secretary, Ministry of Commerce.
8. Mr. S. S. Iqbal Hossain, SQA, PMAS, Secretary, Economic Coordination and External Assistance Division.
9. Mr. A. B. M. S. Khondkar, Finance Member, Jute Board.
10. Mr. Shah Jahan Siddiqui, Deputy Managing Director, Pakistan Insurance Corporation.
11. Mr. Saeedullah Khan, Director General, Export Promotion Bureau.
12. Mr. N. H. Khan, Deputy Secretary, Ministry of Commerce.
13. Mr. M. H. Hashim, Manager, Pakistan Insurance Corporation.
14. Mr. S. M. Yusuf Shami, Deputy Financial Adviser, Economic Coordination and External Assistance Division.
15. Mr. Obaidullah, O.S.D. (Accounts).
16. Mr. Manzoor Ahmad, T.Q.A., Joint Secretary, Economic Coordination and External Assistance Division.
17. Mr. Habib Husain, Member Finance, Atomic Energy Commission.
18. Mr. A. H. Chotani, Secretary, Pakistan Council of Scientific and Industrial Research.
19. Mr. Anis A. K. Sherwani, Director Administration, SUPARCO.

Secretary of the Public Accounts Committee

20. Mr. Mohammad Riazuddin, P.A.A.S. Deputy Secretary (Budget) Ministry of Finance.

The Committee took up the examination of the Appropriation Accounts of the Ministry of Commerce for the years 1966-67 and 1967-68.

MINISTRY OF COMMERCE

APPROPRIATION ACCOUNTS 1966-67

Grant No. 15.—The Committee noted that under the sub-head "A. 4.—Other Charges" there was an excess of Rs. 2,51,704 and it was explained to have been due to belated adjustments of debits pertaining to the telephone and telegram charges. Explaining this excess the Departmental representative stated that the department was not able to know that adjustments of telephone charges pertaining to previous years were being made in their accounts and, therefore, they could not have the necessary budget provision to cover the excess charges. On an enquiry by a member that the bills were not paid by cheques, the Departmental representative stated that under the existing Government rules the departments do not pay each other by cheques but by book adjustments. He further stated that in the Government of West Pakistan a system was introduced under which all payments made by one Government Department to another were made by superscribed cheques. He suggested that if a similar system could be adopted in the Central Government also the difficulty in keeping watch over the progress of expenditure from time to time would be eliminated. The Committee agreed that the system of payments by book debits should be substituted by the system of payment through cheques. The Committee directed that the suggestion should be considered by the Government.

Under the sub-head "Discretionary Grant by the Minister", it was noted that against the final allotment of Rs. 2,000, the actual expenditure was Rs. 10,000 resulting in an excess of Rs. 8,000. The Departmental representative stated that the actual expenditure was only Rs. 2,000 and not Rs. 10,000 as shown by Audit, and that the excess had resulted from the non-refund of Rs. 8,000 from the treasury to the Government Account. The Committee observed that if the amount of Rs. 8,000 was not actually spent, it should have been refunded before the expiry of the year. The Committee, however, directed that the fact stated by the Departmental representative should be verified by Audit and, if necessary, the matter brought again before the Committee.

Grant No. 16.—*Export Promotion Bureau for* 1966-67.—Under the sub-head "A. 2.—Pay of Establishments" the excess expenditure of Rs. 42,378 was explained to have been caused mainly due to continuance of certain posts for which budget provision was not made. The Committee enquired as to why the budget provision was not made and why the expenditure was incurred in the absence of the budget provision. The Departmental representative stated that the expenditure related to the pay of temporary posts continuing from the previous year which were not provided for inadvertently. The Committee observed that this was a serious failure and it should be ensured that in future such irregularity did not recur.

Grant No. 18.—*Capital Outlay on Jute Purchases.*—The Committee noted that under the sub-head "A. 3.—Incidental Charges on Buffer Stock", there was a saving of Rs. 19,74,330. The Committee enquired why this saving was not surrendered. The Departmental representative explained that the budget provision was made in connection with the price support scheme for jute and it could be required at any moment when the price of jute was to fall below the minimum. He stated that in view of this uncertainty the saving was not surrendered until the close of the year.

Against the estimated recovery of Rs. 63.46 lacs shown under this Grant the actual recovery amounted to only Rs. 77,521. The Committee enquired into the reasons for the shortfall in the recovery of the order of Rs. 62.68 lacs. The Departmental representative explained that this recovery related to the rent of godowns payable by the private parties and was outstanding since 1951. He stated that out of the un-recovered amount of Rs. 53 lakhs, Rs. 22 lakhs related to cases pending before the Court. He further stated that there were little chances of effecting these recoveries. He, however, assured the Committee that they were pursuing those cases vigorously. The Committee directed that the progress made in recovering the outstanding dues should be reported in the next meeting.

AUDIT REPORT FOR 1966-67

Para 67 (*Page* 59)—*Outstanding recovery of T. A. advance and Subsistance grant amounting to Rs.* 2,975.—The Departmental representative stated that the advance had been adjusted subsequently and the delay in submission of T. A. bill had been condoned by the Ministry of Finance. The paragraph was treated as settled.

COMMERCIAL ACCOUNTS FOR 1966-67

Para 17 (*b*) (*i*) (12) (*Pages* 7-8)—*Non-Compilation of Commercial Accounts by Export Promotion Bureau of Export Exhibition Cell,* 1964-65 *to* 1966-67.—The Departmental representative informed that the accounts for 1964-65 had already been compiled and that the accounts of the remaining two years would be compiled shortly. The Committee directed that a report of the progress made in this direction should be submitted in the next meeting.

Para 227 (*Page* 185)—*Audit Comments: Outstanding balance of Rs.* 1,17,68,151 *under Sundry Debtors of the Jute Board.*—The Departmental representative informed the Committee that this outstanding amount originated as far back as 1951 and in spite of their best efforts the progress of recovery remained very un-satisfactory. He further added that in many cases recovery had necessitated legal action and due time had to be granted for adjudication in those cases. The Committee recommended that a special committee should be appointed to go into the matter and to suggest that steps should be taken to effect recoveries expeditiously and also to recommend the write off of unrecoverable dues if any. The Committee further directed that the result of action taken in this behalf should be reported to them in due course.

Para 98 (*Page* 75)—*Audit Comments.—Investment of Rs.* 1,00,10,612 made by the Pakistan Insurance Corporation on purchase of stock and shares did not yield any dividend during the last three years. The Departmental representative stated that the Corporation had as its objective the development of insurance business in particular and development of new industries in general and therefore a part of the funds of the Corporation was invested in new industries also. The Chairman observed that the main purpose of the Corporation was development of insurance industry and it could not be its responsibility to develop non-industries also. He asked the departmental representative to look into the matter and to seek advice from the Controller of Insurance if necessary. The Committee required that a further report on this matter should be submitted in the next meeting.

APPROPRIATION ACCOUNTS FOR 1967-68

Grant No. 16.—*Ministry of Commerce.*—The Committee noted that there was a saving of Rs. 69,900 under the sub-head "A. 6—Contributions to International Organisations" and the Department explained that the amount of the saving was not correct. The Committee observed that had there been a reconciliation of figures between Audit and the Department the discrepancy would not have arisen. The Departmental representative stated that previously the work of reconciliation was being handled at a low level and that it had since been streamlined. The Committee accepted the explanation.

Under Sub-head "D. 4.—Other Charges", of the same grant, there was a saving of Rs. 3,618 which was due to non-receipt of debits on account of telephone charges. One of the members wanted to know if anything could be done to improve upon the system of payments on account of telephone charges. The Comptroller and Auditor-General stated that a Committee had already been set up and it was examining the question of simplification of the procedure governing inter departmental adjustments.

Grant No. 19.—*Capital Outlay on Jute and Cotton Purchases.*—Against an estimated recovery of Rs. 66,23,000 shown under this grant the actual recovery amounted to Rs. 2,36,588 only. On an enquiry by the Committee as to the reasons for the short recovery the departmental representative stated that the short recovery of Rs. 60 lakhs was on account of delay in sale of Jute stocks and the remaining on account of godown rent from the defaulting parties outstanding since 1951. He further stated that in connection with the godown rent a Committee had already been constituted and promised to submit a further report on the progress of recovery.

The Chairman incidentally observed that during the last six or seven years Government had set up a number of departments and organisations with the purpose in view that the new organisation would be more efficient than the other Government Departments. He wanted to know whether some assessment was being made to see whether the objectives originally envisaged were being fulfilled or not. The Departmental representative agreed that there should be a system of evaluation of the functioning of the new organisations every year. As regards the organisations under the Ministry of Commerce, the departmental representative assured the Committee that they were functioning efficiently. The Departmental representative also stated that Government was conducting a general enquiry into the working of autonomous bodies with a view to streamlining their procedures and to modify their working. The Chairman made specific mention of the Trading Corporation of Pakistan and wanted to know about its working. The departmental representative stated that they had carried out a review and found that the Corporation was too much involved in imports. They had, therefore, curtailed the activities of the Corporation on this side and required them to pay more attention to exports. Concluding the discussion, the Chairman suggested that each Ministry should annually conduct the evaluation of organisations under its administrative control to ensure that they were running on proper lines.

Grant No. 20.—*Capital Outlay on Export Promotion for* 1967-68.—Under the sub-head "A. 4.—Investment in the Share Capital of the Trading Corporation of Pakistan Limited" the entire budget provision of Rs. 13.50 lakhs remained unutilised. The Departmental representative stated that the amount was actually paid but was not adjusted in the accounts by the Accountant General. The Committee observed that this was the result of non-reconciliation of Departmental and Audit figures and directed that the Department should not neglect this important work.

AUDIT REPORT FOR 1967-68

Para 69 (*Page* 57)—*Excess payment of foreign allowance.*—As the amount overpaid was recovered later on this paragraph was dropped.

Para 70 (*Page* 57)—*Extra expenditure on account of retention of rented accommodation.*—The Departmental representative explained that the accommodation was retained because it was expected that a new Commercial Secretary would be posted soon and that it was more economical to retain the accommodation instead of paying total charges to the officer which would have been more than the amount of rent payable. The position was accepted by the Committee.

Para 71 (*Page* 58)—*Irregular purchase of furniture.*—The Committee directed that the irregularity which had been pending for regularisation for the last several years should be settled without further delay.

COMMERCIAL ACCOUNTS FOR 1967-68

Para 23 (*Page* 12)—*Loss of Rs.* 18,332 *on account of shortage of Jute.*—The Committee directed that the matter should be settled as soon as possible and a report submitted to the Committee.

Para 24 (*Page* 12)—*Non-recovery of extra expenditure of Rs.* 6,142 *from a contractor.*—The Committee dropped this paragraph.

Para 157 (*Page* 117)—*Lease deed in respect of Islamabad Land.*—The Departmental representative stated that the deed could be executed only on completion of the building and promised that it would be done as soon as the building had been completed.

ECONOMIC AFFAIRS DIVISION

APPROPRIATION ACCOUNTS FOR 1966-67

Grant No. 85—*Economic Affairs Division.*—Under the Sub-head "A. 1(3).—Allowances, Honoraria" there was an excess of Rs. 63,272. The Committee did not accept the explanation of the department that the excess could not be regularised because of delay in submission of travelling allowance bills by the staff. The Committee observed that the expenditure should have been anticipated as this was in connection with the move of the whole office from Karachi to Islamabad.

The other grants of the Economic Affairs Division were generally examined by the Committee and they had no specific remarks to make.

MINISTRY OF EDUCATION AND SCIENTIFIC RESEARCH

The Committee examined the accounts of the Ministry of Education and Scientific Research (Education Division) and noticed that there were a number of cases of excesses and savings which were not adequately explained. The

Committee particularly took notice of the case of non-utilisation of considerable portion of budget provision made under the sub-head "L. 4 (1) (2).—Scholarships under the Supplementary Overseas Training Scheme" and L. 4 (1) (3).—Scholarships under the Central Overseas Training Scheme" in Grant No. 108.—Development Expenditure of Ministry of Education of the Appropriation Accounts for 1966-67. The Committee observed that a number of students could not get their admission in Foreign Universities because of delay in the processing of their applications.

The Accounts of Stationery and Printing Department (Grant No. 73) in the Appropriation Accounts for 1966-67 and Grant No. 74 in the Appropriation Accounts for 1967-68 also contained excesses and savings which could not be explained by the departmental representative satisfactorily.

The Committee decided that the accounts of the Ministry of Education and Scientific Research and Stationery and Printing would be re-examined by them in October 1970, when the Committee would reassemble. The Chairman asked the departmental representative to come to the meeting fully prepared.

PROCEEDINGS OF THE 9TH MEETING OF PUBLIC ACCOUNTS COMMITTEE HELD ON THURSDAY, THE 20TH AUGUST, 1970

The Public Accounts Committee met in Committee Room No. 405 in 'Q' Block, Ministry of Finance, Pakistan Secretariat, Islamabad at 9.00 A.M. on 20th August, 1970.

Members present

1. Syed Amjad Ali—*Chairman.*
2. Mr. M. A. Bary.
3. Mr. Mumtaz Mirza, S. Pk.

Audit Representatives

4. Mr. A. I. Osmany, P. A. A. S., Comptroller & Auditor-General of Pakistan.
5. Mr. F. M. Aziz, TQA, P.A.A.S., Deputy Comptroller and Auditor-General.
6. Mr. Riazul Hasan Qureshi, P.A.A.S., Director, Foreign and United Nations Audit.
7. Mr. N. A. Jafary, P.A.A.S., Director, Commercial Audit.

Departmental Representatives

8. Mr. Abdul Hamid, SQA, T. Pk., P.A.A.S., Additional Finance Secretary, Ministry of Finance.
9. Mr. Abdur Raouf Sheikh, SQA, T. Pk., P.A.A.S., Member, Central Board of Revenue.
10. Mr. Abid Hussain, T. Pk., CSP, Member, Central Board of Revenue.
11. Mr. A. F. M. Ehsanul Kabir, PTS, Member, Central Board of Revenue.
12. Mr. A. F. S. Salahuddin, GAR (SW), Joint Secretary (Development), Ministry of Finance.
13. Mr. K. A. Mamun, Managing Director, House Building Finance Corporation.
14. Lt. Col. S. A. H. Durrani, General Manager, House Building Finance Corporation.
15. Mr. K. B. Roy Choudhury, Officer-on-Special Duty, House Building Finance Corporation.
16. Mr. A. Rahman, Chief Accountant, House Building Finance Corporation.
17. Mr. Amjad Ali, Chief Accountant, Agricultural Development Bank of Pakistan.

Secretary Public Accounts Committee

18. Mr. Mohammad Riazuddin, P.A.A.S., Deputy Secretary (Budget), Ministry of Finance.

COMMERCIAL ACCOUNTS 1966-67 (HOUSE BUILDING FINANCE CORPORATION).

Para 75 (*Page* 54).—The Committee observed that after the receipt of Rs. 1.5 crores from the Government of Pakistan and issue of further debentures of the value of Rs. 2,50,90,000, the Corporation was unable to liquidate the overdraft taken from the National Bank which stood at Rs. 40,58,143 on 30th June, 1967. The Departmental representative explained that it was due to paucity of funds that they could not clear the overdraft. He added that at the close of the financial year 1965-66 the Corporation had huge back-log of sanctioned cases and pending applications involving huge amounts. The Corporation, therefore, estimated its requirements of funds during 1966-67 at Rs. 7.75 crores to be financed from the following sources :—

	(Rs. in crores)
(*a*) Loans from Central Government	1.50
(*b*) Through sale of debentures	3.25
(*c*) Recoveries of past loans	2.00
(*d*) Temporary loans for a short period from Government	1.00
Total ..	7.75

There was a question of choice between the back-long of sanctioned loans and the retirement of the overdraft, and the Corporation decided to give preference to the back-log. The sum of Rs. 1 crore which was to come from the Central Government was not made available due to war. The Committee enquired whether the Corporation had explained to their defaulters at any stage that unless they paid their dues, the Corporation would not be in a position to make loans to the waiting applications. The departmental representative explained that the defaulters were not interested as to who got the loans and who did not get.

The Audit representative pointed out that the balance of outstanding loans and advance stood at Rs. 31,26,61,275 on 30th June, 1967, compared with Rs. 27,06,12,786 at the end of the previous year. The overdue instalments amounted to Rs. 1,26,00,180 at the close of the year 1966-67 as against Rs. 35,63,980 outstanding at the end of the previous year. This, in the opinion of the Committee, indicated an unsatisfactory position of the recoveries of the loans, etc., inspite of their being fully secured against property. Effective measures were, therefore, required to be adopted to speed up the pace of recoveries, particularly of the overdue instalment which had an effect on the resource position of the Corporation as well.

It would be observed from para 5 on page 448 of Commercial Accounts 1967-68 that the outstanding overdue instalments were of the order of Rs. 1,81,51,508. The departmental representative explained that the Corporation had set up a Recovery Cell. The officers of that Cell paid regular visits to the loanees and pursuaded them to make the payment against the outstanding dues. They also issued press statement from time to time warning the loanees to deposit the overdue payments. The Corporation had made very good recoveries during these years and almost the same amount which would remain outstanding at the beginning of the year had been recovered during the year, but those recoveries were being off-set by addition of fresh defaulters over the past three years and the Corporation had not been able to take any deterrent measures like auction, etc. This was because of the fact that there had been a change in the policy of the Provincial Government in the matter of recovery. The total amount recovered during the year was substantial although a sum of Rs. 64,00,000 was due from one party *i.e.* M/s Hussain D' Silva whose case was pending in the court.

Para 76 (*Page* 54).—This para was dropped in the light of the discussion on the overall position of the recoveries of loans.

Para 77 (*Page* 54).—Physical verification of the closing balances of the stationary, stamps, forms and other assets was not carried out during or at the close of the year. Necessity of conducting an independent physical verification of the assets was stressed upon. The departmental representative explained that in order to satisfy the audit requirement, it had since been decided by the Board that annual physical verification of stores and stocks would henceforth be carried out at the close of financial year by some one, independent of immediate management of the stocks and stores, and this had been given effect from 1968. The Committee decided to drop the para.

Para 3(*b*), (*Page* 259).—The Committee enquired as to what was the preferential treatment given to Al-Azam Ltd. The departmental representative explained that this construction Company had lunched its programme in Karachi. The Government had allotted them land, and the Corporation entertained loans to the extent of Rs. 90,000 in the first instance applied for by this Housing Project, which was against the normal rules and the policy pursued by the Corporation. The loan was applied by the individual members but was released collectively. During the period when this loan was given, there was a ban on the receipt of applications and sanctioning of loans. During this period a further sum of Rs. 24 lakhs was sanctioned with the permission of the previous Managing Director. The ban was imposed by the Corporation themselves. The preferential treatment meted out to Al-Azam Ltd., as pointed out by Audit, was being investigated. The departmental representative further stated that administrative action was also being contemplated against the person responsible for according special favour to the construction Company in preference to the general loanees. The Committee directed that the result of investigation being conducted departmentally should be reported in the next meeting.

Para 4 (*Page* 259) *Other Assets*.—It was explained by the departmental representative that regular ledger accounts were being maintained in respect of all assets since 1968-69. The Comptroller and Auditor-General desired that the ledger accounts should be got verified by his departmental staff.

On an enquiry made by the Committee the departmental representative informed that there was a limit of advance in the case of individual loans and that was based on the size of the house. It was Rs. 20,000 in case of lower income group and Rs. 40,000 for the higher income group. The loans given by the Corporation were, generally speaking, on easier terms whereas the bank loans being of stiff terms the lower income group people hastened to pay their dues to the commercial banks to avoid heavy interest charges at the expense of the loans granted by the Corporation and the Corporation thus suffered a setback in the recovery of its outstanding loans.

The Committee enquired about the size of the bad debts written off by the Corporation. The departmental representative explained that in almost all cases the loans were properly utilized and recovered without fail. It was only in a few cases where the loans were taken and not actually invested and the Corporation had ultimately to write them off as bad debts. The representative added that such cases were few and far between and generally the loans of the Corporation were always safe particularly because of the fact that because in big cities the price of the land was more than the amount of loans granted.

PAKISTAN REFUGEES REHABILITATION FINANCE CORPORATION COMMERCIAL ACCOUNTS 1966-67

Para 61 (*Page* 46).—Unnecessary expenditure of Rs. 87,410 due to retention of surplus establishment. Although the main function of the branches of the Corporation being that of given loans to refugees in cash and kind had been suspended with effect from 14th April, 1961, no reduction was made in the staff up to 27th January, 1965, resulting in unnecessary and unjustified expenditure of Rs. 87,410 on their pay and allowances. The contention of the Corporation that the entire staff was retained to effect recoveries of outstanding loans was not considered satisfactory by Audit. Since the Corporation was in the process of winding up, only a small skeleton staff was enough to cope with the work. The departmental representative explained, that the staff was being gradually reduced and a substantial reduction was made in the strength of the staff in the Punjab Branch, Lahore. It was stated that the Corporation was all along conscious of the need of economy in expenditure on establishment. The expenditure of Rs. 87,410 incurred on establishment by that branch which was the minimum possible, was, therefore, justified. The Committee decided to drop the para.

Para 62 (*Page* 46) *Loss of Rs. 25,984 in the sale of imported M.S. Sheets Manipulation of records.*—The departmental representative explained that the Foundry and Agricultural Implement Unit, Multan was closed down in June, 1965 because of continuous losses, and sold out. Responsibility could not be fixed at this belated stage. The para was dropped.

Para 63 (*Page* 46) *Loss of goods worth Rs. 49,082.*—Goods worth Rs. 49,082 were transferred from one of the Branch Offices of the Corporation to the Head Office in December, 1959. The record of Head Office, however, did not show that these goods had been received. Neither the cost of goods transferred had been supplied to Audit nor their whereabouts intimated. The records of Karachi Branch showed that actual adjustment of Rs. 49,082, being the cost of goods supplied by the Sind Branch, was carried out in the books of accounts of Sind Branch and corresponding adjustment was also made in the accounts of the Central Office, Karachi. The records and the details of the goods were required to be produced to the Commercial Audit Party for verification. The departmental representative promised to do so.

Para 60 (*i*) (*ii*) (*Page* 45).—The Comptroller and Auditor-General pointed out that scrutiny of consolidated accounts for the half years ending 31st December, 1964 and 30th June, 1965 by Audit revealed certain discrepancies which had not been reconciled so far. The Chairman directed the departmental representative that it was their responsibility to reconcile the discrepancies. The departmental representative promised to reconcile the discrepancies and settle them in consultation with Audit.

The Comptroller and Auditor-General pointed out that intensive efforts were required to set the Accounts in order. He added that so far as West Pakistan is concerned, the scheme is almost defunct although some recoveries remain to be made. The departmental representative explained that the outstanding recoveries were being made and that they had gone in litigation to Court of Law in certain cases. As regards the other recoveries and losses which came to the notice of the Corporation it was found that those responsible had actually gone and they were no more in the service of the Corporation. The outstanding amount from the loanees in such cases had to be treated as irrecoverable. Action was being taken to write off these losses. The Committee directed that it was high time that the Corporation reduced their liabilities because it was unnecessary waste of time, energy and stationary to keep the organisation running when there was hardly any justification for it.

Para 65 *(Page* 42) *Losses due to grant of un-secured advances.*—The case was originally reported in para 32 on page 82 of the Commercial Accounts 1962-63. In a branch of the Corporation certain amount remained outstanding for several years, and that amount was charged off in the accounts subsequently without sanction of the competent authority or even obtaining orders for writing it off. In a typical case a sum of Rs. 200 was advanced to an advocate on 11th February, 1952 on account of fee and the cost of legal stampe in connection with the liquidation of a Company which was established in 1950 and was closed down in 1951, after running into heavy losses. A further sum of Rs. 600 was paid to him as an advance on 28th February, 1951. The liquidater, however, absconded in the beginning of 1953. The matter was reported to the Police in 1955 who could not arrest him. The Court of Law in November, 1956 declaring the accused absconding, issued a perpatual warrant for his arrest but he could not still be traced out. The Corporation charged off the amount finally in the accounts for 1956 without making proper sanction of the competent authority. The circumtances in which the case was reported to the Police after 2 years without taking adequate safeguard were required to be investigated.

The departmental representative stated that the matter was under investigation and progress would be shown to the Committee in due course.

AGRICULTURAL DEVELOPMENT BANK OF PAKISTAN COMMERCIAL ACCOUNTS 1966-67

Para 89 *(Page* 68) *Provision for Bad and Doubtful Debts.*—A sum of Rs. 46.73 crores stood recoverable from the loanees at the close of the year, and the aggregate provision for bad and doubtful debts amounted to Rs. 38.10 lakhs and on the 30th June, 1967, which was about 0.8% of the outstanding loans. This provision was required to be made on a realistic basis after preparation of yearwise break-up of the recoverable amount and careful examination of the prospects of recovery. The short provision occurred due to the adoption of the surplus as the basis, instead of taking into account, the actual outstanding loans and the period from which these loans were outstanding. The departmental representative explained that the provision had not really been based on the profit but had been described as a percentage of the profit, only to give an idea of its quantum. The provision for bad and doubtful debts had been charged to the profit and loss account in the usual manner. Had it been linked with the amount of outstanding loans it would have been charged to profit and loss appropriation account. He further added that the situation had since improved and they had made adequate arrangements in this connection. The para was dropped.

Para 90 (*Page* 68) *Physical verification of stores.*—Physical verification of stationery, other stocks and library books pertaining to Head Office of the bank was not carried out during the year. Therefore, the closing balances on 30th June, 1967 showed in the accounts against 'Stock in hand' and 'Dead Stock' represented book value only. The departmental representative explained that the physical verification was actually carried out but a certificate to that effect was inadvertently not recorded in the relevant register. The explanation was accepted subject to verification by Audit.

Para 12 (*Page* 263) *Loans and Advances.*— Necessary data collected by the bank in respect of loans and advances proved inadequate for the purpose of Audit. The data collected by the Head Office of the banks and supplied to Audit in the form of an overdue loan statement did not include the supporting schedule. So it could not be verified by Audit. It was emphasised that the bank should speed up their efforts regarding collection of data of overdue loans in complete details as was customary with other banks so that more scientific and methodical assessment could be made of the provision for bad and doubtful debts as well as classification of loans and advanees based on the chances of recovery. The departmental representative noted the directives and promised to improve the situation.

COMMERCIAL ACCOUNTS 1967-68

Section II Para 141 (*Page* 107).—The total provision of Rs. 72,04,600 for bad and doubtful debts was 4.96% of the overdue loans of Rs. 14,49,93,047 and 1.24% of the total loans of Rs. 58,96,78,780 as on 30th June 1968. The provisions should have been made on a realistic basis after preparation of year wise break-up of the recoverable amount and careful examination of the prospects of recoveries. The departmental representative explained that the bank was fully aware of the need to make adequate provision for bad and doubtful debts, and it had since started their analysis on a scientific and realistic basis. All these cases of overdue loans were being examined by the branches thoroughly and only such cases were recommended by the branches for writing off, which were genuinely considered as bad and doubtful. A sum of Rs. 15,39,373 had been considered as bad debts up to 30th June 1967 and Rs. 12.60 lakhs were written off by the Board of Directors up to June, 1969. The Committee enquired as to what was the limit in regard to advancing loans to a particular individual and whether the short-term loans were considered as good loans for the purpose of repayment. The departmental representative explained that the limit for a particular individual was Rs. 5 lakhs. The maximum amount loaned was generally in the cases of tea estates and cold storage schemes and those were considered quite safe loans. The Committee required as to what was the security in the case of loans to tea estates and cold storage. The departmental representative informed that the security would be a movable property, funds and assets raised by them. The Committee enquired as to what protection the bank took to ensure that the money advanced by them was utilized for specific purposes as also utilized wisely and efficiently. The departmental representative explained that the bank had created a Supervisory Unit who took due care of that aspect also. The Committee observed that the bank could very well watch that the loans were utilized according to the specific purposes so far as they related to tangible items, and enquired as to what measures were taken about other items like fertilizers or replacement of bushes etc. which could be ensured only through inspection.

The departmental representative stated that the Supervisory Unit was responsible for keeping a watch over such cases. The Committee further enquired whether the bank had any inspection unit to investigate into cases where the officials of the Corporation gave money to seek undue favours. The departmental representative explained that there were so many branches of the Corporation and every care was taken to watch that the lower staff could not influence the loanees but there might have been some cases of the kind. The Martial Law Authorities had also set up a Cammittee to enquire into previous complaints. That Committee had gone into those complaints and in most cases they were found correct. As regards cases of embazalment the departmental representative informed that the Committee set up by the Martial Law Authorities as referred to above had gone into a few cases of that type also and legal action was being pursued.

CENTRAL BOARD OF REVENUE APPROPRIATION ACCOUNTS 1966-67 GRANT No. 40—CENTRAL BOARD OF REVENUE

The Audit representative pointed out that the excess of Rs. 27,082 under the sub-head A. 3. Allowances, Honoraria, etc., which was attributed to receipt of debits on account of railway warrants pertaining to the years 1965-66 and 1966-67 could have been avoided as part of the amount really pertained to the year 1966-67 and not to any past year. He further observed that under the sub-head 'A. 2.-Pay of Establishments' the department had surrendered a sum of Rs. 4,700 but there was a final excess of Rs. 5,703 under that sub-heads. The departmental representative explained that they had hundreds of officers and they were spread all over the country and each one was controlling a particular unit. The coordination was difficult in their case as they had to deal with a very large number of officers. The departmental representative however, assured the Committee that in future all possible steps would be taken to collect the necessary information in time from various units and to avoid excesses and savings as far as practicable. The Audit representative observed that there were lump provision for re-organisation amounting to Rs. 1,50,000 under sub-head A. 7. of this grant, Rs. 6,00,000 under sub-head A. 9. of Grant No. 41 Sea Customs and Rs. 2,50,000 under sub-head B. 6 of Grant No. 42 Land Customs and Central Excise and those provisions were surrendered almost entirely. The departmental representative explained that there was a proposal under consideration at the time of budget for the creation of a Directorate in connection with Re-organisation to which the Ministry of Finance agreed but, later on, the Establishment Division did not agree and also because the Central Public Service Commission did not make available to the department suitable officers. The funds, therefore, remained unutilized and they had to surrender.

Grant No. 41 *Sea Customs*.—The Committee pointed out that the percentage of expenditure to receipts given in Note 6 on page 187 of the Appropriation Account was on the decline. The departmental representative explained that their organisation was not keeping pace with their increasing work and there were several hurdles for the recruitment of staff in consultation with the Central Public Service Commission. It was also equally difficult to make *ad hoc* appointments because they had to obtain the approval of the Central Public Service Commission in individual cases. The former Finance Minister had at one stage suggested that the department should take 25% of the staff from the Audit Department and appoint them in the Income Tax. Even this proposal was dropped because by the time the deputationists got experience of work they would be completing their tenure and returning back to their parent Department. The Committee enquired as to why the department could not start an institute for training, took fresh graduates, train them and employ them on the job. The departmental representative informed that the President had already asked for a paper and the Department was working on it and that it would be a comprehensive paper which, when it had received the approval of the President, would go to solve a number of their problems.

The Committee enquired as to how the percentage of expenditure compared with the collection of reciepts. The departmental representative explained that their operations were mostly at Karachi, Chittagong and to some extent at Khulna and, therefore, at some of the places their expenditure was more than the collections and at other it was less. In East Pakistan particularly in the case of Land Customs the receipts were almost negligible compared to the expenditure incurred on maintenance of staff etc.

The Comptroller and Auditor-General pointed out that as far as the Government receipts were concerned, a very limited check was exercised by Audit. In Customs Department it was confined to only 2 to 5 per cent of the documents and that there was every necessity to strengthen the statutory audit conducted in regard to receipts. The departmental representative stated that they had no objection whatsoever to the statutory audit being strengthened and he desired to know as to what kind of strengthening was required. The Auditor-General suggested to increase the quantum of audit 20% and for the purpose they wanted to raise the strength of the staff. He further stated that while the quantum of audit was the responsibility of the Auditor-General, the requirement of the staff to be sanctioned was that of the Ministry of Finance. The departmental representative stated that they had no objection in that respect. However, the departmental representative added that increase in the percentage limit for audit of receipts might not result in a corresponding or equivalent increase in the detection of lapses. The Audit representative thereupon remarked that if the Custom people came to know that there had been an increase in the percentage of audit from 5% to 20% they would certainly be more vigilant and devote themselves to their work more seriously.

The Audit representative submitted a statement showing cases of under-assessment and short realisation etc. in respect of which recoveries were effected by the Collector of Customs, Karachi at the instance of Audit during the years 1966-67, 1967-68, 1968-69 and for the period July, 1969 to April, 1970. The statement is as under :—

Years	Number of Observations admitted	Amount recovered
		Rs.
1966-67	320	3,18,927
1967-68	364	1,11,654
1968-69	673	9,35,459
1969-70 (10 months)	720	8,36,946

The Committee finally directed that the Ministry might look into the proposal regarding further strengthening of statutory audit and consequent increase in the number of the staff to be engaged by the Auditor-General.

Grant No. 43—Income Tax, Corporation Tax and Sales Tax.—Audit representative pointed out that there were excesses for which it had been stated that they were due to inadvertence, over-booking and so on. The excess under A. 1—Pay of Officers was Rs. 72,576, under A. 2.—Pay of Establishments it was Rs. 1,14,394 under A. 3.—Allowances, Honoraria, Rs. 81,787 and under A. 4.—Other Charges, Rs. 3,37,938. The departmental representative while explaining the reasons for the excesses stated one of the main factors responsible for incorrect estimates of expenditure and wrong budgeting was the dearth of trained hands in the department who could deal with these matters efficiently. It was further explained that the department was not always aware of the exact number of officers and staff recruited each year, with result that at one place there was an under estimation and at other places an over-estimation. The Central Board of Revenue had under consideration a new system of centralised recruitment as was the case with the Foreign Ministry. The Committee directed that the proposal should be finalised as early as possible and steps taken to avoid unnecessary excesses.

AUDIT REPORT, 1966-67

Para 70 (*Page* 60)—*Overpayment of Rs.* 19,419 *on account of overtime claims.*—The Central Board of Revenue had directed the Custom House to take necessary action for the regulation of this excess payment and to work out the total amount which had not been done by the department. Audit stressed the need for introducing corrective measures to guard against such irregularities. The departmental representative explained that they had taken corrective measures and had checked 100% of overtime cases and they had in fact recovered Rs. 8,870 so far. Some of the officers had retired and they could not effect recoveries from them.

The Committee directed that the progress of the remaining amount to be recovered in the case should be reported in the next meeting.

Para 73 (*Page* 61)—*Evasion of Customs Duty and Sales Tax by forging custom documents.*—A business firm cleared the goods without payment of customs duty and sales tax amounting to Rs. 17,543 by forging official cash stamps and the signature of the departmental official. The case was discharged from the court due to defects in the charge-sheet framed by the Special Police. The departmental representative informed that the Police had framed a fresh charge-cheet but the culprit had been declared absconder and the case had become dormant.

The Committee directed that efforts should continue to be made to pursue the case.

Para 74 (*Page* 62)—*Non-recovery of penalties to the tune of Rs.* 8,25,879.—The Audit representative pointed out that the case had been pending for the last 11 years. The departmental representative explained that a decision had been taken recently and a sum of Rs. 97,000 would be recovered in the next few months. One of the case was rather big which involved an amount of Rs. 2,00,000 and the decision in that respect was also being expedited.

Annexure 'E' at Page 191—*Serial No.* 2.—The departmental representative stated that they had taken note of the important cases of financial irregularities and losses etc. referred to in this Annexure and assured the Committee that the irregularities would not recur.

AUDIT REPORT, 1967-68

Para 73 (Page 58)—Underassessment of 12 Ford Falcon motor cars.—There were 12 motor cars imported from Iran into Pakistan. Those cars were purchased in 1961 and they were brought in Pakistan in 1964. The Audit report on that said that their cost was assessed at 50% of what it was. It was only 3 years after which the cars were brought here and they were more or less in a new condition and therefore assessment made at half of the cost was not correct. The departmental representative explained that according to the guidelines laid down by the department, reduction would have been 30% but in the case under consideration it was done @ 50%. He further contended that the cars were in a damaged condition and these were not appraised by any inspector but by the Collector of Customs himself. The departmental representative then read out from the relevant file the decision of the Collector of Customs which revealed that the cars were discoloured, their fuelcaps had developed leakages during the long storage in the show-room, various parts were missing and the engines were rusted. The departmental representative further added that even if the cars were in a perfect condition, their model being old, they could be assessed @ 50% only. The Committee decided to drop the para.

Para 74 (Page 58)—Loss of Customs Revenue.—Certain goods were warehoused at Karachi and the goods belonged to an air company. If those goods were used inside the country, customs duty was leviable. The Company had not submitted any account indicating the details of the goods and without the account it was not understood as to how the Customs House had exempted the goods from duty. The departmental representative explained that it was decided in the judicial proceedings, on the basis of the evidence and further considering the pros and cons of the case. The company involved was a foreign company. The company was asked to account for those stores after 3 or 4 years but they had destroyed the records and admitted that it was their fault. The departmental representative further explained that the goods which comprised certain spare parts were absolete and there was no possibility of their being used anywhere. The Audit representative drew the attention of the Committee, to the fact that the spare parts were lying uncleared in the Customs godown for three years without any action being taken by the department. The departmental representative explained that the stores were bonded in the warehouse, and the only question was that the air company did not give proper account. The Committee felt that apparently the orders of adjudication passed by the department were not a matter for Audit to review. On a specific question being raised by one of the members of Committee as to who did this adjudication, the departmental representative informed that this was done by the officers of the Customs. The Audit representative pointed out that the customs law did not provide for any discretions to the Collector in such cases and therefore it would have been decided by a Court of Law. The departmental representative submitted that under the law of adjudication of Sea Customs and Central Excise, it was provided that Central Board of Revenue would decide cases between a part assessee and the department. There was a procedure also laid down that up to a certain limit it would be the Assistant Collector and up to a certain limit it would be the Deputy Collector, and then the Collector who could adjudicate in such matters, the appeal being with the Collector and the Central Board of Revenue. The party could also go to the High Court and the Supreme Court if they were not satisfied with the decision. In revenue matters, the decisions of the departmental officers were not always of administrative nature but also of a judicial one. After some discussion on the point the Committee directed that with regard to the question raised by Audit as to whether or not the customs authorities could exercise judicial functions as mentioned in this paragraph, a reference should be made to the Ministry of Law for clarification and action taken in this behalf should be reported to the Committee in the next meeting.

Para 75—Excess payment of rebate of Rs. 2,40,859.—In the Karachi Customs House, Customs duty amounting to Rs. 2,40,859 realised on spare parts etc. was refunded to the importer. The refund of duty was admissible only in respect of plant and machinery required for initial installation and imported as a complete unit. The departmental representative while admitting that basically it was an omission on the part of the department pointed out that the Customs Revenue Audit Branch of the Audit Department also did not raise any objection to the refund. He promised that the matter would be properly investigated and if the amount could not be recovered, sanction for regularisation would be obtained.

The Committee directed that further progress of the case should be reported in due course.

PROCEEDINGS OF THE 10TH MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON FRIDAY, THE 21ST ANGUST, 1970

The Public Accounts Committee met in Committee Room No. 405 in 'Q' Block, Ministry of Finance, Pakistan Secretariat, Islamabad at 9.00 A.M. on 21st August, 1970.

Members present

1. Syed Amjad Ali—*Chairman.*
2. Mr. M. A. Bary.
3. Mr. Mumtaz Mirza, S. Pk.

Audit Representatives

4. Mr. A. I. Osmany, PAAS, Comptroller and Auditor-General of Pakistan.
5. Mr. F. M. Aziz, T.Q.A., PAAS, Deputy Comptroller and Auditor-General.
6. Mr. Riazul Hasan Qureshi, PAAS, Director, Foreign and United Nations Audit.
7. Mr. N. A. Jafary, PAAS, Director Commercial Audit.

Departmental Representatives

8. Mr. Abdul Hamid, S.Q.A., T. Pk., PAAS, Additional Finance Secretary.
9. Mr. Nasim Ahmad Khan, SQA, S. K., GAR (SW), Joint Secretary (Budget).
10. Mr. Afzal Said Khan, T. Pk., PC&ES, Joint Secretary (Co-ordination).
11. Mr. A. F. S. Salahuddin, GAR (SW), Joint Secretary (Development).
12. Mr. A. A. Shah, TQA, Deputy Secretary (Internal Finance).
13. Mr. M. Alimuddin, T. K., Deputy Secretary (Budget).
14. Mr. Sadiq Sayeed Khan, P.T.S., Deputy Secretary (Budget Plan).
15. Mr. I. A. Sherwany, Chief Director of National Savings.
16. Mr. Shahjahan, PRAS, Deputy Secretary (Finance and Accounts).

Secretary Public Accounts Committee

17. Mr. Mohammad Riazuddin, PAAS, Deputy Secretary (Budget), Ministry of Finance.

The Committee took up examination of the Grants controlled by the Ministry of Finance for the years 1966-67 and 1967-68.

MINISTRY OF FINANCE

APPROPRIATION ACCOUNTS 1966-67

Grant No. 9—Rehabilitation of Displaced Persons and Protection of Evacuee Property—Sub-Head F—Block Grant for Transfer to Central Rehabilitation Fund.—The Committee was informed that the proceeds of Rehabilitation

Surcharge levied under the Finance Act, 1964 are credited to the Central Rehabilitation Fund by debit to this sub-head. It was explained that the expenditure under this sub-head should be the same in amount as receipts from the Rehabilitation Surchrage. Actually, however, there was a difference of Rs. 86 lakhs in 1965-66, Rs. 14 lakhs in 1966-67 and Rs. 70 lakhs in 1967-68 between the figures of receipts and the amounts charged to the sub-head as also the amounts shown under ' Central Rehabilitation Fund ' from year to year. The entire amount under the Central Rehabilitation Fund was to be spent on rehabilitation of displaced persons and the deficiency in the Fund was required to be made good. The Audit representative suggested that the position could be set right by re-conciliation of figures of the previous years which should be completed. The departmental representative stated that when this tax was levied in the year 1964 a regular accounting procedure was laid down and according to the instruction contained therein it was for the Audit Department to transfer the proceeds of the tax month by month to the Central Rehabilitation Fund. He further pointed out that the instructions in this behalf were of a standing nature and, therefore, it was the function of the Audit Department to ensure that the Fund was not short credited. According to the departmental representative, the discrepancy had arisen due to lack of co-ordination in the Account office itself. He maintained that the Ministry of Finance was not required to keep departmental accounts of the Rehabilitation Tax or for that matter of the Central Rehabilitation Fund.

The Committee directed that the accounts of the Central Rehabilitation Fund should be re-conciled and necessary adjustments carried out.

Grant No. 34—Ministry of Finance.—The Committee noted that there was a very large expenditure on telephone and trunk calls Rs. 6,26,533 under sub-head A. 4.—Other Charges as was the case with other Ministries also. The departmental representative stated that the expenditure on this item was becoming unmanageable and that eversince the direct dialling started, the departments were unable to control the expenditure. He mentioned that sometimes the bills were inflated by the Telephone Department and added that the former Communications Minister had also once admitted on the floor of the House that sometimes telephone call bills were exaggerated. The Committee observed that if there were telephone exchanges in every Ministry, the unauthorised and excessive trunk calls could perhaps be avoided.

Debt Services (*Page* 153).—It was pointed out by the Audit representative that under the sub-head ' A. 3 (2)—Expenses connected with the Issue of New Loans ' a sum of Rs. 8.68 lakhs was surrendered resulting in an excess of Rs. 2,51,435. It was explained by the departmental representative that a debit was raised by the State Bank after the close of the year when there was no time for regularisation.

Under group-head ' C.—Interest on Savings Bank Deposits, Cash Certificates, etc. there were large savings and excesses in expenditure on a number of items which were explained by the departmental representative as being due to calculation of interest and the adjustment in accounts at the fag end of the year when there was no time to regularise the excesses and savings. The Audit representative informed the Committee that the position was being re-examined by the Post Office Department to find out ways and means for improving the position of Budgeting and accounts as a whole.

Sub-head D. 1.—General Provident Fund.—The Committee noted that there was a saving of Rs. 8,52,419 and wanted to know as to why it could not be surrendered in time. The departmental representative stated that it was the responsibility of the Audit Offices to have it done and added that the excesses and savings under this head generally remained unregularised because of the withdrawals of Provident Fund towards the close of the year which were sometimes lower and sometimes higher than the amounts budgeted for.

Under sub-head 'G. 3.—Interest on Deferred Pay' there was an expenditure of Rs. 7,05,983 for which no budget provision had been made. The Committee wanted to know what was the nature of the deferred payment and as to why the expenditure could not be provided for. The Comptroller and Auditor-General stated that some part of the pay of the Defence personnel was retained by Government and that interest was paid in the same manner as was done in the case of Provident Fund. He further stated that a supplementary grant could not be obtained to cover the expenditure because the interest was worked out towards the end of the financial year.

Grant No. 36—*Pakistan Mint.*—Under this grant the Committee noted that the savings and excesses under various sub-heads were very small or almost nil. On their enquiry as to how it was possible for the Pakistan Mint to control expenditure so meticulously, the departmental representative stated that it was possible because of an officer who was a good Cost Accountant and had been doing the work for the last 40 years.

The Chairman wanted to know if any commercial accounts were maintained in respect of the Pakistan Mint. The departmental representative stated that Mint was not a commercial undertaking but proforma accounts were kept so that the Ministry could know whether the Mint was running at a profit or loss.

Grant No. 47—*Miscellaneous Capital Investment.*—Under the sub-head A. 5.—Investment in the Share Capital of Asian Development Bank, the Committee noted that out of the budget provision of Rs. 1,53,04,000 only a sum of Rs. 76,84,000 was actually utilized during the year and wanted to know the reason for the saving. The departmental representative stated that 50 per cent of the payment representing the subscription of the Government in foreign exchange was made by the State Bank of Pakistan as authorised by the Ministry of Finance and the balance for which a sanction was issued in time and which had to be paid in the shape of Treasury Notes duly executed in favour of the Asian Development Bank remained unpaid due to misunderstanding on the part of the State Bank authorities about the correct accounting procedure. An amount of Rs. 76,20,000 had, therefore, remained unutilised and the necessary accounting adjustments for debiting the amount to the major head '89—Central Miscellaneous Investigations' with a corresponding credit under 'N-Public Debt' could not consequently be carried out by the A.G.P.R.

Sub-head A. 7.—Investment in the Share Capital of Karachi Road Transport Corporation.—The Committee noted that there was an expenditure of Rs. 23,64,700 without any budget provision. It was explained that the amount of loan was granted in 1964-65 but was accounted for under a wrong head. The Chairman observed that the investment in the K.R.T.C. was not advisable and wanted to know as to why the Ministry of Finance had done that. The departmental representative stated that the investment in the Corporation was made by the Ministry of Communications.

Under this grant a recovery of Rs. 3,51,01,951 was shown as being the refund of capital investment in the Pakistan Industrial Development Corporation. On an enquiry by the Committee, the departmental representative explained that on transfer of the P.I.D.C. to the Provinces, the valuation of investment in the P.I.D.C. made by the Central Government was treated as loan to the Provinces and became investment of those Provinces.

Repayment of Debt (Charged)—1966-67 (*Page* 210). *A. 1-Rupee Debt.*—There was an excess of Rs. 16,38,65,738 under this sub-head. It was explained by the departmental representative that it was a result of adjustment during the year, of the amount of loan discharged during the last fortnight of the preceding year. He further added that the State Bank raised the debits (represented by the excess) in the accounts for the year 1966-67. The Comptroller and Auditor-General pointed out that non-adjustment of Rs. 16,38,65,738 during 1965-66 should normally have come to the notice of the Ministry of Finance as it would have been reflected in the cash balance of the Central Government. The departmental representative stated that the delay in adjustment was not noticed because the loan was retired on 15th June, 1966 and the year 1965-66 had ended in 15 days time and timely intimation from the State Bank had not been available. He further added that for the last two years it had been arranged that the reconciliation of figures would be carried out between the State Bank and the Audit Office and hoped that such discrepancies would not occur in future. He also agreed that the Ministry of Finance would associate itself with the reconciliation work.

Sub-head B. 2—Other Floating Loans.—There was a saving of Rs. 91,43,03,157 under this sub-head and the Committee wanted to know as to why it was not surrendered. The departmental representative stated that in fact there was no saving at all and that the apparent saving had resulted because of some mistake on the part of the State Bank of Pakistan.

Grant No. 109—*Development Loans and Advances by the Central Government* 1966-67 (*Page* 445). *A.* 1—*Loans to Provincial Governments*—*A.* 1(2)—*Foreign Loans.*—There was an excess of Rs. 40,42,72,632. On enquiry by the Committee as to what were the reasons for the excess, the departmental representative explained that the amount represented value of machinery received under the various Project Aid Agreement. He further added that the value of machinery received over a number of years by the various departments had not been reflected in the accounts of any of the years due to a number of reasons such as lack of liaison between the various agencies and lack of proper accounting procedure. He stated that the position was examined and ultimately an accounting procedure had been devised and the amount of Rs. 40,42,72,632 on account of machinery used on various projects which had not been accounted for earlier was adjusted in the accounts for 1966-67. The Chairman observed that whatever aid was given by foreign agencies its amount was stated in the relevant Agreement between the Government of Pakistan and aid-giving agencies. He observed that the department concerned must be aware of the amount of loan or aid received from foreign agencies. The departmental representative explained that there were various stages with regard to the execution of Agreements such as commitments, import of machinery against commitments etc. He stated that adjustment in Government Accounts were carried out at the time of imports but the expenditure relating to the respective projects was not accounted for, for a number of years.

APPROPRIATION ACCOUNTS 1967-68

The Committee generally examined the accounts for the year 1967-68 and made no comments other than those already made on the accounts for 1966-67. A member, however, enquired as to what was the responsibility of the Government in respect of foreign loans that were advanced to private parties. The departmental representative stated that if the foreign loans were routed through the Government then the payment of interest only would be the liability of the Government but if the loans were not routed through the Government its repayment was simply guaranteed by the Government, the primary liability for the discharge of principal as well as interest being that of the agency concerned. On further enquiry about the accounting of barter trade transactions, the departmental representative stated that the Government had a swing account which was maintained by the National Bank of Pakistan. He added that if transactions took place between private parties, the National Bank of Pakistan maintained the account and Government was not concerned. If, however, it was done by Government agencies, then the State Bank of Pakistan was concerned. It was further explained that all foreign loans obtained by autonomous Corporations and bodies such as PICIC, PIDC etc. fell under the Public Sector and thus were included in the Government budget.

Grant No. 38—*Currency* (*Page* 172.—On an enquiry by a member, the departmental representative stated that the expenditure under this Grant represented the actual cost of printing of one rupee notes by the Security Printing Corporation. He stated that one rupee note was to be treated as a paper coin and was as good as one rupee metal coin. He stated that the cost of paper and metal coins was more or less the same but the paper notes were more expensive because of their short life. Explaining the point further the departmental representative added that generally the issuing of notes was the responsibility of the State Bank of Pakistan with the exception of one rupee notes the cost of which was to be borne by the Government as it is a legal tender as opposed to 5 rupee, 10 rupee or 100 rupee notes which in fact are in the nature of 'Hundis'.

Grant No. 49—*Central Miscellaneous Investments* (*Page* 213).—In reply to a question by the Committee, the departmental representative stated that the investment in U.N. Bonds (sub-head A. 8) made by the Government of Pakistan amounted to Rs. 80,155. One member enquired whether Central Governments' investment in Pakistan Railways was in the form of share capital or loan. The departmental representative stated that the amount invested by the Central Government was not treated as a loan but a direct investment bearing a fixed return of 4 per cent per annum.

After the examination of the accounts of the Ministry of Finance was over, the Chairman while making some general observations said that during the examination of the expenditure of certain Ministries, the Committee had found that in a number of cases there were excesses which had not been budgeted. It was so, particularly in the case of the Public Works Department where they went on spending money in excess of the budgeted amount. The Chairman added that the plea of the department was that they had asked for the budget but the budget had not been approved by the Ministry of Finance and they could not stop the work. He wanted to know from the representative of the Ministry of Finance as to how far this attitude of the Departments was justified. The representative of the Ministry of Finance stated that the authority for incurring expenditure by a Department was limited to the amount shown in the Schedule of Authorised Expenditure and that any expenditure in excess of those amounts would remain illegal until the excess had been authorised on the recommendation of the Public Accounts Committee. He further added that if the Department went on spending without regard to the sanctioned budget allotment then there would be no order and the budget would lose its sanctity. The Chairman agreed that the Committee also had the same feeling and if the budgets were not to be adhered to, there was no point in budgeting. The departmental representative pointed out for the information of the Committee that the Ministry of Finance had issued a number of instructions on the subject from time to time and stated that the seriousness with which the Ministry of Finance viewed the matter would be seen from the action taken by them on the recommendations of the Public Accounts Committee. He mentioned that the Finance Minister had written a D.O. letter to all his colleages saying that it was the responsibility of the Principal Accounting Officers *i.e.* the Administrative Secretaries who should personally ensure that the expenditure remained within the budget grants because the amounts budgeted were the only legal sanction and any expenditure incurred over and above the budget grants was illegal. The Committee observed that in spite of the instructions issued by the Ministry of Finance, the excesses continued to take place and it appeared that mere issue of letters was not enough. The departmental representative drew the attention of the Committee to the system of issuing warnings by the Audit Department to the Ministries and Departments whose sanctioned budget grants were likely to be exceeded or had already exceeded. He pointed out that if such warnings were issued or bills presented by the department leading to any excess in expenditure were refused, the tendency of overspending on the part of the Departments could be curbed. The Comptroller and Auditor-General pointed out that the excesses in expenditure usually came to the notice of the Audit Department during the closing month of the year and by the time a warning could be issued, further expenditure would have already been incurred. The Chairman observed that it was a very difficult situation inasmuch as the expenditure in excess of the budget provisions constituted an illegal expenditure and adequate checks were needed to ensure that illegal expenditure was avoided. One member suggested that a Committee might be set up to look into the whole affair. Further consideration of the matter was put off by the Committee to their next meeting.

The Chairman then stated that he desired to put to the representatives of the Ministry of Finance a question which he had earlier put to the Commerce Secretary. He said that a number of departments and organisations had been created during the last 4 or 5 years and he would like to know whether any evaluation of those departments and organisations was conducted to see that the aims and objectives for which they were established had been achieved or not. He added that he knew that it was the responsibility of the administrative Ministry concerned to make evaluation but he was not sure whether the Ministry of Finance also undertook a study at the time of making budget provision for those organisations. The representative of the Ministry of Finance stated that the Projects Wing of the Planning Commission conducted special survey of autonomous and semi-autonomous agencies and that so far as the review of their establishment was concerned it was done by the O & M Wing of the Establishment Division. He added that the Ministry of Finance had no independent Cell for such an appraisal.

The Chairman then informed the representative of the Ministry of Finance that due to certain difficulties, Committee had deferred examination of the accounts of certain Departments like WAPDA for the next meeting which was scheduled to commence on the 5th October, 1970. The representative of the Ministry of Finance stated that the Finance Minister was away and that he would be informed about it on his return.

At this point Mr. Nasim Ahmad Khan JS (B) submitted to the Chairman a copy of the Finance Minister's D.O. letter dated 6th July, 1968 addressed to other Ministries impressing upon them the need to keep the expenditure within the sanctioned budget grants and warning that in the case of P.W.D. where the actual expenditure often exceeded the budget grant, the facility of drawing funds through cheques might be withdrawn. He also submitted a brief note on the general remarks made in the Audit Reports for the years 1966-67 and 1967-68 bringing out the fact that inspite of the large excesses and savings under the several grants and their sub-head the total expenditure of the Central Government remained in close proximity to the authorised budget grants as a whole. The Chairman thanked the representative of the Ministry of Finance for submission of the general brief and copies of instructions issued by the Ministry of Finance to the administrative Ministries.

The Chairman thanked the members of the Committee and the representatives of Audit and the Ministry of Finance for their co-operation and assistance. The members also thanked the Chairman for the guidance and for conducting the proceedings of the Committee so nicely.

PROCEEDINGS OF THE 11TH AND 12TH MEETINGS OF THE *AD HOC* PUBLIC ACCOUNTS COMMITTEE HELD ON 5TH AND 6TH OCTOBER, 1970.

The Ad hoc Public Accounts Committee met in Committee Room No. 405 in 'Q' Block, Ministry of Finance, Pakistan Secretariat, Islamabad at **9 A.M. on 5th & 6th October, 1970.**

Members present

1. Syed Amjad Ali—*Chairman.*
2. **Mr. M. A. Bary.**
3. **Mr. Y. S. Ahmed.**

Audit Representatives

4. **Mr. A. I. Osmany,** P. A. A. S., Comptroller & **Auditor General of Pakistan.**
5. Mr. F. M. Aziz, TQA, PAAS, Deputy Comptroller & Auditor-General.
6. Mr. N. A. Choudhury, PAAS, Director, WAPDA Audit.

Departmental Representatives

7. **Mr. T. G. Nasir Khan, P. M. A. S.,** Additional **Secretary, Ministry of Industries and Natural Resources.**
8. Mr. I. A. Khan, Chairman, WAPDA.
9. **Mr. Manan Khan, Member (WAPDA).**
10. Mr. A. A. Abidi, General Manager, Mangla Dam Organisation.

Secretary of the Public Accounts Committee

11. Mr. Mohammad Riazuddin, PAAS, Deputy Secretary (Budget), **Ministry of Finance.**

The Committee took up the examination of the paras appearing in Chapter 6, Part II of the Audit Report of the Comptroller and Auditor General of Pakistan on the Appropriation Accounts of the Central Government for the years 1966-67 and 1967-68. The Accounts for the year 1966-67 were taken up first.

WAPDA—PART II—FINANCIAL IRREGULARITIES

Para 7 (*Page* 72)—*Extra burden of Rs.* 16.20 *crores on internal resources due to inaccurate estimates prepared by Authority.*—The Departmental representative admitted that there was a great variation in the land cost estimates of the project prepared in June, 1960 and the estimates prepared in November, 1960. **It was pointed out that the difference in the two estimates was due partly to increase in the area for acquisition and partly to decision of the High Court. As a result of awards given by Collectors on the basis of the High Court's decision the cost of acquisition of land went very high. The Committee desired** that the Department should submit a statement to Audit showing all the awards made by the Collectors, legal advice obtained and further action taken thereon, indicating instances in which the department filed appeals against those awards and the results of those appeals etc. etc. Papers relating to the decision of the High Court, legal advice and the appeals to the High Court filed by the department should also be shown by the department to Audit. Audit would satisfy itself that the department did make appeals to the High Court against the awards of the Collectors wherever possible and necessary, and submit a report to the Public Accounts Committee in its next meeting.

Para 8 (*Page* 73)—*Irregular payment of Rs.* 57,29,863.—A contractor was required to purchase all his cement requirement from a specified factory. Contrary to this his claim for additional cost in cement procured by him from other sources including imports from abroad was accepted and paid. He was also reimbursed duties paid by him on the imported cement. The departmental representative explained that the contractor had imported cement as the specified factory was not in a position to supply the required quantity. Since the cement had to be imported, the contractor was eligible to get reimbursement on account of the payment of customs duty and sales tax on the import of cement. The Comptroller and Auditor-General thought that sufficient proof was not available to show that there was a shortage of cement justifying its imports to meet the requirements of the contract. The Committee desired that Audit should verify from the departments records, whether it was a fact that shortage of cement existed. As regards reimbursement of customs duty and sales tax, the departmental representative explained that according to the terms of the contract it was obligatory to reimburse to the contractor the customs duty and sales tax paid on the imported cement. The Committee was of the opinion that this position could be accepted only if it was established that there was a shortage of cement necessitating its import to meet the requirement of the contract. The Public Accounts Committee directed that the Comptroller and Auditor-General should submit his report in this respect in the Committee's next meeting.

Para 9 (*Page* 74)—*Infructuous expenditure of Rs.* 90,78,000.—At the outset the departmental representative pointed out that the expenditure involved was Rs. 77,78,000 and not 90,78,000. The Comptroller and Auditor-General accepted this and accordingly the figure was corrected to read as Rs. 77,78,000.

The departmental representative explained that the facilities relating to shopping, educational, recreational, entertainments and other facilities for the staff of the contractors were a necessity although the service agreements did not specifically provide for these facilities. Nevertheless, these facilities were covered by the term of the General Agreement and as such, could not be denied to the Engineers, supervisors and staff, and their families, etc. The Committee was not sure whether in the absence of specific provision in the service agreements for shopping and recreational facilities etc., such facilities could be provided under the cover of the General Agreement. The Committee directed that legal advice in this respect should be obtained from the Ministry of Law and a report submitted in the next meeting.

Para 10 (*Page* 74)—*Overpayment of Rs.* 2,48,340 *on account of escalation incorrectly allowed on M. S. Bars not required for work.*—A contractor was required to import M. S. Bars. He was entitled to claim escalation on the Bars imported and used on the work. The contractor imported 11 tons less than the required quantity and purchased the remaining quantity locally. He was paid escalation even on the locally purchased quantity. Of this, 195 tons was not required for the work for which he was paid escalation.

The departmental representative explained that, according to the contracts, escalation is provided if the materials is imported, but, in the present case, the material had to be purchase locally and, on that basis, the objection seemed to be correct. However, there were certain circumstances which forced the department to admit the escalation. One of these was that the contractor could not import steel due to delay in supplying his re-inforcement drawings. The Committee felt that the payment made on this account was irregular. They further desired to know whether the M. S. Bars for which the escalation was paid were utilised in toto. The department could not furnish this information, and the Committee directed that Audit should verify it from the records of the department and, in association with them, sumbit a report to the Committee for consideration in the next meeting.

Para 11 (*Page*—74)—*Excess payment of Rs.* 2,68,356.—A foreign contractor rendered and plastered only one coat in each case instead of rendering 2 coats to walls, plastering 2 coats to walls and plastering 2 coats to ceilings as required in the tendered rates. He was, however, paid according to the tendered rates.

The Departmental represntative explained that the plastering specifications were changed from plastering in 'Two Coats' to 'One coat', keeping the thickness of the plaster. This was done by the Engineer's representative after he was satisfied that the result were the same in both the cases. In the event of such change in specifications, the rates had to be fixed under clause 51 (5) of the conditions of the contract which specified that the new rate should be based on the rates and prices contained in the 'Bill of Quantities'. The rates given in the Bill of Quantities showed that cost of the labour involved in one additional coat was Rs. 50 per sq. yard.

Accordingly, specifications were changed from two coats to one coat by adjusting the labour cost (*i.e. Rs.* 0.50 *per sq. yard*).—The Committee regretted that the original contracts which provided for two coats (instead of one coat) were not carefully prepared, in asmuch as the work was approved by the Consultants and the WAPDA had no hand in it. The Committee however, accepted the position explained by the department.

Para 12. *Page* 75-76—*Loss of Rs.* 41,500 due to non-observance of con-*tractual rate.*—A contractor was required to do the work of brick-lining using first class bricks at Rs. 60 per 100 sq. feet. Instead of getting the work completed at this rate a new item of work brick-lining with second class bricks was added through a variation order and the contractor was allowed the rate of Rs. 128.49 per 100 sq. ft.

The departmental representative explained that there were two similar items : one of brick-pitching and the other of brick-lining. The brick-pitching was to be done with 9″×4½″×2¾″ second class bricks without any cement mortar. The brick-lining was to be undertaken with 12″×6″×2″ first class bricks with cement mortar. The contractor unbalanced his rate and quoted a rate of Rs. 129|- for bricks-pitching and smaller rate of Rs. 60 for brick lining. The work to which these items related pertained to side-protection up stream and down-stream of escape structive of a canal. For this work, the contract drawings required brick-pitching. In the contract, the canal on which this structure is located was on earthen unlined channel. At one stage, it was thought that it would be necessary to brick-line the whole canal. The above structure was, therefore, redesigned and constructed under the above assumption. Later, the proposals for lining had to be dropped on account of high cost in favour of the contract proposal for an unlined channel. This however created a problem of side-protection as, with heavy fluming, ordinary brick-pitching provided in the contract drawing was not considered safe. It was therefore, necessary to provide better type of construction *i. e.* brick-lining at this location. By the time the above decision was taken the contractor had finished all his brick-lining work and brought bricks for the work of pitching required to be done in accordance with the contract drawings. If the item of work had been changed to brick-lining as defined in the contract specifications these bricks would have been wasted. It was, therefore, decided to introduce a new item 'brick-lining' with second class bricks, the rate for which was evaluated at Rs. 128.49.

The Public Accounts Committee did not consider the reply to be satisfactory and directed that the paragraph should stand and necessary follow-up action taken, such as to recover the amount of loss and to take disciplinary action against those found responsible for the loss etc. etc. The Public Accounts Committee further directed that a report of the action taken in this respect should be furnished to it in its next meeting.

Para 13. *Pages* 76-79—*Loss of Rs.* 1,35,10,483 *due to defective contractual provisions.*—It was observed that the contract agreements executed by WAPDA for the main contracts of various Indus Basin Projects contained certain unusual and abnormal provisions which operated to the disadvantage of the Authority and which resulted in large payments to the contractors on various items which were not admissible. The departmental representative stated that for international competition, it was necessary to follow the international practices, forms and conditions of contracts. Further, the Fund Agreement requires that the World Bank, in its capacity as Administrator, shall exercise the same care at it exercises in the administration of its own affairs. Pakistan is thus obliged to follow the international form of contracts. Mr. M. A. Bary, member of the PAC, had strong view on this subject and he read out his comments which are as follow :—

"I feel it very important to include this written note of mine in the report of the Public Accounts Committee duty modified or amended if necessary. I entirely agree with the views expressed in the report of the Comptroller and Auditor-General of Pakistan and regret to state that the explanation given by the Ministry is not at all acceptable to me even if it is to my colleagues. It is very necessary for the national interest to carefully study the conditions of contracts both of Consulting Engineers all over the world follow a standard Agreement form for convenience as a general form for this document. It is not correct that none of the conditions can be amended even if it goes against the interest of one of the contracting parties. This had been done when Pakistan was younger and weaker in early days of its establisment so far back as in 1950.

I have the personal experience of one such contract for the construction of the Chittagong Port costing about 12 crores of rupees. When Messes Merz Rendal and Vattan were the consulting Engineers and the only foreign contractor, when number of contractors was very few in our country, M/s. Braith Wait and Co. were entrusted with works costing about 3½ crores. The same sort of a standard international general agreement form was used by making many necessary amendments to suit the requirements of the then Ministry of Communication and Transport without much difficulty and the work was completed smoothly.

The main change, so far as I remember, was that the representative of the Consulting Engineer who was paid for by the employer (Port Construction Department) had the power to issue variation orders with the approval of the Chief Engineer of the Port Construction ; but he had no right to over-rule the department and to sanction payment to the contractor or function as an Arbitrator. Inspite of this fact, two of the local Engineers, called Resident Engineers of the Consulting Engineers had to be removed because their behaviour was found unsatisfactory for safeguarding the interest of the employer (the Port Construction Authority). The consulting Engineers failed to fill up the post of the Resident Engineers third time by a suitable person and asked for termination of their contract. This was agreed to and the General Manager, who was an Engineer, was appointed by the Ministry as the Consulting Engineer to function as such in addition to his own job. It will be worhwhile for the Ministry of Finance to find out those old cases during the period 1950 to 1956 and take necessary action for the future, because what is found in the WP-WAPDA's cases is that due to the loop-holes in their defective terms and conditions of Agreements, the Authority in fact the Government. I find, had lost lakhs and crores of rupees, the Authority being unable to control the Resident Engineer of the Consultant.

Once there are loop-holes in the Agreement the Legal Adviser, or the Arbitrators also cannot help, because they are to take a decision as per terms and conditions of the Agreement between the contracting parties. I had bitter experience in such cases too. After retirement from Government service, I functioned as an Arbitrator in many cases, where much against my intention and sense of general justice, I had to give my award in favour of the contractors, because the dealing of the cases by our Government officials was defective from the point of view of the terms and conditions of the Agreement and decision had to be taken according to the Law of Contract. Importance of this point had not been realised by the Government officials concerned.

Not only due to defective terms and conditions of Agreements even due to defective and careless correspondence cases involving big amounts are lost. An instance is stated below.

In a case with two foreign oil companies, regarding evasion of paying port dues amounting to several lakhs of rupees the Chittagong Port Trust in the years between 1960 and 1961, won the case fully with arrear due in the High Court of Dacca but lost partially in connection with the payment of arrear dues in the Supreme Court only due to an irresponsible and defective letter issued by the then Ministry of Communications and Transport giving a wrong direction to the Port Trust based on a wrong conception without taking into account the history of the whole case from the very beginning.

I feel saying all this because due to careless dealing of the cases, the Government had, on many occasions, to pay large amounts of money which could otherwise be saved.

A plea has been taken by the Authority about the position of the World Bank Loan. It, in my opinion, shows a weakness and a defeatist mentality on the part of the Authority and an unreasonable attitude without making an effort to refer the difficulties to the World Bank Authorities and presuming that they would not support our view even if our demands are strong and reasonable. It should be kept in mind that for the World Bank it is as important to lend money for so many reasons as it is important for us to take loan for them for our development works. The principle is the same as in the case of a seller and a buyer. This can be tested by refusing to apply in a year or two during which our development works may not starve."

The Comptroller and Auditor General felt that it would perhaps be better if, at the time the contracts are made, Audit is also consulted and actively associated. He also added that, at the time the contracts are made, the concerned authorities should get full technical and legal advice so that there are no loop-holes left in the contracts which go to the disadvantage of the country. The PAC endorsed the views of the Comptroller and Auditor General and recommended that such contracts should always be prepared with the utmost care, after getting all possible assistance of the technical and legal experts including Audit, so that the interests of the employers and of the country at large are adequately safeguarded.

The PAC then examined the particular cases mentioned in this paragraph where financial loss was stated to have been sustained by the Department as a result of the defective provisions of the contract agreements.

S. No. (1), *Page 76—Reimbursement of import permit fees to the contractors in eleven projects* (*Rs.* 51,25,979).—The departmental representative explained that the payment pertained to eleven different contracts. WAPDA, at the instance of the Government, gave notice of arbitration against the decision of the respective Consulting Engineers. However, in the case of five contracts, WAPDA's claim against the contractors and *vice versa*, with the approval of the Central Government, should be considered to have been settled satisfactorily. The remaining payments would be taken up after the completion of the respective contracts. The PAC directed that the WAPDA should submit the relevant recrds to Audit who should verify these facts and furnsh a report to the Committee in its next meeting.

S. No. 12, *Page 78—Refund of the Wireless Licences fees* (*Rs.* 20,020.—The departmental representative explained that audit observation is based on the information supplied to Audit by the relevant Department of the Government, to the effect that licence fee and royalties for wireless licence are under the category of charges for the facilities provided. This position was not acceptable to WAPDA who asked for clarification from the Department concerned. The clarification given by the Department revealed that payments referred to in the relevant section of the Telegraph Act, 1885 related to licence fee and royalties and not to licence fee alone. According to the terms of the contract, the contractor had to be refunded all taxes and fees levied by the Central Government. The payment of the wireless licence fee which was deposited by the contractor in compliance with the provisions of the Act of the Government was reimbursed to him according to the provisions made in the contract. The essential difference between a fee and a tax is that, in order to be classed is a fee, a levy must fulfil the following conditions :—

(i) It must bear a just and true relation to the cost of providing the service for which it is imposed;

(ii) It must not be mixed up with general revenue of the state, but must be earmarked for the purpose for which it is levied.

As pointed out above, the clarification given by the Government Department concerned did not relate to the licence fee but to the licence fee and royalties. Apparently, the portion of the licence fee representing a royalty paid to Government has no relation to any service rendered to the licence. As it was not possible to determine the percentage of the fee which represented royalties, the case was not considered worth-while for arbitration. The PAC directed that a reference should be made to the Government to get a ruling from the Ministry of Law whether or not the case should be referred to arbitration.

S. No. 13, *Page* 78—*Return of Railway tract material* (*Rs.* 5,925).—The departmental representative explained that WAPDA gave notice for arbitration in this case and included the amount in their claim against the Contractor. The settlement of WAPDA's claims against the contractor and *vice versa*, had been made after obtaining approval from the Central Government. The departmental representative requested that this amount should therefore, be treated as settled. The PAC directed that the departmental should produce records before Audit who should verify the position and submit a report to the Committee in its next meeting.

Para 14, *Page* 79—*Loss of Rs.* 7,72,082.—A resettlement Organisation took possession of 1,412 acres of state land for allotment to displaced persons. The Organisation started basing out land after development to private persons for cultivation. Against the estimated income of the based land at the prevailing average rate of Rs. 150 per acre per annum which worked out to Rs. 8,29,199 an amount of Rs. 1,09,030 only was realised, resulting in a loss of Rs. 7,20,169. A loss of Rs. 51,913 was also sustained in the auction of tubewell and quarters. The Committee was satisfied which the explanation given by the Department.

Para 15, *Page* 80—*Loss of Rs.* 31,56,119 *in base of Lands.*—About 14,220 acres of land was acquired in 1960 and subsequent years for resettlement of evacuees whose land had been compulsorily acquired for a Project. The land was not allotted to displaced persons for about five years. The Project authorities, however, based a few acres of land to private persons, collecting a sum of Rs. 3,98,881. Audit's view was that if the land had been properly managed and put to some profitable use, a further return of at least Rs. 31,56,119 could have been received.

The departmental representative explained that the land they got was of the worst type. Even so, the Department were able to realise at the rate of Rs. 19 per acre per annum against the recommendation of the Deputy Commissioner at the rate of Rs. 18 to Rs. 21 per acre per annum. The Committee was satisfied with the explanation.

Para 16, *Page* 81—*Loss of Rs.* 5,81,453 *in the sale of timber.*—Timber valuing Rs. 6,76,674 was salvaged from the dismantled houses that had been compulsorily acquired in an Indus Basin Project. An expenditure of Rs. 31,711 was incurred on collection and carriage of the timber to the department in 1962. Timber worth Rs. 22,214 was consumed in the departmental construction work. Of the remaining timber, two lots valuing Rs. 2,03,524 and Rs. 15,863 were auctioned for Rs. 54,994 and Rs. 6,784 respectively. The third lot valuing Rs. 4,35,074 was sold through negotiation for Rs. 42,941. The total loss including carriage charges amounted to Rs. 5,81,453. The sale through negotiation, instead of auction, was irregular. The departmental representative explained that the low prices received were due to deterioration of the timber which was stocked in the open. There was no appreciable demand for timber which was mostly scrap and the movement of timber was banned. WAPDA had constituted an Enquiry Committee to investigate the case.

Audit stated that the fact that timber was mostly scrap was not substantiated by any record. As regards the ban on the movement of timber, the Government could have been approached in order to get a permit for movement of the timber elsewhere. Audit also pointed out that the report of the Enquiry Committee had not been shown to them.

The PAC was not satisfied with the explanation given by the department and directed that audit observation should stand and that necessary action should be taken to regularise the matter.

Para 17, *Page* 81—*Loss of Rs.* 35,141 *on account of disposal of acquired property.*— As a result of the original bidder backing out of his bid for Rs. 1,40,000 for a lot comprising 753 houses, 17 kholas and 2 brick kilns, the lot was put to re-auction which brought Rs. 35,141 less than the amount of the first bid.

After hearing the departmental representative the Committee dropped the para.

Para 18, *Page* 82—*Loss of Rs.* 3,31,200 *due to non-observance of the conditions of contract.*—A contractor was paid a sum of Rs. 3,31,200 for the supply of vehicles and accessories. He was paid Rs. 9,44,389 up to June, 1967 for use of these vehicles. Audit had observed that since the cost of the vehicles was paid by the Authority, their ownership should have vested in the Authority and the vehicles should have been handed over by the contractor to it, on completion of the contract.

The departmental representative stated that the Authority had consulted the legal adviser whose view was that the Authority was not likely to succeed if ownership of vehicles was claimed. But the Authority did press the matter and it was taken into consideration in the overall settlement.

The Committee accepted the explanation.

Para 19, *Page* 83—*Irregular expenditure of Rs.* 1,33,187 on *strengthening of bund.*—A sum of Rs. 1,01,855 was spent to end of January 1968 to rectify some defects in a bund. An expenditure of Rs. 31,332 was also incurred on tests carried out before undertaking repair works. Both the amounts were reimbursed to the contractor although this was not covered by the terms of the contract.

The departmental representative explained that the expenditure was incurred departmentally not due to the defective construction of the bund but due to the sandy bed of the river. The Committee accepted the explanation.

Para 20, *Page* 83—*Loss of Rs.* 3,15,254 *due to short recovery of electric charges.*—According to the terms of contract, a contractor was liable to pay electric charges for domestic use and commercial use at two different tariffs. Due to non-installation of two separate meters, the bills for domestic use were also paid by him at the lower tariff for commercial use. The Authority was thus put to a loss of Rs 3,15,254. The departmental representative stated that the Engineer had decided that the contractor should pay an additional amount of Rs. 1,78,153 to the Power Wing against Rs. 3,15,254 claimed by them. This was not accepted by WAPDA and they asked for arbitration. The comptroller and Auditor General was of the opinion that it was the responsibility of the Authority to have two separate meters installed in pursuance of the terms of the contract. No action was taken against the officer concerned for this failure. The Engineer had no jurisdiction in this case in that the dispute should have been settled under the Electricity Act through the Electrical Inspector to the Government. The balance of Rs. 1,37,101 was also recoverable from the contractor. It was further pointed out by Audit that no intimation had been received even for the recovery of the amount of Rs. 1,78,153 already agreed to by the contractor.

The Public Accounts Committee agreed with the Comptroller and Auditor General that it was a case of failure of the authority concerned in performance of duty on the spot in installing separate meters. The Committee directed that disciplinary action should be taken against the officers responsible for this negligence, the amount recovered and a report submitted to the Committee in its next meeting.

Para 21, *Page* 84—*Loss of Rs.* 41,782 *on account of payment for work not done.*—This was a case in which a local Consulting Engineer was engaged on the 26th July, 1960, for rendering engineering services in connection with a heavy duty access road, the time for completion of which was four weeks. One the same date, he was paid an amount of Rs. 19,500, on submission of a report by him that he had completed the first phase of the work. He was paid another amount of Rs. 20,000 in two instalments. Equipment worth about Rs. 17,600 was also given to him according to the terms of the contract. The Engineer did not complete the work and a suit was filed against him and the Court awarded a decree of Rs. 21,575 including legal cost but this amount could not be recovered. The departmental representative explained that the Consulting Engineer had started work earlier on receipt of letter of intent dated 27-6-1960 though the agreement was signed later. Payments were made to him in accordance with the contract agreement. The decree of the Court could not be executed due to the Consulting Engineer having no assets. The department contested that no equipment was issued to the Consulting Engineer. This position was not acceptable to Audit. They wanted to examine the letter of intent and the consultant's report, since there was no mention of letter of intent in the Agreement signed by the Project Director and the Consulting Engineer. The validity of the letter of intent was not beyond doubt in that it should have been made a part of the contract according to the normal legal procedure. Audit also doubted the statement made by the department that no equipment was issued to the Consulting Engineer as no record og T&P was available. Inference is that, if no equipment was issued, no work was done by the Engineer. Audit pointed out that no record was produced to show that any work was done by the Engineer. PAC took a serious note of this and considered it to be a case of laxity. They directed that disciplinary action should be taken against persons responsible for signing the Agreement with the Consulting Engineer.

Para 22, *Page* 84—*Misappropriation of stores worth Rs.* 17,000.—This is a case in which an overseer made an entry for M.S. Bars valuing Rs. 17,000 in the stock register. Subsequently he scored out this entry and made another entry without accounting for the stock of M. S. Bars valuing 17,000. The departmental representative explained that the Police had considered the case to be unfit for trial in a Court of Law. The first Departmental Enquiry held the overseer responsible and recommended that sum of Rs. 5,000 only should be recovered from him and the balance written off. However, the entire amount was written off. The report of the second Departmental Enquiry Committee was passed on to the Government for orders. The PAC directed that a report in regard to the second Departmental Enquiry Committee's findings and Government's decision thereon should be submitted to it in the next meeting. PAC also directed that a system should be evolved whereby internal checking of the stores and stock register is made the responsibility of senior officers.

Para 23, *Page* 85—*Loss of Rs.* 10,692.—A submersible water pumping set was purchased in May, 1962, from a subsidiary of a black listed firm at Rs. 19,734 wihout calling quotations although the same pump had already been offered by its principal at Rs. 9,042 in July, 1961. The departmental representative explained that this was a case of fraud and that it was being pursued by the Anti-corruption Department. On an enquiry from the Chairman, he further stated that, according to the Enquiry Officer's report, two persons were held responsible for this fraud and that both of them had gone on superannuation. They were neither suspended during service, nor were their G.P. Fund or gratuities held back pending the decision in their case. The PAC regretted to note that, although a case of fraud was established, no action had been taken by the department against the persons concerned while they were still in service. The PAC directed that a full report in regard to the action taken by the Anti-corruption Department should be submitted to it in its next meeting.

Para 24, *Page* 85—*Loss due to setting of material worth Rs.* 10,290.—Paints and distemper worth Rs. 11,860 received by a Project in 1959 were not used and were ultimately transferred to another Project in 1966. The latter Project found the material unserviceable and returned it to the sender. An expenditure of Rs. 1,000 was also incurred on the carriage of the material in question both ways.

The departmental representative stated that an enquiry revealed that the material was alright and, in fact, it was later consumed.

The Committee accepted the explanation.

Para 25, *Page* 86—*Loss of Rs.* 72,262 *due to rejection of lowest tender.*—In this case, out of 12 tenders, the lowest at 28% below and next lowest tenders at 22.25% and 18.50% below the price schedule were rejected on the ground that the bidders had not furnished income tax clearance certificates. The next lowest at 10% below was rejected without assigning any reasons. Second time, 8 tenders received were rejected on the ground that wide publicity had not given. On the third occasion, only five tenders were received and the lowest at 2.75% below the price schedule was accepted. The departmental representative explained that, of the 12 tenders received on the first occasion, six tenders including the lowest one were from contractors who were ineligible. On the second occasion, the response was poor and therefore, the tenders had to be called for the third time. The tender of 28% below the price schedule was considered unworkable. Audit however did not accept this explanation on the grounds that (i) no reasons had been given for not accepting the lowset of the remaining six tenders on the first occasion which was 10% below, (ii) response on the second occasion was not poor as 8 tenders had been received, (iii) on the third occasion, tenders were received 1½ months after the first occasion, but the tender accepted was 25.25% higher than the lowest tender received on the first occasion, (iv) the tenderers who were alleged to have not produced income tax clearance certificates were not asked to produce the same, (v) on the third occasion, tender form was not issued to the six contractors which included the contractor who had offered 28% below on the first occasion, (vi) the quantity was increased from Rs. 1 lakh to Rs. 2.5 lakhs after the execution of the contract, and (vii) if the increased quantity had been advertised while calling for tenders, a still lower tender could have been expected. The PAC agreeing with the view of Audit observed that the explanation submitted by WAPDA was not satisfactory and directed that responsibility for the loss substained by the Authority on this account should be fixed and further consequential action (*viz*, recovery of the amount and taking disciplinary action *etc.*) taken and a report submitted in its next meeting.

Para 26, *Page* 86—*Purchase of household furniture and equipment worth Rs.* 6,21,253.—Foreign consultants of a project purchased household furniture and equipment for their own use without calling for quotations from manufacturers of furniture in the country. The WAPDA admitted that normal procedure had not been followed as a large quantity had to be procured on an emergency basis and that the furniture industry in West Pakistan did not have unlimited production capacity. This explanation was not acceptable to the PAC who directed that responsibility for non-observance of normal procedure should be fixed, consequential action (*viz.* recovery of loss and taking disciplinary action etc.) taken and a report submitted to the Committee in the next meeting.

Para 27, *Page* 87—*Loss due to irregular payment of Rs.* 3,17,34,217.—In this case, a payment had been made in a contract on account of escalation on "Attock High Speed Diesel Special" which was not admissible under the provisions of the contract. The Departmental representative explained that, under the contract terms, the contractor could use any brand of High Speed Diesel Oil as no particular brand was specified and that contractor's entitlement was determinable in accordance with rates given in the contract. Law Division also agreed with this view. The contractor used indigenous oil as far as possible under the provisions of the contract.

Audit felt that the department's explanation was not tenable as :—

(i) Law Division had passed their advice on incomplete facts submitted to them. The opinion of the Law Division was, therefore, not well based ;

(ii) The ambiguity of interpretation of regular clause 70 of the contract was removed by the Chairman of the WAPDA in his letter, dated 14th December, 1961 to the contractor saying that the basic prices quoted by the firm for High Speed Diesel Oil did not refer to the Attock High Speed Diesel mentioned in their quotation, and that this position was confirmed by the firm.

The PAC felt that since in the opinion of the Comptroller and Auditor-General full facts were not submitted to the Law Division for getting their legal advice, the case should be referred to the Attorney General for advice and the matter resubmitted to the PAC in the next meeting.

Para 28, *Page* 88—*Irregular reimbursement of Rs.* 62,62,059 *to contractor.*—In an Indus Basin Project, it was noticed that customs duties and sales tax on lubricating oils imported from abroad had been reimbursed to the contractor. According to the stipulation of the contract, this item was to be procured by him locally in which case, the element of duties and taxes inherent in the price was not to be separately reimbursed. The Departmental representative explained that the contract did not make it obligatory for the contractor to purchase lubricating oils from local market. Having based his tender on imported lubricating oils, the contractor had actually imported the same and thus had become entitled to the reimbursement of customs duties and sales tax. The Departmental representative further explained that a joint note was prepared by Audit and

WAPDA and referred to the Law Division, who agreed with the views given by WAPDA's legal adviser. The Comptroller and Auditor-General did not accept that the note referred to the Law Division could be regarded as a Joint note as the WAPDA's legal adviser had covered the note which went to the Law Division. There was no indication that Law Division had seen Audit's notes. The PAC directed that a reference should be made to the Attorney General for taking legal advice and the case resubmitted to the Committee in its next meeting.

Para 29 *Page* 88—*Overpayment of Rs.* 6, 21 373 *due to replacement of rotary drill.*—A foreign contractor brought a superior type of rotay drill due to which the rate was increased from Rs. 94 per rig hour to Rs. 275 per rig hour. This was against the provisions of the contract and resulted in additional payment of Rs. 6,21,373 to the contractor.

The Committee was satisfied with the explanation of the Department that a superior rotary drill was necessary for ensuring a safe and adequate design of the Project.

Para 30, *Page* 89—*Unaccounted for electricity worth Rs.* 3,37,860.—Out of 20,78,304 units of electricity received by a Project, the consumption account of 9,52,102 units only was produced. No consumption account was produced of the remaining 11,26,209 units worth Rs. 3,37,860. No meters were installed up to July, 1963.

The Committee was satisfied with the explanation of Department that free use of electricity was allowed under a wrong impression and when the orders of 1961 fixing ceiling for use of energy free of change came to notice of the Project Director in 1963, insrtuctions were issued for installation of meters.

Para 31 *Page* 89—*Irregular acquisition of stores woth Rs.* 82 *lakhs, stores equipment and workshop machinery costing Rs.* 82 *lakhs,* found surplus to the requirements were sold to a foreign contractor on the condition that he would pay the cost to the WAPDA and would, in turn get the entire cost reimbursed from the World Bank. The contractor thus got the entire store free of cost. The Departmental representative explained that the proprietary rights of the materials vested in the contractor after the possession had been taken by him, and that the WAPDA could not press for any account of these materials. The PAC felt that the WAPDA, while drawing up contract, should have included in it some provision to the effect that the surplus store would revert back to it WAPDA clarified that the absence of such a provision in the contract had helped to get lower tender rates. Audit, however, could not accept this clarification as it was not substantiated. The PAC noted that this was in any case an instance of bad judgement.

Para 32, *Page* 90—*Irregular payment of income tax amounting tc Rs.* 12,79,978.—According to the terms of the Agreement, the payment of income tax on behalf of the expatriate employees of Foreign Consultants by the Authority was to be limited to the amount which was in excess of the sum for which credit was allowed to the expatriate employees by the income tax authorities of their home country by way of double taxation relief or otherwise. This condition, however, was not observed and the total income tax aggregating tc Rs. 12,97,978 up to March, 1967 was paid by the Authority without claiming any refund from the expatriate employees. WAPDA explained that as most of the expatriate working on the project remained out of their country for more than 18 months, they were not subject to tax in their hame country accord ing to the tax law of that country and as such the question of relief by way of double taxation did not arise. It was also explained that the agreement of the consultants had been amended by the Government so that no such credit would accrue to WAPDA. Audit however pointed out that the amendments stated to have been made by the Government had not been produced to Audit. The PAC directed that the WAPDA should produce the relevant records before Audit who should verify this fact and thereafter submit a report to the PAC in its next meeting.

Para 33, *Page* 90—*Overpayment of Rs.* 8,21,342 *due to incorrect pricing of cement issued to works.*—A contractor was reimbursed the difference of price to be paid by adopting the principle of moving averages instead of first in first out method as required by the contract and the rules framed by WAPDA. This resulted in overpayment of Rs. 8,21,342 to end of May, 1967.

WAPDA's explanation that the method of moving average was adopted after June, 1965 as it involved easier computations etc. and that although these would be some temporary overpayments, they would be adjusted on the exhaustion of the cement stock, was accepted by the Committee.

Para 34, *Page* 91—*Irregular payment of Rs.* 4,26,265 *as agency charges.*—A foreign firm appointed as sole shipping agent was paid Rs. 44,428 for transhipment, supervision, telex, telephone and postage charges. These charges were covered by the agreed commission of 5% or 10% as the case may be, of gross tariff rates. These irregular payments amounted to Rs. 4,26,265 up to February, 1967 and increased to Rs. 6,03,227 up to July, 1968. WAPDA's representative explained that all direct cost incurred by the contractor on transportation and insurance of electrical and mechanical plants including shipping agents costs, were to be reimbursed to him. Only the contractor's own overheads and profits were covered by the commission. Copies of agreements with certain shipping agents were stated to be still awaited from the Chief Resident Engineer. Audit felt that the comments of the WAPDA did not justify the payment of Rs. 1,62,263 to the shipping agents because payment on account of these items was included in 5% to 10% agency commission which had been paid to the Agent by the lines on behalf of the contractor. Separate payment in this respect was, therefore, not justified and required to be recovered. As regards the remaining amount, Audit felt that the agreement entered into by the contractor with the firms approved by WAPDA was not made available to Audit. The PAC directed that relevant records should be made available to Audit who should verify facts further and report back the matter to them in their next meeting.

Para 35, *Page* 91—*Irregular payment of Rs.* 29,716 *due to handling and agency charges.*—A contractor responsible for arranging the carriage of goods from port to site of work, was reimbursed, a sum of Rs. 29,716 on account of handling and agency charges. These charges being part of the overhead cost paid to the contractor at a specific percentage under the terms of the contract were not reimburseable separately. The irregular payment was not stopped and mounted to Rs. 52,175 by January, 1969. WAPDA representative explained that the term 'overhead' applies to those charges which are not identifiable with the unit of cost. Since the handling and agency charge on the transportation of goods under the "Prime Cost" items are clearly identifiable component of unit cost, they could not form part of contractor's overhead charges reimbursed to the contractor. Audit held the view that "net additional cost of transport" as provided in the contract meant freight only and did not include handling and overhead charges. The PAC directed that WAPDA should make necessary records available to Audit to enable them to verify the facts further and to submit a report in its next meeting.

Para 36, *Page* 92—*Excess payment of Rs.* 10,973 *on accoum of bank charges*.—A contractor was reimbursed bank charges amounting to Rs. 10,973 paid by him to a foreign bank on the transportation of mechanical and electrical plants and equipment which had been purchased by WAPDA from abroad. The contractor had been paid transport and insurance costs plus additional 5% of these costs to cover overheads (bank charges, etc) and his profit. There was no provision in the contract for the payment of bank charges separately as these charges were included in the 'overheads'. The WAPDA representative explained that the bank charges were not covered under 'Overheads'. The contractor did not know, at the time of tender, the country of origin in which the prime cost items were to be purchased. Otherwise, he would have included, in his currency requirements, equivalent amount of such currencies which would have been provided to him from the Indus Basin Fund. PAC directed that these facts should be verified further by Audit and a report submitted to the Committee in its next meeting.

Para 37, *Page* 93—*Overpayment of Rs.* 1,46,033 *on account of siding charges*.—A contractor was allowed escalation on the basis of *ex*-Mill price of cement plus railway siding charges instead of *ex*-Mill price only as provided in the contract. This incorrect inclusion of siding charges resulted in irregular payment of Rs. 1,46,033 up to March, 1967. WAPDA's representative admitted that the payment was irregular and that they had notified their intention to go in for arbitration against the Engineer's decision for such payment. The PAC directed that the result of arbitration should be reported in the next meeting.

Para 38, *Page* 93—*Irregular payment of Rs.* 83,118 *on account of rent of vehicles*.—This was the case in which no deduction was made from the monthly rent of six seater saloon cars and station wagons and pick-ups hired from a foreign contractor at Rs. 2,620 p.m. and Rs. 2,670 p.m. respectively, for the periods during which the vehicles were not made available, remained with the contractor in his workshop and no alternative arrangements were provided by him.

The Department had explained that although it was not obligatory on the contractor to provide replacement for immobilised vehicles, making available of the substitutes was merely a gesture of cooperation. Neverthelsse the cases were being reviewed for claiming credit from the contractor for immobilised vehicles. The Committee accepted the explanation.

Para 39, *Page* 94—*Lose of Rs.* 65,825.—This loss was the result of the failure to test the soil and select a suitable location for the construction of two sedimentation tanks for the water supply scheme of a township. The contractor could not proceed with the work in accordance with the prescribed schedule and completed the work in 16½ month instead of 3 months as stipulated in the contract. The contractor had to be paid Rs. 56,584 for extra expenses, loss of material, increase in rates of labour etc. and Rs. 9,241 as interest.

The Committee accepted the Department's explanation that although the contract did not provide for payment of additional costs, the arbitrator gave the award in favour of the contractor and that was agreed to by the Project authorities, on the advice of the legal adviser.

Para 40, *Page* 94—*Irregular Expenditure of Rs.* 72,483 *on account of cost of PWR STAFF posted at sites*.—According to the terms of contract, the construction contractors were required to meet their aggregate and revetment needs from WAPDA's quarries and were also responsible for making all arrangements of transportation of material from quarries to their respective sites of works at their own cost. A sum of Rs. 2,00,472 was, however, paid by the WAPDA for providing necessary staff at the quarries sites instead of the nearest approved public station to inspect the loaded material in the wagons. The recovery of these additional costs should have been effected from the actual beneficaries *i.e.* the construction contractors which was not done. WAPDA representative explained that it was earlier agreed that the handing over of empty wagons and taking over of loaded wagons by the PWR should be at the point of inter-change near the PWR Stations. Later, it was arranged that the loaded wagons should be checked by PWR staff at the quarry before their acceptance entailing extra expenditure. For this purpose, it was decided in a meeting with the PWR on the 14th October 1963 that WAPDA contractors who would be the actual beneficiaries of these arrangements should (i) enter into agreement with the PWR regarding movement of traffic from the contractor's yard and (ii) make payment of the mutually agreed costs demanded by the PWR. But construction contractors did not agree to this decision. The Legal Adviser of WAPDA also gave opinion that the extra cost could not be recovered from the construction contractors. The PAC directed that further legal advice should be obtained by WAPDA from the Ministry of Law and the case resubmitted to them in their next meeting.

Para 41, *Page* 95—*Loss of Rs.* 1,02.910 *due to non-recovery of electricity charges.*—The Project authorities of an Indus Basin Project supplied electric power in bulk to the local Government for onward distribution to consumers. The Project authorities neither executed any formal agreement with the purchaser of power nor made any stipulation regarding rates or terms and conditions of supply. An expenditure of Rs. 1,02,910 was incurred on the setting up of the power house. The power was produced at a high rate of over Re. 1 per unit. The local Government refused to make payment at this rate. WAPDA representative explained that the power house had been set up for the project officers in the locality long before WAPDA was constituted. In order to avoid law and order situation in the area, the supply was made available to the local population. An Enquiry Committee had been set up by the WAPDA to investigate the case on receipt of the audit observation. According to the report of the Enquiry Committee it was established that WAPDA did not suffer any financial loss and that the local Government had been approached to deposit Rs. 15,730 with WAPDA. Also a note of caution was administered to the then Executive Engineer (Mechanical) to the effect that this dispute would have been avoided had he taken care to get agreed rates firmly fixed according to measurable norms before giving the connection. The PAC accepted the explanation but directed that a further report as to the recovery of the amount from the local Government should be submitted to the Committee in its next meeting.

Para 42, *Page* 95—*Loss of Rs.* 10,587 *due to acceptance of material below specifications.*

Para 43, *Page* 95—*Infructuous expenditure of Rs.* 10,000.

The Committee accepted the explanation given by the Department.

Para 44, *Page* 96—*Shortage of article worth Rs.* 51,200.—Stock and T & P articles worth Rs. 51,200 were found short during the period from 1957 to 1963 against 17 officials of a project. WAPDA representative explained that these shortages were reduced to Rs. 10,814 through adjustment or recoveries aggregating Rs. 40,386, and that final action in respect of the balance amount was in hand. The PAC directed that expeditious action should be taken to make the recoveries in respect of the remaining items. Thereafter a report should be submitted to the PAC in its next meeting.

Para 45, Page 96—Shortage of stores worth Rs. 30,173.

Para 46, Page 96—Shortage of tools and plant articles worth Rs. 13,357.

Para 47, Page 97—Loss of Rs. 15,371 due to termination of service of an official.

Para 48, Page 97—Loss of Rs. 13,644 due to misuse of jeepster.

Para 49, Page 98—Loss of Rs. 2,837 due to negligence of the driver.

Para 50, Page 98—Non-recovery of rent of buildings amounting to Rs. 28,849.

Para 51, Page 99—Unnecessary payment of demurrage amounting to Rs. 11,596.

The Committee was satisfied with the explanation of these paras given by the Department.

Para 52, Page 99—Outstanding recovery of Rs. 2.46 crores from a contractor.—A contractor for the production of sand aggregate and revetment material was awarded to a contractor in September, 1961 with stipulated completion date as 30th June, 1967. The contractor abondoned the work on 13/14th April, 1964. The work was executed by an organsation of the Authority up to 14th February, 1965 and thereafter was awarded to another contractor at enhanced cost. The work was continued at the risk and cost of the first contractor according to the provision of his contract. The liability of the first contractor was assessed at Rs. 2.46 crores which had not been recovered from him. WAPDA representative explained that the exact amount of the recovery and the payment due from the first contractor would depend on the results of arbitration to which the whole issue would be submitted. The PAC directed that the case should be finalised expeditiously and the result of the arbitration reported in its next meeting.

Para 53, Page 99—Outstanding recoveries amounting to Rs. 8,56,739.—A sum of Rs. 4,685 was outstanding under the head sundry debtors in the beginning of the year 1959-60. The balance under this head kept on increasing from year to year and amounted to Rs. 8,56,739 on 31st December, 1967. Out of it, Rs. 4,43,706 pertained to pre-WAPDA period and the balance of Rs. 4,13,033 to WAPDA period. WAPDA representative explained that efforts were being made to recover the outstanding balances. The PAC directed that further efforts should be made to recover the balance in the shortest possible time and a report should be submitted in its next meeting.

Para 54, Page 100—Loss of Rs. 32,925 due to tampering with entries in the revenue records.—The departmental representative explained that the court has imposed penalty and punished the guilty persons. The Committee decided to drop the para.

The Public Accounts Committee then took up examination of the Report of the Comptroller & Auditor General of Pakistan on the accounts for 1967-68 Chapter VI—West Pakistan WAPDA relating to Central Schemes, Part II—financial irregularities, losses etc.

Para 6, Page 74—Loss of about Rs. 16,02,25,340 due to payment of bonus and less generation of energy in a Hydel Power House.—A Hydel Power House was got completed ahead of schedule on payment of bonus of Rs. 1,72,60,800. After completion, the full available capacity of the generators was not utilised apparently because the transmission lines were not adequate. This resulted in a loss of revenue amounting to Rs. 17,43,47,000, up to April, 1969. After giving allowance for line losses, the net loss of revenue was Rs. 14,29,64,540 and total loss including bonus was Rs. 16,02,25,340. The departmental representative explained that the main reason for the generators not being utilised was the lack of transmission lines which could not be set up as external financing for this purpose was not available at that time. The PAC directed that the WAPDA should make available necessary records to Audit to verify whether the failure to set up the transmission lines was due to lack of external financing. A report thereafter should be submitted to the PAC in its next meeting.

Para 7, Page 75—Loss due to the contsructing of Fabridam.—The departmental representative explained that for technical reasons, the engineers thought the fabridam necessary. If any other method had been used, it would have been more expensive. The Committee noted the explanation.

Para 8, Page 75—Infructuous expenditure of Rs. 85,27,901 on the bonus Paid for early completion of component of certain Projects.—Some components of certain Indus Basin Projects were got complete ahead of schedule on payment of bonus of Rs. 85,27,901. Certain other essential components were, however, delayed beyond the schedule date but no liquidated damages were recovered from the contractor. Early completion in the former cases was hardly useful in view of the delay in the latter cases as both of them were interdependent for the utilisation of the system as a whole. The components which were completed early also entailed un-necessary expenditure on their maintenance. The expenditure incurred in this respect was therefore infructuous. The departmental representative explained that the provision for payment of bonus and recovery of liquidated damages was made to ensure completion on due date. The works were completed with the exception of some ancillary works on a link canal and barrage. The early completion of these works resulted in the growth of agricultural produce. The departmental representative also stated that the liquidated damages were not claimed in respect of the components delayed beyond the schedule date as the engineers were satisfied that there were legitimate reasons for this work to be completed as such. The PAC directed that Audit should verify this statement and report back to the Committee in its next meeting.

Para 9, Page 76—Infructuous expenditure of Rs. 17,64,888 on inauguration ceremony of a dam and other completed works.—An expenditure of Rs. 17,64,888 was incurred on the inauguration ceremony of a Dam and some other works. This included the cost of renovation and repairs and landscaping of an old building situated at Dam site and cost of a mural etc. A sum of Rs. 13,22,635 was reimbursed by the IBRD and the remaining expenditure of Rs. 4,42,253 was subsidised by the Central Government. A portion of the above expenditure *viz.* Rs. 8,52,960 was incurred through a foreign contractor. Necessary sanctions of the competent authority were not made available to Audit. The WAPDA representative explained that the expenditure on the old building etc. was to be carried out even if the ceremony had not been held. The expenditure incurred through the foreign contractor related to the works in Fort area which were a part of the main project. The nature and location of the works were such that they could only be done by the Mangla Dam contractor himself.

The mural was of a permanent value and its cost could not be ascribed to celebrations. WAPDA was competent to sanction all reimburseable expenditure and also non-reimburseable expenditure except in respect of important items. The PAC noted that the expenditure incurred on the inauguration ceremony was very much on the high side and directed that such a tendency should be discouraged in future.

Para 10, *Page* 77—*Non-maintenance of inventories for the facilities etc. worth Rs. 10.5 crores.*—A foreign contractor was required to hand over to WAPDA, on completion of the contract, in reasonably good condition, the accommodation and facilities etc. provided by him against a lump-sum payment of Rs. 10.5 crores. The contractor did not incorporate any estimates, specifications, drawings, etc., binding him to spend the money for the purpose for which it was given to him. WAPDA did not know the scope and details of works which were to be done by the contractor. Inventories of the facilities so provided by the contractor were not maintained by WAPDA.

The WAPDA representative explained that the contractor was to provide such facilities as he considered necessary. There was no need to give drawings and specifications etc. The contractor could not dispose them of without the consent of the Engineer. The entire furniture and furnishings were taken over by the Authority in accordance with the inventories prepared by the contractor at the time of handing over. Audit however felt doubtful whether, in the absence of inventories which were to be maintained *ab-initio*, it could be verified that all the facilities that the contractor was to deliver to WAPDA were actually handed over. For this reason, it was not possible for Audit to work out the loss involved. The PAC directed that the Audit should verify from the record to be made available by WAPDA, as to the present book-value of the accommodation and facilities taken over from the contractor. A further report in this respect may then be submitted to the PAC in its next meeting.

Para 11, *Page* 78—*Loss of Rs.* 71,74,164 *due to defective contractual provisions.*—Certain contractual provisions entered into by the Authority with the contractors of INDUS BASIN PROJECTS are :—

(i) All powers of interpretation and certification were vested in the Engineer, which resulted in disadvantage to the Authority in a number of cases ;

(ii) Under these provisions, the Engineer could even authorise *prima facie* inadmissible payments and the Authority could not refuse it.

(iii) The amounts of the disputed claims were payable to the contractor even before the arbitration award.

(iv) The procedure for arbiration was so combersome that Authority would not normally go in for arbitration and as such would admit otherwise inadmissible payments.

(v) The contractors also contained a stipulation that the Engineer's decision would be final in certain cases.

This resulted in an irregular payment of Rs. 71.74 lakhs as certified by the Engineer and as detailed in the Audit Report. The Authority asked the Engineer to recover the payment but the Engineer decided against the Authority.

The departmental representative explained that the Authority did not agree with the decision of the Engineer and decided to refer the case to arbitration. It was also explained that the international pattern of contract was followed with the approval of the World Bank and the Government of Pakistan. Audit stated that the outcome of the arbitration was still awaited. They also felt that, as in the case of some other contracts executed by the Government with foreign consultants, where certain provisions were made to safeguard the employer's interest, WAPDA could take similar steps in the cases of agreements executed by it. The PAC agreed with the Audit's observation and directed that, as already recommended in the case at para 13 (page 76—79) of the Report of the Comptroller and Audtor General on the accounts of the Central Government, for the year 1966-67, such contracts should always be prepared with utmost care, after getting all possible assistance of the technical and legal experts, including Audit, so that the interests of the employers and of the country at large are adequately safeguarded. The PAC also directed that the results of arbitration should be reported back to it in its next meeting.

Para 12, *Page* 80—*Avoidable expenditure of Rs.* 32,15,941 *on the supply of aircraft and construction of airfields.*—Two aircrafts were supplied by the contractors of Indus Basin Projects at a cost of Rs. 3,13,415. Their ownership was retained by the contractor. The other aircrafts were supplied by the contractor at their own cost. They were paid Rs. 7,66,764 for maintenance of the four aircrafts. A fifth one was purchased by an Organisation of the Authority in respect of which no information was available as to who was meeting its maintenance and purchase cost. Four airfields were constructed at a cost of Rs. 20,24,628. The fifth airfield was constructed by the contractor at his own cost. Construction of the sixth airfield was abandoned after incurring an expenditure of Rs. 1,11,134. It was, however noticed that the aircrafts were purchased and airfields constructed long after the execution of works had commenced. The WAPDA representative explained that the aircrafts were used for carrying urgent documents, materials, spare parts and important personnel. They considered that the air-journeys in such cases were economical and were essential in the interest of work and efficiency. Audit, however, stated that the sites of the works in question were well connected with the metalled roads and that vehicles could serve the purpose, as was done before the construction of air-strips and supply of aircrafts. They felt that there was more element of luxury in the expenditure than the real necessity. Mr. Bary, one of the members of the PAC had also the feeling that the provision of aircrafts and air-strips did not contribute much to the completion of the work. The other members of PAC however, felt that it was very difficult to say, at this stage, whether provision of aircrafts and air-strips was a luxury or a necessity. However, keeping in view the fact that the provision of these facilities was considered by the consultants and contractors as a necessity, other members felt that they could not regard them otherwise.

Para 13, *Pages* 81-82—*Irregular payment of bonus of Rs.* 4,78,800 *for Turbo Alternator Sets.*—A contract in respect of an Indus Basin Project provided that, for computing bonus for Turbo Alternator Sets, the dates of their commissioning should be deferred by the number of days in excess of 10 if after the stipulated stoppage period the water flow from reservoir into river and canal was less than a specified quantity. It was noticed in that project that the river and the canal remained dry for 29 days in February and March, 1967 but the dates of commissioning the Turbo Alternator Sets for the purpose of computing bonus were not deferred by 19 days. This disregard contractual provision resulted in an excess payment of Rs. 4,78,800. The WAPDA representative explained that certain physical conditions were not foreseen in the contract documents. The reasonable amount of water to be released was deemed to be 'nil' for purpose of contractual provision. Audit, however, could not accept this explanation as, in their opinion, the contract contemplated that water would flow into the river and canal. The departmental representative further explained that the Engineer's decision was that the particular condition of the contracts was redundant. The PAC directed that this fact should be verified by Audit and a further report submitted to the Committee in its next meeting.

Para 14, *Page* 82—*Loss of Rs.* 13,22,492 *due to abandonment of construction of a feeder canal.*—In an Indus Basin Projects it was decided in October, 1962 to construct a feeder canal in respect of which a fee was also paid to the consultants for survey and investigation. A quantity of 3,73,014 cubic yards earth work involving payment of Rs. 2,41,854 had been excavated when the work was abandoned in December, 1962. The contractor's claim of Rs. 10,27,305 due to increase of haul-distance and extra pushing and removal of trees were certified by the Engineers and paid. Thus there was an infructuous expenditure of Rs. 13,22,492. The WAPDA representative explained that, originally, a pumped channel was provided in the contract which was replaced by a feeder canal at the instance of Irrigation Department. Later, that department intimated that the working of the feeder was not feasible due to shortage of water. The work was, therefore, stopped. The WAPDA representative also added that the Authority intended to go in for arbitration regarding the payment of Rs. 10,27,305. The PAC directed that the result of the arbitration should be reported in its next meeting.

Para 15, *Page* 82—*Infructuous expenditure of Rs.* 9,59,529 *on excavation of underground cable tunnel.*—To provide cable connection from a Power House to Switch-yard, laying of an underground cable tunnel was started in August, 1965 instead of overhead lines as provided in the contract. After constructing a portion of the tunnel at a cost of Rs. 9,59,529, it was found to be located in unstable area and was abandoned. WAPDA representative explained that the geology of the site, its position and likely effects were not known till November, 1965. The portion of the cable tunnel was re-routed to miss the clay-bed containing a shared zone. Audit felt that the work should have been started after proper investigation had been made, particularly when the existence of sheared clay beds was known in 1964. The PAC felt that perhaps if more detailed investigation had been carried out by WAPDA before undertaking the work, result might have been better and the loss would have been avoided. The PAC further directed that, in future, thorough investigation should be made before such works are taken in hand.

Para 16, *Page* 83—*Irregular payment of Rs.* 7,50,995 *on further site investigation.*—The departmental representative explained that the payments had been made in accordance with the provisions of the contract and full details were given by the Engineer in support of the payments made. The Committee accepted the explanation.

Para 17, *Page* 83—*Irregular payment of Rs.* 9,44,905 *for extra works due to increased river flows.*—A contractor was paid Rs. 9,44,905 for extra works caused by increased river flows. The contractor was specifically instructed in 'Instructions to Tenderers' to plan his work so as to pass a specified quantity of water during winter months, more quantity in April to June, and major floods in July to September. The river discharge for the period during which protection works were carried out did not exceed the specified limit. The contractor had been separately paid Rs. 27,19,800 for the protection of work from floods and erosion during the contractual period. He was, therefore, not entitled to the payment of Rs. 9,44,905. The WAPDA representative explained that the quantity of water specified in the 'Instructions to the Tenderers' was for released due to weather conditions or due to reasons which could be foreseen by the contractor. These releases were due to early completion of the Dam and were made on instructions of the Provincial Government. Therefore, they were not covered by the specified quantity. The hydrograph of the river also indicated 'nil' releases in the months of October to January during the previous years. Audit felt that, according to the hydrographs, there was sufficient discharge in Jhelum river through Rasul in the months of October to January. Therefore it was incorrect that the drawings indicated 'nil' supplies in those months. They also felt that the mere fact that the rise in water level was due to releases for the Dam did not entitle the contractor to any payment. The contractor could claim compensation only if the quantity of the water due to releases from the Dam exceeded the maximum limit of 2,50,000 cusecs. WAPDA authorities further explained that the amount paid to the contractor was recoverable from the Irrigation Department of the Government of West Pakistan who were in need of water and on whose instructions the water had been released. The Government of West Pakistan had agreed to pay for the damage suffered by the contractor. The Engineer determined the amount of damage at Rs. 9,44,905 which was paid to the contractor by WAPDA. The PAC directed that the amount recoverable from the Irrigation Deptt. should be receovered expeditiously. The PAC also directed that legal advice should be obtained on the point whether it is a fit case for reference to arbitration and a report in this respect should be submitted to it in the next meeting.

Para 18, *Page* 84—*Loss of Rs.* 6,22,796 *on construction of an access road.*—A local contractor after receiving payment of Rs. 1,41,555 for the construction of an access road abandoned the work. The work was awarded to another contractor at a higher cost. This resulted in loss of Rs. 6,22,796. The explanation of the departmental representative that WAPDA went to arbitration but the arbitrator gave the award in favour of the contractor, was accepted by the Committee.

Para 19, *Page* 84—*Overpayment of Rs.* 1,42,500 *due to loading charges from permanent stock piles.*—A contractor was entitled to loading charges from permanent stock piles for 89,702 tons of aggregate revetment material from 14th February, 1965 to 20th November, 1967. Against this he was paid loading charges for 1,46,702 tons as certified by the Engineer. Thus loading charges for 57,000 tons material amounting to Rs. 1,42,500 were overpaid. The WAPDA representative accepted that this was a case of overpayment and said that action was being taken to effect the recovery. They also stated they intended to go in for arbitration. The PAC directed that the recovery should be made expeditiously and the result of the arbitration reported in the meeting of the PAC.

Para 20, *Page* 84—*Irregular payment of Rs.* 4,42,278 *as air freight.*—A payment of Rs. 4,42,278 was allowed to a contractor for air freight of certain items of electrical and mechanical plant. Out of this a sum of Rs. 1,59,932 was recoverable from the insurance company, manufacturer and the contractor but it was not recovered. Air lifting charges of Rs. 1,33,898 were authorised by the Engineer/WAPDA but the detailed justification was not forthcoming. The balance of Rs. 1,48,448 was not authorised by any authority. The WAPDA representative explained that certain air freight charges were being recovered while other charges were to be reviewed to find out to the excess payment involved. The PAC directed that the WAPDA should expedite the recoveries and make the record available to Audit to verify how the recoveries had been made. Thereafter a report should be submitted to the PAC in its next meeting.

Para 21, *Page* 85—*Irregular payment of Rs.* 1,24,190 *for open terraces.*—A Contractor was paid Rs. 1,24,190 for the area of open terraces which did not from part of the plinth area according to its definition set out in the contract The WAPDA representative explained that the authority had gone in for arbitration. The conractor obtained a stay-order from the Court and the proceedings of the arbitration were stoped. The PAC directed that the result of the arbitration and of court proceedings should be reported in its next meeting.

Para 22, *Page* 85—*Loss of Rs.* 1,16,958 *due to wastage of bitumen.*—A quantity of 400 tons of bitumen was purchased in December, 1960. Technical sanction to the estimate for work (on which the bitumen was to be used) was received after 6 years and, therefore, it could not be utilised earlier than December, 1966 when the contract of road building was started. A small quantity of bitumen (145 tons only) could be used while the remaining quantity (worth Rs. 1,16,958) was rendered un-serviceable due to passage of time. The WAPDA representative explained that an Enquiry Committee was instituted which had fixed the responsibility for the loss. Unfortunately, none of the persons was in WAPDA's service and action was being taken to write off the loss. The PAC regretted to note that the department had not taken necessary steps to avoid the loss, as for instance, they could have sold out the bitumen when it could not be utilised by them.

Para 23, *page* 85—*Excess payment of Rs.* 3,87,004 *as compensation.*—Compensation for 4,207 Kanals of " Bela " land was paid at rates higher than warranted by revenue records, resulting in excess payment of Rs. 3,87,004.

The departmental representative explained that an advisory committee appointed by the Government went into this matter and they considered the rates to be fair. The para was dropped.

Para 24, *Page* 86—*Avoidable expenditure of Rs.* 2,43,276 *on account of crop compensation.*—Compensation of Rs. 2,43,276 was paid for crops on the land used for an Indus Basin Project during the period March, 1966 to August 1968. The land was utlimately to be acquired for the Project. The delay in acquisition of the land result in this avoidable expenditure. The WAPDA representative explained that the work of acquisition of land could not be accelerated as the fate of the project remained undecided. Only preliminary works were sanctioned in October, 1965. The proceedings for the acquisition of land to end of April 1967 were quashed as a result of decision taken on 3rd May, 1967. This work was taken up afresh. The crop compensation was paid in connection with the exploratory and preliminary works which were carried out before final decision of the project. Audit, however, did not accept the explanation of the WAPDA as they were of the view that the fate of the project had been finally decided by October, 1965 when the preliminary permanent works, works of permanent railway line, access road and accelerated bridge, were sanctioned. The land could have been acquired before taking up these works and the payment for crop compensation avoided. The decision taken on 3rd May, 1967 changed only the basis for evaluation of land. The proceedings regarding the measurement or title of the land remained unaffected. Awards announced prior to 3rd May, 1967 were not re-opened. The PAC directed that Audit should verify the position in the light of what has now been explained by WAPDA, *viz.* the fate of the project remained undecided and, therefore, the land could not be acquired earlier. A report in this respect should be submitted to the PAC in its next meeting.

Para 25, Page 86—Irregular payment of Rs. 1,49,672 as compensation for the built-up property.—A land acquisition Collector did not allow compensation for some built-up property as it was either unauthorised or did not exist at the time of award. The parties did not go in for appeal. A sum of Rs. 1,49,672 was however paid by the departmental Officer as compensation for the same. The departmental representative explained that the owner of the property refused to receive the amount of compensation awarded in pursuance of notification issued in 1960-61. A fresh notification was issued after reviewing the position in May, 1967. It was agreed to make ex-gratia payment to the affected persons for whom awards had already been announced. The Indus Basin Development Board was approached to approve this payment. Audit felt that the compensation could be sanctioned and paid under section 5 of the Land Acquisition Act by departmental officer at the time of entry into land for survey and assessment of value and not after the permanent acquisition of land by the Collector. The PAC directed that Audit should verify further whether the compensation was paid under proper authority and thereafter submit a report to the PAC in its next meeting.

Para 26, Page 87—Irregular payment of Rs. 1,44,507 as compensation for unauthentic units of property.—A sum of Rs. 1,44,507 was paid as compensation for 21 units of property in connection with a reservoir. These unit were neither included in the survey reports nor allotted any number. The WAPDA representative explained that, in 8 cases involving Rs. 1,03,823 the Authority had gone into reference against the awards. In the remaining cases, reference could not be made as according to the relevant land Acquisition Act, the market value of the property was to be determined under section 6 instead of section 4. Audit stated that the result of the reference in the 8 cases was still awaited. Also the payment of remaining 13 cases was made without ascertaining, whether the buildings constructed before or after notification under section 6. This payment was also, therefore, inadmissible. The WAPDA representative explained that as these cases were weak, they were not considered suitable tor reference to arbitration. The PAC directed that Audit should verify the result of the reference made for arbitration in the first 8 cases and also examine, in regard to the remaining cases, whether or not a reference could be made against the awards. A report in the matter should then be sent to the PAC in its next meeting.

Para 27, Page 87—Loss of Rs. 1,13,935 in disposal of crops.—In April-May, 1968, ripe crops were auctioned at less than their acquisition value, resulting in a loss of Rs. 1,13,935. The Department's explanation that due to the fact that there was likelihood of damage to crop due to thefts and by cattle and the area was to be handed over to the contractor by December, 1967, the auction was in the best interest of the Authority, was accepted by the Committee.

Para 28, Page 87—Irregular payment of compensation of Rs. 90,379 for boundary walls|retention walls.—The departmental representative explained that in this case one Collector awarded compensation while in another case the Collector did not consider in justified. The Audit representative pointed out that the Authority could go to a court of law. The departmental representative explained that the land was in N.W.F.P., and therefore, this course could not be adopted. The Committee was satisfied with the explanation.

Para 29, Page 88—Irregular payment of Rs. 60,371 as compensation etc. for non-existant water mills.—In this case the water mills did not exist in working condition and in Audit's view, therefore, it was not correct to pay compensation for them. The Department's explanation that the Collector award could not be challenged and that the Advisory Committee also hold the compensation fair, was accepted by the Committee.

Para 30, Page 88—Non-recovery of Rs. 89,782 as rent of air conditioners.—Air-conditioners etc. were supplied to certain officers since June, 1960, for which no rent was recovered. In November, 1966, the Authority ordered the withdrawal of air-conditioners failing which rent at penal rate was to be recovered. No rent for the period June, 1960 to November, 1966, amounting to Rs. 89,782 was, however, recovered. The departmental representative stated that this had been regularised. The Committee dropped the para.

Para 31, Page 89—Irregular payment of Rs. 37,074 for repairs to rail track and raising of embankments.—A contractor was paid Rs. 2,01,000 for the maintenance of slopes, cuttings, embankments, culverts, bridges points, signalling system etc. of a railway track. He was also paid additional amounts of Rs. 30,303 and Rs. 6,771 for repairs to railway tracks and for raising its embankments respectively. The additional payment of Rs. 37,074 was irregular.

The WAPDA representative explained that efforts were being made to recover the amount from the contractor. A notice was given to go into arbitration against the decision of the Engineer not to recover the amount from the contractor. The PAC directed that the result of the arbitration should be reported in its next meeting.

Para 32, Page 89—Loss of residential value of three ambulances worth Rs. 50,172.—Three contractors were required by their agreements to hand over to WAPDA, soon after the completion of the works, the hospitals etc. with all furniture and equipment, in first class condition. They, however, removed three ambulances worth Rs. 50,172. The WAPDA representative explained that the ambulances were not included in the hospital equipment. They were kept on the works. The PAC directed that the matter should be regularised by writes off.

Para 33, Page 89—Loss of Rs. 35,400 due to shortage of cement.—A contract was rescinded and allotted to another contractor. The previous contractor did not turn up on the specified date to witness measurements of the work done by him. As a result of counting of the material left by him in the presence of an Assistant Commissioner, 177 tons cement was found short or damaged. The contractor did not accept this shortage due to delay in counting. The WAPDA representative explained that the entire cost of the cement had been recovered. The PAC directed that this position should be verified by Audit and a report submitted in its next meeting.

Para 34, Page 90—Irregular payment of Rs. 20,963 for rejected bricks:—A contractor was paid an amount of Rs. 20,963 for 4,80,963 rejected bricks in December, 1960 although the contract did not provide for any such payments. After hearing the departmental representative, the committee directed that the amount should be written off.

Para 35, Page 90—Embezzlement of stores worth Rs. 15,806.—An enquiry Committee reported that in embezzlement of stores worth Rs. 15,806 occurred during the years 1963 to 1966 from the stores held by the consultants. The WAPDA representative explained that the case was filed by the police as untraced. A departmental enquiry had however been instituted against the staff involved and the project Director instructed to take further action in the matter. The PAC directed that the result of he departmental enquiry should be reported in its next meeting.

Para 36, *Page* 90—*Overpayment of Rs.* 15,688 *to a contarctor.*—A contractor's account showed a debit balance of Rs. 1,10,134. The total value of works done by him was Rs. 1,00,764 only. He was thus overpaid Rs. 9,370. The amounts of Rs. 2,108 and Rs. 4,210 deducted from his second and third running bills were also transferred to his security deposits and subsequently refunded. Thus the contractor was overpaid Rs. 15,688. The security deducted from his first and fourth bills could not be verified as complete records were not made available to Audit. The Departmental representative explained that an enquiry had been held and necessary action was under way to recover the overpayment. Audit pointed out that the enquiry report had revealed that the security was refunded. The amount would thus further increase if the security deducted from his first and fourth bills and subsequently refunded to him was included. The P. A. C. directed that Audit should verify the exact position in regard to the amount to be recovered and submit a report to the PAC in its next meeting.

Para 37, *Page* 90—*Overpayment of Rs.* 11,869 *on account of adjustment of fluctuation in inland rail freight rates.*—An amount of Rs. 11,869 was overpaid to a contractor due to misclassification and incorrect application of rates. As the amount of Rs. 11,869 had been recovered, the para was dropped.

Para 38, *Page* 91—*Non-recovery of cost of air-conditioners removed by contractor from site and non-reduction in maintenance charges.*—Fifty-two air-conditioners were removed from a colony by a contractor. Neither the air-conditioners were taken over from the contractor nor their cost recovered from him. Proportionate reduction in maintenance charges was also not made. The explanation of the Department that an inventory was prepared of the articles handed over by the contractor and the issue of reduction of maintenance charges finalised in an overall settlement, was accepted by the Committee.

Para 39, *Page* 92—*Blocking of Rs.* 1,22,500 *due to unnecessary purchase of wire ganze.*—In this case, a contract was entered into for construction of buildings including supply of wire ganze when wire ganze costing Rs. 1,22,500 had already been received against a previous contract which was cancelled due to delay in supplying the full quantity. The Department's explanation that the wire ganze was used in subsequent works and the security deposit of the firm amounting to Rs. 20,000 was forfeited, was accepted by the Committee.

Para 40, *Page* 92—*Blocking of capital amounting to Rs.* 12,47,877.—Certain stores worth Rs. 4,89,000 were not issued or used over long periods. Besides, stores worth Rs. 7,58,877 were declared surplus. The stores worth Rs. 12,47,877 in all were thus either surplus or unserviceable. The Department explained that stores worth Rs. 7,90,636 were issued or disposed of from January, 1968 to March, 1969 and that the process was still containing. The Committee accepted the explanation.

Para 41, *Page* 92—*Irregular payment of Rs.* 39,75,456 $ 11,337 and £ 504 *recovered at the instance of Audit.*—The Committee appreciated that such large amounts were recovered at the instance of Audit.

PROCEEDINGS OF THE THIRTEENTH MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON WEDNESDAY THE 7TH OCTOBER, 1970.

The Public Accounts Committee met in Committee Room No. 405 in 'Q' Block, Ministry of Finance, Pakistan Secretariat, Islamabad, at 9.00 A. M. on 7th October, 1970.

Members present

1. Mr. S. Amjad Ali—*Chairman*.
2. Mr. M. A. Bary.
3. Mr. Y. S. Ahmed.

Audit Representatives

4. Mr. A. I. Osmany, P.A.A.S., Comptroller and Auditor-General of Pakistan.
5. Mr. F. M. Aziz, TQA., P.A.A.S., Deputy Comptroller and Auditor-General.
6. Mr. M. A. Chaudhury, P.A.A.S., Director of Audit, Defence Services.

Departmental Representatives

7. Mr. S. Azam Ali, CSP., Additional Secretary, Ministry of Defence.
8. Mr. M. Yaqub, SQA., PMAS., FA (Defence).
9. Mr. M. K. Rahman, CSP., Deputy Secretary.
10. Mr. Fahimuddin, PMAS., MAG.,
11. Commodore S. Azhar Hussain, JS & DGP&S.
12. Mr. Muhammed Samiullah, Director MET, Services.
13. Mr. A. Rauf, Director General of Civil Aviation.
14. Mr. S. R. Karim, CSP., Financial Director.
15. Air Marshal, A. Qadir.
16. Mr. Rafi, Acting D.G., Tourism.

Secretary Public Accounts Committee

17. Mr. Mohammad Riazuddin, P.A.A.S., Deputy Secretary (Budget) Ministry of Finance.

APPROPRIATION ACCOUNTS 1966-67 (DEFENCE SERVICES)

The Committee took up the Appropriation Accounts of Defence Services for 1966-67.

Para 3 (*Page* 4) *Appropriation Accounts for* 1966-67 *Cases regarding non-linking of goods received by consiquees of Defence Department stores with notification of despatch to them.*—The Public Accounts Committee was satisfied with the departmental explanation that measures have been adopted to arrange for necessary linking.

Para 4 (Page 4) Appropriation Accounts for 1966-67—Non issue of Warrant of stores in Naval Stores establishment.—The Committee was informed that the issue of warrants involved considerable work and that the department promised to issue them one by one. The Department was hopeful that they would be able to make some progress which would be reported in the next year's Audit Report. The Committee agreed to the suggestion.

Para 5 (Page 4) Appropriation Accounts for 1966-67 non-verification of stock.—The Public Accounts Committee was satisfied with the departmental explanation.

Item I (i) 1 of Appendix 'A' (Page 6) Irregular drawal of disability pension (Rs. 3,465).—The Public Accounts Committee was satisfied with the departmental explaination.

Item I (2) of Appendix 'A' (Page 6) to the Appropriation Accounts 1966-67—Barrack damage (Rs. 9,895).—The departmental representative informed the Committee that they had already recovered about Rs. 8 lakhs and that action was being taken to regularise the rest of the amount. The departmental representative also stated that proper disciplinary action had been taken against the officials concerned. The Committee directed that the related action should be taken and reported to the Committee in their next meeting.

Item I (i) 3 of Appendix 'A' (Page 6) Irrecoverable cost of fans (Rs. 38,390).—The departmental representative stated that in these cases also the officer concerned had been suitably punished. The Committee decided to drop the objection.

Item I (i) 4 of Appendix 'A' (Page 6) to the Appropriation Accounts—Non recovery of hire charges of furniture (Rs. 8,662).—The departmental representative stated that the recovery of Rs. 8,882 related to a period about 4 years back. There was a delay in billing of the amount due against the officer concerned. The matter was examined by a court of enquiry but no action could be taken against the defaulting officer because he had retired in the meantime. The Committee observed that, in future, it should be ensured that bills are given to the officers concerned without delay. If any delay occurred in billing, the persons responsible for delay in billing should be penalised. The Comptroller and Auditor-General informed the Committee that, in the case of the Estate Office, Government had issued orders that if any due against an officer were not recovered within a period of one year the amount should be recovered from the Estate Officer. The Committee observed that similar provision should be made on the Defence side also so as to ensure that no delay in billing occurred in future. The Committee also directed that the outstanding amount should be recovered from the officer who failed to bill the persons concerned in time.

Item I (ii) of Appendix 'A' (Page 6) Losses exceeding Rs. 10 but below Rs. 2,500 in each case.—The Public Accounts Committee was satisfied with the department's explanation.

Item I (iii) 1 to I (iii) (9) of Appendix 'A' to Appropriation Accounts 1966-67.—Items 1 to 9 having been settled with Audit, these were dropped by the P. A. C.

Item I(iii) 10 *of Appendix 'A'* (*Page* 6) *Condonation of Non-maintenance of certain books.*—The departmental representative stated that the irregularity had since been regularised by the Government and that no further action was to be taken in this regard. The Comptroller and Auditor-General stated that the matter was still under correspondence and that, if it was found after verification that some action was still outstanding, he would include this item again in his next Audit Report.

Item II (*i*) (1) (*a*) *Loss due to failure of certain contracts* (*Rs.* 5,451).—The P. A. C. accepted the departmental explanation and dropped it.

Item II (*i*) (1) (*d*) (*Page* 6) *of Appendix 'A' Loss owing to Failure of certain contracts.*—The Departmental representative stated that the amount of Rs. 10,204 had been partly recovered and partly regularised under order of the Government. The Comptroller and Auditor-General stated that there were two more items of similar nature *viz.* II (i) 1 and (c) for Rs. 346,848 and Rs. 15,588. We would check-up and, if necessary, come up again before the Committee with these items.

Item II(*i*) (*e*) *of Appendix 'A'* (*Page* 6) *Loss of Rs.* 11,048 *owing to failure of contract.*—This item having been settled with Audit, was dropped.

Item II(*i*) 2 *of Appendix 'A'* (*Page* 6) *Loss owing to non-execution of decree against a contractor* (*Rs.* 20,888).—The departmental representative explained that a decree had been obtained against the contractor which was enforceable up to December, 1967 provided it was kept alive by filing an application once in every three years to the court who awarded the decree. The Deputy Commissioner, Rawalpindi however failed to put in application within the period of three years for keeping the decree alive. The amount thus became irrecoverable and was written off under orders of the Government. The Committee wanted to know whether the failure of the Deputy Commissioner to file the application in time was taken up by the department with the higher authorities. The Departmental representative did not have this information and said that a report in the matter would be submitted to the Committee in their next meeting. The Committee accepted it.

Item II (*i*) 3 *of Appendix 'A'* (*Page* 7) *Extra expenditure due to acceptance of a tender offer than the lowest* (*Rs.* 7,490).—The Public Accounts Committee accepted the departmental explanation and dropped the item.

Item II (*i*) 4 *of Appendix 'A'* (*Page* 7) *Overpayment of Acting Allowance* (*Rs.* 17,287).—The departmental representative stated that the overpayment of Rs. 17,287 was made to certain officers as a result of curtailment of certain posts and consequently reduction in the allowances. He stated that the matter was investigated and the amount was written off under orders of the Government. The Comptroller and Auditor-General pointed out that the persons responsible for making payment without authority should have been punished. He wanted to know why they were let off. The departmental representative stated that the payment was made to JCO's under the field-system of payment and that disciplinary action had been taken against the staff concerned. The Committee decided to drop the objection.

Item II (*i*) 5&6 *of Appendix 'A'* (*Page* 7) *Overpayment due to incorrect fixation of pay* (*Rs.* 12.277) *and Overpayment of allowances* (*Rs.* 14,978).—The Public Accounts Committee accepted the departmental explanation and dropped these items.

Item II (*i*) 7 *of Appendix 'A'* (*Page* 7) *Loss on account of difference between book value and assessed value on transfer of certain items* (*Rs.* 29,414).—The departmental representative stated that the loss of Rs. 29,414 had been written off under orders of the Government and that no further action was outstanding. The Comptroller and Auditor-General stated that he would verify the sanction to the write off and if necessary report back to the Committee because in his view the powers of the C-in-C could not be delegated to and exercised by a lower authority.

Item (*i*) 8 (*Page* 7) *of Appendix 'A' Irrecoverable debit balance* (*Rs.* 9,783).—The departmental representative stated that 25 Airmen had deserted, with their clothing costing Rs. 9,783 and that this loss was written off as advised by CAAF. The Comptroller and Auditor-General stated that he would verify the sanction to the write off and if necessary report back to the Committee.

Item II (*i*) 9 *of Appendix 'A'* (*Page* 7)—*Payment of idle time wages*—(*Rs.* 12,760).—The Public Accounts Committee accepted the departmental explanation and dropped this item.

Item II (*i*) 10 *of Appendix 'A'* (*Page* 7) *Irrecoverable cost of Barrack Damages* (*Rs.* 47,782).—The departmental representative stated that recoveries were being made and that progress made in this behalf would be reported to the Committee in the next meeting.

Item II(*i*) 11 *of Appendix 'A'* (*Page* 7) *Irrecoverable electric and water charges* (*Rs.* 24,135).—The Public Accounts Committee dropped this item having been settled with Audit.

Item II (*ii*) *and* (*iii*) *of Appendix 'A'* (*Page* 7) (*Rs.* 85,348).—The Public Accounts Committee dropped these items having been settled with Audit.

Item I (1) *and* (2) *of Annexure to Appendix 'B'* (*Page* 10)—*Damage to a truck in accident due to neglect* (*Rs.* 5,291) *and damages caused to buildings* (*Rs.* 22,150).—The Public Accounts Committee dropped these items having been settled with Audit.

Item I (3) *of Annexure to Appendix 'B'* (*Page* 10)—*Loss of stores due to non-accounting of receipts* (*Rs.* 11,562).—The departmental representative explained that no action could be taken against the staff found responsible for the loss because all of them had been released in the meantime and that the loss was regularised under orders of the Government. The Committee decided to drop the objection.

Item I (4) *to* (7) *of Annexure to Appendix 'B'* (*Page* 10)—*Loss of stores found deficient in a Unit* (*Rs.* 28,478)—*Damage to vehicle in accident due to neglect* (*a*) *Rs.* 28,341 (*b*) *Rs.* 23,325 (*c*) *Rs.* 23,225 (*d*) *Rs.* 18,656, *and loss of a jeep and documents burnt in fire* (*Rs.* 13,590).—These items having been settled with Audit, were dropped by the Public Accounts Committee.

Item I (8) *of Annexure to Appendix 'B'* (*Page* 10)—*Loss in disposal of certain serviceable stores as unserviceable* (*Rs.* 85,88,313).—The Comptroller and Auditor-General stated that this was a very important item requiring detailed consideration and requested the Committee to examine it in the meeting on the next day. This was agreed to.

Item I (9) Annexure to Appendix 'B' (Page 10)—Loss due to theft of certain stores (Rs. 32,303).—The departmental representative informed the Committee that the persons responsible for the theft could not be traced out and that the POF Board had sanctioned the write-off of the loss. The explanation was accepted by the Committee.

Item I (10) 11 *and* 11(1) (*a*) *and* (*b*) *of Annexure to Appendix 'B' (Page 10)—Deficiencies in clothing stores (Rs.* 39,205) *and loss of stores (Rs.* 25,528) *damage to vehicle in accident* (*a*) *Rs.* 17,130 *and* (*b*) *Rs.* 17,800).—These items having been settled with Audit were dropped by the Public Accounts Committee.

Item II (2) *of Annexure to Appendix 'B' (Page 10)—Loss of stores declared unserviceable due to long storage (Rs.* 16,074).—The departmental representative explained that during the early period of the POF Factory in 1959, bleeching powder was imported in a large quantity because it was expected that it would be required for use in the production but the entire quantity could not be used in time and became unserviceable. He stated that during these days the bleeching powder was not locally available and had to be imported in a large quantity from abroad. The Committee accepted the explanation.

Item II (3) *of Annexure to Appendix 'B'* (*Page* 10)—*Loss of stores declared defective* (*Rs.* 2,12,134).—The departmental representative explained that the material produced before starting mass production to test their quality was found defective and the amount therefore was written off on the recommendation of a Court of Enquiry. He also stated that disciplinary action was also taken against the chargeman and the persons concerned were transferred from this section. The Committee accepted the explanation.

Item II (4) *to* (9) *of Annexure to Appendix 'B'* (*Page* 10) *and item I of Appendix 'C'* (*Page* 11).—The Public Accounts Committee accepted the departmental explanation in the above cases and dropped them.

Item 1 *of Appendix 'D'* (*Page* 12)—*Final adjustment of Demurrage Bills* (*Rs.* 65,845).—The departmental representative stated that the demurrage had to be paid to KPT because of delay in taking delivery of a cargo which had got mixed up with the commercial cargo. He also stated that a sum of Rs. 19 lakhs had been written off and that an amount of Rs. 1.90 lakh remained still to be settled. He undertook to look into the matter and take regularity action.

Items 2 *and* 3 *of Appendix 'D'—Payment of compensation due to cancellation of a purchase order* (*Rs.* 8,90,373) *and adjustment of amount on account of Port Trust demurrage bills* (*Rs.* 17,799).—The Public Accounts Committee was satisfied with the departmental explanation.

APPROPRIATION ACCOUNTS OF DEFENCE SERVICES FOR 1967-68

Para 1 (*Page* 4)—*Expenditure incurred without the sanction of Government.*—The departmental representative informed the Committee that sanction for the expenditure had since been accorded and that no further action was necessary now. He also added that there was no financial loss involved and that it was just a case of precedural irregularity. The Committee accepted the explanation.

Item (i) (a) (Page 4)—Irregular revival of contracts amounting to Rs. 19,900.—The departmental representative explained that the revival of contracts had not caused any loss to Government and that it had to be done because of emergency. He promised that they would obtain the sanction of the Government to condone the irregularity and report compliance in the next meeting to the Committee.

Item (i) (b) (Page 4)—Rs. 10,300.—The Public Accounts Committee was satisfied with the departmental explanation.

Item (ii) (Page 4)—Irregular conclusion of contracts (Rs. 7,58,709 and Rs. 3,00,663).—The departmental representative explained that they had to complete some damaged accommodation in respect of which necessary sanction of the competent authority was being obtained to regularise the expenditure. The Committee directed that a report of compliance should be submitted in their next meeting.

Last sub-para of para 4 of page 4—Non-issue of Warrant of stores in respect of Naval Establishment.—The Committee observed that this paragraph was the same as appeared as para 4 on page 4 of the Appropriation Accounts for 1966-67 and directed that a report on the progress made in the issue of warrant of stores should be reported in their next meeting.

Items I, II (i), II (ii) and (iii) 1, 3, 4, 5 and 7 to 10 of Appendix 'A' (Page 6).—The Public Accounts Committee was satisfied with the departmental explanation and dropped these items.

Item II (iii) 2 of Appendix 'A' (Page 6)—Free use of Government transport.—The departmental representative explained that Government transport was used for conveyance of service personnel between Mansar Camp and the Campbellpur railway station. He stated that the use of transport by the service personnel was not regular but, as desired by Audit, sanction of the Government regularising the expenditure had already been issued. The Committee decided to drop the objection subject to verification by Audit.

Item II (iii) 6 of Appendix 'A' (Page 7)—Non-maintenance of account of wood lying unaccounted for certain period.—The departmental representative stated that on an objection having been raised by the local audit, sanction of the Government was obtained and the irregularity regularised. He also stated that no financial loss was involved because of this omission. The Comptroller and Auditor General stated that he would verify the position and, if necessary submit a report back to the Committee.

Item I (1 to 3) (5 and 6), II (1 to 5, 7, 8, 10 and 11) of Annexure to Appendix 'B' (Page 10) and Item 1 of Appendix 'C' (Page 11).—The P.A.C. was satisfied with the departmental explanation.

Item I (4) of Annexure to Appendix 'B' (Page 10)—Loss due to sinking of a boat due to neglect (Rs. 1,10,625).—The departmental representative stated that the case was investigated by a Board of Enquiry and later a District Court Martial was convened for the trial of the officer concerned. The officer was found guilty of negligence and he was demoted to a lower rank. The Comptroller and Auditor General pointed out to the inadequacy of punishment in respect of loss of over Rs. 1 lakh. The Committee, however, observed that the Court Martial Authority must have considered the punishment to be adequate. The Committee decided to drop the objection.

Item II (6) *of Annexure to Appendix* '*B*' (*Page* 10)—*Loss of stores found defective unserviceable* (*Rs.* 43,594).—The Comptroller and Auditor General stated that although the loss had been written off by the POF Board, he would have to examine whether the Board was competent to sanction the write-off. He stated that he would report back the matter to the Committee, if necessary.

Para II (9) *of Annexure to Appendix* '*B*' (*Page* 10)—*Loss of stores due to cyclone* (*Rs.* 63,823).—The departmental representative stated that the stores were surveyed by a Board of Officers, and on submission of loss statement by the Board, the loss was written off by the MGO. The Comptroller and Auditor General doubted if MGO was competent to sanction the write off. The departmental representative stated that with the enhancement of powers, it was within the competence of the MGO to accord the sanction of write off. The Comptroller and Auditor-General stated that he would verify the position and if it was found correct, the objection would be dropped.

Item 1 *of Appendix* '*D*' (*Page* 12)—*Demurrage charges amounting to Rs.* 34,144 *on certain consignments received from abroad.*—The departmental representative explained that the loss had been regularised by the POF Board. The Comptroller and Auditor-General stated that he would have to examine whether the POF Board was competent to regularise the loss.

Item 2 *of Appendix* '*D*' (*Page* 12)—*Unnecessary expenses on installation of a Tubewell* (*Rs.* 44,800).—The departmental representative stated that the expenses had been regularised by the Government. The Comptroller and Auditor-General, however, stated that he would have to examine this item further before the objection could be dropped.

COMMERCIAL APPENDIX TO APPROPRIATION ACCOUNTS (DEFENCE SERVICES FOR 1966-67)

Para 1 (*Page* 3)—*Loss of Rs.* 3.70248 *in the sale of a chemical.*—The departmental representative explained that the loss was due to an increase of the price of alcohol during the years 1962-63 to 1964-65. He further stated that the sale price could not be revised without the consent of the Ministry of Commerce and that by the time Ministry of Commerce agreed to revise the price, the losses had already been incurred. The Committee accepted the explanation.

Para 2 (*Page* 3)—*Loss of Rs.* 1,79,101 *due to non-recovery of assessed rent and allied charges of canteen from a contractor.*—The P.A.C. was satisfied with the explanation of the Department.

Para 3 (*Page* 3)—*Extra expenditure on account of purchases of stores at a higher rate* (*Rs.* 38,667).—The departmental representative stated that the extra expenditure had been worked out on the basis of the lowest offer received from M/s. National Agencies, Karachi which was received after the tenders had been opened and was also uncalled for. The Committee accepted the explanation.

Para 4 (*Pages* 3 *and* 4)—*Loss of Rs.* 16,074 *due to deterioration of material.*—

Para 5 (*Page* 4)—*Short recovery of house rent aggregating Rs.* 9,982.—The P.A.C. accepted the departmental explanation and dropped these paras.

Para 6 (*Page* 4).—*Points outstanding from previous reports.*—The Audit representative stated that the matter would be included again in their next year's report containing the up-to-date position.

MILITARY FARMS

Serial Item No. 1 (*Page* 7)—*The Annual Trading results of military farms.*—The departmental representative explained that some of the farms were running at a profit whereas others were running at a loss. The departmental representative informed the Committee in detail about the factors which want to increase or decrease the expenditure on maintenance of the farms. The main factor causing extra expenditure was the non-availability of sufficient land for some of the farms. He, however, maintained that, on an overall basis, the farms were running at a profit. The Committee pointed out that the losses in some of the farms should not be over-looked because those losses could be set off against profits of other farms. The Committee desired that the farms running at loss should be subjected to a greater control and supervision and all avoidable expenditure should be eliminated. The departmental representative informed the Committee that they were taking necessary action in this regard and that they had taken disciplinary action against Managers who were negligent in their duties.

Para 2 (*Page* 7)—*Outstanding recoveries from sundry Debtors* (*Rs.* 11,23,260).—The departmental representative stated that year-wise analysis of the outstanding balance and other information would be submitted to the Committee in their next meeting.

Para 3 (*Page* 7)—*Outstanding liabilities to Sundry Creditors* (*Rs.* 8,25,011).—The Department stated that these liabilities had been cleared. The P.A.C. dropped this item.

ORDNANCE FACTORIES

Para 1 (*Page* 18)—*Non-maintenance of proper and complete records of the issues of finished stores.*—The P.A.C. accepted the departmental explanation.

Para 2 (*Page* 18)—*Net value of "Semi on Capital Works" amounting to Rs.* 2,35,92,519 *not taken on charge on* 30*th June,* 1968.—The departmental representative stated that balance of work in progress pertaining to manufacturing concerns like POF was not usually taken on charge until their completion, and, therefore, they were not depreciated. He assured the Committee that efforts were being made to remove delays on taking charge of completed works. The Committee directed that instructions should be issued by the Ministry of Defence to the effect that "semi on capital works" should also be taken on charge.

Para 3 (*Page* 18)—*Adjustment on account of depreciation on buildings and other overhead charges.*—The departmental representative pointed out that revision of overhead rates on half yearly basis was being done in the factory from the very beginning. It was not possible to make revision on quarterly basis in such a big organisation. Audit stated that if the rates were not practical, they could be changed but so long as those rules remained in force, the department must observe them. The Financial Adviser (Defence), stated that the rules were practical and that in future it would be ensured that they were duly complied with. The Committee directed that steps should be taken to ensure that the rules were duly observed by the department.

Para 4 (*Page* 18)—*Year-wise analysis of amounts recoverable for work done for private individuals sale of stores, and rent, etc.*—F. A. (Defence) stated that full efforts were being made to effect recoveries. In fact, a portion of the amount had already been recovered. The matter involved inter-departmental adjustments which took a long time for their settlement. He undertook to look into the matter and see that the recoveries were expedited. The Comptroller and Auditor General mentioned that there was already a proposal under consideration to do away with the system of book adjustments and to provide that the departments should make cash payments for services rendered and supplies made to one another. He hoped that when that proposal was implemented the problem would no longer exist. The Committee directed that a report on the progress made in effecting recoveries should be submitted in their next meeting.

Para 5 (*Page* 19)—*Levy of interest on amounts outstanding for more than 3 months against Wah Industries Limited.*—The departmental representative informed the Committee that a sum of Rs. 97,168.76 had already been recovered as of interest and that interest was being recovered regularly now. The Committee decided to drop the objection subject to verification by Audit.

Para 6 (*Page* 19)—*Advance payment on account of stores purchased but not yet received.*—The Committee noted that these amounts were outstanding for a long time and that their volume was increasing year after year. The departmental representative explained that the old items were very few and that the increase was due to addition of fresh items. The Committee directed that the outstanding balance should be analysed and old items segregated so that the statement of the departmental representative could be varified. The Committee also directed that a report on the clearance of the balance should be furnished in their next meeting.

Para 7 (*Page* 19)—*Increase in liabilities on account of " Amount remaining unpaid.*—The P.A.C. was satisfied with the departmental explanation.

ORDNANCE CLOTHING FACTORIES

Para 1 (*Page* 33)—*Non-maintenance of proper and complete record of issues.*—The P.A.C. was satisfied with the departmental explanation.

Para 2 (*Page* 23)—*Year-wise analysis of amount against private individuals for work done on payment basis.*—The Comptroller and Auditor-General stated that keeping in view the net amounts outstanding against individuals there was a need to enforce a system of obtaining from individuals deposits in advance. The departmental representative stated that previously they did not get prior deposits but they had now started working on the system of cash basis and in future there would be no outstanding amounts of this nature. The Comptroller and Auditor-General stated that there were some small amounts outstanding since 1957-58 and suggested that if those petty amounts could not be recovered, action for their write off should be taken. The Committee endorsed the suggestion of Audit and directed that action taken in this behalf should be reported in the next meeting.

COMMERCIAL APPENDIX TO APPROPRIATION ACCOUNTS OF DEFENCE SERVICES FOR 1967-68

Para 1 (*Page* 3)—*Loss of stores worth Rs.* 7,24,700.—The Committee noted that the loss pertained to a period as far back as 1949-50 and observed that such a long time should not have been taken in its finalisation. The Committee directed that the matter should be settled expeditiously and progress reported in the next meeting.

Para 2 (*Page* 3) *of Commercial Appendix for* 1967-68.—*Expenditure on purchase of boxes in excess of requirement Rs.* 2,91,979.—The departmental representative explained that they estimated the requirement of boxes on the basis of their estimated production. The Departmental representative also stated that he would submit a further report in the next meeting of the Committee.

Para 3 (*Page* 3)— *Loss of Rs.* 39,902 *in the purchase of timber.*—The Committee dropped the para subject to reverification of departmental explanation by Audit.

Para 4 (*Page* 4)—*Loss of Rs.* 7,725 *due to less recovery of rent from an officer.*—The Departmental representative stated that in this case no loss was sustained by Government because the reversion of the officer to a non-gazetted status did not result in the reduction of his pay and that rent was recovered from that officer in full. The Committee decided to drop the objection.

Para 5 (*Page* 4)—*Points outstanding from previous reports.*—The Committee directed that further progress regarding the clearance of these points should be submitted in the next meeting of the Committee.

MILITARY FARMS

Paras 1 *to* 4 (*Page* 7).—The P.A.C. was satisfied with the departmental explanation.

ORDNANCE FACTORIES

Paras 1 & 2 (*Page* 21)—*The amount outstanding against private individuals for work done.*—The departmental representative informed the Committee that only a small amount was left to be recovered now and that they were pursuing the matter vigorously. The Committee decided to drop the objection.

ORDNANCE CLOTHING FACTORIES

Paras 1 *to* 3 (*Page* 35).—The P. A. C. was satisfied with the departmental explanation.

COMMERCIAL ACCOUNTS FOR 1966-67 OF NATIONAL SHIPPING CORPORATION

Paras 296 *to* 300 (*Page* 238) *and Para* 307 (*Page* 245).—The P. A. C. was satisfied with departmental explanation.

Para 308 (*Page* 245)—*Excess Provision for Repairs, Maintenance and Special Survey.*—It was pointed out by Audit that a provision of Rs. 33.69 lakhs was made for repairs etc. but actual expenditure amounted to Rs. 12.78 lakhs only.

The Committee desired to know why an extra provision of Rs. 20.91 lakhs was made. The departmental representative stated that the vessels were new and required less expenditure during the 1st year. He furtner stated that they had since revised the procedure and that the expenditure was now being correctly estimated. The committee decided to drop the objection.

Para 309 (*Page* 245)—*Outstanding recovery on account of freight from Government department.*—The departmental representative informed the Committee that they were pursuing with the Government departments concerned but, because it involved payment by book transfers, the delay was unavoidable. The Committee directed that the Department should furnish a report in the next meeting.

Para 310 (*Page* 245)—*Non-recording of the receipt and the issue, etc.*—The P. A. C. was satisfied with the departmental explanation.

Para 311 (*Page* 245)—*Non-payment of interest on Rs. 20 lakhs paid by the Central Government to the National Shipping Corporation.*—The departmental representative informed the Committee that the Central Government had also to pay to the Corporation and that if the Central Government would charge interest on their advance, the Corporation would also claim payment of interest on their dues against Government. He further added that the matter had been taken up with Government and it was presently under their consideration. The Committee directed that action taken in the matter should be reported to the Committee in the next meeting.

The Committee then examined the Commercial Accounts of National Shipping Corporation for 1967-68 and they had nothing to comment thereon in particular.

COMMERCIAL ACCOUNTS 1967-68

Paras 471, 472 (*Page* 427, *Paras* 482, 483(1) & (2), 484, 485, 486, 487 (*Page* 438).—The P. A. C. was satisfied with the departmental explanation.

COMMERCIAL ACCOUNTS OF PIA FOR 1966-67

Para 125 (*Page* 102)—*Working Result of PIA.*—The Committee noted that the percentage of net profit to revenue was 14.47 per cent in 1964-65 and it declined to 11.74 per cent in 1965-66 and in 1966-67 it went further down to 9.97 per cent. The departmental representative explained that this decline was due to the increase in expenditure and levy of excise duty on fuel. The opening of new 10 stations also contributed to the increase in expenditure. The committee discussed the matter in detail to ensure that proper control was being exercised on the working of the PIA and that new routes were being opened after due consideration. The departmental representative informed the Committee that earlier practice was that new routes could be opened on the orders of the Managing Director himself but now a high powered Board takes a decision in this matter and in all other matters having financial implications. He stated that the Board includes the Governor of the State Bank of Pakistan, Finance Secretary and Defence Secretary and that all decisions are taken after having obtained expert advice wherever necessary. The Committee decided to drop the objection.

Para 126(*Page* 102)—*Non-utilisation of full capacity of Aircrafts.*—It was explained by the departmental representative that it was not possible to operate the international routes by utilizing their full capacity. Generally, Air Companies operate on 80% basis and therefore there was no case for non-utilisation of full capacity. The Committee dropped the objection.

Para 127(*Page* 103)—*Outstanding subsidy from the Government.*—The Committee was satisfied with the explanation given by the Department.

Para 128(*Page* 103)—*Outstanding balances against Sundry Debtors.*—Audit pointed out that the balance of amount recoverable from the parties was increasing from year to year so that it had reached Rs. 5.70 crores at the end of the 1966-67. The departmental representative stated that they were taking all measures to recover the outstanding dues. He also informed the Committee that the bulk of the outstanding amount related to the recent period and that the amount of the old outstanding dues was very small. The Committee decided to drop the audit objection.

Para 129 (*Page* 103)—*delay in distribution of dividend for* 1965-66.—The Committee discussed in some details the financial position of the Corporation. They had nothing in particular to comment.

Paras 130 *and* 131 (*Pages* 103-104)—*Investment in Pakistan Services Limited and non-completion of physical verification.*—The P.A.C. accepted the Department's explanations.

Para 132(*Page* 104)—*Physical Stock taking during* 1966-67.—The Committee directed that the shortages should be written off by the Managing Director and that they should not be adjusted against the excesses.

As the Committee had gone into the affairs of PIA in some great detail, the Financial Adviser (Defence) suggested to the Committee that they might issue a directive that, in future, the Managing Director of PIA should also appear before the Committee. The Chairman directed that instructions should be issued to all the heads of autonomous Corporations to make it a point to be present in the meetings when their accounts were examined by the Committee.

COMMERCIAL ACCOUNTS OF P.I.A. FOR 1967-68

Paras 177, 178(*Page* 144) *Paras* 179 *to* 182(*Page* 145).—The P.A.C. was satisfied with the departmental explanation.

COMMERCIAL ACCOUNTS OF CHALNA ANCHORAGE KHULNA FOR 1966-67 (PAGES 175 TO 183)

The Committee examined the accounts of Chalna Port and noticed that no adjustments were made in the accounts in respect of leave and pension charges. The departmental representative assured the Committee that they were making the necessary adjustments in the accounts of the future years and those adjustments would include arrears also. The Committee also pointed out that the Department had not conducted the physical verification of stores in time, at the end of the year. Also the Department had not prepared lists of shortages and excesses, nor had they furnished the results of the verification to Audit. The Committee directed that, in future, verification of stores should be done in time and the lists of shortages and excesses always furnished to Audit.

The Committee then took up the Appropriation Accounts (Civil) for the year 1966-67 relating to the Ministry of Defence.

Grant No. 26 *Ministry of Defence* (*Page* 123)—*Sub-Head A*-4-*Other Charges* (*Page* 123).—The Committee noted that under the sub-head A-4-Other Charges, a Supplementary Grant of Rs. 65,200 was obtained of which an amount of Rs. 39,716 was surrendered and the actual expenditure exceeded the final Grant by Rs. 1,89,190. Audit pointed out that it was an example of bad budgeting. The departmental representative explained that the excess had occurred because of the belated adjustments of telephone bills. He further added that because of the direct dialling system, it was very difficult for the Department to control the expenditure on telephone. The Committee accepted the explanation.

Grant No. 27—*Meteorology for* 1966-67 (*Pages* 128-129).—The Committee noted that there was a large saving of Rs. 4,25,024 under the sub-head A-4-Other Charges (Page 128) which should have been surrendered. The departmental representative noted it for compliance in future.

Grant No. 105 *Capital Outlay on Ports and Communication* (*Pages* 433-434).—The departmental representative was asked by the Committee to explain as to why the Department obtained a budget provision of Rs. 56.30 lakhs under the sub-head A-2-Works (Page 433) when they had to surrender Rs. 26,57,600 and had a final saving of Rs. 4,80,727. He explained that the original budget was made in accordance with the provision made in the 3rd Five-year Plan but subsequently, this provision was reduced because of non-availability of foreign loans. The Committee accepted the explanation but directed that affective steps should be taken to ensure that the savings were surrendered in time in future.

DEMAND No. 106 DEVELOPMENT EXPENDITURE OF MINISTRY OF DEFENCE (PAGES 435—438)

Sub-head S-1-*Aviation Works* (*Page* 436).—Under this sub-head it was noted that there was an excess of Rs. 2,46,316. The departmental representative explained that this excess had resulted from an adjustment of expenditure pertaining to the Department of Tourism. The Committee observed that this wrong adjustment could have been avoided if the figures of expenditure had been reconciled in time

V. 1—*Department of Tourism V*. 1(6) *Development Schemes* (*Page* 437).—Under this sub-head, the Committee noted that, out of the original budget provision of Rs. 35,10,300 obtained for the development schemes, a sum of Rs. 18,59,000 was surrendered and still there resulted a saving of Rs. 3,24,018 because Rs. 13,27,282 only could be spent. The departmental representative could not account for the non-utilisation of the budget provision and the Committee observed that this was a obvious case of defective budgeting.

DEMAND No. 107 CAPITAL OUTLAY ON CIVIL AVIATION (PAGES 439-440)

A-Aviation Works (*Page* 439).—Under this sub-head it was pointed out by Audit that the original Grant was Rs. 8,71,79,000 of which Rs. 85,70,300 were surrendered and there was an excess of Rs. 1,34,31,443. The departmental representative explained that the excess has resulted because of adjustment carried out by A. G. East Pakistan and that this had happened inspite of reconciliation carried out by the department with the account figures. The Committee observed that this was a glaring example of bad budgeting. The Committee also noted that there were adjustments made by the Accountant General, East Pakistan and Accountant General, West Pakistan in respect of transactions relating to the previous years. The Committee desired that the department and Audit office should co-ordinate such adjustments and if some adjustments had to be made, budgetary cover should always be provided.

Th. Committee adjourned to meet again on 8th October, 1970.

PROCEEDINGS OF THE FOURTEENTH MEETINGS OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON TUESDAY, THE 11TH OCTOBER, 1970.

The Public Accounts Committee met in Committee Room No. 405 in 'Q' Block, Ministry of Finance, Pakistan Secretariat, Islamabad, at 9.00 A. M. on 8th October, 1970.

Members present

1. Mr. S. Amjad Ali—(Chairman).
2. Mr. M. A. Bary.
3. Mr. Y. S. Ahmed.

Audit Representatives

4. Mr. A. I. Osmany, P.A.A.S., Comptroller and Auditor-General of Pakistan.
5. Mr. F. M. Aziz, TQA, PAAS, Deputy Comptroller and Auditor-General.
6. Mr. M. A. Choudhury, PAAS, Director of Audit, Defence Services.

Departmental Representatives

7. Mr. S. Azam Ali, CSP, Additional Secretary, Ministry of Defence.
8. Mr. M. Yaqub, SQA, PMAS, FA (Defence).
9. Mr. M. K. Rahman, CSP, Deputy Secretary.
10. Mr. Fahimuddin, PMAS, MAG.
11. Mr. Muhammad Samiullah, Director MET, Services.
12. Mr. A. Rauf, Director General of Civil Aviation.
13. Air Marshal, A. Qadir.

Secretary Public Accounts Committee

14. Mr. Mohammad Riazuddin, PAAS, Deputy Secretary (Budget), Ministry of Finance.

Before the Committee took up the examination of Appropriation Accounts the departmental representative drew the attention of the Committee to para 2 (Page 3) of Commercial Appendix to the Appropriation Accounts of the Defence Services for 1967-68 which was examined on the last day. The departmental representative stated that he has verified and found that the wood measuring 2 lakhs cft. was purchased after calling for competitive tenders. It was not purchased from the contractor who had supplied 34,000 cft. timber earlier without completing the formalities. He said that he could produce the records to verify the fact and the Comptroller and Auditor-General stated that he would verify the facts in due course and if the Audit observation was found to be incorrect, it would be dropped.

The Committee then took up the examination of Appropriation Accounts (Civil) for 1967-68; relating to the Ministry of Defence.

GRANT NO. 27.—DEPARTMENT OF SHIPPING CONTROL AND MERCANTILES MARINE (PAGES 126—128)

A-3-Allowances, Honoraria etc. (*Page* 126).—Under this sub-head the committee noted that there was an excess of Rs. 16,784 which was more than 50% of the original budget and for which budget provision should have been made. The departmental representative explained that the excesses had resulted from the extensive touring of the officers and non-official members of the Shipping Rates Advisory Board in East Pakistan and rest and recreation travelling allowance to the officers and staff. The Committee observed that the expenditure could have been anticipated and action to regularise the excess expenditure taken well in time. The departmental representative noted the directives of the Committee and promised that they would do so in future.

Grant No. 30-*Aviation* (*Pages* 135—139)—*D-2-Standing Charges* (*Page* 137).—Explaining the savings of Rs. 3,44,751, the departmental representative stated that the main item of saving was of Rs. 2,90,311 information about which was conveyed to Works Audit at Lahore on 21st June. The Works Audit did not issue an authority until the 29th June to the Accountant General, West Pakistan but, for some reasons, that authority did not reach the latter till the 6th July with the result that the amount in question could not be adjusted. The Committee observed that the Department should have taken action for issue of authority much earlier and should not have waited till the end of the financial year. The departmental representative noted this and promised to do so in future.

GRANT NO. 110.—DEVELOPMENT EXPENDITURE OF MINISTRY OF DEFENCE (PAGES 432—434)

V. 1-*Department of Tourism, V.* 1 (5)—*Publicity* (*Pages* 433)—Under this sub-head, the Committee noted that there was an excess of Rs. 2,32,908. The departmental representative explained that the excess had resulted from the settlement of the bills in hand which had remained un-settled. He further added that, inspite of this excess, a surrender of Rs. 5,63,744 was made because there was a proposal under consideration for the setting up of a Corporation of Tourism for which reason the Department of Tourism had been instructed to go slow with their publicity and development programmes. The Committee accepted this explanation.

GRANT NO. 111.—CAPITAL OUTLAY ON CIVIL AVIATION (PAGES 435-436)

A. 1-*Major Works* (*Page* 435).—Under this sub-head the Committee noted that Rs. 4,00,25,000, out of Rs. 8,26,60,000 originally provided for in the budget were surrendered and wanted to know the reasons for surrender of such a large amount. The departmental representative explained that they had made the original budget provision on the basis of the programme as is stood approved at that time but later the programme was revised and the expenditure on the Dacca Airport and proposed Chittagong Port was substantially curtailed by the Government in December, 1967 and therefore, the amount of Rs. 4,00,25,000 was surrendered.

There were a number of excesses and savings under other sub-heads of the grants controlled by the Ministry of Defence and the Committee observed that with a careful budgeting and proper control over expenditure, these excesses and savings could have been avoided. The Departmental representative made a note of it.

The Committee then, took up the examination of the Report of the Comptroller and Auditor General of Pakistan on the accounts of Defence Services for the year 1966-67.

MINISTRY OF DEFENCE

AUDIT REPORT (CIVIL) 1966-67

Para 68 (Page 60)—Unnecessary retention of stores by Meteorological Department.—The departmental representative explained that these stores were for use throughout Pakistan. He accepted that in certain cases these stores were in excess quantity but they had to be stock-piled and could not be distributed over the various offices. He stated that the value of the stores as shown in the stock account had risen because of some items which were very expensive. He also stated that some of the articles were received in advance of completion of the buildings where they were to be installed. Regarding the physical verification of stores to be carried out, the departmental representative took a note and promised that it would be done quickly. The Comptroller and Auditor General pointed out that the staff employed on the stores-side had not furnished securities and that this involved chances of mischief and defalcation. The Departmental representative stated that in an earlier stage, there were no store keepers sanctioned for the work and the clerical staff who handled these stores refused to furnish securities because they were not getting any additional pay for this work. He stated that the Ministry of Finance had been requested to sanction posts of store officers/store keepers etc. as and when the store officers/store keepers are appointed, security would be taken from them. He however informed the Committee that there was little chances of loss of stores because the articles had no market value and they could not be used elsewhere.

The Committee then took up the examination of the Audit Report on the accounts of the Defence Services for 1966-67.

AUDIT REPORT ON THE ACCOUNTS OF DEFENCE SERVICES FOR 1966-67

Para 5 (Page 6)—Overpayment of Rs. 2,15,559 to M.E.S. Contractors on various accounts—The Departmental representative explained that the payment under reference concerned the period of early fifty's when M.E.S. were constructing the factory. He stated that the bills were paid after having been audited by the annual audit and later checked by Test Audit. However, later on objections were revised by Audit on certain points. As the Departmental representative was dealing with items of payment in a general manner and could not give any reason for this item individually the Chairman desired that audit should verify the payments and cases which were explained should be dropped and the outstanding items should be reported back to the Committee in the next meeting. The Chairman added that the audit objections should be settled promptly and in case where explanations were not forthcoming because of lapse of time or otherwise such items should be regularised or written off as the case may be.

Para 1 (*Page* 3)—*Overpayment of Rs.* 4,19,809 *to M.E.S. Contractors.*—The P.A.C. accepted the departmental explanation and the para was dropped.

Para 2 (*Page* 4)—*Loss of Rs.* 4 *lakhs due to shortage of electric fans.*—The Committee was informed that the loss related to 1955-56 and the Court of Enquiry was held in 1958. As certain shortages were found, a fresh Court of Enquiry had been ordered. Necessary action would be taken on the finalisation of the fresh enquiry. The Committee doubted if at this late stage the enquiry would be much useful. However, they directed that result of the enquiry and action taken on the report of the enquiry should be reported in the next meeting.

Para 3 (*Page* 4)—*Loss of Rs.* 3,21,085 *due to demolition of Government Buildings.*—Audit pointed out that as a result of the demolition of the buildings, much loss was sustained than the expenditure incurred a few years back on the repairs of those buildings. It was also mentioned that a number of articles were found missing. The Committee decided that since this was an old case investigation should be made quickly and the loss, if found irrecoverable, should be written off.

Para 4 (*Pages* 4 *and* 5)—*Extra expenditure of Rs.* 2,48,048 *incurred by M.E.S.*—This paragraph includes six items :—

Regarding item 1 the Departmental representative stated that they had accepted a recovery of Rs. 647 which would be recovered from the contractor who was still working in this department. In regard to items 2 and 3 he stated the matter was referred to arbitrator who gave award in favour of the contractor and therefore no recovery was possible. Regarding item 4, the Departmental representative pointed out that the calculation by Audit on which the excess payment was based was not correct. The Comptroller and Auditor-General stated that the matter would further be verified by his department and if necessary reported back in the next meeting.

As regards item 5 which related to relaying of old pipes to new places and in which payment was made both for labour and material, the Departmental representative stated that the Department would investigate the matter further and the correct position would be intimated to the Committee in the next meeting.

In regard to item 6 regarding payments on account of R.C.C. suspended roof slabs, the Departmental representative stated that the matter would be looked into further and the correct position submitted to the Committee in the next meeting.

Para 6 (*Pages* 6 *and* 7)—*Overpayment of Rs.* 2,07,873 *to contractors.*—The Departmental representative explained that it was not correct as stated by Audit that the whole work was suspended. The correct position was that owing to the shortage of material, the work was suspended only partly and therefore no irregularity was committed. The Audit agreed to drop the objection regarding item 1 of this paragraph. As regards item (2) regarding incorrect application of schedule of rates, the Departmental representative informed the Committee that recovery was in hand and it would be completed soon. As regard item 3 of this paragraph. the Committee directed that Rs. 940 should be recovered from the contractor. Regarding items 4 and 5, the P.A.C. accepted the departmental explanation and dropped them. About the recovery of item 6, the

Departmental representative stated that the contractor had refused to accept recovery and that arbitrator had been nominated and action for recovery would be taken after award had been given by the arbitrator.

Para 7 (*Pages* 7 *and* 8)—*Overpayment of Rs.* 1,83,254 *to a Contractor.*—The Committee noted that the case was about 13 years old and directed that it would be finalised quickly when fixing a time-limit for completion of various stages of investigation. The Committee further directed that the progress of the case should be reported in the next meeting.

Para 8 (*Page* 8)—*Non-adjustment of expenditure of Rs.* 1,75,866 *on repairs to hired Bungalows.*—The Departmental representative stated that the adjustment could not be made because of the delay in its acceptance by the M.E.S. He promised that the matter would be settled as soon as possible. The Committee directed that as this case had been outstanding since 1950, its adjustment should be expedited.

Para 9 (*Page* 9)—*Fictitious adjustment of Rs.* 1,30,004.—It was reported by Audit that stores were shown to have been issued on the last day of June, 1965 to a work at a different station. There was no evidence to indicate that the stores physically left the godown. Early in the next financial year, the entry was reverted. In the opinion of Audit, this had been done merely to avoid laps of funds. This action was irregular and contrary to the rules. The Departmental representative accepted the audit observation and promised that such an irregularity would not recur in future.

Para 10 (*Page* 9)—*Irregular expenditure of Rs.* 1,24,551 *incurred by an MES Formation.*—The Departmental representative informed the Committee that they had accepted the points made by Audit and were taking action on several items. He added that so far no progress had been made but that action would be completed in due course. The Committee directed that the progress made in this regard should be reported in the next meeting.

Para 11 (*Page* 9)—*Short recovery of Rs.* 1,14,755 *from a private concern.*—The Departmental representative stated that the matter was under investigation by the Board of Officers and that further action would be taken in the light of the findings of the Board. The Committee directed that further progress made in the matter should be reported in their next meeting.

Para 12 (*Page* 10)—*Overpayment of Rs.* 1,02,158 *in works expenditure.*—The Departmental representative informed the Committee that the matter had been referred to the Departmental Committee who would look into it. The Committee directed that the finding of that Committee and action taken thereon should be submitted to the Committee in the next meeting.

Para 13 (*Page* 11)—*Regularisation of a sum of Rs.* 1,00,322 *on account of arrears of rent in respect of MES building used for school purposes.*—The Committee directed that since there were several points stated in this paragraph, it should be settled by a Departmental Committee consisting of the representative of Department and Audit.

Para 14 (*Pages* 11 *and* 12)—*Un-authorised payment of Rs.* 94,698 *to a contractor.*—The Departmental representative stated that the final bill of the contractor was not traceable and, therefore, no action could be taken in the matter. The Committee directed that the disciplinary action should be taken against those persons who destroyed the records inspite of the fact that the payment had been held under objection.

Para 15 (*Page* 12)—*Overpayment of Rs.* 86,126 *to contractors.*—The Departmental representative stated that as a result of frequent changes in the organisation of MES offices, bill and other records were not forthcoming. He added that a Board of Officers had been appointed to investigate the circumstances and to fix the responsibility for loss of records. The Committee directed that action should be taken for the regularisation of the overpayment, disciplinary action against persons responsible therefor should be taken and report in the matter should be submitted to the Committee in the next meeting.

Para 16 (*Page* 13)—*Overpayment of Rs.* 72,069 *to MES contractors.*—The Committee directed that this matter should be investigated by the Departmental Committee appointed with reference to para 13.

Para 17 (*Page* 13) *Non-recovery of expenditure of Rs.* 71,985.—The Committee directed that this case should also be referred to the Departmental Committee appointed with reference to para 13 and the progress of recovery reported to the committee in their next meeting.

Para 18 (*Page* 13)—*Overpayment of Rs.* 57,011 *to contractors.*—The Committee directed that this paragraph may also be looked into by the Departmental Committee appointed with reference to para 13.

Para 19 (*Page* 14)—*Irregular expenditure of Rs.* 42,776.—The Committee noted that this paragraph related to a very old period and directed that prompt action should be taken and if recovery could not be effected the amount should be written off or regularised as the case may be.

Para 20 (*Page* 14)—*Loss of heavy machinery worth Rs.* 44,443.—This loss pertained to a period in 1947 and was stated to be due to improper handing over and taking over of charge. The Committee directed that it should be settled promptly and a report of the action taken should be submitted in the meeting.

Para 21 (*Page* 14)—*Avoidable extra expenditure amounting to* Rs. 42,204.—The expenditure related to the payment of rent of some Railway buildings occupied by an Army formation until 1957 and payment of rent for the period thereafter when the buildings were not required but were retained without any purposes. It was stated by the departmental representative that necessary action to regularise the expenditure had already been initiated. The Committee directed that the expenditure should be regularised without further delay.

Para 22 (*Page* 15)—*Overpayment of Rs.* 38,870 *to MES contractors.*—The departmental representative stated that a court of enquiry had been ordered to investigate the circumstances under which overpayment was made however, owing to non-availability of bills and witnesses, the case could not be finalised. He added that action for the write off of the amount had been initiated and the expenditure would be regularised shortly. The Committee directed that some time-limit should be prescribed for making a reference to the court of enquiry.

Para 23(*Page* 16).—*Loss of Rs*. 38,390 *due to improper maintenance of accounts*.—The departmental representative stated that a court of enquiry had been ordered and, on its recommendation, the loss was written off under orders of Government. This Committee decided to drop the objection.

Para 24(*Page* 16)—*Loss of Rs*. 32,500 *due to non-return of stores of contractors*.—The departmental representative stated that the matter was under investigation in an arbitration court. The Committee directed that the matter should be expedited and the action should also be taken against the officials responsible for the loss.

Para 25(*Page* 17)—*Overpayment of Rs*. 31,396 *to MES contractors*.—This overpayment consisted of six items and the Committee directed that these six items should be considered by the Departmental Committee appointed with reference to para 13.

Para 26(*Page* 17)—*Non-recovery of Rs*. 30,912 *for additions made to private property*.—The departmental representative stated that the Ministry of Defence had since regularised the expenditure by issuing a corrigendum to their original sanction. The departmental representative also promised to take a note for initiating action against the defaulter as pointed out by Audit. The Committee decided to drop the objection and observed that instructions should be issued to avoid such irregularities in future.

Para 27 (*Page* 18)—*Non-recovery of Rs*. 30,860 *from a contractor*.—The departmental representative stated that the matter had been referred to a court of enquiry and that further action would be taken as soon as the proceedings of the court of enquiry were finalised. The Committee directed that the findings of the court and action taken thereon should be reported in the next meeting.

Para 28(*Page* 18)—*Overpayment of Rs*. 30,000 *to a contractor*.—The departmental representative informed the Committee that disciplinary action has been taken against the officials responsible for overpayment and that recovery was in progress. The Committee decided to drop the objection subject to verification of the facts by Audit.

Para 29(*Page* 18)—*Shortage of stores worth Rs*. 28,242.—It was stated in the Audit Report that, as a result of the stock taking stores worth Rs. 28,242 were found deficient and that the case was under investigation by the Special Police. The Departmental representative expressed his inability to give any explanation because they could not indentify the formation to which the case related. The Committee directed that a report on the action taken in this case should be submitted in the next meeting after obtaining particulars of the case from the Audit.

Para 30(*Page* 18)—*Short recovery from a contractor due to wrong application of rates*.—The departmental representative requested that this case might also be settled by discussion in the Departmental Committee appointed with reference to para 13. He further stated that if some recovery had to be made from the contractor it would be made after the issues had been settled between Audit and the department. The Committee accepted the suggestion.

Para 31(*Page* 19)—*Outstanding recovery of Rs.* 25,272 *on account of rent for certain Schools buildings.*—The departmental representative stated that the matter was under consideration and that sanction to regularise the non-recovered rent would be issued in due course.

Para 32 (*Page* 19)—*Overpayment of Rs.* 24,560 *to MES contractors.*

Para 33 (*Page* 19)—*Overpayment of Rs.* 24,048 *to MES contractor..*

Para 34(*Page* 20)—*Irregular payment of Rs.* 13,589 *to MES contractors.*—The Committee directed that these three paragraphs may be referred to the Departmental Committee appointed with reference to para 13.

Para 35(*Page* 21)—*Misappropriation of Government stores worth Rs.* 21,532.—The departmental representative stated that the galvanised iron sheets issued to the contractor had been recovered and that the persons who prepared 56 vouchers had been removed from service. The Committee decided to drop the objection.

Para 36(*Page* 21)—*Overpayment of Rs.* 19,029 *to a contractor.*—The departmental representative stated that the case was referred to an arbitrator whose award was partly in favour of the Government and partly in favour of the contractor and the amount that could be recovered from the contractor under the award had been adjusted against the claims of the contractor pending with the Government. The Committee decided to drop the objection subject to verification by Audit.

Para 37(*Page* 22)—*Non-recovery of hire charges of fans amounting to Rs.* 18,720.—The case related to the year 1959 and the departmental representative stated that since the houses had been handed over to refugees, no recovery could be effected. The Committee directed that in the circumstances the amount should be written off under proper sanction.

Para 38(*Page* 22)—*Overpayment of Rs.* 18,270 *to MES contractors.*—

Para 39(*Page* 23)—*Non-recovery of cost of fans and hire charges amounting to Rs.* 17,963.—

Para 40(*Page* 23)—*Overpayment of Rs.* 17,652 *for earth work done in excess of requirement.*—The Committee directed that these paragraphs should be referred to the Departmental Committee appointed with reference to para 13.

Para 41(*Page* 23)—*Overpayment of Rs.* 16,083 *to M.E.S. contractors.*—The Committee was informed that the overpayment had been admitted by the Ministry and that the recovery had to be made from the contractors. The Committee directed that the position about the realisation of the recovery should be reported in the next meeting.

Para 42(*Page* 24)—*Overpayment of Rs.* 15,961 *to a contractor.*—The PAC was satisfied with the departmental explanation that they were regularising it.

Para 43(*Page* 24)—*Overpayment of Rs.* 14,099.—The Committee directed that this case should be referred to the Departmental Committee appointed with reference to para 13.

Para 44(*Page* 24)—*Non-recovery of rent of building amounting to Rs.* 13,702.—The Departmental representative informed the Committee that action was being taken for obtaining Government sanction to the write off of the amount. The Committee directed that action taken in the matter should be reported in the next meeting.

Para 45 (*Page* 25)—*Excess expenditure of Rs.* 13,701 *on deposit works.*—The amount was stated to be due against the M.E.S. Rawalpindi and the Committee directed that the recovery should be expedited.

Para 46(*Page* 25)—*Overpayment of Rs.* 13,091 *to a contractor.*—The case was stated to have been referred to an arbitrator and the Departmental representative undertook to report the position of the case to the Committee in their next meeting.

Para 47(*Page* 25)—*Overpayment of Rs.* 12,905 *to contractors.*—The Departmental representative informed the Committee that the overpayment had since been written off under orders of Government. The Committee decided to drop the objection subject to verification by Audit.

Para 48(*Page* 25)—*Overpayment of Rs.* 11,441 *to a contractor.*—The Departmental representative stated that the recovery could not be effected from the contractor and as such they proposed to arrange for arbitration. The Committee directed that action in this regard should be expedited and a report submitted to the Committee in their next meeting.

Para 49 (*Page* 26)—*Loss of bricks worth Rs.* 11,424.—The Departmental representative stated that the matter had been referred to arbitration the result of which would be reported to the Committee in due course. He further added that the East Pakistan Government was being requested to accept the debit for direct supply to the Provincial Government. The Committee directed that the progress of the case should be reported in the next meeting.

Para 50 (*Page* 26)—*Irregular expenditure of Rs.* 10,554 *on employment of mechanical transport fitter.*—The Departmental representative stated that employment of fitter was essential and that the matter was under consideration to regularise the action. The Committee directed that a report in the matter should be submitted in their next meeting.

Para 51 (*Page* 26)—*Overpayment of Rs.* 10,498 *to a contractor due to incorrect pricing of work.*—The Committee directed that this case should be referred to the Departmental Committee appointed with reference to para 13.

Para 52 (*Page* 27)—*Non-recovery of Rs.* 8,802 *on account of work done at risk and cost of a contractor.*—The Departmental representative informed the Committee that a sum of Rs. 9,043.24 was actually recoverable from the defaulting contractor. Of this, a sum of Rs. 5,025 was recovered through the security deposit of that contractor, leaving a balance of Rs. 4,018.24 for which a reference was being made to arbitration. The Committee directed that the result of the arbitration as also a report on the action taken thereon should be submitted to the Committee in their next meeting.

Para 53 (*Page* 27)—*Overpayment of Rs.* 8,206 *to a contractor.*—The departmental representative informed the Committee that action was being taken to effect the recovery in question from the contractor. The Committee directed that the recovery in question should be effected expeditiously and a report in the matter submitted in the next meeting.

Para 54 (*Page* 27)—*Overpayment of Rs.* 8,014 *to contractors.*—The departmental representative informed the Committee that some of the amount had already been recovered from the contractors concerned. As to the remaining amount, efforts were being made to effect the recovery in question. The Committee directed that this case should be referred to the Departmental Committee appointed with reference to para 13.

Para 55 (*Pages* 27-28)—*Non-recovery of rent of Rs.* 7,867 *from an officer.*—The departmental representative informed the Committee that the matter had been taken to the court and that the department was awaiting the result of the Court's findings. The Committee directed that the result of the Court's findings and action taken thereon should be reported in the next meeting.

Para 56 (*Page* 28)—*Non-recovery of Government dues from a contractor amounting to Rs.* 7,442.—The departmental representative informed the Committee that in spite of best efforts on the part of the Department it had not been possible to locate the where abouts of the defaulting contractor which help of the Police authority was also sought. Efforts were also made to effect the recovery by circulating the amount to all other MES formations but no recovery could be made as nothing was due to the contractor at their end. Under the circumstances, the Department was taking necessary action to treat the amount as irrecoverable and regularise the matter. The Committee directed that a report on the regularisation of the matter as also of the disciplinary action against those responsible for these irregularities, should be made in the next meeting.

Para 57 (*Page* 28)—*Infructuous expenditure of Rs.* 7,043 *on un-necessary employment of chowkidars.*—It was noticed by the Audit that some chowkidars were employed at certain stations for care and custody of old temporary hut-structures most of which were in a very bad condition since the structures had outlived their utility and were beyond economical repairs. The Departmental representative stated that action was being taken to regularise the matter. The P. A. C. directed that, besides taking action to regularise the matter, the department should also devise ways and means so that such things should not happen again. The departmental representative assured that the Committee that necessary action would be taken accordingly.

Para 58 (*Page* 28-29)—*Irregular expenditure of Rs.* 11,113 *on unnecessary employment of a mechanical transport fitter.*—It was noticed by Audit that a mechanical transport fitter was employed for a certain period for maintenance of mechanical transport vehicles whereas repairs, maintenance, etc. of vehicles and equipments were carried out by EME Workshop free of cost. The expenditure incurred on the employment of the fitter was therefore irregular. The Committee directed that action should be taken to regularies the matter and also to devise ways and means so that such things would not happen again.

Para 59 (*Page* 29)—*Non-recovery of Rs.* 6,946 *on account of cost of electricity consumed in excess of free scale.*—The departmental representative informed the Committe that action was being taken to recover the amount on account of excess consumption of electricity over and above the authorised free scale from the units concerned. The Committee directed that a report in this matter should be submitted in the next meeting.

Para 60 (*Page* 29)—*Overpayment of Rs.* 6,438 *to contractor due to incorrect application of rates.*—The departmental representative explained that the matter had been taken to arbitration which gave award in favour of the contractor and for that reason it was not possible to make recovery of the overpayment in question. The Committee directed that the matter should be regularised and reported back to the committee in its next meeting.

Para 61 (*Page* 29-30)—*Overpayment of Rs.* 5,494 *to a contractor.*—The departmental representative informed the Committee that the amount in question had since been recovered from the contractor. The Committee directed that this fact should be verified by Audit.

Para 62 (*Page* 30)—*Overpayment of Rs.* 5,432 *to MES contractors.*— The Committee directed that this case should be referred to the Departmental Committee appointed with reference to para 13.

Para 63 (*Page* 30)—*Overpayment of Rs.* 5,134 *to contractors.*—The Committee directed that this case should also be referred to the Departmental Committee appointed with reference to para 13.

Para 64 (*Page* 30)—*Non-recovery of transportation charges of Rs.* 3,879 *from a contractor.*—The departmental representative explained that the matter was referred to arbitration who gave award in favour of the contractor. It was therefore not possible to make any recovery from the contractor concerned. The Committee decided that the matter should be regularised and a report to this effect should be made in their next meeting.

Para 65 (*Page* 30-31)—*Loss due to non-revision of Rates of Furniture.*—The departmental representative informed the Committee that the case was under consideration at a high level. The Committee directed that the case should be decided expeditiously and a report of action taken in the matter submitted to the Committee in its next meeting.

Para 66 (*Page* 31)—*Irregular expenditure of Rs.* 4,26,012 *on hiring of houses for airman.*—The departmental representative explained that certain accommodation was hired for airmen in 1949 under the authority of a Government the airmen. For that period, action was being taken to regularise the matter. The committee directed that a report in regard to the reqularisation of the letter laying down that the accommodation which was listed, could be hired. In 1964, these houses were vacated and further accommodation was not hired for matter should be submitted in the next meeting.

Para 67 (*Page* 31-32)—*Irregular payment of Rs.* 1,05,634 *to MES contractors.*—The departmental representative informed the Committee that action was being taken to regularise the cases mentioned in the paragraph under consideration. The Committee directed that a report in this respect should be submitted in the next meeting.

Para 68 (*Page* 32)—*Unauthorised expenditure of Rs.* 74,104 *on the installation of equipment for officers bungalows.*—The Departmental representative explained that in accordance with the existing instructions officers of the rank of Wing-commanders, and above, were entitled to the provision of geysers. The geysers are provided in 'A', 'B' and 'C' types of bungalows. Due to acute shortage of accommodation at the station, in most cases officers of the rank of Wing-commanders and above were provided accommodation lower than 'C' class. As officers of the rank of Wing-commanders and above are entitled to the provision of the geysers, these officers were provided the same although they were not occupying the accommodation of their entitlement. In view of the Audit objection, the case was referred to Government to sanction installation of geysers in lower class of accommodation when such accommodation was occupied by officers of the rank of Wing-commanders and above. The case was still under consideration. The Committee directed that the matter should be decided expeditiously and a report in the matter submitted in the next meeting.

Para 69 (*Page* 32-33)—*Overpayment of Rs.* 41,332 *to MES contractors.*

Para 70 (*Page* 33)—*Overpayment of Rs.* 41,168 *to MES contractors.*

Para 74 (*Page* 34-35)—*Overpayment of Rs.* 7,947 *to MES contractors.*

Para 76 (*Page* 36)—*Irregular payment of Rs.* 28,022 *to MES contractors.*

Para 77 (*Page* 37)—*Outstanding recoveries amounting to Rs.* 20,432 *on account of services rendered to a private party.*—The Committee decided that these five cases (mentioned in paras 69, 70, 74, 76 and 77) should be referred to the departmental Committee appointed with reference to para 13.

Para 71 (*Page* 33)—*Loss of revenue of Rs.* 14,400 *due to unauthorised allotment of agricultural land.*

Para 72 (*Page* 34)—*Irregular payment of Rs.* 13,756 *to contractors.*

Para 73 (*Page* 34)—*Loss of Rs.* 8,523 *due to non-allotment of bungalow for occupation by officers.*

Para 75 (*Page* 35)—*Abnormal delay in recovery of overpayment of Rs.* 14,691.—The PAC was satisfied with the departmental explanation and decided to drop these paras.

Para 78 (*Page* 36)—*Undue financial aid of Rs.* 13,381 *to a contractor.*—The P. A. C. was satisfied with the departmental explanation.

Para 79 (*Page* 37)—*Overpayment of Rs.* 9,068 *to MES contractors.*—The departmental representative informed the Committee that necessary action was being taken by the Department to regularise the matter. The Committee directed that a report in this matter should be submitted in the next meeting.

Para 80 (*Page* 37)—*Excess payment of Rs.* 3,90,840 *in respect of hired bungalow.*—The Committee observed that this case would require detailed examination and should therefore be referred to the Departmental Committee appointed with reference to para 13.

Para 81 (*Page* 38)—*Loss of revenue of Rs.* 2,32,420 *arising from issue of land.*—The departmental representative explained that the lease of the land had been sanctioned by the Government at concessional rates as the land was given to an educational institution. The Committee directed that the matter should be verified by Audit.

Para 82 (*Page* 38-39)—*Loss of Rs.* 33,085 *due to incorrect calculation of rent and belated grant of lease.*—It was explained by the departmental representative that the area of land leased to the school was erroneously typed out as 24,000 sq. ft. instead of 24,000 sq. yd. When the error was detected, the school authority protested to the payment of the additional amount as the formal lease had by then expired. The Government decided to give concession to the school. The Committee however were not fully satisfied with this explanation and they directed Audit to verify the case further and submit a report in the next meeting.

Para 83 (*Page* 39)—*Non-recovery of Rs.* 20,726 *from lessees of Government land.*—The departmental representative informed that a part of the recovery had already been made. In respect of the remaining amount, a civil suit was pending with a Court of Law and further action would be taken when the judgement of the Court was available. The Committee directed that a further report in the matter should be submitted in the next meeting.

Para 84 (*Page* 39)—*Non-accountal of Govt. property.*—The departmental representative stated that the number of trees given in the paragraph was not correct in that it should be 355 trees instead of 1,456 as mentioned by Audit. The Committee directed that Audit should further varifly the facts and submit a report to the Committee in the next meeting.

PROCEEDINGS OF THE FIFTEENTH MEETING OF THE *AD HOC* PUBLIC ACCOUNTS COMMITTEE HELD ON 9TH OCTOBER, 1970 AT 9 A.M.

The *ad hoc* Public Accounts Committee met in the Committee Room '405' in 'Q' Block, Ministry of Finance, Pakistan Secretariat at 9 a.m. on 9th October, 1970.

Members present

1. Syed Amjed Ali—*Chairman.*
2. Mr. M. A. Bary.
3. Mr. Y. S. Ahmad.

Audit representatives

4. Mr. A. I. Osmany, P.A.A.S., Comptroller and Auditor-General of Pakistan.
5. Mr. F. M. Aziz, T.Q.A., P.A.A.S., Deputy Comptroller and Auditor-General.
6. Mr. M. A. Choudhury, P.A.A.S., Director of Audit, Defence Services.

Departmental representatives

7. Mr. S. Azam Ali, C.S.P., Additional Secretary, Ministry of Defence.
8. Mr. M. Yakub, S.Q.A., P.M.A.S., Financial Adviser (Defence).
9. Mr. M. K. Rahman, C.S.P., Deputy Secretary, Ministry of Defence.
10. Mr. M. Fahimuddin, P.M.A.S., Military Accountant General.

Secretary of the Public Accounts Committee

11. Mr. Mohammad Riazuddin, P.A.A.S., Deputy Secretary (Budget), Ministry of Finance, Islamabad.

The Public Accounts Committee continued the examination of the Report of the Comptroller and Auditor-General of Pakistan on the accounts of Defence Services for the year 1966-67.

Para 85 (*Page* 39 *to* 41) *Fraudulent disposal of serviceable stores in an Ordnance Depot* (Rs. 85,88,313).

Para 86 (*Page* 41)—*Excess issue of firewood worth Rs.* 6,63,000.—The P.A.C. was satisfied with the departmental explanation in respect of these paras.

Para 87 (*Page* 41)—*Delay in acceptance of offer resulted in extra expenditure of Rs.* 5,11,031.—A purchase agency invited quotations on 15th November, 1962 for the purchases of cloth Drab Mixture. Of the tenders received, the Agency did not accept the lowest tender as the sample was found unacceptable. It awarded the tender to the second lowest tenderer after a lapse of 20 weeks. The supplier at this stage stated that the prices of raw materials had since gone up and therefore it was not possible for him to supply the cloth at the rates quoted by him in his tender. After negotiation, the Purchase Agency was able to conclude the contract at a higher rate plus assistance of import licence at 60 per cent of the contract value. This resulted in a loss to the extent of Rs. 5,11,031 including Rs. 1,77,750 in foreign exchange which was due to delay in acceptance of the offer. The Departmental representative explained that the sample supplied by the lowest tenderer was found below the specifications. The tenderer was asked to submit another sample of the required quality. That sample was also below the specification and had therefore to be rejected. By this time, the validity of the tender had expired. The Agency then went to the next higher tenderer but, by then, the validity of their tender had also expired. In the meantime the prices of raw material had gone up and therefore the tenderer asked for the increased rates. The PAC felt that the Purchasing Agency did not do well by prolonging the period of rejection of the first tender.

During the discussion, the PAC noted that the practice followed by the Department was that the samples were required to be submitted after the tender had been approved. The Departmental representative explained that this procedure is followed because the requirements of Defence Services are of special nature and not generally available in the market. The supplies are therefore reluctant to produce samples. The PAC directed that the Department should ask for the samples alongwith the tenders wherever marketable commodities have to be purchased and the decision on the tender should be taken at the time the tender is accepted.

Para 88, Page 42.—Loss of Rs. 4,99,338 on changes of stores.—The PAC was satisfied with the department explanation.

Para 89, Pages 42-43.—Loss of Rs. 4,01,188 due to non-revision of issue rates of stores.—It was noticed that the issue rates of some stores had not been revised and that the stores were sold at the old rates fixed in 1945 resulting in a loss to the Government to the extent of Rs. 4,01,188. These stores consisted of (i) Decauville steel rails of various sizes and (ii) wire mild steel hard medium drawn galvanised 8 *s.w.g.* The sales were made to private party. The Departmental representative explained that these stores were sold in accordance with the MES Routine Instruction No. 8 dated 8th March, 1950. According to these instructions the stock was required to be sold at the stock book rates plus 10 per cent. The PAC could not accept the explanation as, in their opinion, even the addition of ten per cent to the stock book rates had no comparison with the existing market rates inasmuch as the stock book rates related to the prices prevailing in 1945 when the prices of issue list were compiled by Department.

The PAC also could not appreciate what compulsion was there to sell off in 1958—60 the commodity which being steel was not perishable, at the 1945 rates. The Agency could have waited to ascertain the market rates and avoided loss to the Government. It was also brought to the notice of the PAC that the stores which were sold never been declared surplus. The Departmental representative was not sure about this point. The PAC therefore directed that the matter should be looked into by Audit again and a report submitted to the PAC in its next meeting.

Para 90, Pages 43 and 44—Irregular sale of certain items of stores against purchase of mild steel bars/angles amounting to Rs. 3,96,294.—The case was initiated by Ordnance Directorate in December, 1961 for exchange of a certain quantity of tubing lying surplus since pre-independence, with mild steel bars and angles. For this purpose a tender was awarded to a firm who gave very high rates for the material they supplied in exchange for the tubing for which rates quoted were much lower than the rates fixed in 1959 for similar items. Audit raised an objection to the this deal and consequently the contract was suspended by the authorities in 1962. The departmental representative accepted that this was a bad case which, on being spotted out, was cancelled and a Court of Enquiry instituted. The officers found guilty were punished. The contractor went to the Court of Law. The PAC hoped that full facts of the case would be provided to the Court. The PAC further directed that a copy of the report given by the Court of Enquiry should be made available to Audit.

Para 91 (Page 44)—Outstanding recoveries amounting to Rs. 2,76,506 in respect of surplus stores.—
respect to surplus stores.

Para 92 (Page 44)—Non-recovery of Government dues amounting to Rs. 63,876 from a foreign firm.—The PAC was satisfied with the departmental explanation in respect of these paras.

Para 93 (Page 44)—Misuse of Service Transport (Rs. 38,714).—In contravention of the rules, a Service Headquarter allowed the free use of Service Mechanical Transport for a non-military organisation. When the irregularity was pointed out by the Internal Audit during March 1963 a blanket Government sanction was issued in October 1966 regularising the use of transport during the past years. Audit objected to the sanction as, in their opinion, blanket sanction could not serve the purpose. The PAC directed that the matter should be regularised by issuing sanctions of specific amount separately for each year and a report submitted in its next meeting.

Para 94 (Pages 44-45)—Irregular expenditure of Rs. 25,548 on issue of extra diet to patients.—The PAC accepted the departmental explanation and dropped this para.

Para 95 (Page 45)—Non-Recovery of Rs. 22,979 from a contractor.—A contract was placed with a firm for supply of steel almirahs, valuing Rs. 12,075. The firm was issued an import licence amounting to £878-0-10d for a total quantity of 80 almirahs. As the firm failed to complete the supply within the stipulated delivery period, the contact was cancelled at the risk and cost of the firm and a fresh contract amounting to Rs. 16,905 for the same item was placed with another firm. The departmental representative explained that the question of recovery of Rs. 4,830 as risk purchase amount and the cost of import licence of £878-0-10d (equivalent of Rs. 29,853.33) at bonus-vouchers rate less foreign exchange for the almirahs purchased from the other contractor was under consideration in consultation with the Law Division. The PAC directed that the case should be finalised expeditiously and a report submitted to it in its next meeting.

Para 96 (Page-45)—Extra expenditure due to non-acceptance of lowest offer (Rs. 15,006).—The P.A.C. was satisfied with the departmental explanation.

Para 97 (Page-46)—Irregular increase of rate resulting in extra expenditure Rs. 6,250.—A purchase agency invited tenders for the procurement of Ferrous Gluconate Tablets and the lowest quoted rate received was Rs. 3.50 for 500 tablets. The Purchase Agency, instead of finalising the contract, enquired on telephone from the bidder whether he had quoted for the sugar coated tables. He intimated that the rate was for plain tables and that he could supply sugar coated for Rs. 4.75 per 500 tablets. The Purchase Agency finalised the contract at Rs. 4.75 per 500 tablets. It was pointed out by Audit that the increase in rates for the supply of tablets was irregular and that according to the British Pharmacopoeia 1958, the Ferrous Gluconate Tablets should always be sugar coated. The departmental representative was not sure of this and sought permission of the PAC to verify the point. The PAC directed that the Department might verify this point while, at the same time take necessary action to recover the amount or regularise the matter, and submit a report in the PAC's next meeting.

Para 98 (Page 47)—Loss of Rs. 6,209 due to non-recovery of cost of skins sold to contractors.—In this case, skins were sold to contractors from whom the cost of skin had not been recovered. The departmental representative explained that the necessary action had been taken to recover the amount for which a decree had been obtained from the Court. The PAC directed that a report as to the recovery of the amount should be submitted to the Committee in its next meeting.

Para 99 (Page 47)—Irregular use of service transport involving expenditure of Rs. 20,462.—A certain formation provided free service transport to its officers from place of duty to the mess for lunch and dinner. As the use of transport for this purpose was not covered under any rule, it was objected to by the Internal Audit in December, 1955, December 1956 and March, 1957, but the irregularity continued up to December, 1957 with the result that the irregular expenditure accumulated to Rs. 20,462. A court of Enquiry convened first in December, 1964 then in December, 1965 and finally in July, 1966, to investigate the case could not fix responsibility for the irregularity because important witnesses had by then been released from service. The Court, therefore, recommended that the entire irregular expenditure should be written off. The PAC noted that, though the Internal Audit had made an objection in this case in 1955, the irregularity was continued till 1957 and that it was not until 1966 that the Court could take a decision that, in the absence of important witnesses no responsibility could be fixed on any one. What should have been done was that, immediately after the receipt of the audit objection, the use of the Government transport should have been stopped forthwith, a Court of Enquiry held to fix the responsibility for the irregularity, and the amount involved recovered from the officers concerned. The PAC regretted that this course of action was not taken and directed that suitable action should be taken so that there is no recurrence of such a nature in future.

Para 100 (Pages 47-48)—Loss of Rs. 3,097 due to delay in preparing claims against carrying companies for losses of stores in transit.—The PAC was satisfied with the departmental explanation.

Para 103 (Page 49)—Non-recovery of proportionate share of pensionary charges from a foreign Government amounting to Rs. 7,08,803.—After the establishment of Pakistan, 417 soldiers serving in the late Hong Kong Singapore Royal Artillery were re-enrolled in Pakistan Army. The liability for the proportionate share of pension in respect of these soldiers for the period they served with the Royal Artillery was that of the U.K. Government. No debit for proportionate share of the pension was raised against the U.K. Government, until it was pointed out by Audit in 1957 when a debit for the first time was raised in 1959 for 322 pensioners. The U.K. Government refused to accept the debt on the plea that the liability in question had been taken into account in the negotiations leading to the agreement between the U.K. Government and the Government of Pakistan on the 14th July, 1948. According to Audit, this plea is not tenable as there is no mention in that agreement about the pensionary liability in respect of the personnel transferred from the Hong Kong Singapore Artillery to Pakistan Army. The departmental representative explained that the case was under correspondence with the U.K. Government to whom a list of retired persons had been sent. The P.A.C. directed that the case should be expedited and a further report about it submitted to it in the next meeting.

Para 104 (*Page* 49)—*Irregular payment of acting allowance to J.C.Os Havildars amounting to Rs.* 17,287.—In some Army units, certain Junior Commissioned Officers were drawing acting allowance for working against vacant posts of Commissioned Officers against he resultant vacancies of the Junior Commissioned Officers, non-commissioned officers were also drawing the acting allowance. A few sanctioned posts of commissioned officers had been curtailed in the units, as a result of which the payment of acting allowance should have been stopped forthwith. However, the authorities initiated a case for payment of the allowance inspite of reduction of the posts and also for revival of the reduced posts on the grounds of efficiency. While the case remained under reference, the payment of acting allowance was continued. Audit held that the irregular payment of acting allowance was objectionable in view of the fact that (i) accounts authorities, on being consulted in September 1960, and (ii) the higher executive authorities in 1961 had ruled against its admissibility to the incumbents. The PAC agreed with Audit that the payment of the acting allowance should have been stopped immediately on receipt of the audit objection and directed that the Department should take steps to regularise the matter and to ensure that recurrence of such a nature is avoided in future.

Para 105 (*Page* 49)—*Overpayment of pension amounting to Rs.* 2,424.—A compassionate allowance to a widow of soldier had been sanctioned at the rate of Rs. 3/6 P.M. which was incorrectly published in a Pension Circular as Rs. 36 P.M. The widow was paid at the later rate resulting in an overpayment of Rs. 2,424. The PAC directed that, in such case, the sanctioned amount should always be written both in words and figures. The PAC also directed that the irregulairty committed in this case be regularised.

Para 106 (*Page* 50)—*Non-recovery of house building advance amounting to Rs.* 7,957.—This case relates to the non-recovery of house building advances made to certain officers without entering into mortgage bonds. The departmental representative explained that some amount had already been recovered through a Court decree and that, for the balance, the case was still being pursued. The PAC directed that the recovery for the balance amount should be expedited and further progress should be reported to the Committee in its next meeting.

Para 107 (*Page* 50)—*Withdrawal of Rs.* 45,000 *from Public Fund in anticipation of expenditure.*—It was observed that grant-in-aid amounting to Rs. 45,000 had been sanctioned for construction of a primary school and a dispensary by the Central Government. The amount was drawn from the Treasury and kept in deposit with the National Bank of Pakistan to avoid the lapse of budget grant, in contravention of Rule 290 of the Central Treasury Rules Volume I.

The Comptroller & Auditor General pointed out that the amount should have been drawn from the Treasury only when it was needed. Since it was not required during the year, it should have been surrendered as saving in the Budget. The departmental representative admitted the irregularity. The PAC directed that recurrence of such a mature should be avoided in future.

Para 108 (*Pages* 50—53)—*Outstanding audit observations.*—It was pointed out by Audit that 5,317 audit observations issued up to December, 1966, involving recoveries/regularisation of a total amount of Rs. 9,65,10,447, were outstanding as on 1st July, 1967, and that there was a necessity for expeditious settlement of these observations. The Departmental representative explained that it had not been possible for them, inspite of their best efforts, to find out exactly how many audit observations were still outstanding against them. Some of the observations were as old as 15 years and record were not readily available. He therefore suggested that it would help in the expeditious disposal of these observations if a Sub-Committee could be constituted, consisting of the representatives of the Department concerned, and Audit to look into these observations. The Sub-committee may be empowered to settle as many observations as passible and to recommend action in the remaining cases.

The PAC accepted the suggestions and directed that :—

(i) the sub-committee should consist of the Director of Audit (Defence Services), and a representative each of the GHQ and the Formation concerned. The Director of Audit (Defence Services) being a member in an advisory capacity only;

(ii) the Department should provide the relevant record to the Sub-Committee;

(iii) the Sub-Committee should regularise as many cases as possible and recommend action in the remaining cases to the Government, and

(iv) a report of action taken in this respect should be submitted to the PAC in its next meeting.

The Public Accounts Committee then took up the Report of the Comptroller and Auditor General of Pakistan on the accounts of Defence Services for the year 1967-68.

Para 1 (*Page* 3)—*Extra expenditure of Rs.* 1,67,160 *due to splitting up of a work.*—The P.A.C. was satisfied with the Departmental explanation and dropped this para.

Para 2 (*Page* 3)—*Irregular expenditure of Rs.* 1,60,083 *incurred by as MES formation.*—An irrigation work in an area was executed by the MES on behalf of a Civil Department. Its accounts were audited in 1956 and the irregularities amounting to Rs. 1,60,083 were pointed out to the executive and accounts authorities. These irregularities related to overpayment, payment made for work not done, and payment made for certain work not provided in the contract. The Departmental representative explained that this case has been referred to arbitration. The PAC directed that the result of the arbitration should be reported to it in its next meeting.

Para 3 (*Page* 4)—*Irregular expenditure of Rs.* 1,17,366 *incurred by an MES formation.*—In November 1964, Audit pointed out certain overpayments amounting to Rs. 1,17,376 made by an MES formation in respect of the short recovery of the cost of cement issued to private parties, incorrect fixation of stockbook rate of cement, non-devaluation of work done below specification, and double payment made to contractor for an item of work. The Departmental representative informed the Committee that the audit objection had been accepted and that necessary action was being taken to recover the outstanding amount. The PAC directed that recovery of the amount should be made expeditiously and a report submitted to it in its next meeting.

Para 4 (*Page* 4)—*Avoidable extra expenditure due to repeated tendering* (*Rs.* 94,000).—The P. A. C. accepted the departmental explanation that they were regularising it.

Para 5 (Page 5)—Continued employment of casual staff for machinery not in working order (*Rs.* 78,021).—This was one of the old outstanding audit objections for which a sub-committee has been constituted. The PAC directed that this case should also be referred to that Sub-Committee (c.f. Para 108 of the Auditor General's Report on the Accounts of Defence Services for 1966-67).

Para 6 (Page 5)—Irregular payment of Rs. 75,597 to MES contractors.—In 1962, Audit pointed out certain irregular payments by an MES formation in six cases amounting to Rs. 75,597. These Irregularities related to such items as non-recovery of the amount of compensation for delay in the completion of work and incorrect preparation of deviation order etc; short recovery of the cost of stores issued to contractors in excess of requirements, incorrect application of rates, payment made for work not required to be done, incorrect measurement of an item of work, and incorrect fixation of 'star rate' resulting in overpayment. The Departmental representative said that efforts were being made to recover the irregular payments through arbitration. The PAC directed that the result of the arbitration should be intimated to it in its next meeting.

Para 7 (Page 6)—Loss due to non-return of serviceable cement bags (*Rs.* 73,686).—Under the terms of the contract, the contractors are required to return the empty hessian bags to the MES in serviceable condition. In case the bags are not returned or, if returned in unserviceable condition, the contractors are liable to be charged at Rs. 2 per bag. In a formation, it was observed that, during September 1965 to October 1966, 36,843 empty cement bags were returned in unserviceable condition, for which a sum of Rs. 73,686 should have been recovered from the various contractors. This had, however, not be done. The Departmental representative explained that the contention of Audit was not correct as the contractors had returned the empty bags in serviceable condition and therefore they were not liable to be charged anything. The PAC directed that this fact should be verified by Audit and a report submitted to it in its next meeting.

Para 8 (Page 6)—Extra Expenditure on road work (Rs. 62,568).—Surfacing and semi-grouting of 15 miles of a road was done by a Military Engineer Service formation in a certain area, 11 miles by directly employed labour and 4 miles through a contract. A comparative study showed that the cost per mile of the Works directly done by MES was far less than the work done through contract. This resulted in an extra expenditure which could have been avoided. The PAC In this case therefore no deviation orders should be prepared and the work should earlier (c.f. para 108 of the Comptroller and Auditor General's Report on the Accounts of Defence Services for 1966-67).

Para 9 (Page 6)—Extra expenditure incurred due to irregular deviation order (*Rs.* 56,002).—Five contracts were concluded in 1963 for the construction of military buildings at a station at rates verying from 26% to 43% above the schedule. As no provision existed in the contracts for external sewage disposal and area drainage, deviation orders were prepared for these items of work at the rates tendered by the contractors for original works. According to the orders in force, deviation orders can be prepared only for addition to or deduction from the works which have been provided and described in the original contracts. In this case therefore no deviation orders should be prepared and the work should have been got done through a separate contract. Had the executive concluded a new contract for these items with the contractor who, during the same peiod, had carried out similar works at 19% above schedule rates at the same station there would have been a saving of Rs. 56,002. The PAC directed that this case should also be submitted to the sub-Committee referred to earlier (c.f. para 108 of Comptroller & Auditor General's Report on the accounts of Defence Services for 1966-67).

Para 10 (*Page* 6)—*Non-recovery of cost of stores retained by contractor* (*Rs.* 44,185).—A work of repairs to buildings at a station was awarded by a formation to a contractor. Boarding measuring 2,89,386 squars feet was issued to him by the MES. Of this, 1,84,565 sq. feet was utilised, 83,054 sq. feet retained and 21,767 sq. feet returned to MES by the contractor. The cost of the boarding retained by the contractor was recoverable from him. This was pointed out in Augtist 1960 but no action has been taken to recover the amount from the contractor. The PAC directed that this case should also be submitted to the Sub-Committee (c.f. para 108 of the Comptroller and Auditor Gerenal's report on the accounts of Defence Services for 1966-67).

Para 11 (*Page* 7)—*Unexplained disposal of stores worth Rs.* 39,992—In this case, some pipe was issued for use in a work. Of this, a certain quantity was used while the disposal of the balance was not shown in the ledger. The Departmental representative explained that a Court of Enquiry had been constituted for this purpose and action would be taken according to the report of the Court of Enquiry when available. The PAC directed that the report of the Court of Enquiry and action taken thereon should be reported to it in its next meeting.

Para 12 (*Page* 7)—*Non-recovery of maintenance charges from a Cantonment Board* (*Rs.* 30,400).—An engineering formation at a station entered into an agreement in October 1943 with a Cantonment Board for supply of water. According to the agreement a sum of Rs. 1,600 was payable annually in advance in the first month of the financial year by the Cantonment Board as maintenance charges for the water supply lines, etc. It was noticed that no recovery on this account had been made by the engineering formation from the Cantonment Board since Independence. The Departmental representative explained that they were regularising the matter. The PAC driected that a report of the action taken in this case should be submitted to it in its next meeting.

Para 13 (*Page* 7)—*Non-recovery of electric charges* (*Rs.* 28,410).—The P.A.C. dropped this para.

Para 14 (*Page* 7)—*Non-recovery of hire charges of fans* (*Rs.* 13,570).—Under the existing orders, the hire charges of electric fans issued to the educational institutions, Garrison Cinemas and unit contractors, etc. are required to be recovered at the prescribed rates. It was noticed that at a station, 54 ceiling fans were installed in buildings used as Garrison Cinema, Cantonment Public School and Canteen Stores Department but hire charges had not been recovered by the Military Engineer Service formation. The Departmental representative explained that they had already recovered a part of the amount and that necessary action was being taken to recover the remaining amount from the persons concerned. The PAC directed that a report in regard to the complete recovery of the amount should be submitted to it in its next meeting.

Para 15 (*Page* 8)—*Irregular allotment of military building to a private person and non-recovery of rent* (*Rs.* 13,071).—Under the rules, military buildings can be let out to private persons provided such buildings are surplus to the military requirements and rent is charged at the local rates for similar accommodation or at assessed rates, whichever is higher. It was however noticed that one newly constructed officer's quarter at a station had been allotted to a private person, although it was not surplus to the military requirements, and that no rent had been recovered from the allottee. The Departmental representative explained that the matter had since been regularised. The PAC directed that the Department should show the relevant records to Audit.

Para 16 (*Page* 8)—*Overpayment to contractors on different account* (*Rs.* 15,162).—It was noticed by Audit in 1959 that overpayments to the extent of Rs. 15,162 had been made to contractors in a Military Engineering Services formation. Of these an amount of Rs. 2,641 only had been recovered, leaving balance of Rs. 12,521 still outstanding. The Departmental representative explained that a Court of Enquriy was being convened in the matter and that the whole case was being pursued. The PAC directed that Audit should verify the position from the records to be made available by the Department and that a report in the matter should be submitted in its next meeting.

Para 17 (Pages 8 & 9)—*Loss due to wrong preparation of contract documents* (*Rs.* 7,036).—The P. A. C. was satisfied with the departmental explanation that the case had been referred to arbitration.

Para 18 (*Page* 9)—*Double payment to a contractor* (*Rs.* 5,328).—In a contract for the construction of quarters from married personal, including to R. C. C. overhead tanks of different capacities, concluded by an MES formation, payments had been made twice for the two R. C. C. overhead tanks. On being pointed out by Audit, the Accounts Executive authorities agreed to effect recovery from the contractor. However, no recovery had so far been made. The Departmental representative explained that a part of the amount had already been recovered, and that necessary action was being taken to recover the remaining amount also. PAC directed that a report about the full recovery of the amount in question should be submitted to it its next meeting.

Para 19 (*Page* 9)—*Irregular conclusion of contract* (*Rs.* 4,069).—Under the existing rules, maintenance services/repairs are required to be carried out through a term contract concluded annually by the MES formations for artificer's work. In contravention of the above provision and notwithstanding the fact that a term contract already existed for the 1964-65, another new contract was concluded at a station towards the close of the financial year in May, 1965 for taking down fans and oiling, cleaning, overhauling, adjusting and refixing them complete in position at a much higher rate. These irregularities had been pointed out by Audit in April 1966, but no action had so far been taken to recover the extra expenditure involved and to fix responsibility. The Departmental representative informed the Committee that an enquiry was being held and that necessary action would be taken in the light of the report of that enquiry. The PAC directed that the result of the enquiry and action taken thereon should be reported to it in its next meeting.

Para 20 (*Page* 10)—*Loss due to Irregular payment of interest and maintenance charges on abandoned portions of railway lines and sidings.*—Certain portions of the railway lines did not remain in use for some time in the past but the MES had been paying the maintenance charges and interest to the railway authorities, according to the agreement without obtaining the prescribed certificate to the effect that these sidings or platforms were required for military purposes. No action had been taken to reassess the interest and maintenance charges with due regard to the portion of line dismantled.

A Statutory body was allowed to use certain portions of the abandoned lines for which it was liable to pay normal charges on account of interest and mintenance. The amount due from that body had not been recoverd. Similarly, the cost of the sidings given permanently to the statuory body had still to be recovered. The Departmental representative explained that necessary action was being taken to regularise the matter. The PAC directed that a report in regard to the regularisation of the matter should be submitted to it in its next meeting.

Para 21 (*Page* 10)—*Non-maintenance of documents as also non-recovery of charges for electricity consumed.*—The PAC was satisfied with the departmental explanation that the matter was being pursued.

Para 22 (*Page* 10)—*Recurring waste of public money on uneconomical transportation of stores* (Rs. 1,62,011).—For a military station not connected by rail, all consignments of stores from various cement factories stores, etc. were in the first instance unloaded at Sargodha and thence carried by road to that military station on the basis of hired transport contracts concluded with private transporters. A transit storeyard with an establishment, sufficient to cope with the work was maintained at Sargodha for the purpose. In order to reduce the expenditure on transportation the consignments should have been booked by rail up to Khushab, which is the nearest railhead of Sargodha. Extra expenditure involved on the transportation by road from Sargodha to that military station amounted to Rs. 1,62,011 and required to be regularised. The departmental representative explained that the Department was taking necessary action to regularise the whole matter. The PAC directed that Audit should verify this fact and submit a report to it in its next meeting.

Para 23 (*Page* 11)—*Irregular payment by an MES formation Rs.* 78,450.—In 1965, Audit pointed out to the executive and accounts authorities certain irregularities in an MES formation which related to non-devaluation of work done below specification, incorrect application of rates, short recovery of cost of stores, etc., amounting to Rs. 78,450. The PAC directed that this being an old case, should be referred to the Sub-committee (c.f Para 108 of the Comptroller and Auditor General's report on the accounts of Defence Services for 1966-67).

Para 24 (*Page* 12)—*Non-realisation of Government dues on account of rent and allied charges Rs.* 53,958.—A sum of Rs. 53,958 was outstanding against service officers on account of rent and allied charges for the period 1949-50 to 1959-60. The Departmental representative explained that the matter was being pursued to effect the recovery from the officers concerned. The PAC directed that a report in regard to the recovery should be submitted to it in its next meeting.

Para 25 (*Page* 12)—*Wrong pricing of amendment Rs.* 10,514—The PAC was satisfied with the departmental explanation.

Para 26 (*Page* 13)—*Execution of work below specification Rs.* 9,835.—A Contract was concluded by a Military Engineering Services formation for the construction of quarters at a station. A quantity of 24,756 cwt cement was utilised in the work against the requirement of 26,213 cwt. The work was accordingly required to be devalued in order to adjust the cost of 1,457 cwt of cement less used and a sum of Rs. 9,835 was recoverable from the contractor. This was pointed out by Audit in December 1963. The PAC directed that, this being an old case, should also be referred to the Sub-committee, c.f. para 108 of the Comptroller and Auditor General's report on the accounts of Defence Services for 1966-67).

Para 27 (*Page* 13)—*Irregular payment to MES contractors. Rs.* 37,261.—The PAC accepted the departmental explanation.

Para 28 (*Page* 13)—*Irregular payment to MES contractor Rs.* 17,119.—In 1963, Audit pointed out to the executive and account authorities in an MES formation, overpayment to contractor relating to non-devaluation of work done below specification, short recovery of the cost of stores issued to contractors, incorrect fixation of rate of certain items of works and incorrect measurement of a work etc. amounting to Rs. 17,119. The PAC directed that this was an old case and it should be referred to the Sub-committee referred to earlier (c.f. para 108 of the Comptroller and Auditor General's report on the accounts of Defence Service for 1966-67.

Para 29 (Page 14)—Payment of additional compensation for lands required by the Defence Department (Rs. 7,05,567) Para 30 (Page 14)—Lease of land by private party and loss of rent Rs. 1,45,200.—The PAC was satisfied with the departmental explanation and dropped these paras.

Para 31 (Pages 14-15)—Loss due to provision of lesser premium rate in a lease agreement Rs. 44,400.—In a cantonment, a bungalow was held on lease by a private party under the "old grant" on 25th June, 1956. The leasee applied for sub-division of the vacant plot lying within the premises of the bungalow measuring 240 sq. yards for construction of residential accommodation, office and stores. It was noticed by Audit that the rates which were charged from leasee were those for residential purpose whereas he should have been charged at commercial rate since the plot in question was situated in the heart of the city and the leasee had applied for the lease of the land for commercial purpose *i.e.* for office and stores. Audit reported that no action had been taken by the Department to recover the premium at commercial rates from the leasee. The departmental representative explained that the lease was given for residential-*cum*-commercial purpose and not for commercial purpose only as pointed out by Audit. In such cases, the matter is referred to the Collector who is the final authority on the assessment of standard rent. On his advice, the premium was charged from the leasee which was regarded as a fair return. Audit stated that they would verify this fact. The PAC directed that a report of the verification by Audit should be submitted to it in its next meeting.

Para 32 (Page 15)—Loss of revenue due to encroachment of military land Rs. 14,182.—Some land, a part of which was cultivable agricultural land, was acquired during the years 1944 to 1950 for an airfield at a station. The acquired land was not enclosed by boundary pillars in the absence of which the agricultural portion of land was encroached upon by the local people and could not be leased out by the Department. When the civil authorities were approached to remove the encroachment, they failed to do so on the ground that the site was not enclosed by the boundary pillars. The departmental representative explained that the main reason for which the civil authorities failed to remove the encroachment was that compensation had not been paid to the people concerned. Audit stated that they would like to verify this fact. The PAC directed that the report of the verification should be submitted to it in its next meeting.

Para 33 (Page 15)—Loss of revenue due to incorrect application of rent Rs. 10,930.—The PAC dropped this para.

Para 34 (Pages 15-16)—Uneconomical procurement of Dal resulting in extra expenditure Rs. 2,89,278.—A purchase Agency was required to procure 1,243 tons of Dal Urd split in October 1965. In November 1965, the purchase agency concluded contracts for the procurement of 1,500 tons Dal Urd whole at Rs. 1,100 per ton on the plea that it would yield the indented quantity of 1,243 tons of Dal Urd split after making necessary allowance for shortfall in the process of crushing this worked out to Rs. 1,309.76 per ton to split Dal Urd. The same purchase agency concluded contracts for procurement of Dal Urd split in September-October 1965 at Rs. 1,085 per ton. It was, therefore, clear that Dal Urd whole was procured at a higher rate than the Dal Urd split. The extra expenditure incurred by the Govt. on this account amounted to Rs. 2,89,278. The departmental representative explained that, as a normal practice, Dal whole is purchased and crushed in the crushing plants installed at MCDs Lahore and Peshawar for conversion to Dal split of the required specification.

These are the only plants in the country which meet the specification requirements. However, a very little quantity of Dal Urd split had to be procured after meeting all the formalities, during the emergency period of 1965, to meet immediate demands for supplies. It was not therefore fair, he added, to draw comparison with the two purchases. The PAC directed that the position now explained by the departmental representative should be further verified by Audit and a report thereon submitted to it in its next meeting.

Para 35 (*Page* 16)—*Misappropriation of ration stores Rs.* 59,600.—The PAC dropped this para.

Para 36 (*Page* 16)—*Irregular sanction of loss statement Rs.* 36,628.—The PAC was not satisfied with the departmental explanation as they observed that the Government's case was not properly represented. The para was, however, dropped.

Para 37 (*Pages* 16-17)—*Irregular expenditure of Rs.* 14,451 *in foreign exchange and extra expenditure of Rs.* 6,314.—The PAC accepted the departmental explanation and dropped this para.

Para 38 (*Page* 17)—*Loss due to disregarding of lower rate for supply of stores* (*Rs.* 18,163).—On an indent, for procurement of certain stores from indigenous source, a purchase agency invited tenders three times with a view to bringing down the rates but on each occasion the quotation went up. Before the contract was finalised, the inspection authorities sent to the purchase agency a quotation lower than those quoted in the tenders recommending that the stores could be obtained from that firm. This information was duly received by purchase agency but was ignored. The loss of Rs. 18,163 was thus incurred by ignoring the lowest offer. The PAC directed that, this being one of the old cases, should be referred to the sub-committee appointed earlier (c.f. para 108 of the Comptroller and Auditor General's report on the accounts of Defence Services for 1966-67).

Para 39 (*Page* 18)—*Irregular use of transport* (*Rs.* 6,000).—The PAC accepted the departmental explanation and dropped this para.

Para 40 (*Page* 18)—*Irregular free issue of ration Rs.* 11,998.—The PAC dropped the para subject to regularisation and verification by Audit.

Para 43 (*Pages* 18-19)—*Irregular payment of local compensatory allowance in operational areas Rs.* 94,963.—The PAC accepted the departmental explanation and dropped this para.

Para 44 (*Page* 19)—*Reappropriation without proper sanction.*—The PAC accepted the departmental explanation and dropped this para subject to its regularisation.

PROCEEDINGS OF THE SIXTEENTH MEETING OF THE *AD-HOC* PUBLIC ACCOUNTS COMMITTEE HELD ON 10TH OCTOBER, 1970, AT 9.00 A.M.

The *Ad-hoc* public Accounts Committee met in the Committee Room '405' in 'Q' Block, Ministry of Finance, Pakistan Secretariat at 9.00 A.M. on 10th October, 1970.

Members present

1. Syed Amjad Ali—(Chairman).
2. Mr. M. A. Bary.
3. Mr. Y. S. Ahmed.

Audit Representatives

4. Mr. A. I. Osmany, PAAS.
   Comptroller and Auditor-General of Pakistan.
5. Mr. F. M. Aziz, TQA, PAAS,
   Deputy Comptroller and Auditor-General.
6. Mr. N. A. Choudhury, PAAS,
   Director, WAPDA, Audit.

Departmental Representatives

7. Mr. Borhanuddin, CSP,
   Joint Secretary, Ministry of Education and Scientific Research.
8. Dr. W. H. Zaki,
   Deputy Educational Adviser.
9. Mr. Yusuf Shami,
   Deputy Financial Adviser.
10. Mr. S. M. A. Ashraf, CSP,
    Joint Secretary, Kashmir Affairs Division.
11. Brigadier Mahboob Khan,
    Resident in Gilgit and Baltistan.
12. Mr. Wazeeruddin, CESI,
    Chief Engineer for Azad Kashmir and Northern Areas.

Secretary to the Public Accounts Committee

13. Mr. Mohammad Riazuddin, PAAS,
    Deputy Secretary (Budget), Ministry of Finance, Islamabad.

The Committe took up the examination of the Appropriation Accounts (Civil) 1966-67 and 1967-68 in respect of the Ministry of Education and Scientific Research (Education Division). Appropriation Accounts for 1966-67 were taken up first.

GRANT No. 30—MINISTRY OF EDUCATION

D.—Education Officer in foreign countries (Page 136).—Actual expenditure under D. 3.—Allowances, Honoraria, etc., was Rs. 2,00,925 against the final appropriation of Rs. 1,81,900, showing an excess of Rs. 19,025. The departmental representative explained that the excess was due mainly to bifurcation of Education Division in the High Commission in U. K. into Scientifical Liaison Office and Education Office. It was not clear to Audit as to how the bifurcation of an office could result in excess, as the transfer of the staff would have taken place alongwith the funds unless no provision was made in the original budget. The position was also not clear to the PAC who directed that Audit should further verify the fact and submit a report in the next meeting.

GRANT No. 32—EDUCATION

A.I.—Grants to Universities (Page 143).—Actual expenditure under A.I. Grants to Universities was shown as Rs. 37,05,039 against the final appropriation of Rs. 41,72,100 resulting in a saving of Rs. 4,67,061. The departmental representative explained that the saving was mainly due to non-receipt of debits in respect of Islamabad University (Rs. 3.00 lakh), Dacca University (Rs. 1.55 lakh) and Chair in Pakistani Studies (Rs. 6,492), etc. It was noted by the Committee that this explanation was at variance with explanation given on Page 143 of the Appropriation Accounts (Civil), 1966-67. The departmental representative explained that the explanation now furnished should be taken as final. The PAC took strong objection to the way of dealing such cases by the Ministry in that the information intended for submission to the PAC should have been carefully checked before being sent to Audit for incorporation in the Appropriation Accounts (Civil). The position as it now emerged was that the statement now furnished by the Ministry could not be regarded free of suspicion. The PAC directed that Audit should verify the facts about this case and furnish a report to the PAC in its next meeting.

B.I.—Grants-in-Aid (Page 143)—Under B.I.—Grants-in-Aid, actual expenditure was Rs. 63,31,226 against the final appropriation of Rs. 71,41,150 showing a saving of Rs. 8,09,724. Audit pointed out that, by and large, the main reason for the non-utilization of the amount was that the grant-in-aid were generally sanctioned by the Ministry of Education toward the tail end of the year. In a number of cases, it generally happens that the organisations whom the sanctions are issued fail to collect the amounts before the close of the year. The departmental representative explained that normally sanctions are issued to the organisations after examining audit reports on their accounts and reports of thier activities for the past year as well as programmes of their activities for the current year. The organisations concerned are constantly pressed to submit this information alongwith their requests for grants but this information is generally supplied by them very late in the year, resulting in the late issue of the sanctions. The PAC felt that it was not a good practice to issue sanctions towards the end of the financial year. It directed that the Ministry of Education should evolve a procedure whereby it should be possible for them to issue sanctions well before the close of the year. A copy of the procedure so evolved should be submitted to the PAC in its next meeting.

GRANT NO. 108.—DEVELOPMENT EXPENDITURE OF MINISTRY OF EDUCATION

L. 4.1—*Scholarships* (*Pages* 442-443).—Under this sub-head, it was noted that savings had taken place in respect of the following:—

L.4. (1) (2)	—Scholarships under the supplementary Overseers Training Scheme	Rs.	1,41,396
L.4. (1) (3)	—Scholarships under the Central Overseers Training Scheme.	Rs.	2,56,649
L.4. (1) (4)	—Scholarships under the Commonwealth Education Scheme.	Rs.	19,779
L.4. (1) (5)	—Scholarships to Students from Other countries ..	Rs.	1,11,667
L.4. (1) (7)	—Supplementary Scholarships received from foreign Government Organisations, with inadequate terms	Rs.	3,453

The departmental representative stated that these savings were due to the fact that some scholarships could not be utilised by candidates. One of the reasons for non-utilisation of scholarships was that the selection for students had to be made after the results of the examinations held by the Universities were available. Another reason was the difficulty which was generally faced in getting admissions in foreign Universities in time. A suggestion was made that perhaps, by keeping a waiting list of selected students on the basis of the results of the previous year, it might be possible to utilize all the scholarships provided for in a year.

There was a general feeling that a number of students in foreign countries were not being properly looked after and that they were often found suffering from lack of funds due o non-settlement of their cases resulting from the long exchange of correspondence between the Pakistani Missions abroad, Central Government and the Provincial Governments. The departmental representative explained that Education Office in the High Commission or Pakistan in U.K. and Pakistan Embassy in Washington were entrusted with the responsibility of looking after and making payments of scholarships and other dues to Pakistani students studying in those countries.

After a discussion at length, the PAC directed that (i) steps should be taken to ensure that scholarships are awarded in time so that, as far as possible, scholarships do not lapse, (ii) a strict watch should be kept so as to ensure that students studying abroad do not feel hardships due to non-payment of their scholarships and other dues; and (iii) Education Offices in Pakistani Missions abroad are advised to pay greater attention to the problems of the Pakistani students studying abroad. The PAC further directed that the desirability of appointing a Committee to look into the difficulties of the students studying abroad should be examined by the Ministry of Education and Scientific Research. The PAC desired that a report of action taken in this respect should be sumitted by the M/Education and Scientific Research to the PAC in its next meeting.

APPROPRIATION ACCOUNTS (CIVIL) 1967-68

GRANT NO. 74.—STATIONERY AND PRINTING

C.—Government of Pakistan Presses (Pages 296-297). C. 2—Pay of Establishment (Page 297).—Under this sub-head, actual expenditure of Rs. 18,74,368 was recorded against the final appropriation of Rs. 21,89,300 showing a saving of Rs. 3,14,932. The departmental representative explained that these savings were due to non-filling of certain vacant posts. The PAC felt that the Department should have surrendered the funds in time.

COMMERCIAL ACCOUNTS 1967-68

Para 386 (*Page* 347).—The working results revealed that overhead were under-recovered to the extent of Rs. 2,94,568.

Para 387. (*Page* 347).—Sundry Debtors amounted to Rs. 9,22,545 as on 30 June, 1965.

Para 394. (*Page* 356).—The working of the Press during the year 1964-65 revealed a net loss of Rs. 3,38,816. Steps should be taken to make the institution profit earning.

Para 395 (*Page* 356).—Sundry Debtors amounted to Rs. 8,68,460 as on 30th June, 1965 out of which an amount of Rs. 86,986 was outstanding from the year 1960-61.

Para 396 (*Page* 356).—An amount of Rs. 31,776 was lying under "Suspense Account" as on 30th June, 1965.

The departmental representative explained that the administrative control of the Presses had been taken over by the Printing Corporation of Pakistan as from 1st January, 1969. Prior to that the administrative control was with the Controller of Stationery and Printing now designated as Controller of Stationery and Form. The Presses are now being run on commercial lines and maximum efforts are being made to recover the over-heads on realistic basis. Since, however, the paras related to the period when the Presses were under the Controller of Printing and Stationery, exact position was known to him. The PAC directed that Audit should verify the position from the Controller of Stationery and Forms and submit a report to the PAC in its next meeting.

KASHMIR AFFAIRS DIVISION

The Public Accounts Committee then took up the examination of the accounts of the Kashmir Affairs Division which could not be completed in the meeting held on 18th August, 1970.

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF PAKISTAN ON THE ACCOUNTS OF THE CENTRAL GOVERNMENT FOR THE YEAR 1967-68

Para 86 (*Page* 61).—*Loss of Rs. 96,000 on account of wheat brought by air.*—Some wheat was packed at one airport for dropping by air at another place. The stock register of the official concerned at the other end did not show the receipt of this quantity of wheat in the Government stores. The departmental representative explained that this wheat was originally meant for Skardu which could not be air-dropped due to non-availability of the airlift. The quantity was, therefore, diverted to Gilgit where it was taken on the Stock Register of the Gilgit P.W.D. Division. The PAC directed that Audit should verify this position and submit a report in its next meeting.

Para 87. (*Page* 62).—*Loss of Rs.* 1,16,689 *due to irregular issue of material at rates lower than stock issue rates.*—Some wheat costing Rs. 1,49,587 was issued to casual labour against which recovery of Rs. 32,898 only was effected at reduced rates. The loss of Rs. 1,16,689 sustained by the Govt. was neither provided in the sanctioned estimates nor was any authority quoted for the supply of wheat at reduced or subsidised rates. The departmental representative explained that the Director of Audit and Accounts (Works) was intimated *vide* letter No. CE-7 (57)/68-NA/6637-39, dated 5th December, 1968 that the provision to issue wheat to labourers at subsidised rates existed in the approved P.C.-I. form of the Development Scheme Gilgit-Skardu Road. The details of cash vouchers through which recovery had been effected from labourers were sent to the Director of Audit and Accounts (Works) *vide* letter No. CE-7 (57)/68-NA, dated 22nd March, 1969. The Director of Audit and Accounts (Works), while acknowledging this reply, desired to get relevant records verified from Inspecting Officer next time. This could not be done because prior to the subsequent audit, the relevant records had been taken over by the Special Police in connection with a civil case, and had not been returned so far. The PAC directed that Audit should verify the position explained by the Department and submit a report in its next meeting.

Para 88 (*Page* 62).—*Non-recovery of Rs.* 80,395 *on account of cost of wheat from labourers.*—Some wheat was supplied to an Assistant Engineer for distribution amongst the labourers employed on a hilly road. The cost was to be recovered from the wages of the labourers. It was, however, found that only a part of the cost had been recovered from the labourers, leaving a balance of Rs. 80,395.

The departmental representative explained that the Divisional Accounts and site Accounts had been scrutinised and the details of accounts of wheat sent to the Director, Audit and Accounts (Works) *vide* letter No. AB/M-49/555, dated 24th September, 1970. The PAC directed that Audit should verify this position and submit a report in its next meeting.

Para 89 (*Page* 62)—*Infructuous expenditure of Rs.* 2,13,913 *due to abandonment of an irregular channel. An expenditure of Rs.* 2,13,913 *was incurred.*—On the construction of a channel in a hilly area, but the work was stopped subsequently on the ground that the channel would not be helpful for cultivation. Apparently the feasibility of the scheme was not assessed accurately before the commencement of the work. The departmental representative informed the PAC that the matter was under enquiry. The PAC directed that the enquiry should be expedited and a report in the matter submitted to it in its next meeting.

Para 90 (*Page* 62)—*Non-recovery of electric charges amounting to Rs.* 27,185.—The PAC was satisfied with the departmental explanation that they were taking action.

Para 91 (*Page* 62)—*Execution of works in the absence of technical sanction to estimates.*—The rules provide that no work should ordinarily be started until a detailed estimate therefor has been prepared and sanctioned by the competent authority. In disregard of the rules, considerable expenditure (Rs. 1,10,45,122) was incurred, in West Pakistan, on different works numbering 165, without obtaining technical sanction to their estimates during the year 1967-68. The departmental representative explained that the estimates of a large number of works have already been technically sanctioned. There are 18 works involving an expenditure of Rs. 11,07,474 which are still outstanding and efforts are being made to sanction the estimates of these remaining cases also. One of the Executive Engineers has been suspended on account of certain irregularities committed including one regarding delay in according technical sanction to the works in this case. The departmental representative further stated that a Special Enquiry was proposed to be set up to look into such cases. The PAC directed that the proposed Special Enquiry should be set up early and a report in the matter submitted to it in its next meeting.

Para 92 (*Page* 63)—*Loss of Rs.* 17,893 *due to award of contract at lower rate.*—A contract for the extraction of kuth from a Government forest was awarded to a firm in June 1963 for a period of two years through direct negotiations without calling for tenders. The rate royalty was fixed at Rs. 10 per maund as against Rs. 70 per maund approved for the outgoing firm. In spite of the fact that this irregularity was pointed out by Audit in February 1965, the Department continued to extend the contract of the firm. In November 1965, the Department invited tenders and incurred an expenditure of Rs. 3,693 on advertisement but the highest rate of Rs. 50.00 per maund of a firm was not approved and the agreement of the existing firm at the lowest rate of Rs. 10 per maund was extended up to November 1967. The extraction of kuth from 1st June, 1963 to 30th November, 1965 resulted in a loss of Rs. 14,200 to the Government. In addition, a wasteful expenditure of Rs. 3,693 was incurred on advertisement charge. The loss sustained during the subsequent period of extension of the contract had yet to be worked out by the Department.

The Departmental representative explained that legal action against the officers concerned was being taken in a Court of Law. The PAC directed that further report in regard to this matter should be submitted in its next meeting.

Para 93 (*Page* 63)—*Delay in realisation of royalty from various contractors.*—In a Forest Division, an amount of Rs. 3,02,374 on account of royalty was outstanding against various contractors in August 1967. The non-realisation of the outstanding royalty was due to the fact that the contractors were allowed to remove timber from the forest without first depositing the amount of royalty. The departmental representative explained that necessary action was being taken to realise the recoveries from the persons concerned. The PAC directed that a report in regard to the recoveries should be submitted to it in its next meeting. The PAC also directed that steps should be taken to ensure that royalities are deposited by the contractors before they are allowed to remove the timber from the forest in future.

Para 94 (*Page* 63)—*Remission of interest and delay in payment of royalty.*—In a contract executed in April 1962 for the extraction of timber for a forest, the contractors were required to pay royalty in six equal instalments and in the event of delayed payments they were liable to be charged interest upto 9 per cent. It was observed that the contractors had not made full payment. When it was pointed out by Audit, recovery on account of interest at 9 per cent for delayed payments was ordered in January 1966 by the Department. Subsequently, however, the rate of interest was lowered from 9% to 3%. Similarly in an another contract, the rate of interest for delayed payments was reduced. Yet in an another case the contractor had not made full payment of the amount due from him and neither the recovery of the outstanding amount was enforced nor was the penal interest imposed on the contractor. The departmental representative explained that, in the first case, the rate of interest was reduced by the competent authority. In the second case, the firm had incurred heavy loss in blasting rocks and building approach road and, taking these factors into account, the competent authority had reduced the rate of interest. In the 3rd case, a supplementary marking was carried out and the amount of royalty was determined accordingly which was fully recovered from the firm within the stipulated period provided in the agreement. There was thus no delay in the recovery of royalty for the supplementary marking. The penalty was, however, imposed on the firm for damages and this was fully recovered so that nothing was outstanding against the firm.

The PAC directed that audit should verify the position from the records to be made available by the Department and

Para 99 (*Page* 65)—*Unauthorised financial aid of Rs.* 25,000 *to a private party.*—Grants for rural works programme are intended to be spent on works connected with rural development. However, it was observed that, out of that fund, some amount was paid to a Co-operative Bank for construction of a bank building. The departmental representative stated that orders has already been issued to make lump sum recovery from the Co-operative Bank. The PAC directed that the amount should be recovered from the Bank expeditiously and a report in this matter submitted to it in its next meeting.

Para 100 (*Page* 65)—*Misuse of Government jeep and its unnecessary repairs.*—The PAC accepted the departmental explanation.

The Committee then took up the examination of the Appropriation Accounts (Civil) for the year 1967-68.

Grant No. 95-*Frontier Regions.*

B. Works (*Other Agencies*).

B. 2 (1)—*Buildings* (*Page* 402).—Under this sub-head, actual expenditure of Rs. 15,73,362 was recorded against the final appropriation of Rs. 2,50,000 showing an excess of Rs. 13,23,362. The departmental representative explained that the actual departmental figure of expenditure was Rs. 5,27,205. On this basis, the excess expenditure works out of Rs. 2,77,205. It was due to undertaking normal and special repairs. The PAC directed that Audit should verify this position and submit a report to it in its next meeting.

C. 5—*Subsidies—Subsidies in other Agencies* (*Page* 405).—Under this sub-head, actual expenditure of Rs. 79,713 was recorded against the final appropriation of Rs. 7,56,100, resulting in a saving of Rs. 6,76,387. The departmental representative explained that the saving was on account of non-adjustment of subsidies of food-grains purchased for northern areas. The necessary adjustment has since taken place in the AGPR's Office. PAC directed that Audit should verify this and submit a report to it in its next meeting.

Grant No. 118.—*Development Expenditure of Kashmir Affairs Division.*

Y. 1 (3)—*Grants for Rural Works Programme through Basic Democracies in Northern Areas* (*Page* 453)—*Y.* (3) (1) *Lump-sum provision of Grants for Development* (*Page* 453).—Under this sub-head, actual expenditure of Rs. 13,85,883 was recorded against the final appropriation of Rs. 15,00,000, resulting in a saving of Rs. 1,14,117. The departmental representative explained that weather conditions in Gilgit and Baltistan Agencies, particularly in winter season, handicap the execution of development schemes, with result that it was not always possible to utilise the entire amount provided in the budget. The PAC directed that budget provisions should always be made very carefully on a realistic basis with due regard to the Department's capacity to utilize the funds and to the handicaps presented by weather conditions in such areas.

Y. 2 (1)—*Development Schemes in Gilgit and Baltistan* (*Page* 453).—Under this sub-head, actual expenditure of Rs. 97,18,037 was recorded against the final appropriation of Rs. 1,09,37,500, resulting in a saving of Rs. 12,19,463. The same explanation as in the previous paragraph was offered by the departmental representative for the saving in this case. The PAC directed that such savings should be avoided and that budget provisions should be made on a realistic basis with due regard to weather handicaps and the Department's capacity to spend the funds.

Annexure II

STATEMENT NO. 1

Summary of results of Appropriation Audit

Appropriation Accounts 1966-67

(In lakhs of Rupees)

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Variation Excess (+) Saving (—)	Percentage
1	2	3	4	5	6
Other than charged					
Expenditure met from Revenue					
Civil New	20,27	32,42	21,77	— 10,65	32.85
Other..	1,04,51	1,01,89	90,95	— 10,94	1.73
Defence New	86,48	86,48	91,59*	+ 5,11	5.91
Other..	1,40,01	1,40,01	1,40,01	—	—
Posts, Telegraphs & Telephones ..	22,54	22,72	23,14*	+ 42	1.84
Total ..	3,73,81	3,83,52	3,67,46	— 16,06	4.19
Expenditure met from Capital					
Civil New	85,01	88,64	70,79	— 17,85	20.14
Other..	1,72,24	1,72,24	1,72,45	+ 21	.12
Defence	—	—	—	—	—
Posts, Telegraphs & Telephones ..	18,85	18,85	15,05*	— 3,80	2.16
Total ..	2,76,10	2,79,73	2,58,29	— 21,44	7.66
Disbursement of Loans and Advances					
New	48,33	51,68	81,43	+ 29,75	57.57
Other..	95	1,09	1,06	— 3	2.75
Total (Other than charged) ..	6,99,19	7,16,02	7,08,24	— 7,78	1.08
Charged					
Expenditure met from Revenue					
Civil	*58,50*	*59,51*	*59,43*	*— 8*	*0.13*
Posts, Telegraphs & Telephones ..	*3,00*	*3,00*	*2,50*	*— 50*	*16.67*
Total ..	*61,50*	*62,51*	*61,93*	*— 58*	*0.93*

1	2	3	4	5	6
Disbursement of Loans & Advances ..	*2,38,10*	*2,38,30*	*2,88,50*	*+ 50,20*	*21.06*
Total (Charged)	*2,99,60*	*3,00,81*	*3,50,43*	*+ 49,62*	*16.49*
Repayment of Debt	*12,20,50*	*13,99,86*	*13,64,81*	*— 35,05*	*2.50*
Total Expenditure met from Revenue ..	*4.35.31*	*4.46.03*	*4.29.39*	*— 16.64*	*3.73*
Total Expenditure met from Capital...	*2.76.10*	*2.79.73*	*2.58.29*	*— 21.44*	*7.66*
Total Disbursement of loans & Advances	*2.87.38*	*2.91.07*	*3.70.99*	*+ 79.92*	*2.75*
Total Repayment of Debt ..	*12.20.50*	*13.99.86*	*13.64.81*	*— 35.05*	*2.50*
GRAND TOTAL ..	22,19,29	24,16,69	24,23,48	+ 6,79	0.28

*The expenditure was not classified by 'New' and 'Other than New' by the Departments concerned.

Summary of results of Appropriation Audit

Appropriation Accounts 1967-68

(In lakhs of Rupees)

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Variation Excess(+) Saving (—)	Percentage
1	2	3	4	5	6
Other than Charged					
Expenditure met from Revenue					
Civil New	47,29	78,79	16,70	—62,09	78.91
Other..	1,10,03	1,09,37	1,28,51	+19,14	17.50
Defence New	—	—	—	—	—
Other..	2,19,50	2,24,50	2,20,31	—4,19	1.87
Posts, Telegraphs & Telephones ..	24,24	24,25	24,77*	+52	2.14
Total ..	4,01,06	4,36,91	3,90,29	—46,62	1.67
Expenditure met from Capital					
Civil New	1,31,78	1,32,23	1,00,74	—31,49	23.81
Other..	1,78,68	1,78,68	1,85,71	+7,03	3.93
Defence	—	—	—	—	—
Posts, Telegraphs & Telephones ..	18,35	18,35	16,75*	—1,60	8.72
Total ..	3,28,81	3,29,26	3,03,20	—26,06	7.91
Disbursement of Loans & Advances					
New	27,50	27,50	18,04	—9,46	34.40
Other..	1,21	1,21	1,49	+28	23.14
Total (Other than Charged) ..	7,58,58	7,94,88	7,13,02	—81,86	10.29
Charged					
Expenditure met from Revenue					
Civil	*68,62*	*68,88*	*68,36*	*—52*	*0.75*
Posts, Telegraphs & Telephones ..	*2,99*	*3,35*	*3,30*	*—5*	*1.49*
Total ..	*71,61*	*72,23*	*71,66*	*—57*	*0.79*

1	2	3	4	5	6
Expenditure met from Capital					
Civil	—	2	2	—	—
Posts, Telegraphs & Telephones ..	—	—	—	—	—
Total ..	—	2	2	—	—
Disbursement of Loans & Advances ..	2,80,54	2,80,54	2,55,88	—24,66	8.79
Total (Charged)	3,52,15	3,52,79	3,27,56	—25,23	7.15
Repayment of Debt	13,35,74	13,35,74	13,06,29	—29,45	2.20
Total Expenditure met from Revenue.	4,72,67	5,09,14	4,61,95	—47,19	9.27
Total Expenditure met from Capital.	3,28,81	3,29,28	3,03,22	—26,06	7.91
Total Disbursement of Loans and Advances	3,09,25	3,09,25	2,75,41	—33,84	1.94
Total Repayment of Debt ..	13,35,74	13,35,74	13,06,29	—29,45	2.20
GRAND TOTAL ..	24,46,47	24,83,41	23,46,87	—1,36,54	5.50

*The expenditure was not classified by 'New' and 'Other than New' by the Departments concerned.

STATEMENT NO. 2

Analysis of savings and excesses by main Departments, that is, Civil, Defence and Posts, Telegraphs & Telephones for each of the years 1966-67 *and* 1967-68.

Appropriation Accounts 1966-67

(In lakhs of Rupees)

	Final Grants	Expenditure	Saving (—) Excess (+)	Percentage
(*a*) As compared with Gross Grants including surrenders within the Grants.				
Civil	21,45,63	21,51,19	+5,56	0.26
Defence	2,26,49	2,31,60	+5,11	2.25
Posts, Telegraphs & Telephones	44,57	40,69	—3,88	8.70
Total	24,16,69	24,23,48	+6,79	0.28
(*b*) As compared with Net Grants excluding surrenders within the Grants.				
Civil	20,55,94	21,51,19	+95,25	4.63
Defence	2,26,49	2,31,60	+5,11	2.25
Posts, Telegraphs & Telephones	38,50	40,69	+2,19	5.68
Total	23,20,93	24,23,48	+1,02,55	4.42
Appropriation Accounts 1967-68				
(*a*) As compared with Gross Grants including surrenders within the Grants.				
Civil	22,12,96	20,81,74	—1,31,22	5.93
Defence	2,24,50	2,20,31	—4,19	1.87
Posts, Telegraphs & Telephones	45,95	44,82	— 1,13	2.46
Total	24,83,41	23,46,87	—1,36,54	5.50
(*b*) As compared with Net Grants excluding surrenders within the Grants.				
Civil	21,10,68	20,81,74	—28,94	1.37
Defence	2,24,50	2,20,31	—4,19	1.87
Posts, Telegraphs & Telephones	39,25	44,82	+5,57	14.19
Total	23,74,43	23,46,87	—27,56	1.16

STATEMENT No. 3

Analysis of the savings and excesses under Revenue, Capital and Loans and Advances.

Appropriation Accounts 1966-67

(In lakhs of Rupees

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Excess (+) Saving(—)	Percentage
1	2	3	4	5	6
Civil :					
Expenditure met from Revenues Other than Charged :					
New..	20,27	32,42	21,77	—10,65	32.85
Other..	1,04,51	1,01,89	90,95	—10,94	1.73
Charged	*58,50*	*59,51*	*59,43*	*—8*	*0.13*
Total ..	1,83,28	1,93,82	1,72,15	—21,67	11.18
Expenditure met from Capital Other than Charged :					
New	85,01	88,64	70,79	—17,85	20.14
Other..	1,72,24	1,72,24	1,72,45	+21	0.12
Charged	—	—	—	—	—
Total ..	2,57,25	2,60,88	2,43,24	—17,64	6.76
Disbursement of Loans & Advances Other than Charged :					
New	48,33	51,68	81,43	+29,75	57.57
Other..	95	1,09	1,06	—3	2.75
Charged	*2,38,10*	*2,38,30*	*2,88,50*	*+50,20*	*21.06*
Total ..	2,87,38	2,91,07	3,70,99	+79,92	27.45
Repayment of Debt	*12,20,50*	*13,99,86*	*13,64,81*	*—35,05*	*2.50*
Total—Civil ..	19,48,41	21,45,63	21,51,19	+5,56	0.26
Defence					
Expenditure met from Revenue Other than Charged :					
New	86,48	86,48	91,59*	+5,11	5.91
Other..	1,40,01	1,40,01	1,40,01	—	—
Expenditure met from Capital ..	—	—	—	—	—
Total—Defence ..	2,26,49	2,26,49	2,31,60	+5,11	2.25

1	2	3	4	5	6
Posts, Telegraphs and Telephones :					
Expenditure met from Revenue					
Other than Charged.	22,54	22,72	23,14*	+42	1.84
Charged	*3.00*	*3.00*	*2.50*	*—50*	*16.67*
Total ..	25,54	25,72	25,64	—8	0.31
Expenditure met from Capital					
Other than Charged	18,85	18,85	15,05*	—3,80	2.16
Total—Posts, Telegraphs & Telephones.	44,39	44,57	40,69	—3,88	8.70
GRAND TOTAL ..	22,19,29	24,16,69	24,23,48	+6,79	0.28

* The expenditure was not classified by 'New' or 'Other than New' by the Departments concerned.

Analysis of the savings and excesses under Revenue, Capital and Loans and Advances

Appropriation Accounts 1967-68

(In lakhs of Rupees)

1	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Excess(+) Saving(—)	Percentage
	2	3	4	5	6
Civil					
Expenditure met from Revenue Other than Charged :					
New	47,29	78,79	16,70	—62,09	78.91
Other..	1,10,03	1,09,37	1,28,51	+19,14	17.50
Charged	*68,62*	*68,88*	*68,36*	*—52*	*0.75*
Total ..	2,25,94	2,57,04	2,13,57	—43,47	16.91
Expenditure met from Capital Other than Charged :					
New	1,31,78	1,32,23	1,00,74	—31,49	23.81
Other..	1,78,68	1,78,68	1,85,71	+7,03	3.93
Charged	—	*2*	*2*	—	—
Total ..	3,10,46	3,10,93	2,86,47	—24,46	7.87
Disbursement of Loans & Advances Other than Charged :					
New	27,50	27,50	18,04	—9,46	34.40
Other..	1,21	1,21	1,49	+28	23.14
Charged	*2,80,54*	*2,80,54*	*2,55,88*	*—24,66*	*8.79*
Total ..	3,09,25	3,09,25	2,75,41	—33,84	10.94
Repayment of Debt	*13,35,74*	*13,35,74*	*13,06,29*	*—29,45*	*2.20*
Total—Civil ..	21,81,39	22,12,96	20,81,74	—1,31,22	5.93
Defence					
Expenditure met from Revenue Other than Charged :					
New	—	—	—	—	—
Other..	2,19,50	2,24,50	2,20,31	—4,19	1.87
Expenditure met from Capital ..	—	—	—	—	—
Total—Defence ..	2,19,50	2,24,50	2,20,31	—4,19	1.87

1	2	3	4	5	6
Posts, Telegraphs Telephones Expenditure met from Revenue Other than Charged	24,24	24,25	24,77*	+52	2.14
Charged	*2.99*	*3.35*	*3.30*	*—5*	*1.49*
Total ..	27,23	27,60	28,07	+47	1.70
Expenditure met from Capital Other than Charged	18,35	18,35	16,75*	—1,60	8.72
Total—Posts, Telegraphs and Telephones	45,58	45,95	44,82	—1,13	2.46
GRAND TOTAL ..	24,26,47	24,83,41	23,46,87	—1,36,54	5.50

*The expenditure was not classified by 'New' and 'Other than New' by the Departments concerned.

STATEMENT NO. 4

(*See* paragraph 3 on page 2 of the Report)

Statement showing excesses over authorised grants which require to be regularised

Appropriation Accounts 1966-67

Sl. No.		No. and Title of the Grant	Final Grant/ Appropriation	Actual Expenditure	Excess (+)
1		2	3	4	5
			Rs.	Rs.	Rs.
1.	1	Food and Agriculture Division			
		Other	31,79,000	32,19,751	40,751
2.	2	Survey of Pakistan			
		Other	1,02,00,000	1,05,11,119	3,11,119
3.	7	Rehabilitation and Works Division			
		Other	9,10,000	10,93,945	1,83,945
4.	8	Civil Works			
		Other	5,72,00,000	9,55,91,126	3,83,91,126
5.	9	Rehabilitation of Displaced Persons and Protection of Evacuee Property			
		Other	53,49,000	53,68,438	19,438
6.	10	Other Expenditure of Rehabilitation and Works Division			
		Other	2,89,000	3,10,807	21,807
7.	10-A	Capital Outlay on Purchase of Fertilizers			
		Other	..	5,220	5,220
8.	11	Capital Outlay on Purchases by Food and Agriculture Division			
		Other	1,33,40,66,000	1,34,16,66,144	76,00,144
9.	12	Cabinet Division			
		Other	85,59,000	86,41,607	82,607
10.	13	Establishment Division			
		Other	47,60,000	48,97,473	1,37,473
11.	15	Ministry of Commerce			
		Other	1,04,72,000	1,06,66,638	1,94,638
12.	16	Export Promotion and Commercial Intelligence			
		Other	28,85,000	30,70,202	1,85,202
13.	17	Other Expenditure of Ministry of Commerce			
		New	..	31,675	31,675
14.	19	Ministry of Communications			
		Other	22,64,000	23,71,354	1,07,354
15.	20	Pakistan Post Office Department — —	10,16,75,000	10,26,53,982	9,78,982*
16.	21	Pakistan Telegraph and Telephone Department .. —	12,55,23,000	12,87,45,288	32,22,288*
17.	22	Management of Chalna Port			
		Other — — ..	27,58,000	27,74,701	16,701

1		2	3	4	5
18.	24	Lighthouses and Lightships			
		Other	2,85,000	3,15,637	30,637
19.	25	Other Expenditure of Ministry of Communications			
		Other	2,81,05,000	2,82,41,576	1,36,576
20.	26	Ministry of Defence			
		Other	33,48,000	34,88,365	1,40,365
21.	29	Defence Services (New) — — —	86,48,31,000	91,58,99,748	5,10,68,748
22.	31	Archaeology and Museums			
		Other	24,33,000	25,33,417	1,00,417
23.	37	Superannuation Allowances & Pensions			
		Other	1,34,89,000	1,75,09,561	40,20,561
24.	38	Grants-in-aid and Miscellaneous Adjustments between the Central and Provincial Governments			
		Other	4,00,23,000	4,81,22,180	80,99,180
25.	39	Other Expenditure of Ministry of Finance			
		Other	5,31,000	11,16,720	5,85,720
26.	43	Taxes on Income, Corporation Tax and Sales Tax			
		Other	1,17,28,000	1,28,93,399	11,65,399
27.	47	Miscellaneous Capital Investments			
		Other	..	1,67,12,080	1,67,12,080
28.	51	Ministry of Foreign Affairs			
		Other	54,46,000	54,59,069	13,069
29.	52	Foreign Affairs			
		Other	2,92,84,000	3,07,78,441	14,94,441
30.	53	Other Expenditure of Ministry of Foreign Affairs			
		Other . . .	60,22,000	71,61,157	11,39,157
31.	60	Other Expenditure of Labour and Social Welfare Division			
		Other	4,72,000	5,14,208	42,208
32.	61	Capital Outlay on Medical Stores			
		Other	41,97,000	41,97,021	21
33.	62	Home Affairs Division			
		Other	19,88,000	20,37,312	49,312
34.	64	Police			
		Other	3,07,01,000	6,33,90,848	3,26,89,848
35.	65	Civil Defence			
		Other	4,09,000	4,16,818	7,818
36.	71	Industries			
		Other	17,61,000	17,64,132	3,132
37.	72	Department of Investment Promotion and Supplies			
		Other	72,65,000	73,73,804	1,08,804

1		2	3	4	5
38.	76	Geological Survey			
		Other	23,88,000	26,06,058	2,18,058
39.	77	Other Expenditure of Natural Resources Division			
		Other	40,000	50,000	10,000
40.	80	Pakistan Broadcasting Service			
		Other	2,23,50,000	2,34,18,440	10,68,440
41.	83	Ministry of Law and Parliamentary Affairs			
		New	9,000	71,177	62,177
		Other	14,77,000	16,09,262	1,32,262
42.	84	Other Expenditure of Ministry of Law and Parliamentary Affairs			
		Other	16,85,000	19,34,650	2,49,650
43.	90	States and Frontier Regions Division			
		Other	5,50,000	5,70,620	20,620
44.	91	Frontier Regions			
		Other	9,55,78,000	9,65,23,806	9,45,806
45.	94	Development Expenditure of Rehabilitation and Works Division			
		Other	..	87,397	87,397
46.	98	Capital Outlay on Civil Works			
		Other	58,65,000	1,71,02,388	1,12,37,388
47.	99	Capital Outlay on Rehabilitation of Displaced Persons from Kashmir			
		New	..	3,68,103	3,68,103
48.	101	Development Expenditure of Ministry of Commerce			
		Other	23,10,000	24,08,000	98,000
	103	Capital Outlay on Post Office Department	85,00,000	88,37,803	3,37,803*
49.	107	Capital Outlay on Civil Aviation			
		Other	6,10,48,000	8,92,41,350	2,81,93,350
50.	109	Development Loans and Advances by the Central Government			
		New	47,39,18,000	77,14,19,305	29,75,01,305
51.	113	Development Expenditure of Industries Division			
		Other	1,12,08,000	1,18,68,855	6,60,855
52.	116	Capital Outlay on Mineral Development			
		New	..	55,505	55,505
53.	117	Capital Outlay on Irrigation and Electricity			
		Other	..	70,473	70,473
54.	118	Capital Outlay on Fuel and Power			
		Other	5,67,05,000	5,87,68,165	20,63,165
55.	119	Capital Outlay on Broadcasting Service			
		Other	..	3,49,159	3,49,159

***The distribution of expenditure by 'New' and 'Other than New' was not intimated by the Department concerned.**

(See paragraph 3 on page 2 of the Report)

Statement showing excesses over authorised grants which require to be regularised.

Appropriation Accounts 1967-68

Sl. No.		No. and Title of the Grant	Final Grant/ Appropriation	Actual expenditure	Excess (+)
1		2	3	4	5
			Rs.	Rs.	Rs.
1.	2	Survey of Pakistan			
		Other	1,07,24,000	1,15,74,925	8,50,925
2.	5	Fisheries			
		Other	8,59,000	8,86,883	27,883
3.	7	Rehabilitation and Works Division			
		Other	9,71,000	11,44,828	1,73,828
4.	8	Civil Works			
		Other	4,90,38,000	11,53,01,956	6,62,63,956
5.	10	Other Expenditure of Rehabilitation and Works Division.			
		Other	3,07,000	3,88,873	81,873
6.	12	Capital Outlay on purchases by Food and Agriculture Division			
		Other	1,46,74,73,000	1,55,83,05,337	9,08,32,337
7.	15	Other Expenditure of Establishment Division			
		Other	11,06,000	11,33,915	27,915
8.	16	Ministry of Commerce			
		Other	1,01,82,000	1,10,06,325	8,24,325
9.	17	Export Promotion Bureau			
		Other	32,84,000	34,02,704	1,18,704
10.	21	Ministry of Communications			
		Other	19,45,000	22,64,080	3,19,080
11.	22	Pakistan Post Office Department	10,39,02,000	10,65,80,575	26,78,575*
12.	23	Telegraph and Telephone Department	13,85,69,000	14,10,78,492	25,09,492*
13.	27	Department of Shipping Control and Mercantile Marine			
		Other	10,72,000	11,24,050	52,050
14.	36	Government Colleges and Schools			
		Other	16,90,000	17,07,840	17,840
15.	40	Superannuation Allowances and Pensions.			
		Other	1,44,95,000	2,40,37,587	95,42,587
16.	41	Other Expenditure of Ministry of Finance			
		Other	5,26,000	12,60,543	7,34,543
17.	42	Grants-in-Aid and Miscellaneous Adjustments between the Central and Provincial Governments			
		Other	4,00,30,000	33,43,48,243	29,43,18,243

*The distribution of expenditure by 'New' and 'Other than New' was not intimated by the Department Concerned.

1		2	3	4	5
18.	46	Taxes on Income, Corporation Tax and Sales Tax			
		Other	1,40,05,000	1,43,20,708	3,15,708
19.	49	Central Miscellaneous Investment			
		Other	—	1,21,82,388	1,21,82,388
20.	50	Other Loans and Advances by the Central Government			
		Other	1,21,09,000	1,48,75,524	27,66,524
21.	52	Ministry of Foreign Affairs			
		Other	59,05,000	60,09,843	1,04,843
22.	57	Medical Services.			
		Other	1,28,52,000	1,28,67,451	15,451
23.	63	Home Affairs Division			
		New	33,000	88,778	55,778
24.	65	Police			
		Other	3,02,03,000	3,05,33,766	3,30,766
25.	68	Kashmir Affairs Division			
		Other	9,57,000	10,33,318	76,318
26.	71	Industries Division			
		Other	15,42,000	15,44,384	2,384
27.	74	Stationery and Printing			
		Other	2,08,57,000	2,08,64,084	7,084
28.	76	Natural Resources Division			
		Other	21,11,000	21,72,126	61,126
29.	77	Geological Survey			
		Other	27,12,000	27,57,847	45,847
30.	79	Capital Outlay on Miscellaneous Stores			
		New	4,01,000	54,75,548	50,74,548
31.	82	Press Information Department			
		Other	42,08,000	44,60,790	2,52,790
32.	83	Information Services Abroad			
		New	2,000	33,608	31,608
33.	84	Pakistan Broadcasting Service			
		Other	2,20,93,000	2,41,86,159	20,93,159
34.	85	Pakistan Television Service			
		Other	4,68,000	8,96,329	4,28,329
35.	87	Ministry of Law and Parliamentary Affairs			
		Other	16,57,000	16,57,812	812
36.	89	Economic Affairs Division			
		Other	44,98,000	45,53,794	55,794
37.	90	Technical Assistance Schemes			
		New	49,52,000	49,52,059	59

1		2	3	4	5
38.	94	States and Frontier Regions Division			
		Other	5,63,000	5,86,405	23,405
39.	95	Frontier Regions			
		Other	9,05,65,000	9,24,77,394	19,12,394
40.	98	Development Expenditure of Rehabilitation and Works Division			
		Other	..	20,264	20,264
41.	102	Capital Outlay on Civil Works.			
		Other	1,64,13,000	2,09,69,368	45,56,368
42.	103	Capital Outlay on Rehabilitation of Displaced Persons from Kashmir.			
		Other	12,10,000	13,34,234	1,24,234
43.	104	Development Expenditure of Establishment Division			
		Other	17,21,000	21,86,529	4,65,529
44.	116	Development Expenditure of Health Division			
		Other	55,01,000	3,99,60,715	3,44,59,715
45.	118	Development Expenditure of Kashmir Affairs Division			
		Other	1,99,06,000	2,14,27,204	15,21,204
46.	119	Development Expenditure of Industries Division.			
		Other	83,66,000	93,21,015	9,55,015
47.	122	Capital Outlay on Mineral Development			
		Other	1,07,07,000	1,18,13,662	11,06,662
48.	124	Capital Outlay on Fuel and Power			
		Other.	4,98,87,000	4,99,76,611	89,611
49.	130	Development Expenditure of States and Frontier Regions Division			
		Other	..	95	95
50.	131	Capital Outlay on Scientific and Technological Research			
		Other	3,62,31,000	4,65,29,800	1,02,98,800

STATEMENT No. 5

Statement showing excesses over charged Appropriations which require to be regularised 1966-67.

Sl. No.		No. and Name of Appropriation	Final Appropriation	Actual Expenditure	Excess requiring the sanction of the Government of Pakistan
1		2	3	4	5
			Rs.	*Rs.*	*Rs.*
1.	8	*Civil Works*	*4.93,000*	*5,13,753*	*20,753*
2.	20	*Pakistan Post Office Department* ..	*24,45,000*	*26,53,863*	*2,08,863*
3.	—	*Staff, Household and Allowances of the President*	*18,97,000*	*19,36,078*	*39,078*
4.	—	*Cabinet*	*8.24,00*	*8,70,524*	*46,524*
5.	—	*Central Public Service Commission.*	*13,93,000*	*14,04,790*	*11,790*
6.	—	*Debt Services*	*53,20,12,000*	*53,78,81,250*	*58,69,250*
7.	98	*Capital Outlay on Civil Works* ..	*7,000*	*33,535*	*26,535*
8.	109	*Development Loans and Advances by the Central Government* ..	*2,38,10,20,000*	*2,88,29,59,541*	*50,19,39,541*

Statement showing excesses over charged Appropriations which require to be regularised 1967-68

Sl. No.		No. and Name of Appropriation	Final Appropriation	Actual Expenditure	Excess requiring the sanction of the Government of Pakistan
			Rs.	*Rs.*	*Rs.*
1.	8	*Civil Works*	*4,94,000*	*5,35,247*	*41,247*
2.	—	*Central Public Service Commission.*	*14,58,000*	*14,81,216*	*23,216*
3.	—	*Audit*	*3,92,81,000*	*3,95,03,524*	*2,22,524*
4.	102	*Capital Outlay on Civil Works* ..	*1,75,000*	*1,75,592*	*592*

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